

Gujral Roadways Private Limited

December 20, 2017

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	9.89	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short-term Bank Facilities	0.11	CARE A4+ (A Four Plus)	Assigned
Total Facilities	10.00 (Rupees Ten crore 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) are constrained by small scale of operations, volatility in input prices, client concentration risk albeit reputed clientele, weak capital structure and competitive and fragmented nature of the transportation industry. The ratings, however, derive strength from its experienced promoters, long 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 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.18.90 crore, FY16: Rs.22.48 crore and FY17: Rs.27.70 crore). However, the scale of operations of the company remained low marked by its total operating income of Rs.27.70 crore with a PAT of Rs.0.71 crore in FY17 (refers to the period April 1 to March 31). Moreover, the total capital employed stood moderate at Rs.32.06 crore as on March 31, 2017. The small size restricts the financial flexibility of the firm 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 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.

Weak capital structure: The capital structure of GRPL though improved but remained weak marked by debt equity ratio of 2.48x (FY16: 3.55x) and overall gearing ratio of 2.97x (FY16: 3.97x) as on March 31, 2017. Weak capital structure was mainly on account of high debt levels.

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

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: GRPL is into transportation services since 1993 and thus has long track record of operations. Furthermore, the promoters Mr. Bhupinder Singh Gujral and Mrs. Rattan 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 45.49% (FY16: 40.23%) and PAT margin of 2.55% (FY16: 5.59%) in FY17. Further, the debt coverage indicators also remained satisfactory marked by interest coverage of 3.74x (FY16: 3.90x) and total debt to GCA of 2.88x (FY16: 4.51x) in FY17.

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 in February, 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 2018.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	22.48	27.70
PBILDT	9.04	12.60
PAT	1.26	0.71
Overall gearing (times)	3.97	2.97
Interest coverage (times)	3.90	3.74

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.

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About CARE Ratings:

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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	-	-	September 2018	0.34	CARE BB; Stable
Fund-based - LT-Bank Overdraft	-	-	-	9.55	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	0.34	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Bank Overdraft	LT	9.55	CARE BB; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.11	CARE A4+	-	-	-	-

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