Rating Rationale

Economic Transport Organisation Ltd

11 January 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹37.60 Crores of Economic Transport Organisation Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July 2015)	Present
Fund based	39.00	34.10	Long Term	BWR BB+ Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable (Upgraded)
Non Fund Based	3.50	3.50	Short Term	BWR A4+	BWR A3 (Pronounced BWR A Three) (Upgraded)
Total	42.50	37.60	INR Thirty Seven Crores and Sixty Lakhs Only		

**Please refer to BWR website www.brickworkratings.com/ for definition of the ratings*
Complete details of Bank facilities is provided in Annexure-I
Note: The company has registered office in Kolkata but availed bank loan facility from bank's branch in Bangalore. Upon enquiring the reasons for the same , the company has informed that their directors operate from Bangalore and their bank has no objection for having availed the facility in Bangalore

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial upto FY17, Provisional results upto 31st Dec 2017, Projected Balance Sheet of FY19 & FY20 and information provided by company's management.

The rating draws strength from extensive experience of promoters ,diverse clientele base, long relationship with clients , increasing revenue y-o-y , satisfactory coverage ratios , increased profit margins The rating however is , constrained by high gearing ratio with increased debt and moderate Net Worth and competitive nature of industry.

Going forward, ability of company to improve its scale of operations by sustaining the revenue growth and profitability margins, to improve gearing by increasing own funds, to manage working capital efficiently and prompt servicing of debt obligation shall remain key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:
Promoters are having an average of about 2 decades of experience. 6-7 years of relationship with their customers, Revenue has increased from ₹127.24 Crs in FY16 to ₹132.82 Crs in FY17,.Net profit margin increased from 0 .74% to Rs 0.95% between FY16 & FY17 . operating profit margin increased from 5.82% to 7.04% between FY 16 & FY17.

Credit Risks: Gearing Ratio is 2.44times in FY 17 , and Current Ratio in FY17.. Net Worth stood at ₹21.26 Crs as at Mar 2017

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below and hyperlinks provided at the end of this rationale.

Rating Outlook: Stable

BWR believes the **Economic Transport Organisation Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company
Economic Transport Organisation Ltd (ETOL), an ISO 9001: 2000 certified company was started by the Arya Family in 1992 as M/s. Economic Transport Organisation as a Partnership Company, which was reconstituted into a public Limited Company on 9th October 2007. Its ISO certificate will expires on 14th

Sep 2018. ETOL is the prime carrier for 72 of the big industrial houses out of the top 100.

Economic Transport Organisation, a national carrier, carrying various types of goods throughout the country by plying their fleet of trucks on most of the highways. They have the network of their 227 branches covering the entire length and breadth of the country. These 227 branches have facility with with small godowns and other mechanical devices like cranes, forklifts and chain pulleys for gentle and safe handling of valued consignments.
They own 48 own trucks and and 10 trailers.. Company also takes on an average 90 Trucks on lease per annum. They are transporting consumer, merchandise and household goods. They report that they have transported consignments having length upto 150 feet, diameter up to 21 feet and weighing up to 150 metric tons. The consignment carried to destinations like Srinagar, the border of Tibet, Jaisalmer (Pakistan Border), Imphal (Myanmar border) and down south as far as Kanyakumari.

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Company Financial Performance

The company has reported total operating revenue of ₹133.78 Crs and PAT of ₹1.27 Crs in FY17 as against total revenue of ₹127.24 Crs and PAT of ₹0.94 Crs in FY16. Tangible Net Worth stood at ₹21.26 ue of FY17, transportation rs as on 31st Mar 2017 as against ₹19.98 Crs as on 31st Mar 2016..Further the company reported net revenues of ₹ 87.00 Crores from April 2017 tol Dec 31, 2017. Revenue from transportation covers Rs 131.83 Crs out of total revenue of FY17 , Revenue from warehousing and other services also contribute to revenue, though in a very small proportion . Major Portion of Operating expense is out of Lorry hire charges, which is about 87.5% of total operating income of FY17

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	22/12/ 2016	13/07/2015	11/02/2014
1.	**Fund Based**	Long Term	34.10	**BWR BBB- Outlook: Stable upgraded**	**Not Reviewed**	**BWR BB+ Outlook: Stable**	**BWR BB+ Outlook: Stable**

2.	**Non Fund Based**	Short Term	3.50	**BWR A3 upgraded**		**BWR A4+**	**BWR A4+**
	Total		**37.60**	**₹ Thirty Seven Crores and Sixty Lakhs Only**			

Key Financial Indicators

Key Parameters	**Units**	**FY2017**	**FY2016**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crs	133.78	127.24
EBITDA	₹ Crs	9.42	7.41
PAT	₹ Crs	1.27	0.94
Tangible Net worth	₹ Crs	21.26	19.98
Total Debt/Tangible Net worth	Times	2.73	2.44
Current Ratio	Times	1.39	1.28

Details of Bank facilities

ANNEXURE

Facilities	**Previous Limits (₹ Crs)**	**Present Limits (₹ Crs)**
CC	34.00	34.00
Term Loan	5.0	0.10
BG	3.50	3.50
Total	42.50	37.60

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh *CGM-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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