

Rating Advisory

December 27, 2022 | Mumbai

Orissa Bengal Carrier Limited

Update as on December 27, 2022

This rating advisory is provided in relation to the rating of Orissa Bengal Carrier Limited

The key rating sensitivity factors for the rating include:

Upward factors:

- Increase in scale of operations by 30% along with improvement in operating profitability
- Sustenance of robust financial profile

Downward factors:

- Lower-than-expected topline and profitability, leading to net cash accrual lower than Rs 8 crore
- Stretch in the working capital cycle

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Orissa Bengal Carrier Limited (OBCL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If OBCL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

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The company is based in Raipur, Chhattisgarh, and has a network 45 branch offices spread across the country.

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Rating Rationale

October 26, 2021 | Mumbai

Orissa Bengal Carrier Limited

Ratings reaffirmed at 'CRISIL BBB / Stable / CRISIL A3+ '

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore (Reduced from Rs.36 Crore)
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB/Stable/CRISIL A3+' ratings on the bank facilities of Orissa Bengal Carrier Ltd (OBCL).

CRISIL Ratings has also withdrawn its rating on the Rs 3 Crore Ovedraft facility, Rs 8 Crore Cash Credit of OBCL on the request of the company and after receiving no objection certificate and no dues certificate from the respective banks. The rating action is in-line with CRISIL Rating's policy on withdrawal of its rating on bank loan facilities.

The ratings continue to reflect OBCL's established market position, diversified end-user industry base and robust financial profile. These strengths are partially offset by susceptibility to volatile input cost, intense competition and government policies in road freight transport segment.

Key rating drivers and detailed description

Strengths:

- **Established market position:** OBCL has a network of 45 branch offices spread across various regions of the country, which serve as strategic hubs for its operations. OBCL's moderate scale of operations provides it operating flexibility in an intensely competitive industry. Furthermore, it also benefits from the promoters' experience of over three decades and their strong understanding of market dynamics.
- **Diversified end-user industry base:** OBCL has longstanding relationships with its customers and suppliers. It caters to a diversified end-user industry base, which includes steel, coal, aluminum, cement, petrochemicals, paper, marble, tiles, infrastructure, textiles and fast-moving consumer goods (FMCG). A diversified end-user industry base allows the company to overcome the risk of slowdown in a particular industry and achieve higher growth.
- **Above-average financial profile:** OBCL's capital structure has been healthy because of lower reliance on external funds yielding low total outside liabilities to tangible network (TOLTNW) ratio in the range of 0.63 to 0.89 for the three years ended March 31, 2021. Furthermore, OBCL's debt protection measures have also been healthy because of leverage and healthy profitability.

Weakness:

- **Susceptibility to volatile input cost, intense competition and government policies in road freight transport segment:** Operating margin in the intensely competitive logistics industry is vulnerable to volatility in fuel prices, which in turn depends on international crude oil prices. Also, the cost structure and profitability margin are highly exposed to transport policies at state and national levels that are related to heavy vehicle and pollution.

Liquidity: Adequate

Bank limit utilisation was moderate at around 53% for the 12 months through April 2021. Cash accrual is expected to be over Rs 10 crore, which should be sufficient against term debt obligation of Rs 5.30 crore over the medium term. In addition, it will cushion the liquidity of the company. Current ratio was healthy at 2.57 times as on March 31, 2021. Low gearing and

moderate network support its financial flexibility and provide the financial cushion required in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believes OBCL will continue to benefit from the extensive experience of its promoters and established relationships with clients.

Rating sensitivity factors

Upward factors:

- Increase in scale of operations by 30% along with improvement in operating profitability
- Sustenance of robust financial profile

Downward factors:

- Lower-than-expected topline and profitability, leading to net cash accrual lower than Rs 8 crore
- Stretch in the working capital cycle

About the company

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Key financial indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	339.50	389.60
Reported profit after tax (PAT)	Rs crore	5.85	9.12
PAT margin	%	1.72	2.39
Adjusted debt/adjusted network	Times	0.38	0.40
Interest coverage	Times	5.78	6.87

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	18.0	NA	CRISIL BBB/Stable
NA	Bank guarantee	NA	NA	NA	7.0	NA	CRISIL A3+
NA	Cash credit	NA	NA	NA	8.0	NA	Withdrawn
NA	Overdraft Facility	NA	NA	NA	3.0	NA	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	29.0	CRISIL BBB/Stable		--	28-07-20	CRISIL BBB/Stable	08-07-19	CRISIL BBB/Stable		--	--
Non-Fund Based Facilities	ST	7.0	CRISIL A3+		--	28-07-20	CRISIL A3+	08-07-19	CRISIL A3+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	6	HDFC Bank Limited	CRISIL A3+
Bank Guarantee	1	Axis Bank Limited	CRISIL A3+
Cash Credit	4	HDFC Bank Limited	CRISIL BBB/Stable
Cash Credit	14	Axis Bank Limited	CRISIL BBB/Stable
Cash Credit	8	HDFC Bank Limited	Withdrawn
Overdraft Facility	3	Kotak Mahindra Bank Limited	Withdrawn

This Annexure has been updated on 26-Oct-2021 in line with the lender-wise facility details as on 4-Aug-2021 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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