

August 21, 2019

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| <b><u>Scrip Code: 532345</u></b>   | <b><u>Scrip Code : GATI</u></b>  |

Dear Sir/Madam,

**Sub: - Intimation of Credit Rating**

**Re: - Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

We hereby inform that our Credit rating Agency (i.e.) CARE Ratings Limited has :

- (i) Re-affirmed the long term bank facilities and medium term fixed deposits at BBB with a revision in the outlook;
- (ii) Revised the short term bank facility to A3.

The Copy of the press release is enclosed herewith for your reference.

This is for your information and records.

Thanking you.

Yours faithfully,  
For **Gati Limited**



  
**T.S. Maharani**  
**Company Secretary & Compliance Officer**  
**M. No. F8069**

**Corporate & Regd. Office: Gati Limited**

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## Gati Limited

August 20, 2019

### Ratings

| Facilities                    | Amount<br>(Rs. crore)   | Rating <sup>1</sup>                                    | Rating Action  |
|-------------------------------|---|--|--|
| Long term Bank Facilities     | 173.02  | CARE BBB; Negative<br>(Triple B; Outlook:<br>Negative) | Revised from<br>CARE BBB; Stable<br>(Triple B; Outlook-Stable) |
| Short term Bank Facilities    | 5.00  | CARE A3<br>(A Three)                                   | Revised from<br>CARE A3+; (A Three Plus)                       |
| <b>Total Facilities</b>       | <b>178.02</b><br>(Rs. One hundred seventy eight<br>crore and two lakh only) |  |  |
| Medium Term Fixed<br>Deposits | 50.00<br>(Rs. Fifty crore only)   | CARE BBB; Negative<br>(Triple B; Outlook:<br>Negative) | Revised from<br>CARE BBB; Stable<br>(Triple B; Outlook-Stable) |

*Details of instruments/facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Gati Limited (Gati) takes into account marginal decline in revenue from operations along with deterioration in profitability margin, resultant reduction in gross cash accruals during Q1FY20 (Q1FY refers to the period April 1 to June 30) and significant dilution in promoter's shareholding. The ratings, however, derive strength from its experienced management, extensive support from its subsidiary companies for augmenting e-commerce division and favorable industry prospects. The ratings continues to remain tempered by customer concentration risk in e-commerce segment and presence of stiff competition from many unorganized players in the industry. The ability of the company to improve its operational efficiency thereby garnering better profitability margins and increase the scale of operations are the key rating sensitivities.

**Outlook: Negative:** The negative outlook reflects declining trend in income and profitability over the past quarters which if continues may adversely impact the overall financial risk profile in the near term. The outlook may be revised to "Stable", if the company is able to demonstrate improvement in its key financial indicators.

#### Detailed description of the key rating drivers

##### Key Rating Strengths

##### Experienced promoters supported by efficient management team

The company is promoted by Mr. Mahendra Agarwal, Founder and CEO, is also part of the board of directors and oversees the implementation of strategic initiatives taken by the leadership team which comprises of professionals with the requisite expertise from various verticals at Head office, the Zones and the Express distribution centers. Mr K L Chugh is the Independent director of the company and has more than three decades of experience functioning as director with various reputed organizations. The other directors on board have broad experience of more than two decades operating in various industries.

##### Extensive support from subsidiary companies for augmenting e-commerce division

Gati, in order to execute its orders pertaining to e-commerce line of business, enjoys the benefit by taking support of its subsidiary Gati Kintetsu Express Pvt Ltd (GKEPL), which is one of the leading service provider of express distribution and supply chain solutions in India. Apart from above, Gati has been receiving dividend from GKEPL every year. Amount of dividend received by Gati Ltd during FY19 was Rs. 8.67 crore as against Rs. 10.36 crore received in FY18.

##### Favorable industry prospects

Logistics sector in India is set to grow rapidly led by e-commerce penetration, ramp up in transport infrastructure, digitalization and adoption of future technologies to increase operational efficiencies and reduce costs in the Indian logistics sector.

##### Key Rating Weaknesses

##### Marginal decline in revenue from operations and deterioration in profitability margins

The revenue from operations of the company has witnessed marginal Y-o-Y growth of 3.38% to Rs.534.29 crore during FY19 (as against Rs.516.79 crore during FY18). Further, the revenue from operations of the company has witnessed Q-o-Q decline

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

by 7% to Rs.121.32 crore during Q1FY20 (as against Rs.130.08 crore adjusted for non-cash income booked during Q4FY19) due to drop in business by a single B2B customer.

