October 29, 2024

Express Roadways Private Limited: [ICRA]BBB+(Stable)/[ICRA]A2; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	36.50	[ICRA]BBB+ (Stable); assigned
Long-term/ Short -term – Fund based working capital	138.50	[ICRA]BBB+ (Stable)/ [ICRA]A2; assigned
Long-term/ Short -term – Non-Fund based limits	10.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; assigned
Long-term/ Short -term – Interchangeable Limits	(17.00)	[ICRA]BBB+ (Stable)/ [ICRA]A2; assigned
Total	**185.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned to Express Roadways Private Limited (ERPL) consider its established track record of operations in the road transport business and the company's strong relationships with its customers across the industry segments, which provide healthy revenue visibility. The company has relationship of more than a decade with customers like ITC Limited, Dabur India Limited, Exxon Mobile Lubricant, and Valvoline Cummins Private Limited among others. The ratings also factor in the wide presence of the company with its 18 warehousing facilities spread across different states in the country, providing primary and secondary distribution services to its well-established clientele. The ratings also favourably factor in the company's healthy financial risk profile. ERPL's revenue rose by ~14% to ~Rs. 889 crore in FY2024 from ~Rs. 780 crore in FY2023, and continues to operate with healthy operating margins (~9.7% in FY2024). Over the years, the company has maintained steady profitability, aided by the management's prudent focus on gaining profitable business. The company continues to report healthy debt and coverage metrics with TD/OPBITDA and Interest coverage of 2.3 times and 6.1 times, respectively in FY2024.

The ratings, however, are constrained by the exposure of the road logistics business to various externalities, such as increase in fuel costs and labour expenses, which the company may not be able to entirely pass on to its customers and could have an adverse impact on the profit margins, going forward. However, the presence of fuel price escalation clause in its contracts partly offsets the risk. The ratings also remain constrained by the high working capital intensity of ERPL's operations, given its elongated receivable cycle. This apart, the fragmented nature of the road logistics business results in stiff competition, which restricts its margin expansion. Also, the revenues and earnings in the road logistics business remain vulnerable to a slowdown in economic activities and goods movement of various industries, through it is partly mitigated by a diversified client base and revenue base across various industries.

The Stable outlook reflects ICRA's view that the company will benefit from its established track record in the road logistics business, coupled with its asset-light business model. The overall financial risk profile of the company is also likely to remain healthy.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record of ERPL in the logistics business – ERPL was incorporated by the Gupta family members, namely Mr. Satish Gupta, Mr. Mahender Gupta, Mr. Naresh Gupta, Mr. Anand Gupta, and two others who have extensive experience of more than three decades in the logistics industry, which is expected to help the company in running its operations smoothly in the future. ERPL has an established track record in the freight logistics business (mainly full-truck load [FTL]) and has recently ventured into new verticals – express cargo, railway movements, and refrigeration business – that will aid the company's overall profile in the near-to-medium term.

Well entrenched network and diversified client profile – ERPL mainly operates in the FTL segment. In 2008, the company started its warehousing business and set up its first warehouse as a part of its third-party logistics business, wherein the company provides warehousing facilities to various customers. The company caters to various industries like paper, FMCG, lubricants, capital goods, packaging, electronics, pharma, steel, etc., at present. ERPL has a capacity of 19 warehouses (owned and leased) and has a wide reach throughout India with presence of 37 operational centres throughout India.

Healthy financial risk profile characterised by sound debt coverage metrics – ERPL's revenue rose ~14% to ~Rs. 889 crore in FY2024 from ~Rs. 780 crore in FY2023 and continues to operate with healthy operating margins (9.7% in FY2024). Over the years, the company has maintained steady profitability, aided by the management's prudent focus on gaining profitable business. The company continues to report healthy debt and coverage metrics with TD/OPBITDA and Interest coverage of 2.3 times and 6.1 times, respectively in FY2024.

