



Press Release
EVEREST FLEET PRIVATE LIMITED
September 06, 2022
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE BBB-' (read as 'ACUITE triple B minus') on the Rs.100.00 Cr. long term bank facilities of Everest Fleet Private Limited (EFPL). The Outlook is 'Stable'.

Rationale for rating assigned

The rating assigned takes into account the experience of the management EFPL's adequate capital structure and comfortable coverage indicators. It also takes into account the improvement in revenues during FY2022 and Q1FY2023 on account of the expansion and additions in the fleet. EFPL has reported revenues to the tune of Rs. 81.27 Cr. during Q1FY2023 while it had reported revenues to the tune of Rs. 109 Cr during entire FY2022. The rating also draws comfort from the company's ability to raise equity in phases with Rs. 7.75 Cr. in August 2019, Rs. 11.42 Cr. in January 2022 and Rs. 45 Cr. during May 2022. However, the limited track record of EFPL post operating at expanded scale acts as a constraining factor. Further, the company also has plans of aggressive expansion which will be partially funded by debt leading to increase in its repayment obligations. Hence, company's ability to successfully scale up and stabilize its operations will be key for it to generate operating cash flows commensurate with its repayment obligations over the medium term.

About Company

EFPL was incorporated in October 2018 by Mr. Siddhartha Ladsariya, and Mr. Prihans M. Dedhiya. The company is into the business of providing fleet management services, in which the company typically procures cars and deploys them on cab aggregator platforms such as Uber and Ola. Currently, the company has a total fleet mix of around 4116 cars and is the largest fleet service provider to Uber in India. The company has its registered office in Mumbai Maharashtra.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered consolidated financial and business risk profile of Everest Fleet Private Limited & Everest Fleet North Private Limited in order to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Leadership

EFPL was incorporated in October 2018 by Mr. Siddharth Ladsariya and Mr. Prihans Dedhiya. Mr. Siddharth Ladsariya, is a Computer Science Engineer & MBA from University of Rochester, USA. He is an Active Angel Investor with 150+ investments in unicorns like OYO etc. He has also been recognized by AsiaOne as 40 Most Influential Asians Under 40. Mr. Prihans Dedhiya, is a Management Graduate from Chetna College, Mumbai and has about 8 years of experience. The team is led by expert management and supported by experienced operations team which is a mix of Engineers, MBAs & CAs. With expertise and professional management EFPL has become the largest fleet service provider to Uber in India in four years of time.

Acuité believes that EFPL's seasoned Management will continue to benefit the company over the medium term.

Comfortable financial risk profile

The financial risk profile of the company remains moderate with moderate capital structure and comfortable coverage indicators. The company has undertaken a sizeable expansion in its fleet from 820 cars in FY2021 to 3160 cars in FY2022 which has led to increase in its debt. Its debt increased to Rs. 22.76 Cr. as on March 31, 2022 against Rs. 14.01 Cr. as on March 31, 2021. However, it has not led to any increase in its gearing as the company has raised funds to the tune of Rs. 7.75 Cr. in August 19 (by issue of CCPS), Rs.10.30 Cr. in January 2022 (by Rights issue), and Rs. 45 Cr. (by issue of CCPS) during May 2022. The net worth of the company has stood at Rs. 28.82 Cr. as on March 31, 2022 against Rs. 5.91 Cr. as on March 31, 2021. Gearing improved to around 0.79 times as on March 31, 2022 as compared to a high gearing of 2.37 times as on March 31, 2021. Going forward the company has aggressive expansion plans which will lead to substantial addition of debt in next two years. However, the EFPL's capital structure is expected to remain comfortable given that EFPL has also raised funding. Going forward, the gearing is expected to remain around 1.20-1.26 times for FY23 & FY24. The debt protection metrics is comfortable marked by ICR of around 11.59 times and DSCR of around 1.81 times during FY2022 against ICR of 3.19 times and DSCR of 3.19 times in FY2021. Going forward EFPL's ability to successfully scale up and stabilize its operations will remain a key for coverage indicators to remain stable.

