

Surat Goods Transport Private Limited (Revised)

Instrument	Amount in Rs. Crore	Rating Action
Fund Based Limit	63.00	[ICRA]A- (Stable); reaffirmed
Non Fund Based-Bank Guarantee	10.50	[ICRA]A- (Stable) / A2+ ; reaffirmed
Total	73.50	

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus)¹ assigned to the Rs. 63.0 crore² long-term fund based limits of Surat Goods Transport Private Limited (SGTPL/ the company). ICRA has also reaffirmed the long-term rating of [ICRA]A- and short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) assigned to the Rs. 10.5 crore short-term/long-term non fund based limits of the company. The outlook on the long term rating is '**Stable**'.

The reaffirmation of the ratings take into account the long standing experience of three decades of the promoters in the industry; the widespread network coupled with the brand strength which has helped in attracting a diversified client profile which results in repeat business. The ratings also favourably factor in the asset light model of the company which helps in faster expansion and lower idle capacity during downturns and the favourable financial profile characterized by steady accruals, improving capital structure and comfortable coverage metrics.

The ratings, however, continue to remain constrained by increase in debtor days in FY2016 and high working capital intensity of company's operations. The ratings are also tempered by stiff competition in a fragmented industry, exposure to industrial activity of the country and vulnerability of profitability margins to volatility of fuel prices. ICRA also takes note of the corporate guarantee of Rs. 17.40 crore extended by the company to its subsidiary for funding its storage project. Nevertheless with staggered repayment of the debt of its subsidiary and guaranteed minimum revenue stream for its first ten years of operations, the subsidiary's cash flows are expected to be adequate for its debt servicing and it is not expected to have an adverse impact on SGTPL's financial profile.

Going forward, the ability of the company to rope in new customers and manage its working capital cycle efficiently will remain key monitorables.

Company Profile

Incorporated in 1963 as Surat Goods Transport Service by Mr. Rajendra Prasad Gupta and subsequently converted to a private limited company in 1977, Surat Goods Transport Private Limited (SGTPL) is engaged in the business of domestic road freight transportation business. The company is currently managed by the founder's son Mr. Vijay Gupta along with the grandsons Mr. Vishal Gupta and Mr. Vivek Gupta. The company is part of the Total Group which has operations in freight forwarding, warehousing and air freight.

In 1998, SGTPL formed Total Shipping and Logistics Pvt. Ltd. with a view to specialize as solutions providers for integrated logistics. Total Shipping & Logistics Pvt. Ltd. is engaged in International Freight Forwarding, Custom Clearance, handling warehousing and distribution at 45 locations with one million sq ft space across India. The company also has accredited bonded warehouse at Mumbai and Delhi. Total Group acquired Interfreight Forwarders Pvt. Ltd. in the year 2007, which was established in 1978 and has been accredited by the International Air Transport Association (IATA). Interfreight specializes in air cargo handling.

¹ For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

² 1 crore = 100 lakh = 10 million

Recent Results

During FY2016, SGTPL reported profit after tax of Rs. 15.0 crore on an operating income of Rs. 660.4 crore. During FY2015, SGTPL reported profit after tax (PAT) of Rs. 13.5 crore on an operating income of Rs. 633.3 crore.

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