

Western Carriers (India) Limited
September 16, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	124.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable; (Triple B Plus; Outlook: Stable)
Short Term Bank Facilities	5.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3+; (A Three Plus)
Total Bank Facilities	129.00 (Rs. One Hundred Twenty-Nine Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 16, 2021, placed the ratings of Western Carriers (India) Limited (WCIL) under the 'issuer non-cooperating' category as WCIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed in its Rating Agreement. WCIL continues to be non-cooperative despite repeated requests for submission of information through phone calls and an email dated September 08, 2021. 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.

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

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Detailed description of the key rating drivers**Key Rating Weaknesses****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 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.

Exposure to group companies

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

Dependent on the 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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

the economy. The prospect for road transportation remains stable in view of infrastructure growth prospects.

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 satisfactory logistic infrastructure

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 total 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% 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.

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).

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 of EPML (Rs. Crore)	FY19 (A)	FY20 (A)
Total Operating Income	1,036.13	1,070.53
PBILDT	53.72	75.04
PAT	21.64	37.43
Adjusted 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 Available

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facilities: Not Applicable

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

Annexure-1: Details of Facilities

Name of the Instrument	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 BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	5.00	CARE A4+; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	94.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (16-Mar-21)	1)CARE BBB+; Stable (31-Dec-19)	1)CARE BBB+; Stable (04-Jan-19)
2.	Non-fund-based - LT-Bank Guarantees	LT	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (16-Mar-21)	1)CARE BBB+; Stable (31-Dec-19)	1)CARE BBB+; Stable (04-Jan-19)
3.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+; ISSUER NOT COOPERATING* (16-Mar-21)	1)CARE A3+ (31-Dec-19)	1)CARE A3+ (04-Jan-19)

*Issuer did not cooperate; Based on best available information

Annexure 3: Detailed explanation of covenants of the rated instruments: NA**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. 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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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