Western Carriers (India) Limited

March 16, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	124.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	5.00	CARE A3+; ISSUER NOT COOPERATING* (A Three Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**129.00 (Rs. One Hundred Twenty-Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Western Carriers (India) Limited (WCIL) to monitor the ratings vide e-mail communications dated October 09, 2020, February 12, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, WCIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on WCIL's bank facilities will now be denoted as **CARE BBB+; Stable/CARE A3+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings derive strength from the long experience of the promoters in the industry, established long-term relationship with reputed customer base, diversified portfolio of services and satisfactory logistic infrastructure. The ratings also factor in the improvement in financial performance in FY20 (refers to the period April 01 to March 31) marked by improvement in operating profitability, capital structure and debt coverage indicators. The ratings, however, remain constrained by the exposure to volatility in fuel prices, working capital intensive nature of operation leading to high utilization of working capital limits and dependence on the growth of the economy. The ratings also take note of the increase in exposure to group companies.

Detailed description of the key rating drivers

At the time of last rating on December 31, 2019 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Strengths

Experienced promoters

The promoter of WCIL, Mr. Rajendra Sethia is engaged in multi modal logistics services (road, rail and river transport, custom house agency, storage and warehousing) for more than three decades. The day-to-day operations of the company are being managed by Mr. Rajendra Sethia and his son, Mr. Kanishka Sethia.

Established long term relationship with reputed customers

WCIL has a diversified and strong client base from which it has been receiving regular orders, most of which is long-term in nature (ranging from 1-3 years). The company provides logistics services to diversified sectors like FMCG, steel, aluminum, pharmaceuticals, oil etc., which insulates the company from slowdown in a particular industry to some extent.

Well diversified portfolio of services and wide distribution of network & warehouse

WCIL is engaged in multi modal logistics business and provides a wide range of services including transportation services, third party logistics, custom house clearing agent, C&F agent, warehousing etc. The operations are spread across the country through 75 branch offices and 19 warehouses. As on November, 2019, WCIL had owned fleet of 461 trucks, trailers and equipment's which includes forklifts, cranes, hoppers. The company also relies heavily on hired fleet to meet its requirements.

Improved financial performance in FY20

WCIL's operating income remained at a similar level at Rs.1071 crore in FY20 (Rs.1036 crore in FY19). PBILDT margin witnessed improvement and stood at 7.01% in FY20 as against 5.18% in FY19. Interest coverage ratio also improved to 6.08x in FY20 as against at 4.08x in FY19 on account of higher PBILDT and lower interest cost.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Improvement in capital structure

WCIL's capital structure (considering redeemable preference shares issued to promoters as debt) improved with improvement in overall gearing ratio from 1.74x as on March 31, 2019 to 0.85x as on March 31, 2020 due to accretion of profit to reserve and reduction in the bank borrowings in FY20.

Total debt/GCA also improved to 2.01x as on March 31, 2020 (4.41x as on March 31, 2019).

Key Rating Weaknesses

Exposure to volatility in fuel price

WCIL's profitability is susceptible to volatility in input prices (fuel and handling charges) as it is one of the major cost drivers of the company and highly volatile in nature. However, the company has a price escalation clause in most of the long-term contract with its customers, where the increase or decrease in the diesel prices is passed on to the customers based on an agreed formula. As a result, the risk attached to volatility in fuel prices gets mitigated to an extent.

Working capital intensive nature of operation

Logistics and transportation is a high volume low margin business with high competition. Hence, the bargaining power with the client is low and the payment to the channel partners have to be made upfront. In light of this fact, high credit period is provided to customers which results in high working capital requirement. The same is financed through a mix of creditors and bank borrowings and working capital utilization remains high.

Exposure to group companies

WCIL has exposure to group entities in the form of investments and advances totalling Rs.38.82 crore as on March 31, 2020 (forming around 33% of the networth) as against Rs.25.62 crore as on March 31, 2019 (forming around 30% of the networth).

Dependence on growth of the economy

Logistics, including freight management, is the most critical component of the supply chain which facilitates the manufacturing and domestic & international trading businesses. It is also highly dependent on the growth prospects of the economy. The prospect for road transportation remains stable in view of infrastructure growth prospects.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of non-cooperation by issuer
Criteria on assigning outlook and credit watch to credit ratings
CARE's policy on default recognition
Rating Methodology- Service Sector Companies
Financial Ratios- Non-financial sector
Criteria on short-term instruments

About the Company

WCIL was set up as a sole proprietorship firm in 1976 by Mr. Rajendra Sethia for carrying out logistics services. In July 2013, the firm was converted into a limited company, WCIL. The company is engaged in multi modal logistics services (road, rail and river transport, custom house agency, storage and warehousing) and operates across the country. It has expertise in aspects of logistics like freight forwarding, shipping, air cargo, trucking, clearance, storage, C&F and distribution and civil works.

Brief Financials (Rs. crore)	**FY19 (A)**	**FY20 (A)**
Total operating income	1036.13	1070.53
PBILDT	53.72	75.04
PAT	21.64	37.43
Overall gearing (times)	1.74	0.85
Interest coverage (times)	4.08	6.08

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	94.00	CARE BBB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	-	30.00	CARE BBB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	-	5.00	CARE A3+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	94.00	CARE BBB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable (31-Dec-19)	1)CARE BBB+; Stable (04-Jan-19)	1)CARE BBB; Stable (16-Mar-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	30.00	CARE BBB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable (31-Dec-19)	1)CARE BBB+; Stable (04-Jan-19)	1)CARE BBB; Stable (16-Mar-18)
3.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (31-Dec-19)	1)CARE A3+ (04-Jan-19)	1)CARE A3+ (16-Mar-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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