PBILDT margins registered a decline of 27% to Rs 6.73 crore in Q1FY20 (as against Rs 9.16 crore, adjusted for non-operating income during Q1FY19), after adjusting for non-cash expense due to IND AS and one-time expenses incurred during Q1FY20 towards augmenting manpower and increase coverage locations to cater demand during upcoming festive season. Further, there is a marginal increase in PBILDT margin of 5.16% in Q1FY20 against the Q4FY19 of Rs 6.40 crore (i.e adjusted for non-cash income & expense items).

#### Significant reduction in promoter's stake in the company

During FY18, redemption of outstanding FCCB's by way of issuance of equity shares to the extent of 19.8 million led to dilution in the promoter shareholding. Further, the promoter's and promoter group shareholding has witnessed significant decline and stood at 14.38% during Q1FY20 (as against 20.87% (Q4FY19) and 24.15% Q3FY19), which also include pledged shares at their personal level to the extent of 62.99% of their shareholding outstanding as on June 30, 2019.

#### Customer Concentration Risk

The top four customer in e-commerce segment contributes around 60%-65% of the revenue generated by e-commerce segment, which contributes 34% of the total revenue of the company. Further, the freight forwarding segment contributes around 10% of the total revenue of the company. With the drop in business by a single B2B customer, who had been a major contributor, the company is exposed to customer concentration risk.

#### Adequate Liquidity

Though the cash generation of the company was marked by weak cash accruals of Rs 0.74 crore during Q1FY20, the company was able to repay its long term debt obligation of Rs 7.42 crore during Q1FY20 using free cash and bank balances including fixed deposits. Further, the company has free cash and bank balances of Rs 26.12 crore as on August 2019, which is sufficient to cover the long term repayment obligation of Rs 18.82 crore due in next 9 months of FY20. In addition, the average working capital utilization stood below 50% for the trailing twelve months ended July 2019.

#### Analytical approach: Standalone

#### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Established in 1989, Gati Limited (Gati) at group level is promoted by Mr Mahendra Agrawal and it is India's largest road transport company. Gati has established connectivity across air, road, ocean and rail providing various logistics services to the customers in the industry. Gati, operates a fleet of 5,000 vehicles on road and has more than 7,000 business partners across India. Gati at standalone handles e-commerce division along with freight forwarding and fuel stations segment. In the fuel stations segment the company deals in petrol and diesel business along with other motor parts and lubricants through its fuel stations. Presently Gati is operating five fuel stations at Bangalore, Belgaum, Indore, Hyderabad and Chattrra (Karnataka).

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 516.79   | 534.29   |
| PBILDT                       | 18.70    | 44.65    |
| PAT                          | 34.48    | 24.25    |
| Overall gearing (times)      | 0.19     | 0.15     |
| Interest coverage (times)    | 0.88     | 2.95     |

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

## 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 |
|-------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Term Loan-Long Term                 | -                | -           | March 2021    | 128.02                        | CARE BBB; Negative                        |
| Fund-based - LT-Cash Credit         | -                | -           | -             | 45.00                         | CARE BBB; Negative                        |
| Non-fund-based - ST-Bank Guarantees | -                | -           | -             | 5.00                          | CARE A3                                   |
| Fixed Deposit                       | -                | -           | -             | 50.00                         | CARE BBB; Negative                        |

## 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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Term Loan-Long Term                    | LT              | 128.02                         | CARE BBB; Negative | -   | 1)CARE BBB; Stable {05-Oct-18}            | 1)CARE A-; Stable {04-Oct-17}             | 1)CARE A- {08-Jul-16}                     |
| 2.      | Fund-based - LT-Cash Credit            | LT              | 45.00                          | CARE BBB; Negative | -   | 1)CARE BBB; Stable {05-Oct-18}            | 1)CARE A-; Stable {04-Oct-17}             | 1)CARE A- {08-Jul-16}                     |
| 3.      | Non-fund-based - ST-Bank Guarantees    | ST              | 5.00                           | CARE A3            | -   | 1)CARE A3+ {05-Oct-18}                    | 1)CARE A2+ {04-Oct-17}                    | 1)CARE A2+ {08-Jul-16}                    |
| 4.      | Fixed Deposit                          | LT              | 50.00                          | CARE BBB; Negative | -   | 1)CARE BBB; Stable {05-Oct-18}            | 1)CARE A- {FD}; Stable {04-Oct-17}        | 1)CARE A- {FD} {08-Jul-16}                |

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not Applicable

**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.

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### 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.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**