

R.K.Transport Co.

Instrument	Rated Amount (Rs. Crore)	Rating Action (As in October 2016)
Bank Guarantee	40.00	[ICRA]BBB- (Stable)/[ICRA]A3 re-affirmed

ICRA has reaffirmed the long term rating assigned to the Rs. 40 crore¹ non fund based bank facility of R. K. Transport Co. (RKTC) 2 at [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating assigned to the above mentioned Rs. 40 crore (fully interchangeable with long term) non fund based bank facility of RKTC at [ICRA]A3 (pronounced ICRA A three).

While reaffirming the ratings ICRA takes into account the experience of the promoters of about two decades in overburden removal and mining contract business, its reputed client base which results in low counterparty risk and presence of price escalation clause in the contracts which limits the concern's exposure to fluctuations in prices of diesel and labour. The ratings also positively factor in the entry barriers for new players on account of stringent technical and financial qualification criteria that has aided in the sustenance of healthy profitability in the past. The operating profitability for FY2016 also witnessed an improvement due to high margin contracts executed by the company in that year. The favourable outlook for the coal mining sector due to the significant capacity additions proposed for power generation translates into favourable business potential for mining service providers.

The ratings also take into account the consistent de-growth in the top- line of the entity for two consecutive years, besides execution of the large order from BCCL has not yet started and is currently under sub-judice. ICRA also takes note of the sizeable debt funded capex incurred by the entity during the last two years, a portion of which is towards the aforementioned contract with BCCL. This further exerts pressure on its large repayments falling due over the next two years. Nonetheless, the existing order book position provides revenue visibility over the next couple of years. The ratings are also constrained by the sole proprietorship constitution of the firm; any subsequent capital withdrawals from the capital account would adversely impact the net worth of the concern. Furthermore, the entity also remains exposed to the regulatory risks associated with mining operations.

With large repayments due in the near term, the ability of the firm to execute orders in a timely manner, while maintaining the operating profitability, will remain the key rating sensitivities.

Entity Profile

RKTC is sole proprietorship concern which is engaged in the contract mining including overburden removal business for about two decades. The entity is promoted by Mr. R.K. Jain, who operates the entity from its head office situated in Durg, Chhattisgarh.

Recent Results

RKTC reported a profit after tax of Rs. 9.34 crore in FY2016 on an operating income of Rs. 131.36 crore against a profit after tax of Rs. 10.11 crore on an operating income of Rs. 138.87 crore in FY2015.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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