

## Press Release

Express Roadways Private Limited

September 06, 2021



### Rating Upgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs.83.00 Cr. (Enhanced from Rs.76.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB+/Outlook: Stable (Upgraded)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB+**' (**read as ACUITE triple B plus**) from '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs 83.00 Cr. bank facilities of Express Roadways Private Limited (ERPL). The outlook is '**Stable**'.

The rating upgrade reflects a substantial improvement in the overall business risk profile of the company. The improvement in the business risk profile is visible from their increased scale of operation in FY2021 as compared to the preceding years due to increase in transport orders along with addition to customer profile. Financial risk profile is likely to remain modest over the medium term marked by moderate capital structure and adequate debt protection metrics.

### About the rated entity

Incorporated in 1993, Express Roadways Private Limited (ERPL) is a Delhi based company and is engaged in transportation, warehousing and freight-forwarding business in FMCG, white goods, lubricants, tyres, oil & gas, chemical, pharmaceutical, and 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

Acuité 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 and managed by professionals 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.

Acuité 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 reported growth in revenues as reflected in income of Rs.617.66 crore (prov.) in FY2021 as against operating income of Rs.604.79 crore in FY2020. The operating margins of the company also improved marginally to 13.28 percent in FY2021 (prov.) from 12.88 percent in FY2020. The company has achieved revenues of about Rs.155 crore from Apr-Jun 2021 (Prov). The company also added new customers to its profile in FY2021.

Acuite believes that since the COVID-19 has impacted logistics industry immensely, the revenues of the company will grow at a marginal level over the near term.

- **Modest financial risk profile:**

The financial risk profile is comfortable marked by healthy net worth, modest capital structure and adequate debt protection measures. The net worth of the company is adequate at Rs.100.09 crore as on March 31, 2021 (prov.) as against Rs.79.42 crore as on March 31, 2020. The gearing of the company stood moderate at 1.47 times as on March 31, 2021 (prov.) as against 2.29 times as on March 31, 2020. Total debt of Rs.160.86 crore consists of term loan of Rs.99.10 crore (including CPLTD), short term facility of Rs.58.04 crore, and unsecured loans of Rs.3.72 crore. Total outside liabilities/tangible net worth (TOL/TNW) stood moderate at 1.82 times as on March 31, 2021 (prov.) as against 2.69 times as on 31 March, 2020. Interest coverage ratio stood at 5.31 times in FY2021 (prov.) as against 4.39 times in FY2020 and NCA/TD stood at 0.34 times as on March 31, 2021 (prov.) as against 0.29 times as on 31 March, 2020. Acuite believes that the financial risk profile of the company will continue to remain modest due to adequate scale of operations and net cash accruals.

#### **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.

#### **Rating Sensitivities**

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

#### **Material Covenants**

None

#### **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.57.69 crore in March 2021 (prov.) as against Rs. 53.50 crore in FY2020 and Rs. 51.70 crore in FY2019. Net cash accruals are likely to remain in range of Rs.62.00-80.00 crore during FY22-24. The company's working capital operations are intensive as marked by Gross Current Asset (GCA) of 113 days in March 2021 (prov.). The current ratio of the company stood at 1.50 times as on March 31, 2021 (prov.). 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.

#### **About the Rated Entity - Key Financials**

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	617.66	604.79
PAT	Rs. Cr.	26.24	13.15
PAT Margin	(%)	4.25	2.18
Total Debt/Tangible Net Worth	Times	1.47	2.29
PBDIT/Interest	Times	5.31	4.39

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

Not Applicable

**Any other information**

None.

**Applicable Criteria**

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-50.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
24-Jul-2020	Term Loan	Long Term	18.33	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE BBB/Stable (Assigned)
	Proposed Bank Facility	Long Term	2.67	ACUITE BBB/Stable (Reaffirmed)
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 Lender	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE BBB+/Stable (Upgraded)
ICICI Bank	Overdraft	Not Applicable	Not Applicable	Not Applicable	8.85	ACUITE BBB+/Stable (Assigned)
Bank of Baroda	Term Loan	May 2019	8.75	Feb 2024	19.15	ACUITE BBB+/Stable (Upgraded)

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**About Acuité Ratings & Research:**

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