

## Gujral Roadways Private Limited

December 25, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.56	CARE BB; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	0.30	CARE A4+ (A Four Plus)	Reaffirmed
Total facilities	9.86 (Rupees Nine Crore and Eighty Six lakh Only)		

Details of facilities in Annexure-1

### Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Gujral Roadways Private Limited (GRPL) continue to remain constrained by small scale of operations, volatility in input prices, high client concentration risk albeit reputed clientele, moderate capital structure and competitive and fragmented nature of the transportation industry. The ratings, however, continue to derive strength from its experienced promoters with satisfactory track record of operations and healthy profit margins and satisfactory debt coverage indicators.

Going forward, the ability of the company to increase its scale of operations along with sustaining the current profitability margins and ability to manage working capital effectively will be the key ratings sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses:

##### **Relatively small scale of operations**

The total operating income witnessed year on year growth during last three years on account of higher receipt of orders and timely execution of the same. However, the overall scale of operations remained relatively small marked by total operating income of Rs.28.05 crore (FY17: Rs.27.70 crore) with a PAT of Rs.1.32 crore (FY17: Rs.0.71 crore) during FY18.

##### **Volatility in input prices**

Fuel expenses form one of the major expenses for the transportation and related jobs incurred by GRPL. 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**

GRPL 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 GRPL, the risk of default is very minimal.

##### **Moderate capital structure**

The capital structure of GRPL though improved but remained moderate marked by debt equity ratio of 1.42x (FY17:2.48x) and overall gearing ratio of 1.88x (FY17: 2.97x) as on March 31, 2018. Moderate capital structure was mainly on account of high debt levels as on account closing date.

##### **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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### **Experienced promoters with long track record of operations**

The company is into transportation services since 1993 and thus has long track record of operations. Furthermore, the promoters Mr. Bhupinder Singh Gujral (aged about 56 years) and Mrs. Rattan Kaur (aged about 86 years) are having more than 26 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 with moderate debt coverage indicators**

The profitability margins remained healthy marked by PBILDT margin of 35.92% (FY17:45.49%) and PAT margin of 4.70% (FY17: 2.55%) during FY18. However, the PBILDT margin deteriorated during FY18 due to higher cost of operations. Moreover, the PAT margin improved during FY18 on account of lower capital charges. Furthermore, the debt coverage indicators also remained moderate marked by interest coverage of 3.38x (FY17: 3.74x) and total debt to GCA of 2.59x (FY17: 2.88x) in FY18. Marginally deteriorates in the interest coverage on the account of lower PBILDT and total debt to GCA has been improved due to lower debt balance in FY18.

**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**

GRPL was incorporated as a private limited company on February 05, 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 GRPL is managed by Mr. Bhupinder Singh Gujral and Mrs. Rattan 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 2022.

#### **Comment of liquidity position**

The liquidity position of the company was adequate marked by current ratio 2.64x as on March 31, 2018. The company has cash and bank balance amounting to Rs.0.08 crore as on March 31, 2018. The company has generated gross cash accrual of Rs.6.83 crore during FY18. The average utilisation of fund based limit was around 90% during last 12 months ended on November 30, 2018.

<b>Brief Financials (Rs. crore)</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>
Total operating income	27.70	28.05
PBILDT	12.60	10.08
PAT	0.71	1.32
Overall gearing (times)	2.97	1.88
Interest coverage (times)	3.74	3.38

A: 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 November 26, 2018.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Rajesh Shaw

Tel: 033-40581911

Mobile: +91- 9007700172

Email: [rajesh.shaw@careratings.com](mailto:rajesh.shaw@careratings.com)**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over 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 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	-	-	July 2019	0.21	CARE BB; Stable
Fund-based - LT-Bank Overdraft	-	-	-	9.35	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	0.21	CARE BB; Stable	-	1)CARE BB; Stable (20-Dec-17)	-	-
2.	Fund-based - LT-Bank Overdraft	LT	9.35	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)	-	-

## CONTACT

### Head Office Mumbai

**Ms. Meenal Sikchi**  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:ramesh.bob@careratings.com)