

Press Release

Okara Roadlines

March 08, 2019

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs.10.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.10.00 crore bank facilities of Okara Roadlines. The outlook is '**Stable**'.

The Delhi-based, Okara Roadlines (OR) was acquired by Wadha family in 2000. Mr. Bhim Sain Wadhwa and Ms. Sudha Wadha are the partners. OR provides logistic and warehouse services to several sectors. Currently, the firm has 12 branches in the states of Maharashtra, Gujarat, Delhi, Haryana and Uttar Pradesh. The daily operations are being managed by Mr. Bhim Sain Wadhwa, Ms. Sudha Wadha and their son, Mr. Jigyasu Wadha.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the OR to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is managed by Mr. Bhim Sain Wadhwa who has over two decades of experience in handling various businesses. He is equally supported by his son, Mr. Jigyasu Wadhwa. The experience has helped establishing long term relations with customers.

Acuité believes that OR will continue to benefit from its established position in the market and management's vintage.

- **Moderate financial risk profile**

OR has moderate financial risk profile marked by tangible net worth of Rs.6.90 crore as on 31 March, 2018 as against Rs.5.07 crore as on 31 March, 2017. This includes unsecured loan of Rs.3.07 crore as on 31 March, 2018 which is considered as quasi equity. The adjusted gearing stood at 1.45 times as on 31 March, 2018 as against 2.16 times as on 31 March, 2017. The debt of Rs.11.65 crore consists of working capital borrowings of Rs.7.73 crore, term loan of Rs.2.28 crore and unsecured loans from promoters of Rs.1.64 crore. Interest Coverage Ratio (ICR) stood at 3.21 times in FY2018 as against 1.76 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.98 times as on 31 March, 2018 as against 2.79 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times in FY2018 as against 0.13 times in FY2017.

Acuité believes that the company will maintain its financial risk profile over the medium term in absence of significant debt-funded capital expenditure plans.

Weaknesses

- **Competitive and fragmented industry**

OR operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting the firm's margins.

Liquidity position:

OR has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.66 crore to Rs.3.41 crore during the last three years through FY 2017-18, while its maturing debt obligations stood at around Rs.0.57 crore over the same period. The firm's gross current assets (GCA) have increased to 75 days in FY2018 from 44 days in FY2017.

Outlook: Stable

Acuite believes that OR will maintain 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers improvement in the scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' if the firm's revenue declines significantly or if its financial risk profile weakens due to elongation in the working capital cycle or higher than expected debt funded capex.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 53.51 | 49.99 | 47.81 |
| EBITDA | Rs. Cr. | 4.89 | 3.40 | 3.68 |
| PAT | Rs. Cr. | 0.39 | 0.28 | 0.15 |
| EBITDA Margin | (%) | 9.13 | 6.81 | 7.69 |
| PAT Margin | (%) | 0.73 | 0.57 | 0.31 |
| ROCE | (%) | 10.93 | 12.20 | 21.93 |
| Total Debt/Tangible Net Worth | Times | 1.69 | 2.32 | 3.26 |
| PBDIT/Interest | Times | 3.21 | 1.76 | 1.82 |
| Total Debt/PBDIT | Times | 2.35 | 3.43 | 4.12 |
| Gross Current Assets (Days) | Days | 75 | 44 | 51 |

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide its press release dated December 20, 2017 had denoted the rating of OKARA ROADLINES as 'CRISIL B/Stable (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------------------|
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BB- / Stable (Assigned) |

Contacts

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About Acuité Ratings & Research:

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