# Agrawal Roadlines Private Limited

November 06, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 12.00 | CARE BB-; Negative | Downgraded from CARE BB; Negative |
| Long Term / Short Term Bank Facilities | 8.65 | CARE BB-; Negative / CARE A4 | Downgraded from CARE BB; Negative/ CARE A4+ |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Agrawal Roadlines Private Limited (ARPL) is on account of further deterioration in already leveraged capital structure and moderation in debt coverage indicators. Further, ratings continue to remain constrained on account of moderate scale of operations and profitability during FY24 (FY refers to the period from April 1 to March 31). The ratings also continue to take into consideration ARPL's presence in highly fragmented and competitive road transportation industry.

The ratings, however, continue to derive strength from experience of its promoters in transportation and logistics business, established track record of operations and established relationship with reputed clientele as well as addition of new customers to propel its growth.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Sustaining scale of operations marked by Total operating income (TOI) and sustaining PBILDT margin at 10% and above- with improvement in capital structure marked by overall gearing below 3.5 times
- Improvement in debt coverage indicators marked by TDGCA of 4.00 years or below.

### Negative factors

- Deterioration in scale of operations with TOI below Rs.150 crore on a sustained basis
- Delay in infusion of funds in form of unsecured loans to meet working capital requirement and debt repayment obligations

**Analytical approach:** Standalone

**Outlook:** Negative

CARE Ratings Limited (Care Ratings) has continued the outlook 'Negative' in view of ARPL's increasing trend of debt and high debt repayment obligations due to debt backed addition in vehicle fleet leading to deterioration in capital structure and liquidity of the company. The outlook may be revised to Stable with improvement in ARPL's capital structure.

## Detailed description of key rating drivers:

## Key weaknesses

### Moderate scale of operations and profitability

During FY24, ARPL's TOI though improved continued to remain moderate at Rs.241.19 crore as against Rs.216.08 crore in FY23 on the back of increase in its owned fleet and repeat orders from existing customers. Profitability improved marked by PBILDT margin at 17.18% in FY24 as against 13.09% in FY23 mainly due to lower freight expenses leading to lower selling expenses.

### Deterioration in capital structure and moderate debt coverage indicators

ARPL's capital structure further deteriorated and remained leveraged marked by its overall gearing ratio at 5.06 times as on March 31, 2024, as against 4.88 times as on March 31, 2023, on account of additional term loans towards debt backed addition in vehicle fleet in order to cater to the growing demand from its customers. Total debt increased from Rs.107.80 crore as on March 31, 2023, to Rs.130.26 crore as on March 31, 2024. Tangible net worth base of ARPL increased on the back of accretion of profits into reserves, however, remained moderate at Rs.29.70 crore as on March 31, 2024. ARPL's debt coverage indicators moderated marked by interest coverage ratio of 3.44x in FY24 as against 3.70x in FY23. Total debt to GCA remained at 5.20x in FY24 as against 6.15x in FY23.

### Highly competitive nature of transportation and logistics business with presence of large number of small players

Around 80-85% of the road freight transport industry consists of small transport operators that own less than five trucks, are fragmented and unorganized. The highly fragmented and unorganized nature of the industry results in intense price competition

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

and may lead to pressure on the company's profitability in case of adverse situations. However, the players with superior quality of service and presence in different locations across country and clientele across various industries would enjoy competitive edge and would be able to garner more business and long-term contracts. Logistics operations are dependent on the overall economic condition of the country. Higher economic activity translates into higher freight movement which drives demand for road freight transport industry. Here, ARPL caters mainly to the Oil and Gas sector and holds the risk of any regulatory or seasonal changes which occurs in the industry.

## Key strengths

**Experienced and resourceful promoters**

Promoted by Mr. Satyanarayan Agrawal, ARPL's current directors include Mr. Narsingh Agrawal [looks after overall operations] and Mr. Rajesh Agrawal [looks after finance function]. All the promoters are actively involved in the business and are supported by the second-generation family members including Mr. Jatin Agrawal and Mr. Pranav Agrawal holding more than one and a half decade of experience and handling marketing function, Mr. Rahul Agrawal [7 years of experience] looks after operations. Moreover, promoters are resourceful and infuse funds in the form of unsecured loans in the company as and when required to support its operations or for purpose of external debt repayment.

