

Press Release

Express Roadways Private Limited

November 24, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	83.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	83.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for Reaffirmation

The rating considers the stable operating risk profile reflected in the revenues for FY2022. The revenues for FY2022 stood at Rs.722 Cr. against Rs. 606 Cr. in FY2021 and Rs. 604 Cr. in FY2020. The increase in FY2022 is primarily driven by increase in transport orders from existing customers along with additions to customer profile. Further, the rating continues to draw comfort from ERPL's experienced management along with its comfortable financial risk profile which is likely to remain moderate over the medium term marked by moderate capital structure and adequate debt protection metrics. The rating is however is constrained on account of exposure to government regulations and its direct effect on ERPL's operating margins. Also, the rating imparts a negative bias because of ERPL's exposure to the intense competition along with cyclical nature of the industry it operates in. Effective measures for cost control thereby ensuring timely collection of receivables will remain key monitorable.

About the Company

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 company has a fleet of around 1200 owned trucks as on March 2022. The day to day operations are managed by its directors, Mr. Satish Kumar Gupta, Mr. Kamal Gupta and Mr. Mahendra Kumar Gupta. ERPL majorly operates on the north-west, north-south, west-south, south-west and west to east routes in particular, Delhi – NCR, Ambala – Panipat, Rudrapur – Haridwar, Amritsar – Ludhiana, Mumbai – Pune – Vapi – Baroda, Vizag, Bangalore, Karnataka, Chennai, Kolkata, Guwahati, etc.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management, long track record of operations and reputed clientele

ERPL commenced operations in 1993. The company is promoted and managed by professionals who possess experience of more than two decades in the logistics industry. Mr. Mahendra Kumar Gupta has worked in the similar business line for over two decades. Mr. Satish Kumar Gupta has a considerable experience working for a transportation company. Further, Mr. Kamal Gupta was also involved in another transportation business under the name Express Road Carrier Private Limited. The extensive experience of the promoters has enabled the company to forge healthy relationships with big customers which include names like MRF Limited, ITC Limited, Blue Star Limited, Glaxo Smithkline, Hindustan Lever Limited, Indian Oil Corporation Limited, etc. This has also enabled the company in maintaining healthy relationship with its suppliers.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with its reputed customers.

Improved scale of operations and comfortable financial risk profile

The company has reported substantial growth in its revenues which stood at Rs.722.13 crore in FY2022 as against Rs.606.74 crore in FY2021. The growth is driven by long standing relationship with its clients reflected by repetitive orders along with increase in its fresh orders. Further, the financial risk profile of ERPL is comfortable marked by adequate net worth, moderate capital structure and adequate debt protection measures. The net worth of the company stood at Rs.121.40 crore as on March 31, 2022 as against Rs.95.95 crore as on March 31, 2021. The gearing stood improved at 1.28 times as on March 31, 2022 as against 1.80 times as on March 31, 2021. Total debt of Rs.154.80 crore consists of term loan of Rs.89.58 crore (including CPLTD), short term facility of Rs.50.21 crore, and unsecured loans of Rs.15.01 crore. Total outside liabilities/tangible net worth (TOL/TNW) stood moderate but improved at 1.61 times as on March 31, 2022 as against 2.15 times as on 31 March, 2021. Interest coverage ratio stood at 5.54 times in FY2022 as against 4.89 times in FY2021. Further DSCR stood moderate at 1.11 times in FY2022 against 0.96 times in FY2021.

Acuite believes that the financial risk profile of the company will continue to remain comfortable over the medium term.

Weaknesses

Exposure to government regulations.

ERPL is exposed to changes in government rules and regulations which majorly includes changes to the fuel cost. Any change in the fuel cost is directly linked to ERPL's profitability. During FY2022, the company's EBITDA margins declined marginally and stood at around 9.47 percent against 12.58 percent in FY2021 due to an increase in the fuel cost. However, the company has effectively maintained its PAT margin levels through restricted utilisation of outside limits thereby reducing interest costs. Further, ERPL has also been able to effectively collect its receivables reflected in its reduced debtor days of 83 in FY2022 against 103 in FY2021 thereby limiting its reliance on outside limits and reducing the overall cost. Moreover, the company also maintains an escalation clause in all its contracts with regards to the changes in the fuel rates which is generally revised every quarter in a year.

Exposure to intense competition along with cyclical nature of the industry.

The domestic road freight transport industry has several large and small players because of the lower entry barriers (modest capital and technology requirements along with easy access to finance for vehicles). This creates intense competition leading to fragmented industry which limits the bargaining power with customers. Further, ERPL is also exposed to cyclical effect from other industries as it caters to various segments including FMCG, Lubricants, Automobile, etc and ERPL's growth is dependant on the demand from end users of this industry.

Rating Sensitivities

- Improvement in the scale of operations thereby maintaining operating margins
- Improvement in the debt coverage indicators

- Timely collection of the receivables

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.48.46 crore in March 2022 as against Rs. 53.46 Cr in FY2021. The accruals have deteriorated marginally owing increase in the fuel costs. Further the obligations stood at around Rs.43 Cr for FY2022 and NCA/TD stood at around 0.31 times. The company maintained unencumbered deposits with bank to the tune of Rs. 15 Cr as on March 31, 2022. Net cash accruals are likely to remain in range of Rs.53.00-60.00 crore during FY23-24. The company's working capital operations are intensive as marked by Gross Current Asset (GCA) of 89 days during FY2022. However the reliance on the bank limits are limited with around 50 percent utilisation during the last six months ended in October 2022. The current ratio of the company stood at 1.62 times as on March 31, 2022.

Acuite believes that the liquidity position of the company will remain adequate in the near term on the back of adequate net cash accruals.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term basis 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 along with its profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of substantial deterioration in its profitability margins and weakening of its capital structure and debt protection metrics.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	722.13	606.74
PAT	Rs. Cr.	25.45	22.10
PAT Margin	(%)	3.52	3.64
Total Debt/Tangible Net Worth	Times	1.28	1.80
PBDIT/Interest	Times	5.54	4.89

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is

different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Sep 2021	Cash Credit	Long Term	55.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	8.85	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	19.15	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.85	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	May 25 2019 12:00AM	8.75	Feb 25 2024 12:00AM	Simple	19.15	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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