ICRA

Central Railside Warehouse Company Limited

Instrument	Amount (Rs. Crore)	Rating Action
Term Loans	0.00 (reduced from 8.00)	-
Unallocated	16.00 (reduced from 24.50)	[ICRA]A+(Stable) *reaffirmed*
Total	**16.00 (reduced from 32.50)**	

ICRA has reaffirmed [ICRA]A+ (pronounced ICRA A plus) rating for the Rs. 16.00 Crore bank facilities of Central Railside Warehouse Company Limited (CRWCL)[†]. The outlook on the long-term rating is 'Stable'. The total rated amount has been reduced from Rs. 32.50 Crore to Rs. 16.00 Crore.

The reaffirmation of the ratings takes into account the company's strong parentage being a subsidiary of Central Warehousing Corporation - a Central Public Sector Enterprise (CPSE) granted the Miniratna status and one of the biggest public sector warehouse operators in the country. The ratings also factor in the stable operational profile of the company owing to its long term agreement with Indian Railways to develop RWCs at land parcels leased out by Indian Railways at token rentals. CRWCL has pan-India presence through nineteen operational RWCs, which provide geographical diversification benefits and help the company overcome any regional demand fluctuations. The ratings also derive comfort from the company's comfortable financial risk profile, as characterized by healthy profit margins, favourable capital structure and stable debt protection metrics.

In FY2016, the revenues of the company witnessed a decline owing to weak demand for cement as well as termination of operations of the parcel cargo express train. Additionally, some of the company's RWCs remained non-operational for different periods in FY2016 due to sub-contractor issues, thus impacting the company's revenue growth. Notwithstanding the decline in revenues, the operating profit margin of the company improved owing to shift in revenue mix towards warehousing services which entail higher profit margins. The steady cash accruals coupled with scheduled repayment of term loans aided stability in the coverage indicators of the company.

The ratings, however, remain constrained by the company's high dependence on cement which accounts for ~70% of the cargo handled at the RWCs, although entry into road logistics sector is expected to provide diversification benefits over the medium term. The establishment of multi modal logistics parks, especially post the proposed rollout of GST, may impact the location attractiveness of RWCs and increase the competitiveness in the warehousing industry. Further, owing to the high investment requirements coupled with long gestation periods in logistics business, the profitability indicators of the company are expected to remain suppressed over the medium term.

Going forward, the ability of the company to scale up its revenues in the warehousing as well as road logistics segments, while improving the profitability indicators, shall remain the key rating sensitivity. The ability of the company to maintain its financial risk profile in the context of future capex plans shall also be monitored by ICRA.

Company Profile

Central Railside Warehouse Company Limited (CRWCL), incorporated in 2007, is engaged in the development of Railside Warehousing Complexes (RWCs) near railway terminals across the country. The company is a 100% subsidiary of Central Warehousing Corporation (CWC) - a Central Public Sector Enterprise (CPSE) accorded the Miniratna status and one of the biggest public sector warehouse operators in the country.

[†] For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

In 2003, a Memorandum of Understanding was signed between the Ministry of Railways (MoR) and CWC for development of warehousing complexes near 22 railway terminals. In 2007, the seven operational RWCs were brought under control of a separate company, thus bringing CRWCL into existence. Currently, CRWCL has nineteen RWCs operating in different cities across the country.

Recent Results

In FY2016 (audited), CRWC reported an Operating Income of Rs. 85.5 crore, Operating Profit before Depreciation, Interest and Tax (OPBDIT) of Rs. 32.3 crore and Profit after Tax (PAT) of Rs. 11.1 crore.

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