

G. B. Enterprises Transport Private Limited

December 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	9.89	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	0.11	CARE A4+ (A Four Plus)	Assigned
Total	10.0 (Rupees Ten crore only)	-	

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of G. B. Enterprises Transport Private Limited (GBET) are constrained by its small scale of operations, volatility in input prices, client concentration risk albeit reputed clientele, weak capital structure and its presence in a competitive and fragmented industry. The ratings, however, derives strength from experienced promoters, long track record of operations, healthy profit margins and satisfactory debt coverage indicators.

Going forward, the ability of the company to increase its scale of operations with improvement in capital structure and efficient management of its working capital shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations: The total operating income has been increasing on y-o-y basis since last three financial years (FY15: Rs.6.98 crore, FY16: Rs.11.41 crore and FY17: Rs.16.89 crore) due to higher order execution with a CAGR of 55.56%. However, the scale of operations of the company remained low marked by its total operating income of Rs.16.89 crore with a PAT of Rs.0.85 crore in FY17 (refers to the period April 1 to March 31). Furthermore, the total capital employed stood low at Rs.14.71 crore as on March 31, 2017. The company has achieved a turnover of Rs. 10.54 crore during 7MFY18. The small size restricts the financial flexibility of the company in times of stress and deprives it from benefits of economies of scale.

Volatility in input prices: Fuel expenses form one of the major expenses for the transportation and allied activities. The profitability of the company is vulnerable to diesel price fluctuations in case the actual consumption of diesel is in excess of norms allowed in the contract.

High client concentration risk albeit reputed clientele: GBET is engaged in transportation of LPG tankers only for the major oil companies such as BPCL, IOCL and HPCL, which reflects high level of customer concentration. However, the concentration risk is mitigated to a certain extent on account of its established relationship with

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

the said companies as reflected by the repeated orders in the recent past. Considering the client profile of GBET, the risk of default is very minimal.

Weak capital structure: The capital structure of GBET though improved but remained weak marked by debt equity ratio of 2.26x (FY16: 3.56x) and overall gearing ratio of 2.85x(FY16: 3.90x) as on March 31, 2017.

Competitive and fragmented nature of the transportation industry: The transportation industry is highly fragmented due to low entry barriers. As a result, there is high competition from the unorganized market. The highly fragmented and unorganized nature of the industry results in price competition. However, the players with superior quality of service and presence in different locations across country and clientele across various industries would enjoy competitive edge and would be able to garner more business and long-term contracts.

Key Rating Strengths

Experienced promoters with long track record of operations: GBET is into transportation services since 1993 and thus has long track record of more than two decades of operations. Furthermore, the promoters Mr. Bhupinder Singh Gujral and Ms. Tejinder Gujral Kaur are having more than 25 years of experience in transportation business, look after the day to day operations of the company. They are further supported by a team of experienced professionals. Furthermore, due to experienced promoters and long track record of operations, the promoters have established relationship with its clients.

Healthy profit margins and satisfactory debt coverage indicators: The profitability margins of the company remained healthy marked by PBILDT margin of 33.14% (FY16: 29.28%) and PAT margin of 5.03% (FY16: 5.81%) in FY17. Further, the debt coverage indicators also remained satisfactory marked by interest coverage of 3.28x (FY16: 2.63x) and total debt to GCA of 3.59x (FY16: 7.51x) in FY17.

Analytical approach: Standalone

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

About the Company

Howrah (West Bengal) based, GBET was incorporated on February 09, 1993. The company is an associate concern of Gujral Group of companies. The group is promoted by Mr. Bhupinder Singh Gujral. The group is engaged in transportation of LPG tankers for the major oil companies such as Bharat Petroleum Corporation Limited (BPCL), Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) and hotel and restaurant business. The group is having 975 LPG tankers and the loading point is Haldia, West Bengal.

Currently GBET is managed by Mr. Bhupinder Singh Gujral, Mr. Gaganjeet Singh Gujral and Ms. Tejinder Gujral Kaur. Since its inception, the company is engaged in transportation of LPG tankers. The company participates in tender for procuring works contract floated by different oil companies. Currently the company has work

contract from BPCL, IOCL and HPCL for transportation bulk LPG by road for three and a half year ended in April 2018.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	11.41	16.89
PBILDT	3.34	5.60
PAT	0.66	0.85
Overall gearing (times)	3.90	2.85
Interest coverage (times)	2.63	3.28

A-Audited

Status of non-cooperation with previous CRA: India Ratings put its ratings under issuer not cooperating category vide press release dated November 29, 2017 in absence of the requisite information from the firm.

Any other information: Not Applicable

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.

Analyst Contact:

Name: Rajesh Shaw

Tel: 033-40181636

Mobile: +91- 9007700172

Email: rajesh.shaw@careratings.com

****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 nearly 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/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-Term Loan	-	-	September 2018	0.83	CARE BB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	9.06	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.11	CARE A4+

Annexure 2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	0.83	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Bank Overdraft	LT	9.06	CARE BB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.11	CARE A4+	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91-0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com