Credit challenges

Working capital intensive nature of operations due to elongated receivable cycle – In the freight logistics business, ERPL hires trucks for 50% of its needs where the company needs to pay the amount upfront, while payments from customers are realised in 60-90 days, resulting in high working capital requirements. ERPL has been able to manage its receivables over the years, limiting its dependence on working capital borrowings.

Intense competition limits pricing flexibility; exposure to cyclicality in end-user demand – The trucking industry in India is largely fragmented, given the low entry barriers and domination by small transport operators with fleet size of a maximum of five trucks, which limits pricing flexibility and exerts pressure on margins. Nonetheless, ERPL enjoys established relationships with its customers, translating into repeat orders, which mitigate the competition to an extent. Also, the revenues and earnings in the road logistics business remain vulnerable to slowdown in economic activity and goods movement of various industries. The risk is partly mitigated by a diversified client base and revenue diversification across industries.

Liquidity position: Adequate

The liquidity position of ERPL is adequate, supported by expectation of steady cash flow from operations (Rs. 50-55 crore in FY2025) and buffer of ~Rs. 64 crore in the sanctioned fund-based limits (along with sufficient drawing power) for the 12-month period ended in July 2024. The company has repayment obligations of ~Rs. 33 crore in FY2025. It has capex plans of Rs. 65-70 crore in FY2025, which are expected to be met through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – The ratings can be upgraded if the company is able to report a healthy ramp-up in operations along with sustained increase in profitability, leading to an improvement in credit metrics and liquidity. Specific credit metrics that could lead to ratings upgrade include Total Debt/OPBIDTA lower than 2.0 times on a sustained basis.

Negative factors – Pressure on the company's ratings could arise if there is a material decline in revenues or a moderation in profitability, resulting in a stretch in coverage metrics. Any substantial debt-funded capex, impacting the debt coverage metrics, will be a rating sensitivity. Specific credit metrics that could result in ratings downgrade include DSCR less than 1.6 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on standalone financials of the company.

About the company

Incorporated in 1993, Express Roadways Private Limited is a logistics solutions provider, promoted by Mr. Naresh Gupta, Mr. Satish Gupta, and Mr. Anand Gupta. The company owns a fleet of ~1,500 trucks as on date. ERPL primarily operates in the domestic road freight transportation business, largely operating on a FTL basis. The company also provides customised logistics solutions and Third-party logistics (3PL) logistics services such as on-demand warehousing, primary and secondary transportation, etc.. ERPL has recently launched its cargo and refrigeration transport business under which it is catering to reputed companies like Blue Dart, DARCL, Amul, ITC, Dabur, etc. The company also provides dedicated truck services to its clients.

The company has a capacity of 19 warehouses (owned and leased) and has a wide reach throughout India with an operational presence of 37 operational centers throughout India.

Key financial indicators (audited)

ERPL Standalone	FY2023	FY2024
Operating income	779.6	888.9
PAT	29.5	24.5
OPBDIT/OI	9.4%	9.8%
PAT/OI	3.8%	2.8%
Total outside liabilities/Tangible net worth (times)	1.4	1.4
Total debt/OPBDIT (times)	2.3	2.3
Interest coverage (times)	6.3	6.2

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	Type	Current rating (FY2025) Amount rated (Rs. crore)	FY2025 Date	FY2025 Rating	Chronology of rating history for the past 3 years FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating	FY2022 Date	FY2022 Rating
1	**Long term / short term-others-non fund based**	Long Term/Short Term	10.00	**Oct 29, 2024**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-	-	-	-	-	-
2	**Long term / short term-others-fund based**	Long Term/Short Term	138.50	**Oct 29, 2024**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-	-	-	-	-	-
3	**Long term / short term-others-interchangeable**	Long Term/Short Term	(17.00)	**Oct 29, 2024**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	-	-	-	-	-	-
4	**Long term-term loan-fund based**	Long Term	36.50	**Oct 29, 2024**	**[ICRA]BBB+ (Stable)**	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term/ Short -term – Fund-based limits	Simple
Long-term/ Short -term – Non-Fund-based limits	Very Simple
Long-term/ Short -term – Interchangeable limits	Simple

