Western Carriers (India) Ltd

February 07, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	97.0	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	Reaffirmed
Short-term Bank Facilities	5.0	**CARE A3 (A Three)**	Reaffirmed
Total	**102.0 (Rupees One hundred and two crore only)**		

Details of facilities in Annexure-1

Detailed Rationale

The ratings continue to derive strength from experience of the promoters, established long term relationship with reputed customers, well diversified portfolio of services and satisfactory logistic infrastructure, satisfactory financial performance in FY16 (refers to the period April 1 to March 31) and H1FY17. However, the ratings continue to be constrained by low PBILDT margin & susceptibility of profitability to volatility in fuel prices, working capital intensive nature of operations impacting liquidity position, and dependence on the growth of the economy. The ratings also factors in high dependence on borrowings for working capital resulting in deterioration in overall gearing ratio.

The ability of the company to manage working capital efficiently, improve capital structure and improve its PBILDT margin in the future shall be the key rating sensitivities.

Detailed description of the key rating drivers

The promoter of Western Carriers (India) Limited (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.

Over the period, WCIL has developed 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). Further, 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. However, the company has added new customers in the steel industry in FY16 with weak credit profile, which has led to increase in the counterparty credit risk.

WCIL's total operating income grew by 6.7% in FY16 over FY15. PBILDT margin also increased from 4.31% in FY15 to 4.54% in FY16. The interest coverage ratio, though deteriorated from 4.51x during FY15 to 3.45x during FY16 due to higher bank borrowings, continued to be comfortable. The overall gearing ratio of the company continued to be on the higher side and deteriorated further to 2.35x as on March 31, 2016 from 1.96x as on March 31, 2015 due to increasing reliance on bank borrowings. Average collection period increased from 64 days in FY15 to 68 days in FY16. Average working capital borrowings for 12 months ending November 2016 were high at over 95%.

Analytical approach followed: Standalone

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

Applicable Criteria

[Rating Methodology – Service Sector Companies]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]
[Criteria for Short Term Instruments]

Company Background

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 and operating across the country through 70 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 Sep 30, 2016, WCIL has owned fleet of 285 trucks and trailers and 57 equipment incl. forklifts, cranes, hoppers, etc.

During FY16, WCIL reported net profit of Rs.9.14 crore (as against Rs.6.62 crore in FY15) on a total operating income of Rs.773.55 crore (as against Rs.725.07 crore in FY15). In H1FY17, the company reported net profit of Rs.4.77 crore on a total operating income of Rs.392.00 crore.

Status of non-cooperation with previous CRA:

CRISIL has suspended its rating vide press release dated September 10, 2015 on account of non-cooperation by Western Carriers (India) Ltd with CRISIL's efforts to undertake a review of the outstanding ratings.

Any other information: NIL

Rating History (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	-	-	-	77.00	CARE BBB-; Stable
Non-Fund Based - LT-Bank Guarantees	-	-	-	20.00	CARE BBB-; Stable
Non-Fund Based - ST-Bank Guarantees	-	-	-	5.00	CARE A3

Annexure 2

Rating History:-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	77.00	CARE BBB-; Stable	-	1)CARE BBB- (09-Dec-15)	1)CARE BBB- (30-Dec-14)	-
2.	Non-Fund Based - LT-Bank Guarantees	LT	20.00	CARE BBB-; Stable	-	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 (09-Dec-15)	1)CARE A3 (30-Dec-14)	-

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