

December 11, 2025

Associated Road Carriers Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]A+(Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation continues to factor in Associated Road Carriers Limited's (ARCL) promoters' experience of over five decades in the road logistics industry and the company's established relationships with its clientele. The rating also considers ARCL's highly diversified client base, leading to revenue diversification across various industries, insulating the company from slowdown in any industry. ICRA expects the company's financial profile to remain strong, characterised by negligible leverage and a strong liquidity position. The company's revenue rose by 6.1% in FY2025 to Rs.1,815.9 crore, supported by an increase in business from existing customers. However, the growth remained limited due to decline in realisations on account of intense competition. The operating margins contracted to 7.2% in FY2025 from 8.7% in FY2024, owing to an increase in truck hire changes and higher operational costs followed by changes in GST reverse charge mechanism (RCM) on input services during the year. Going forward, ARCL is expected to witness a moderate growth in revenues and accruals, while its credit metrics are likely to remain healthy.

While ARCL enjoys an asset-light structure with most of its fleet hired from the market, its margins remain exposed to inflationary pressure on overheads, volatility in fuel costs as well as spot hiring charges. The Indian logistics industry is highly fragmented with several logistics companies, mainly unorganised players and a few large market participants. The fragmented nature of the industry results in stiff competition, exerting pressure on the profit margins to a certain extent. Further, limited value-added services reduce customer stickiness and expose the company to the risk of a shift in customer preference to integrated logistics service providers.

The Stable outlook on the long-term rating reflects ICRA's expectation that ARCL is likely to maintain a comfortable financial profile, supported by healthy accruals and no major debt addition plans even as its operating margins may be impacted to a certain extent due to intense competition in the industry.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – ARCL benefits from the promoter's experience of more than five decades in the road logistics industry and its established relationships with its clients. Moreover, in FY2023, the second generation of the promoter family was inducted as a part of the top management.

Diversified customer base – The company caters to customers in multiple segments such as capital goods, heavy engineering, metals, minerals, mining and telecommunication. Thus, it derives its revenues from a granular customer base across various industries, mitigating the risk of revenue decline due to any industry-specific downturn. With its top five clients accounting for 4-5% of its revenues in H1 FY2026, ARCL's customer concentration risk remains low.

Robust capitalisation and coverage indicators with healthy liquidity – ARCL reported a moderate YoY revenue growth of 6.1% at Rs.1,815.9 crore in FY2025, supported by an increase in business from existing customers. ARCL follows an asset-light model,

resulting in low capex requirements. It also funds its working capital needs from its internal accruals. Thus, it is a debt free company, which along with moderate margins results in comfortable coverage indicators with TD/OPBITDA of 0.0 times as on March 31, 2025 and an interest coverage of 544.7 times in FY2025 (PY: 117.6 times). ICRA expects ARCL's capitalisation and debt coverage metrics to remain comfortable, supported by its nil debt level and steady operating performance.

Asset light business model – With more than 95% of its vehicles hired from the market, ARCL's lower share of owned vehicles helps in saving on fixed costs in case of a business downturn.

Credit challenges

Profitability remains susceptible to inflationary pressures and input cost volatility – As the contracts with its clients only allow partial pass through of cost in case of a significant rise in fuel prices, ARCL's profitability remains susceptible to fuel price volatility. Also, ARCL hires more than 95% of its fleet from the spot market. The high share of rental vehicles could impact ARCL's margins in case of a significant short-term spurt in hire charges. The operating margins contracted to 7.2% in FY2025 from 8.7% in FY2024, owing to increase in truck hire charges and higher operational costs, followed by changes in GST reverse charge mechanism on input services during the year. The margins are expected to moderate further in FY2026 due to increased operational costs and the full-year impact of reverse charge mechanism under GST.

Intense competition from organised and unorganised players – The Indian logistics industry is highly fragmented, with several entities operating in the field which comprise mainly unorganised players and a few large, organised players. Many competitors also offer integrated services or other value-added services. The fragmented nature of the industry results in stiff competition, thereby exerting pressure on profit margin.

Liquidity position: Strong

ARCL's liquidity is Strong with free cash and liquid investment balances of Rs. 107.7 crore as on September 30, 2025. The company does not have any significant capex plan. ARCL has no external debt outstanding on its books as on September 30, 2025 and there are no long-term repayment obligations.

Rating sensitivities

Positive factors – The ability of the company to significantly scale up its operations and improve its margins while maintaining its healthy liquidity position could lead to a higher rating.

