

January 03, 2025

## P.B.L. TRANSPORT CORPORATION PRIVATE LIMITED: [ICRA]BB(Stable); assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund based-Term Loan	23.19	[ICRA]BB (Stable); Rating assigned
Long Term-Fund Based-Cash Credit	10.00	[ICRA]BB (Stable); Rating assigned
Long Term-Unallocated	26.81	[ICRA]BB (Stable); Rating assigned
<b>Total</b>	<b>60.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating considers P.B.L. Transport Corporation Private Limited's (PBL) established position in the transport and equipment leasing market and its reputed client base, which resulted in healthy utilisation of its fleet with 80-90% deployment. The company is expected to benefit from the Government's focus on infrastructure development and is well positioned to benefit from this trend with a fleet of 240 equipment / vehicles. The rating is, however, constrained by the relatively lower scale of operations despite healthy growth witnessed in the past three years. Moreover, its revenue growth is expected to be muted in FY2025 as subdued demand is impacting deployment. The company has sizeable replacement capex over the next two years, which is expected to result in elevated debt levels and high repayment obligations. The company's revenues are vulnerable to demand fluctuations in the end-user industries. Besides, its margins in the transportation segment remain exposed to volatile fuel prices.

The Stable outlook reflects ICRA's expectation that the company will record a steady growth in its revenues and earnings, driven by repeat orders from its established customer base.

### Key rating drivers and their description

#### Credit strengths

**Experienced promoters with established position in the transport industry and reputed client base** – PBL was established in 1995, for providing transportation and material handling services along with leasing out construction equipment. The company's client base comprises medium-to-large entities from power, steel, oil and gas, engineering, refineries and chemicals industries.

**Favourable domestic demand prospects with Government's focus on infrastructure development** – With continued focus of the Government on infrastructure development, demand for construction equipment is expected to remain buoyant over the medium term.

#### Credit challenges

**Susceptible to investment cycle in the end industry** – The construction equipment leasing segment is the major revenue contributor for the company, which finds application in large sized infrastructure and construction projects. PBL's revenues are susceptible to demand fluctuations in the end-user industries, which in turn are vulnerable to economic slowdown.

**Profitability susceptible to inflationary pressure and volatility in fuel cost** – Fuel cost is the critical variable in transportation business and any adverse price movement may impact the company’s profitability in the absence of price escalation clause in most of its contracts.

**Capital-intensive operations with need to upgrade machinery on a regular basis** – The company regularly replaces its old equipment, given the higher demand for new equipment. It incurred sizeable capex of Rs. 72-76 crore over the past two years and has debt-funded capex plans over the next two years, leading to elevated debt levels and sizeable repayment obligations. This is expected to result in modest debt coverage indicators in the near term.

### Liquidity position: Adequate

The company’s liquidity position is adequate with cash balance of Rs. 3.91 crore as on March 31, 2024 and expected retained cash flow of Rs. 20-25 crore in FY2025. Against these sources of cash, it has repayment obligations of Rs. 20-23 crore in FY2025 and has plans to incur capex of Rs. 22-24 crore in FY2025, which is expected to be funded by term loans and internal accruals.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the company’s rating if there is an increase in the scale of operations and earnings, leading to improvement in net worth, liquidity position coverage metrics. Specific credit metric, which could trigger a rating upgrade, includes DSCR above 1.2 times on a sustained basis.

**Negative factors** – The rating could witness a downward revision if any decline in revenue or profitability results in a deterioration in debt protection metrics. Further, a stretched working capital cycle, affecting the liquidity position of the company, can trigger a rating downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	NA
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of P.B.L. Transport Corporation Private Limited

### About the company

PBL Transport Corporation Private Limited (PBL), incorporated in 1995, offers transportation and material handling services of cargo, and equipment leasing. Its fleet includes trailer beds, pullers and it leases equipment such as cranes, forklifts, manlifts, etc.

### Key financial indicators

P.B.L. TRANSPORT CORPORATION PRIVATE LIMITED (Audited)	FY2023	FY2024
Operating income	65.2	88.2
PAT	7.0	10.6
OPBDIT/OI	26.5%	32.1%
PAT/OI	10.8%	12.0%
Total outside liabilities/Tangible net worth (times)	1.6	1.8
Total debt/OPBDIT (times)	3.9	3.2
Interest coverage (times)	5.6	5.8

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current year (FY2025)		Chronology of rating history for the past 3 years					
		Amount Rated (Rs. Crore)	Jan 03, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund based-Term Loan	Long Term	23.19	[ICRA]BB (Stable)	-	-	-	-	-	-
Fund Based-Cash Credit	Long Term	10.00	[ICRA]BB (Stable)						
Unallocated	Long Term	26.81	[ICRA]BB (Stable)						

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund based-Term Loan	Simple
Long Term-Fund Based-Cash Credit	Simple
Long Term-Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based-Term Loan	FY2021	-	FY2029	23.19	[ICRA]BB (Stable)
NA	Fund Based-Cash Credit	-	-	-	10.00	[ICRA]BB (Stable)
NA	Unallocated	-	-	-	26.81	[ICRA]BB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not Applicable**

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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