

Press Release

Express Roadways Private Limited

July 23, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 76.00 Cr. (Enhanced from Rs.26.00 crore)
Long Term Rating	ACUITE BBB / Outlook: Stable (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 21.00 crore bank facilities of Express Roadways Private Limited (ERPL). The outlook is '**Stable**'.

Also, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.55.00 crore bank facilities of Express Roadways Private Limited (ERPL). The outlook is '**Stable**'.

Incorporated in 1993, Express Roadways Private Limited (ERPL) is engaged in transportation, warehousing and freight-forwarding business in FMCG, white goods, lubricants, tyres, oil & gas, chemical, pharmaceutical, cement, textile & paper products companies. The day to day operations is managed by its directors, Mr. Satish Kumar Gupta, Mr. Kamal Gupta and Mr. Mahendra Kumar Gupta.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of ERPL to arrive at the rating.

Key Rating Drivers

Strengths

- Long track records 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 the logistics industry. The extensive experience has enabled the company to forge healthy relationships with customers which includes MRF Limited, ITC Limited, Blue Star Limited, Glaxo Smithkline, Hindustan Lever Limited, Indian Oil Corporation Limited, to name a few. It has also been able to maintain a healthy relationship with its suppliers.

Acuite believes that the company 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 ~16.80 percent through the last three years ended 31 March, 2020. The company reported revenue growth of ~11.45 percent with operating income of Rs.600.70 crore (Provisional) in FY2020 as against operating income of Rs.538.98 crore in FY2019. The operating margins of the company marginally declined to 12.83 percent (Provisional) in FY2020 from 13.49 percent in FY2019.

Acuite believes that since the COVID-19 has impacted logistics industry immensely, the revenues of the company will remain muted in FY2021.

- Moderate working capital operations**

The company has moderate working capital operations marked by Gross Current Assets (GCA) of 93 days (Provisional) in FY2020 as against 96 days in FY2019. The inventory and debtor levels stood at 1 and 82 days (Provisional) as on March 31, 2020 as against 1 and 80 days as on March 31, 2019, respectively. As a result, the average utilisation of bank limits stood at ~70 per cent in the last six months ending June, 2020.

Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of high debtor days. This is majorly due to the time taken for transit, process to raise the bill, quality check from the clients and credit periods of respective companies.

Weaknesses

• Government regulations and cyclical effect from other industries

ERPL is exposed to changes in government rules and regulations such as Bharat Stage - 6. 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 the 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 the fragmented industry which limits the bargaining power with customers.

Liquidity Position: Adequate

ERPL has adequate liquidity, marked by adequate net cash accruals for its maturing debt obligations. The company generated cash accruals of Rs. 52.76 crore (Provisional) in FY2020, Rs. 51.70 crore in FY2019 and Rs. 41.88 crore in FY2018. Its maturing debt obligation in FY2020 was Rs. 42.39 crore (Provisional), Rs.41.31 crore in FY2019 and Rs.37.25 crore in FY2018. The company's working capital operations are intensive as marked by Gross Current Asset (GCA) of 93 days (Provisional) in FY2020. Further, the reliance on working capital borrowing is moderate; the cash credit limit in the company remains utilised at around 70 percent during the last 6 months period June, 2020. The company maintains unencumbered cash and bank balances of Rs.1.31 crore (Provisional) as on 31 March 2020. The current ratio of the company stood at 1.35 times (Provisional) as on 31 March 2020.

Acuite believes that the liquidity position of the company will remain adequate in the near term on the back of healthy net cash accruals and absence of any debt-funded capex.

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is a 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.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Significant improvement in financial risk profile and working capital operations of the firm.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	600.70	538.98
Profit after tax (PAT)	Rs. Crore	13.16	11.03
PAT margin	%	2.19	2.05
Total debt / Tangible Net worth	Times	2.24	2.75
PBDIT / Interest	Times	4.48	4.19

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jun-2019	Term Loan	Long Term	25.00	ACUITE BBB/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB/Stable (Assigned)

*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 Loan	25-05-2019	8.75%	25-02-2024	18.33	ACUITE BBB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE BBB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.67	ACUITE BBB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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