Negative factors – Negative pressure on the ratings could arise in case of material decline in margins, increase in working capital intensity led by elongation in receivables cycle, buyback of shares or dividend payout resulting in deterioration of liquidity position and coverage indicators, on a sustained basis. Any sizeable capital expenditure (capex) or inorganic transactions materially impacting the liquidity position could also lead to a review of ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of ARCL

About the company

Incorporated in 1972, Associated Road Carriers Limited is engaged in surface transportation of cargo. The company's network covers more than 400 cities and towns across India (through its 590 branches and franchisee network) and operates on a hub-and-spoke model. ARCL's service encompasses transporting small parcels to heavy/odd dimensional cargo, and containers.

The company caters to a wide range of industries such as capital goods, metals, cement and refractories, fertilisers and chemicals, power and energy, pharmaceutical, oil and petroleum, heavy engineering, automobile, construction and infrastructure, paper, textiles, and agriculture, among others.

ARCL's promoters, Mr. Ram Kumar Goel (Chairman and Managing Director), Mr. Chhabil Das Goyal (Joint Managing Director) and Mr. Banwarilal Sharma (Director), were employed with the Transport Corporation of India before floating ARCL. In January 2023, the next generation of the Goyal family was inducted into the company. They are currently involved in the business along with the first generation.

Key financial indicators (audited)

ARCL Standalone	FY2024	FY2025
Operating income	1,711.2	1,815.9
PAT	117.2	93.7
OPBDIT/OI	8.7%	7.2%
PAT/OI	6.8%	5.2%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	117.6	544.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Dec 11, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long Term	-	[ICRA]A+ (Stable)	Dec 30, 2024	[ICRA]A+ (Stable)	Dec 27, 2023	[ICRA]A+ (Stable)	Feb 15, 2023	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	-	[ICRA]A+(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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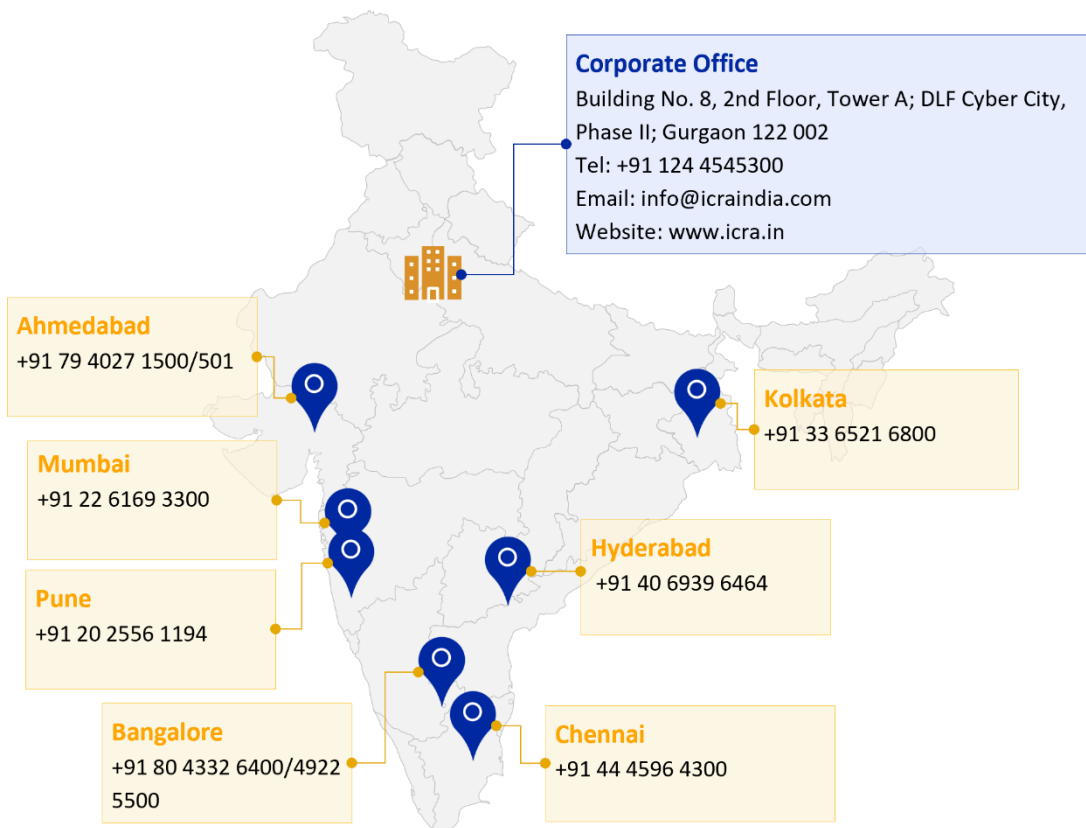
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