



Press Release
EXPRESS ROADWAYS PRIVATE LIMITED
October 06, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	84.65	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	83.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	167.65	-	-

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**'.

Acuite has assigned the long term rating of '**ACUITÉ BBB+**' (read as **ACUITE triple B plus**) on the Rs 84.65 Cr. bank facilities of Express Roadways Private Limited (ERPL). The outlook is '**Stable**'.

The rating takes into account the stable operating performance and comfortable financial profile of ERPL. The operating income of ERPL has been consistently growing since the last two years from FY2022. The Company's revenue stood at Rs.781.58 Cr in FY2023(Prov.) as against Rs. 722.13 Cr in FY2022. The operating margins ranged between 9.47- 9.69 percent for the last two years ended FY2023 (Prov.). The financial risk profile of ERPL continues to be comfortable with comfortable debt protection metrics and low gearing. The overall gearing of the Company stood at 1.08 times as on March 31, 2023(Prov.) as against 1.28 times as on March 31, 2022. The interest coverage ratio stood at 6.70 times in FY2023(Prov.) as against 5.57 times in FY2022.

The rating continues to derive strength from the experienced management, long track record of operations and reputed clientele, comfortable financial risk profile and moderate Working capital operations. The rating albeit is constrained by exposure to intense competition along with cyclical nature of the industry.

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

Acuité 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.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by adequate net worth, moderate capital structure and adequate debt protection measures. The net worth of the company stood at Rs.153.46 Cr and Rs.121.40 Cr as on March 31, 2023(Prov.) and 2022 respectively. Gearing ratio stood at 1.08 as on March 31, 2023 as against 1.28 as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 6.70 times and 1.34 times as on March 31, 2023 (Prov.) respectively as against 5.54 times and 1.09 times as on March 31, 2022 respectively. Tol/TNW stood at 1.33 times as on March 31, 2023(Prov.) as against 1.61 times as on March 31, 2022. The debt to EBITDA of the company stood at 2.16 times as on March 2023 as against 2.23 times in FY2022. Acuite believes that the financial risk profile of the company will continue to remain comfortable over the medium term.

- **Moderate Working capital operations**

ERPL's has moderate working capital operations marked by gross current assets of 92 days in FY2023(Prov.) as against 89 days in FY2022. The GCA is dominated by debtor days as the company is into logistical business and hence inventory days are minimal. Inventory days stood at 1 days as on March 31, 2023(Prov.) as against 1 days as on March 31, 2022. The debtor day stood at 82 days as on March 31, 2023 as against 83 days as on March 31, 2022. Debtor days are high due to time taken in transportation, process to raise the bill, quality check and credit periods of respective companies. Further the fund based bank limits utilization of ERPL is 46 percent for fund based and 80 percent for non-fund based respectively for the past 12 months ending July 2023.

Weaknesses

- **Government regulations and cyclical effect from other industries**

ERPL is exposed to changes in government rules and regulations. 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.
- Timely collection of the receivables

All Covenants

None

Liquidity Position: Adequate

ERPL's Liquidity is adequate with adequate NCAs to its repayment obligations. ERPL generated cash accruals of Rs.56.65 Cr during FY2023 (Prov.), while its maturing debt obligations are Rs.38.30 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.67-77 Cr during FY2024-25 while their repayment obligations are Rs. 30-32Cr during the same period. The Company has maintained unencumbered cash and bank balances Rs.6.31 Cr and the current ratio stood at 1.98 times as on March 31, 2023(Prov.). Acuité expects that the liquidity of the company is likely to be Adequate over the medium term on account of adequate cash accruals.

Outlook: Stable

Acuité 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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	781.58	722.13
PAT	Rs. Cr.	32.06	25.45
PAT Margin	(%)	4.10	3.52
Total Debt/Tangible Net Worth	Times	1.08	1.28
PBDIT/Interest	Times	6.70	5.54

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
24 Nov 2022	Term Loan	Long Term	19.15	ACUITE BBB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE BBB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	1.85	ACUITE BBB+ Stable (Reaffirmed)
06 Sep 2021	Term Loan	Long Term	19.15	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	55.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	8.85	ACUITE BBB+ Stable (Assigned)
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)

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	50.00	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.85	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.15	ACUITE BBB+ Stable Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.50	ACUITE BBB+ Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	25 May 2019	8.75	25 Feb 2024	Simple	19.15	ACUITE BBB+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	40.00	ACUITE BBB+ Stable Assigned

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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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