

APRIL 13, 2016

CARE ASSIGNS 'CARE BB-' RATING TO THE BANK FACILITIES OF SHREE AZAD TRANSPORT COMPANY PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	7.50	CARE BB- (Double B Minus)	Assigned
Total Facilities	7.50 (Rupees Seven crore and Fifty lakh only)		

Rating Rationale

The rating assigned to bank facilities of Shree Azad Transport Company Private Limited (STPL) is constrained by its low profitability margins and leveraged capital structure. The rating is further constrained by its presence in the highly fragmented & competitive industry.

The rating, however, continues to draw comfort from STPL's long track record of operations, experience of the promoters in the logistic industry, along with growing scale of operations, comfortable operating cycle and positive outlook of the industry.

Going forward, the ability of the company to improve its profitability margins while improving its capital structure shall be the key rating sensitivities.

Background

Delhi-based Shree Azad Transport Company Private Limited (STPL) was incorporated on April 20, 1993 by Mr Raj Kumar Tekriwal. The company has succeeded an erstwhile partnership firm M/s Azad Transport Agency in which Mr Raj Kumar Tekriwal and his family members were partners. The company is a logistics service provider and is engaged in providing transportation and carrier services mainly in Jharkhand, Bihar and Uttar Pradesh. STPL has 60 branches across India. The company also owns 20 warehouses in U.P., Bihar, Delhi, and Gujarat and has taken 40 warehouses on lease in Bihar, Jharkhand and U.P.

"Shree Azad Group" is a conglomerate of 4 companies with Shree Azad Transport Co. Pvt. Ltd as the flagship company. The other companies are Shree Azad Carrying Private Limited, Shree Azad Fleet Solutions Private Limited and Jai Logistics. The group has fleet size of 310 trucks out of which 60 trucks are owned by STPL. Apart from this STPL also hires vehicles from the market. The company is planning to acquire an office space in Delhi amounting to Rs.7.87 crore which will be funded by term loan and infusion of capital by the promoters.

In FY15 (refers to the period April 1 to March 31), STPL has achieved a total operating income (TOI) of Rs.101.35 crore with PBILDT and PAT of Rs.4.17 crore and Rs.1.49 crore as against total operating income (TOI) of Rs.85.69 crore with PBILDT and PAT of Rs.4.58 crore and Rs.0.73 crore in FY14. In 7MFY16 unaudited (refers to the period April 1 to October 31), the company has achieved TOI of Rs.63 crore.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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