

Press Release

Gautam Trade And Commerce Limited

July 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 12.00 crore bank facilities of Gautam Trade And Commerce Limited. The outlook is '**Stable**'.

Established in 1983, Gautam Trade & Commerce Limited (GTCL) is a public limited company based out of Chennai (Tamil Nadu). The company is engaged in trading of edible oil, granite blocks and jelly fish. The company is promoted by Mr. Sivaprasad who has nearly 4 decades of experience in trading business.

Key Rating Drivers

Strengths

- **Established presence of the promoters**

Mr. L.R. Sivaprasad and Mrs. Chandrika are the promoters of the company. They have been in the line of trading business for over 3 decades. They are also promoters of the group company named 'Perfect stone Limited' which is also engaged in trading activities. GTCL is engaged in trading of imported crude edible oil, exports granite blocks and jelly fish to countries like china and japan. .

Weaknesses

- **Below average financial risk profile:**

GTCL's financial risk profile is below average marked by EBITDA margin of 2.45 percent in FY2018 (Provisional) as against 0.53 percent in FY2017 and PAT margin of 0.66 percent in FY2018 (Provisional) as against 0.08 percent in FY2017. The improvement in margins is due to foreign exchange gain of Rs.0.40 crore on total EBITDA of Rs.0.52 crore in FY2018 (Provisional). Interest coverage ratio stood at 1.33 times in FY2018 (Provisional) as against 1.13 times in FY2017. Net Cash Accruals stood at Rs.0.14 crore in FY2018 (Provisional) as against 0.02 times in FY2017.

- **Modest Scale of operation:**

GTCL's scale of operation is modest with revenue of Rs.21.20 crore in FY2018 (Provisional) as against Rs.21.16 crore in FY2017. Acuite believes the scale of operation to remain modest in medium term on account of Letter of Credit (LC) limit not exceeding Rs.8.00 crore which would limit their turnover.

- **Highly competitive and fragmented industry**

The edible oil trading industry is highly fragmented with a large number of organised and unorganised players. The competition is intensified due to low entry barriers and low product differentiation.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the GTCL to arrive at this rating.

Outlook: Stable

Acuite believes that GTCL will maintain 'Stable' outlook over the medium term on the account of experienced management. The outlook may be revised to 'Positive' in the case of increase in scale of operation while maintaining profitability. The outlook may be revised to 'Negative' if the working capital

cycle deteriorates or if the profitability reduces.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)
Operating Income	Rs. Cr.	21.20	21.16
EBITDA	Rs. Cr.	0.52	0.11
PAT	Rs. Cr.	0.14	0.02
EBITDA Margin	(%)	2.45	0.53
PAT Margin	(%)	0.66	0.08
ROCE	(%)	3.60	1.13
Total Debt/Tangible Net Worth	Times	0.35	0.29
PBDIT/Interest	Times	1.33	1.13
Total Debt/PBDIT	Times	7.38	22.74
Gross Current Assets (Days)	Days	35	122

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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