Weaknesses

Evolving business model and limited track record of operations

EFPL began with its operations in 2018 with 49 cars and gradually expanded it to 720 cars in 2020 and 820 cars in 2021. Out of the three years in which EFPL was fully operational, FY2021 was largely affected by disruptions related to COVID 19. After coming out of the lockdowns EFPL has aggressively expanded in the later half of FY2022 by increasing its fleet three times to 3160 cars and further to 4000 plus cars in Q1FY2023. EFPL has operated for a limited period post its large-scale expansion. It largely operates in Mumbai and with some presence in Bengaluru, Delhi, Hyderabad and Kolkata. It has expanded using three key models. Of the total revenue earned on a trip around 20 percent is charged as a commission by the cab aggregators for running the cars on their platform and rest is transferred to EFPL. Further, this gets divided in a 60:40 ratio between EFPL and its drivers. Driver payments are settled on a weekly basis and 60 percent of his every trip fare is transferred to him which includes CNG cost as well. Additionally EFPL also has an operating lease model for retail HNI investors which offers them a fixed IRR or variable revenue payouts on a monthly basis. Accordingly, monthly rentals either fixed or variable are made to the investors as per the agreements which becomes an aggregation cost for EFPL. EFPL revenues of Rs. 81.27 Cr. during Q1FY2023, against Rs.109 Cr in FY2022 after stagnating at around Rs. 36 Cr. in FY2021 and FY2020. While its fleet has gone from 720 in FY2020 to 820 in FY2021 to 3160 in FY2022 and 4000 plus in Q1FY2023. Post expansion, its revenue per car has gone up to Rs 5.48 lacs in FY2022 from 3.87 lacs in FY2021. Going forward EFPL plans to further expand its fleet aggressively which will be partially funded by debt and rest through its off-balance sheet model. Its repayment obligations are expected to be in the range of Rs. 10 Cr. and around Rs. 68 Cr in the coming FY2023 & FY2024. EFPL's ability to generate cashflows commensurate with its repayment obligations will be based on its ability to scale up its operations by maintaining adequate car utilisation, per car revenue & costs, driver retention & expansion and its relations with Uber. It will also be affected external by factors such as growth in vehicle sales taking away overall

traffic from cab aggregators. EFPL has only been operating at this scale for the past 5 months and has a very limited track record of operation. Any adverse impact on the scale up and stabilization of operations will be key rating sensitivity.

Structural problems within ride hailing industry resulting in high attrition and unavailability of stable driver base and presence in price sensitive market exposing it to regulatory risk

Adding new drivers and retaining them remains challenging till date for the ride hailing industry given the unorganised and competitive market. Mostly cab aggregator companies prefer hiring drivers on contractual basis as it works out well for the companies. It can start operating in new markets easily and don't need to concern itself with employer-employee laws and the related responsibilities and obligations. Further, this gives drivers the freedom to work when they want, for as many hours as they want and also quit anytime leading to low driver to vehicle ratio leading to asset being under utilized. However, in an effort to reduce this gap, EFPL has created a driver centric operation which focusses on rural recruitment drives and driver referral alongside online recruitment portals. However maintaining a stable driver base for having adequate driver-vehicle ratio will remain key monitorable. Further, the operations of the industry are price sensitive and highly susceptible to fuel prices and other inflation inputs which may expose the company to regulatory risks.

Rating Sensitivities

- Maintaining sustainable growth in revenues and operating margins.
- Addition of fleet without addition of significant debt in books.
- Maintenance of stable driver base along with controlling cost drivers including repairs and maintenance costs.

Material Covenants

None

Liquidity Position Adequate

The liquidity of EFPL is currently adequate to meet its maturing obligations. The NCA stood at Rs. 12.20 Cr. as on March 31, 2022 against obligations close to Rs. 6 Cr. during the same period. Going forward NCA is expected to remain in the range of Rs. 50-87 Cr. for FY2023 and FY2024 against the maturing obligations of Rs 10 Cr.- 68 Cr. Further, NCA/TD for FY2022(Prov.) stood at 0.52 times. Going forward, NCA/TD to stand in the range of 0.45-0.55 times. The company reported Current ratio at 1.66 times as on March 31, 2022.

Outlook: Stable

Acuité believes that EFPL will maintain 'Stable' outlook on account of significant increase in its fleet count ensuring stable revenues over the medium term. The outlook may be revised to 'Positive' if significant ramp-up in operations and fleet optimisation leads to a sustainable increase in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if lower-than-expected revenue and profitability is reported leading or any deterioration in the financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	109.51	36.26
PAT	Rs. Cr.	11.48	(1.95)
PAT Margin	(%)	10.49	(5.38)
Total Debt/Tangible Net Worth	Times	0.79	2.37
PBDIT/Interest	Times	11.59	3.19

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.41	ACUITE BBB- Stable Assigned
IDFC First Bank Limited	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	2.32	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	36.22	ACUITE BBB- Stable Assigned
Cosmos Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.00	ACUITE BBB- Stable Assigned
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	4.96	ACUITE BBB- Stable Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.18	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	1.74	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	1.05	ACUITE BBB- Stable Assigned
Mahindra & Mahindra Financial Services Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	22.12	ACUITE BBB- Stable Assigned
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	17.13	ACUITE BBB- Stable Assigned
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	1.47	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.04	ACUITE BBB- Stable Assigned

Mahindra & Mahindra Financial Services Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.88	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	2.34	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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