

G. B. Enterprises Transport Private Limited

December 25, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.40	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	0.30	CARE A4+ (A Four Plus)	Reaffirmed
Total facilities	9.70 (Rupees Nine Crore and Seventy lakhs Only)		

Details of facilities in Annexure 1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of G. B. Enterprises Transport Private Limited (GBET) continue to remain constrained by its small scale of operations, volatility in input prices, client concentration risk albeit reputed clientele, moderate capital structure and competitive and fragmented nature of the transportation industry. The aforesaid constraints are partially offset by experienced partners with moderate 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 working capital management will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations: The scale of operations of the company remained relatively small marked by total operating income of Rs.17.36 crore (FY17: Rs.16.89 crore) and a PAT of Rs.0.54 crore (FY17: Rs.0.85 crore) in FY18. Furthermore, the total capital employed was also moderate at Rs.15.51 crore as on March 31, 2018.

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.

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

Moderate capital structure: The capital structure of the company remained moderate marked by debt equity ratio of 1.65x (FY17: 2.26x) and overall gearing ratio of 1.92x (FY17: 12.85x) as on March 31, 2018. Moderate capital structure was mainly on account of high debt level as on the account closing dates.

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 partners with moderate track record of operations: The company started its commercial operations since 1993 and thus has moderate track record of operations. Moreover, the key partner, Mr. Bhupinder Singh Gujral is having more than 25 years of experience in the transportation business, looks after the day to day operations of the company. They are supported by other partners and a team of experienced professionals. Furthermore, due to experienced partners and moderate track record of operations, the promoters have established satisfactory relationship with its clients.

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

Healthy profit margins and satisfactory debt coverage indicators: The profitability margins of the company remained healthy marked by PBILDT margin of 30.23% (FY17: 33.14%) and PAT margin of 3.13% (FY17: 5.03%) in FY18. However, the PBILDT margin deteriorated marginally during FY18 on account of higher cost of operations. Further, the debt coverage indicators remained satisfactory marked by interest coverage of 3.57x (FY17: 3.28x) and total debt to GCA of 2.95x (FY16: 3.59x) in FY18. The interest coverage improved in FY18 mainly on account of low interest expenses. Furthermore, the total debt to GCA also improved in FY18 on account of relatively lower debt levels as on March 31, 2018.

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, G. B. Enterprises Transport Private Limited (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 and 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 the company is managed by three directors namely, 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 tenders floated by various oil companies and executes orders mainly for BPCL, HPCL and BPCL. Currently the company has works orders from BPCL, IOCL and HPCL for transportation bulk LPG by road for three and a half year ended in April 2022.

Moderate liquidity position: The liquidity position was moderate marked by current ratio of 1.66x as on March 31, 2018. The average collection period was more than a months during last three years as the company mainly provides its services to government units. However, considering the client profile of the company, the risk of default is very minimal.

Brief Financials (Rs. crore)	FY17 Aud.	FY18 Aud.
Total operating income	16.89	17.36
PBILDT	5.60	5.25
PAT	1.13	0.94
Overall gearing (times)	2.85	1.92
Interest coverage (times)	3.28	3.57

Audited

Status of non-cooperation with previous CRA: India Rating placed its rating under non-cooperation due to lack of information from the firm as per its press release dated October 15, 2018.

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

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.

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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	-	-	March 2019	0.53	CARE BB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	8.87	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.30	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	0.53	CARE BB-; Stable	-	1)CARE BB-; Stable (20-Dec-17)	-	-
2.	Fund-based - LT-Bank Overdraft	LT	8.87	CARE BB-; Stable	-	1)CARE BB-; Stable (20-Dec-17)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.30	CARE A4+	-	1)CARE A4+ (20-Dec-17)	-	-

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