

Shree Gautam Labdhi Trade Links: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	8.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** to the above mentioned Rs.8.00 crore bank facility of Shree Gautam Labdhi Trade Links (SGLTL). The outlook is **'Stable'**.

The rating is supported by the experienced management and moderate financial profile. However, the rating is constrained by the modest scale of operations and the highly competitive and fragmented iron and steel trading industry.

SGLTL, established in 2012, is engaged in the trading of thermo-mechanically treated (TMT) bars. The firm benefits from its experienced management. Mr. Tejas Gosalia, Partner, possesses experience of over two decades in the iron and steel industry. The firm has moderate financial profile marked by total outside liabilities to tangible network (TOL to TNW) at around 1.66 times as on March 31, 2016 and interest coverage ratio of 1.59 times in FY2015-16. The firm has adequate liquidity position with cash credit utilisation at around 45 per cent during April to September, 2016. However, the net worth base stands low at around Rs.4.83 crore on account of low profitability due to the trading nature of business and capital withdrawals.

However, the firm has modest scale of operations with revenue of around Rs.51.87 crore in FY2015-16 as against Rs.51.34 crore in FY2014-15. The firm is also exposed to intense competition in the highly fragmented steel trading industry.

Rating Sensitivity Factors:

- Scaling up of operations while improving profit margins
- Maintaining comfortable capital structure

Criteria applied to arrive at the ratings:

- Trading Entities

Outlook – Stable

SMERA believes that SGLTL will maintain a Stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Firm

SGLTL, established in September 2012, is a Mumbai-based partnership firm that trades in TMT bars. The firm was promoted by Mr. Tejas Gosalia and Mr. Bhavin Gosalia.

For FY2015-16, SGLTL reported net profit of Rs.0.55 crore on operating income of Rs.51.87 crore, as compared with net profit of Rs.0.37 crore on operating income of Rs.51.34 crore in FY2014-15.

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ABOUT SMERA

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