Press Release

Express Roadways Private Limited

June 18, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 26.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE triple B)** on the Rs. 26.00 crore bank facilities of EXPRESS ROADWAYS PRIVATE LIMITED. The outlook is **'Stable'**.

Incorporated in 1993, ERPL is engaged in transportation, warehousing and freight forwarding business for FMCG, white goods, lubricants, tyres, oil & gas, chemical, pharmaceutical, cement, textile & paper products companies. The day to day operations are managed by its directors, Mr. Satish Kumar Gupta, Mr. Kamal Gupta and Mr. Mahendra Kumar Gupta who has experience of over two decades in logistics industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ERPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**
  ERPL commenced operations from 1993. The company is promoted by its directors, Mr. Satish Kumar Gupta, Mr. Kamal Gupta and Mr. Mahendra Kumar Gupta who possess experience of more than two decades in logistics industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that the group will continue to benefit from its experienced management and established relationships with customers.

- **Increase in scale of operations and profitability**
  The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around ~22.50 percent through the last three years ended 31 March, 2019 (Provisional). The company reported revenue growth of ~23.00 percent with operating income of Rs.540.27 crore in FY2019 (Provisional) as against operating income of Rs.440.31 crore in FY2018. The operating margins of the company stood at 13.93 percent in FY2019 (Provisional) as against 13.61 percent in FY2018. The growth is on account of the modular capex been done by the company year on year and also due to favorable impact post GST on the logistic industry.

- **Comfortable financial risk profile**
  The financial risk profile is comfortable marked by high net worth and debt protection measures and moderate gearing. The net worth of the company is high at Rs.66.49 crore as on 31 March 2019 (Provisional) as against Rs.55.96 crore as on 31 March 2018. The gearing of the company stood moderate at 2.94 times as on March 31 2019 (Provisional) as against 3.13 times as on March 31 2018. Total debt of Rs.195.49 crore consists of term loan of Rs.152.91 crore and working capital facility of Rs.42.58 crore as on 31 March 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 3.45 times as on 31 March 2019 (Provisional) as against 3.77 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 4.35 times in FY2019 (Provisional) as against 4.60 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.25 times as on 31 March 2019 (Provisional) as against 0.24 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 1.22 times in FY2019 (Provisional) as against 1.57 times in FY2018.

Weaknesses

- **Government regulations and cyclical effect from other industries**
ERPL is exposed to changes in government rules and regulations such as bharat stage - 6 which will be implemented from April, 2020 and increase in loading by 20 to 25 per cent. Further, it is also exposed to cyclical effect from other industries as company caters to various industries like FMCG, Lubricants, Automobile, etc.

- **Exposure to intense competition**
The domestic road freight transport industry has several large and small players because of low entry barrier (modest capital and technology requirements and easy access to finance for vehicles). ERPL will be exposed to risk related to intense competition because of fragmented industry which limits the bargaining power with customers.

Liquidity Position
ERPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.21.71 to 49.38 crore during the last four years through 2016-19 (Provisional), while its maturing debt obligations were in the range of Rs.16.78 to 44.83 crore over the same period. The company's working capital operations are moderate as marked by gross current asset (GCA) days of 101 in FY 2019 (Provisional). Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilized at ~65 percent during the last 6 months period ended May, 2019. The company maintains unencumbered cash and bank balances of Rs.16.96 crore as on March 31, 2019 (Provisional). The current ratio of the company stands at 1.35 times as on March 31, 2019 (Provisional).
Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual, benefits from GST, network of warehouses and modular capex nature.

Outlook: Stable
Acuité believes that the company will maintain 'Stable' outlook over the medium term on back of experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in company's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	540.27	440.31	346.74
EBITDA	Rs. Cr.	75.24	59.93	41.66
PAT	Rs. Cr.	10.55	9.40	7.13
EBITDA Margin	(%)	13.93	13.61	12.01
PAT Margin	(%)	1.95	2.13	2.06
ROCE	(%)	14.83	14.13	15.29
Total Debt/Tangible Net Worth	Times	2.94	3.13	2.43
PBDIT/Interest	Times	4.35	4.60	3.86
Total Debt/PBDIT	Times	2.60	2.93	2.67
Gross Current Assets (Days)	Days	101	116	94

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
Term loans	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB / Stable

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.