Western Carriers (India) Limited

January 7, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	124.0	CARE BBB+; Stable [Triple B Plus; Outlook: Stable]	Revised from CARE BBB; Stable [Triple B; Outlook: Stable]
Short-term Bank Facilities	5.0	CARE A3+ [A Three Plus]	Reaffirmed
Total Facilities	**129.0 (Rupees One Hundred Twenty Nine crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the Bank Facilities of Western Carriers (India) Limited (WCIL) takes into account the better than expected financial performance for FY18 (refers to the period April 01 to March 31) with further improvement in H1FY19, along with improvement in capital structure and debt coverage indicators. The ratings continue to derive strength from long experience of the promoters, established long-term relationship with reputed customers, well diversified portfolio of services and satisfactory logistic infrastructure. The ratings, however, remain constrained by volatility in fuel price, working capital intensive nature of operation leading to almost full utilization of working capital limits, and dependence on the growth of the economy.

Going forward, the ability of the company to manage working capital effectively, improve capital structure further, and maintain steady growth in scale of operations would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters

The promoter of Western Carriers (India) Limited (WCIL), Mr. Rajendra Sethia are 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 client profile indicates the presence of the company in diversified sectors like FMCG, steel, aluminum, pharmaceuticals, oil etc, thereby insulating the company from slowdown in any 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, shipping, custom house clearing agent, C&F agent, warehousing etc. WCIL's operations are spread across the country through 70 branch offices (which are reporting to four zonal offices). As on November 30, 2018, WCIL has owned fleet of 443 trucks and trailers.

Improvement in financial performance in FY18 & H1FY19

WCIL's core operating income grew by 12.7% y-o-y to Rs.918 crore in FY18 backed by repeat orders from existing clients and fresh orders from new clients. PBILDT margin was steady at 5.05% in FY18. Interest coverage marginally improved to 3.75x in FY18 (as against 3.37x in FY17) as finance charges remained relatively on the same lines as previous year. PAT grew 35.87% to Rs.17.02 crore in FY18 from Rs.12.53 crore in FY17. In FY18, the company earned a GCA of Rs.27.29 crore vis-à-vis debt repayment obligation of Rs.7.35 crore.

In H1FY19 (provisional), WCIL's performance witnessed improvement over H1FY18. WCIL earned a PBT of Rs.13.86 crore on total operating income of Rs.477 crore in H1FY19 vis-à-vis PBT of Rs.9.4 crore on total operating revenue of Rs.416 crore in H1FY18.

Improvement in capital structure and debt coverage indicators

WCIL's capital structure improved with overall gearing ratio of 1.55x as on March 31, 2018 vis-à-vis 1.95x as on March 31, 2017 on the back of accretion of profit to reserves and stable debt level. The same further improved to 1.33x as on September 30, 2018. Total debt/GCA improved from 5.05x as on March 31, 2017 to 4.32x as on March 31, 2018 and further to 4.04x as on September 30, 2018.

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

Key Rating Weaknesses

Volatility in fuel price

WCIL's profitability is susceptible to volatility in fuel prices 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 get mitigated to an extent.

Working capital intensive nature of operation

Logistics and transportation is a high volume low margin business in a niche segment 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, there is high working capital requirement, resulting in over 95% utilization of fund based limits over the last 12 months ending October 2018.

The current ratio marginally improved to 1.17x as on March 31, 2018 from 1.14x as on March 31, 2017. Working capital cycle and average collection period were although high, remained steady at 42 days and 73 days, respectively in FY18.

Prospects. The experience of promoters and long standing relationship with strong and reputed clientele augur well for future revenue growth amidst intensely competitive industry scenario. Prospects of WCIL also depend upon the company's ability to optimally manage its working capital by reducing its collection period, and efficient mobilisation of its assets.

Analytical approach: For arriving at the ratings, CARE analytical team has considered the standalone operations of Western Carriers (India) Limited

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Service Sector Companies](#)

About the Company

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	819.37	920.43
PBILDT	41.44	46.48
PAT	12.53	17.02
Overall gearing (times)	1.95	1.55
Interest coverage (times)	3.37	3.75

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

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 BBB+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	30.00	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	5.00	CARE A3+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	94.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (16-Mar-18)	1)CARE BBB-; Stable (07-Feb-17)	1)CARE BBB- (09-Dec-15)
2.	Non-fund-based - LT-Bank Guarantees	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (16-Mar-18)	1)CARE BBB-; Stable (07-Feb-17)	1)CARE BBB- (09-Dec-15)
3.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3+	-	1)CARE A3+ (16-Mar-18)	1)CARE A3 (07-Feb-17)	1)CARE A3 (09-Dec-15)

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