**Established track record of operation**

ARPL has a long track record of operation of over three decades. ARPL is engaged in transportation activity of mainly liquid cargo and provides tankers/trucks and other transportation services for various industries. Over the years it has increased its fleet (owned vehicles) to 708 vehicles [P.Y.: 607 owned vehicles] as on March 31, 2024.

**Established relationship with reputed clientele and medium tenure of contracts with them**

ARPL has long-standing relationship with many of its reputed customers since inception. ARPL's major customers include Indian Oil Corporation, Bharat Petroleum Corporation Limited, Nayara Energy Limited and Brahmaputra Cracker & Polymer Limited among others, top 10 customers contributed ~ 45% to TOI in FY24. ARPL has been able to get regular orders from these clients.

## **Liquidity**: Stretched

ARPL's liquidity remained stretched marked by moderate utilization of its working capital limits, high debt repayments against moderate cash accruals. The company's cash accruals of Rs.28.92 crore in FY24 remain insufficient as compared to its repayment obligations of ~Rs.41 crore in FY25, however, promoters are resourceful and support operations of the entity through unsecured loans as and when required. The average utilization for the past twelve months ended September 2024 remained around 75%. The current ratio declined at 1.54 times as on March 31, 2024 as against 1.74 times as on March 31, 2023. The operating cycle of the company elongated over the previous year, though continued to remain moderate at 84 days in FY24 as against 73 days in FY23 owing to increase in its collection period. Unencumbered cash and bank balance remained moderate at Rs.12.22 crore as on March 31, 2024, while CFO increased to Rs.21.85 crore in FY24 from Rs.11.85 crores in FY23 on account of increase in operating profit during FY24.

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Services | Services | Transport Services | Road Transport |

Incorporated in 1988, Gandhidham based Agrawal Roadlines Private Limited (ARPL) was promoted by Late Mr. Satyanarayan Agrawal. ARPL is engaged in transportation activity and provides tankers/truck and other transportation services for various industries, including chemical, oil and gas, edible oil and agro commodity among other and have a fleet of 958 vehicles (Owned:708, Rental: 250) [P.Y.: 907 vehicles; Owned:607, rental: 300] as on March 31, 2024. The other entity of the group i.e., Agrawal Automobiles (AGA) is engaged in the trading of petroleum products through its fuel station located in Kutch District and providing transportation services, Kandla Motors Private Limited engaged in dealership of Ashok Leyland, Indo brine industries Limited engaged in edible salt etc.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|---|---|---|
| Total operating income | 216.08 | 241.19 |
| PBILDT | 28.29 | 41.45 |
| PAT | 2.90 | 4.28 |
| Overall gearing (times) | 4.88 | 5.06 |
| Interest coverage (times) | 3.70 | 3.44 |

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

### Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 6.00 | CARE BB-; Negative |
| Fund-based - LT-Working Capital Demand loan | | - | - | - | 6.00 | CARE BB-; Negative |
| Non-fund-based - LT/ ST-Bank Guarantee | | - | - | - | 8.65 | CARE BB-; Negative / CARE A4 |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Cash Credit | LT | 6.00 | CARE BB-; Negative | - | 1)CARE BB; Negative (07-Dec-23) | 1)CARE BB; Stable (02-Dec-22) | 1)CARE BB; Stable (22-Dec-21)<br><br>2)CARE BB-; Stable; ISSUER NOT COOPERATING* (01-Nov-21) |
| 2 | Fund-based - LT-Working Capital Demand loan | LT | 6.00 | CARE BB-; Negative | - | 1)CARE BB; Negative (07-Dec-23) | 1)CARE BB; Stable (02-Dec-22) | 1)CARE BB; Stable (22-Dec-21)<br><br>2)CARE BB-; Stable; ISSUER NOT COOPERATING* (01-Nov-21) |
| 3 | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST | 8.65 | CARE BB-; Negative / CARE A4 | - | 1)CARE BB; Negative / CARE A4+ (07-Dec-23) | 1)CARE BB; Stable / CARE A4+ (02-Dec-22) | 1)CARE BB; Stable / CARE A4+ (22-Dec-21)<br><br>2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (01-Nov-21) |

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Working Capital Demand loan | Simple |
| 3 | Non-fund-based - LT/ ST-Bank Guarantee | Simple |

## Annexure-5: Lender details

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| To view the lender wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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