# Western Carriers (India) Limited

March 16, 2018

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term Bank Facilities | 124.0 (enhanced from 97.0) | **CARE BBB; Stable [Triple B; Outlook: Stable]** | **Revised from CARE BBB-; Stable [Triple B Minus; Outlook: Stable]** |
| Short-term Bank Facilities | 5.0 | **CARE A3+ [A Three Plus]** | **Revised from CARE A3 [A Three]** |
| **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 consistent improvement in the revenue and profitability level of WCIL, over the last three years. 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, almost full utilization of working capital limits, moderate capital structure and debt protection metrics and dependence on the growth of the economy.

Going forward, the ability of the company to manage working capital effectively, improve capital structure 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 January 31, 2018, WCIL has owned fleet of 450 trucks and trailers.

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

***Consistent improvement in revenue and profitability over the last three years:*** WCIL total operating income reported a CAGR of 4.12% (FY15-FY17) and increased by 5.70% y-o-y to Rs.819.17 crore in FY17 mainly due to higher revenue in transportation segment on the back of addition of new clients and repeated orders from reputed clients. PBILDT margin improved from 4.31% in FY15 to 5.06% in FY17. Interest coverage remained relatively stable at 3.37x in FY17 (as against 3.45x in FY16). Overall, PAT improved from Rs.9.14 crore in FY16 to Rs.12.53 crore in FY17. In FY17, the company earned a GCA of Rs.22.99 crore vis-à-vis debt repayment obligation of Rs.5.37 crore.

In H1FY18, the company reported PBT of Rs.9.40 crore on total operating income of Rs.416.00 crore.

***Moderate capital structure and debt protection metrics***: Overall gearing marginally improving from 2.09x as on March 31, 2016 to 1.95x as on March 31, 2017 due to accretion of profit to reserve. Total debt/GCA remained stable at 5.05x in FY17.

**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:*** The Company's operation is working capital intensive in nature due to high credit period to be provided to customer in view of intense competition and lower bargaining power against its clients. Fund based utilization is almost full with reliance on Adhoc limits on a regular basis. However, enhancement of fund based limits by Rs.10.00 crore is expected to provide some respite to liquidity.

***Dependent on the growth of the economy:*** The performance of the transportation sector is linked to freight volumes, which, in turn, are dependent on the health of the manufacturing and trading sectors, thereby making transportation activity highly dependent on the growth of the economy. However, most of WCIL's clients are leading companies from diverse sector providing some cushion from downturn in that particular sector.

**Analytical approach:** Standalone

**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. Majority of the revenue is derived from rail followed by road transportation services.

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) | FY16 (A) | FY17 (A) |
|---|---|---|
| Total operating income | 775.23 | 819.37 |
| PBILDT | 35.18 | 41.44 |
| PAT | 9.14 | 12.53 |
| Overall gearing (times) | 2.09 | 1.95 |
| Interest coverage (times) | 3.45 | 3.37 |

*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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**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 Instruments/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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 94.00 | CARE BBB; Stable | - | 1)CARE BBB-; Stable (07-Feb-17) | 1)CARE BBB- (09-Dec-15) | 1)CARE BBB- (30-Dec-14) |
| 2. | Non-fund-based - LT-Bank Guarantees | LT | 30.00 | CARE BBB; Stable | - | 1)CARE BBB-; Stable (07-Feb-17) | 1)CARE BBB- (09-Dec-15) | 1)CARE BBB- (30-Dec-14) |
| 3. | Non-fund-based - ST-Bank Guarantees | ST | 5.00 | CARE A3+ | - | 1)CARE A3 (07-Feb-17) | 1)CARE A3 (09-Dec-15) | 1)CARE A3 (30-Dec-14) |

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