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	**Term Loan-I**	FY2023	NA	FY2029	26.10	[ICRA]BBB+ (Stable)
NA	**Term Loan-II**	FY2024	NA	FY2030	10.40	[ICRA]BBB+ (Stable)
NA	**Long-term/ Short -term – Fund-based limits**	NA	NA	NA	138.50	[ICRA]BBB+(Stable)/ [ICRA]A2
NA	**Long-term/ Short -term – Non-Fund-based limits**	NA	NA	NA	10.00	[ICRA]BBB+(Stable)/ [ICRA]A2
NA	**Long-term/ Short -term – Interchangeable limits**	NA	NA	NA	(17.00)	[ICRA]BBB+(Stable)/ [ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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About ICRA Limited:

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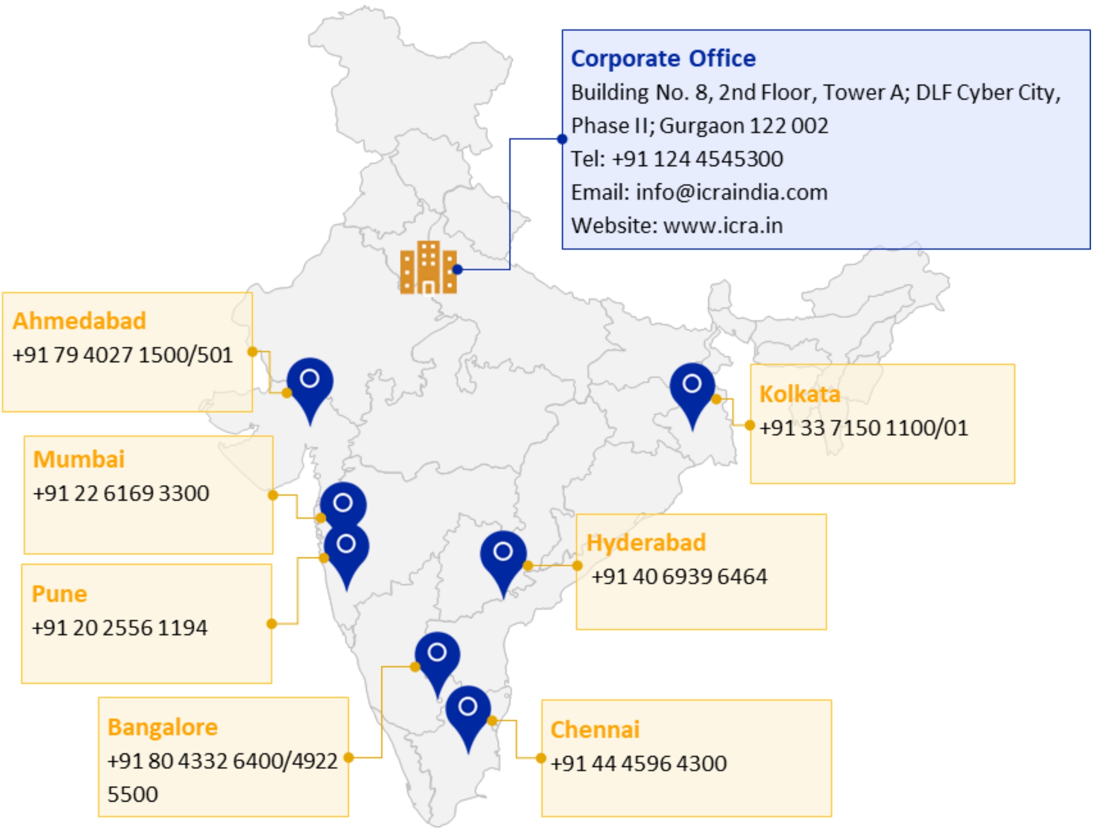

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