



Press Release

GP Global Asphalt Pvt Ltd

September 22, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	93.00	IVR BBB- (Credit watch with developing implication) (IVR Triple B Minus under Credit watch with developing implication)	Revised from IVR A-(CE) /Stable (IVR A Minus [Credit Enhancement] with Stable Outlook) * and IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook) (Unsupported) #
2.	Short Term Bank Facilities	45.00	IVR A3 (Credit watch with developing implication) (IVR A Three under Credit watch with developing implication)	Revised from IVR A2+(CE) (IVR A Two Plus [Credit Enhancement])*
3.	Proposed Short Term Facility	25.00	IVR A3 (Credit watch with developing implication) (IVR A Three under Credit watch with developing implication)	Revised from IVR A2+(CE) (IVR A Two Plus [Credit Enhancement])*
		163.00 (Rupees one hundred and sixty three crore only)		

Details of Facilities are in Annexure 1.

Note: Previously the rating was IVR A-(CE) (Stable)/A2+ (CE). The (CE) suffix mentioned alongside the rating symbol indicated that the rated instruments/facilities were backed by some form of explicit credit enhancement. This rating was specific to the rated instruments/facilities, its terms and its structure and did not represent Infomerics opinion on the general credit quality of the entity concerned. # Unsupported rating was based on standalone basis.

Detailed Rationale



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The revision in the ratings take into account the financial restructuring in Gulf Petrochem FZC (GPF) which is the flagship company of the GP Global Group amidst global economic meltdown owing to on-going Covid-19 pandemic coupled with volatility in the oil prices. The financial restructuring was mainly due to reduction in the credit lines extended to GPF by some of its bankers. However, the ratings assigned to the bank facilities of GPGAPL continues to derives comfort from its experienced promoters, increase in scale of operations, satisfactory capital structure with satisfactory net worth base and debt protection metrics. However, these rating strengths are partially offset by susceptibility to regulatory changes both in India and overseas, low profitability, exposure to fluctuation in crude price and foreign exchange fluctuation risk.

Infomerics expects the company's operating as well as financial performance to remain under pressure because of the weak macro-economic environment due to the ongoing pandemic in the near term. The demand recovery is likely to be very small and gradual. The ratings remain under credit watch with developing implications owing to uncertainty in the demand scenario and uncertainty on the impact of financial restructuring in GPF on the GP Global Group as a whole. Infomerics will continue to monitor the developments in these regards and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

The ratings were earlier accompanied by the suffix CE (Credit Enhancement), which has now been removed with a change in the rating approach.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics of the company
- Improvement in working capital cycle of the company
- Improvement in the liquidity of the GP global group as a whole

Downward factor:

- In case of decline in scale of operation and/or decline in profitability impacting the debt protection metricson a sustained basis



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- In case of deterioration in the capital structure of the company
- In case of elongation in the operating cycle impacting the liquidity or any adverse regulatory changes
- In case of deterioration in the liquidity position of the GP global group as a whole

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

GPGAPL was established under the guidance of Mr. Ashok Goel and Mr. Sudhir Goyal, who has over 30 years of experience in trading operations of petroleum products. The promoters are well assisted by a team of professionals having relevant industry experience in the day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers and helped it to get repetitive orders from its customers. The Company is likely to benefit from its promoter's extensive experience going forward.

- **Continuous increase in scale of operations**

The total operating income of GPGAPL has witnessed an increasing trend with a CAGR of ~23% during FY17-FY19 and stood at Rs.497.97 crore in FY19 as compared to Rs.426.66 crore in FY18. The company reported revenue of Rs.500.42 crore in FY20 (provisional). The growth in the revenue is very marginal due to impact of corona virus to construction works in the month of February 2020 and March 2020, which is a peak season for their business. In 4MFY21, the company has generated a revenue of Rs.149.73 crore.

- **Satisfactory capital structure with robust net worth and debt protection metrics**

The capital structure of GPGAPL remained satisfactory over the years marked by its comfortable overall gearing ratio. The overall gearing was comfortable at 0.62x as on March 31, 2019 as compared to 0.58x as on March 31, 2018. The marginal moderation in overall gearing was due to higher utilisation of working capital limit as on the account closing date. However, Overall gearing ratio improved marginally to 0.57x as on March 31, 2020 (Prov.) on the back of scheduled repayment of term loan, lower utilisation of working capital limit and accretion of profit to net worth. Total indebtedness of the company as reflected by TOL/TNW also remained comfortable at 1.22x as on March 31, 2020 (Prov.) driven by increase in current



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liabilities. Further, the interest coverage remained moderate over the years and stood satisfactory at 2.04x in FY20 (provisional).

- **Steady demand prospects of petroleum products**

India imports a large quantity of crude; and a sharp drop in its prices has benefitted the economy by curbing the current account deficit despite the rise in the quantity of imports. The same provides ample growth opportunities to traders like GPGAPL to scale-up the business despite stiff competition that exists.

