Western Carriers (India) Limited

December 31, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	124	**CARE BBB+; Stable [Triple B Plus; Outlook: Stable]**	**Reaffirmed**
Short-term Bank Facilities	5	**CARE A3+ [A Three Plus]**	**Reaffirmed**
Total Facilities	**129 (Rupees One Hundred Twenty Nine crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the Bank Facilities of Western Carriers (India) Limited (WCIL) continue to 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 improved financial performance for FY19 (refers to the period April 01 to March 31) and H1FY20 marked by improvement in operating income, capital structure and debt coverage indicators, though operating profitability continued to remain moderate. 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.

Rating Sensitivities

Positive Factors

- Ability of the company to retain existing clients and add new clients to its portfolio leading to steady growth in scale of operations.
- Ability to improve operating profitability margins.
- Improvement in capital structure so that overall gearing is near unity.
- Efficient management of working capital.

Negative Factors

- Decline in scale of operations or operating profitability margin going below 4%.
- Significant deterioration in gross operating cycle.
- Deterioration in capital structure with overall gearing going above 2x.

Detailed description of the key rating drivers

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. WCIL operations are spread across the country through 75 branch offices (which are reporting to four zonal offices) and 19 warehouses (of which 3 are owned by promoters & group companies and 16 are rented). 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.

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

Improved financial performance in FY19 & H1FY20

WCIL's operating income increased by 12.57% y-o-y to Rs.1036.13 crore in FY19 backed by repeat orders from its clients and by sourcing new clients. PBILDT margin, however, continued to remain moderate and stood relatively stable at 5.18% in FY19 vis-a-vis 5.05% in FY18. PBILDT Interest coverage improved to 4.08x in FY19 (as against 3.75x in FY18) due to higher PBILDT and relatively stable finance charges. PAT grew by 27.26% to Rs.21.64 crore in FY19 from Rs.17.02 crore in FY18.

In H1FY20 (provisional), WCIL's performance witnessed improvement over H1FY19. WCIL achieved PBT of Rs.18.67 crore on total operating income of Rs.524 crore in H1FY20 as against PBT of Rs.13.86 crore on total operating income of Rs.477 crore in H1FY19.

Moderate capital structure and debt coverage indicators

WCIL's capital structure (considering redeemable preference shares issued to promoters as debt) improved with overall gearing ratio of 1.74x as on Mar.31, 2019 vis-à-vis 2.25x as on Mar.31, 2018 due to accretion of profit to reserve and relatively stable debt level. However, it remained moderate.

Total debt/GCA also remained moderate at 4.41x as on Mar.31, 2019 as against 4.92x as on Mar.31, 2018.

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 (94% of cost of sales) 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 (Rs.2.97 crore) and loans and advances (Rs.22.65 crore) which formed about 30% of networth. The advances were provided as business loans to group entities and the company expects to recover the same from FY20 onwards.

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.

The experience of promoters and long standing relationship with strong and reputed clientele augur well with future revenue growth amidst intensely competitive industry scenario. Prospects of WCIL also depend on company's ability to optimally manage its working capital, efficient mobilization of its assets and maintaining a steady growth in scale of operations and optimizing its collection period.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.3.16 crore as on Mar.31, 2019. Its capex requirements are expected to be funded using internal accruals for which it is likely to have sufficient headroom. The average working capital limit utilisation remained high at around 94% during the last 12 months ended September 2019 leaving a buffer of around 6%. The current ratio stood at 1.24x as on Mar.31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings]
[Care's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Rating Methodology- Service Sector Companies]
[Financial ratios – Non-Financial Sector]

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.

It is a family managed business, with three promoter directors on its board. The day-to-day operations of the company are managed by Mr. Rajendra Sethia and his son, Mr. Kanishka Sethia.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	920.43	1036.13
PBILDT	46.48	53.72
PAT	17.02	21.64
Overall gearing (times)	2.25	1.74
Interest coverage (times)	3.75	4.08

A: Audited

Status of non-cooperation with previous CRA: CRISIL has migrated the rating on bank facilities of WCIL to Issuer not cooperating' category vide press release dated March 29, 2019 on account of inadequate information and lack of management cooperation.

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	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	94.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Jan-19)	1)CARE BBB; Stable (16-Mar-18)	1)CARE BBB-; Stable (07-Feb-17)
2.	Non-fund-based - LT-Bank Guarantees	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Jan-19)	1)CARE BBB; Stable (16-Mar-18)	1)CARE BBB-; Stable (07-Feb-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3+	-	1)CARE A3+ (04-Jan-19)	1)CARE A3+ (16-Mar-18)	1)CARE A3 (07-Feb-17)

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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name – Mamta Muklania
Contact no.- +91-33-4018 1651
Email ID- mamta.khemka@careratings.com

Relationship Contact
Name: Lalit Sikaria
Contact no. : +91-33-40181607
Email ID : lalit.sikaria@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.

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