Key Rating Weaknesses

- **Susceptible to regulatory changes both in India and overseas**

Crude oil is an important commodity traded in the international market, and trading in crude oil is highly influenced by several government policies and regulations, which changes from time to time.

- **Low profitability**

The profit margins of GPGAPL also remained low with the EBITDA margin of the company hovered in the range of ~3.36%-4.25% and the PAT margin hovered in the range of ~0.49%-1.35% during FY17-FY20. In 4MFY21, GPGAPL has earned EBITDA margin of 2.20,

- **Foreign exchange fluctuation risk**

Trading and all derivatives contracts are used to hedge physical cargoes with no speculative calls taken on currency movement. The company follows the policy of 100% hedging for products for which paper based trading is available. While forward covers are not available for bitumen, base oil and grease, the remaining products are 100% hedged. However, for these commodities, the price movement is not as volatile as crude. Base oil follows a 2-3 months' lag effect in terms of pricing. Overall~ 100% of the inventories are hedged / back to back contracts. Unhedged foreign currency exposure of GPGAPL as on March 31, 2020 was ~Rs.28 crore.

Analytical Approach: Standalone. Earlier the ratings were based on assessment of the credit profile of Gulf Petrochem FZC (GPF), provider of unconditional and irrevocable corporate guarantee to the bank facilities of GPGAPL. However, with signs of financial stress in GPF and on request from the company (GPGAPL), Infomerics has now changed the analytical approach to Standalone.



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Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

GPGAPL is expected to have an adequate liquidity in the near term driven by its expected higher accruals as against its debt repayment obligations. The company is expected to generate adequate cash accruals to the tune of Rs.8.63-11.50 crore as against its debt servicing obligation of ~Rs.2.96-3.63 crore during FY21-23. However, the average utilisation of its working capital limit remained high at ~93% for last 12 months ended May 31, 2020 indicating a limited liquidity buffer. Moreover, there are signs of liquidity issues in GPF, the flagship company of the GP global group.

About GP Global Asphalt Pvt Ltd

GP Global Asphalt Pvt. Ltd (GPGAPL), a part of GP global group was originally established in 2009 as Aspam Petroenergy, a proprietorship concerns by Mr. Ayush Goel (son of Mr. Ashok Goel, the promoter of GP global group). The firm was reconstituted as a private limited company, Gulf Asphalt Pvt Ltd, in 2011, and renamed to its present name in January 2016. The company is involved in Shipping, Import /Export, Storage & Distribution and Supply of Bitumen VG-10 / VG-30 / VG-40, Bitumen Emulsions, Crumb Rubber Modified Bitumen (CRMB) and RPO from its various terminals and depots across the country. The company has acquired the Specialties Bitumen plant of Royal Dutch Shell at Savli, near Vadodara in Gujarat, India. The plant has a capacity to produce 4,000 MT of International Standards Bitumen specialty products per month capable– all types and grades of Bitumen Emulsions, PMB, CRMB and other value added Bitumen products having special applications across Runways, Ports and Highways.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	497.97	500.42
EBITDA	21.15	19.04
PAT	6.69	6.72
Total Debt	103.83	100.39
Tangible Net worth	168.19	175.59



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For the year ended* / As On	31-03-2019	31-03-2020
EBITDA Margin (%)	4.25	3.80
PAT Margin (%)	1.34	1.33
Overall Gearing Ratio (x)	0.62	0.57

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CRISIL has moved the rating to issuer non cooperating category vide its press release dated August 14, 2020 due to lack of cooperation from the client and in absence of information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	43.00	IVR BBB- (Credit watch with developing implication)	IVR A- [CE]/ Stable Outlook* (July 02,2020)	-	-
2.	Term Loan	Long Term	50.00	IVR BBB- (Credit watch with developing implication)	IVR A- [CE]/ Stable Outlook* (July 02,2020)	-	-
3.	Letter of Credit	Short Term	45.00	IVR A3 (Credit watch with developing implication)	IVR A2+ [CE]* (July 02,2020)	-	-
4.	Proposed Letter of Credit	Short Term	25.00	IVR A3 (Credit watch with developing implication)	IVR A2+ [CE]* (July 02,2020)	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits- Cash Credit	-	-	-	43.00	IVR BBB- (Credit watch with developing implication)
Long Term Fund Based Limits- Term Loan	-	-	October 2031	50.00	IVR BBB- (Credit watch with developing implication)
Short Term Non-Fund Based Limits- Letter of Credit	-	-	-	45.00	IVR A3 (Credit watch with developing implication)
Short Term Non-Fund Based Limits-	-	-	-	25.00	IVR A3 (Credit watch with



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Proposed Letter of Credit					developing implication)
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