

Press Release

Shree Gautam Labdhi Trade Links (SGLTL)

09 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed the long term rating to '**SMERA BB-**' (read as **SMERA Double B minus**) on the Rs. 8.00 cr. bank facilities of Shree Gautam Labdhi Trade Links (SGLTL). The outlook is '**Stable**'.

SGLTL, established in 2012, is a Mumbai-based partnership firm that 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.

Strengths

Promoter's extensive experience in the industry: The promoters of SGLTL, Mr. Tejas Gosalia and Mr. Bhavin Gosalia have an extensive experience of 23 years and 15 years respectively in steel trading industry. Prior to this firm the promoters had a joint family business in similar line of business.

Moderate Financial Risk Profile: The Company has moderate financial risk profile, marked by networth of Rs. 4.56 crore as on 31 March, 2017 as compared to Rs. 4.83 crore as on 31 March, 2016. The debt to equity stood at 1.59 times as on 31 March, 2017 as compared to 1.41 times as on 31 March, 2016. SGLTL has an interest coverage ratio (ICR) which stood at 1.40 times for FY2017 as compared to 1.59 times for FY2016.

Weaknesses

Modest scale of operations: The firm's revenues declined to Rs. 43.82 crore in FY2017 from Rs. 51.87 crore in FY2016. The revenue decline in FY2017 was mainly due to fall in commodity price and demand affected by demonetisation. Further, during April 2017 to December 2017 the firm has recorded revenues of Rs. 30 crore and is expecting the revenues to reach Rs. 40.00 crore by March 2018.

Highly competitive and fragmented industry: The steel trading industry is highly competitive and fragmented segmented of industry. The competition stems from large number of organised and unorganised players leading to stiff competition and entry barriers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles to arrive at the rating of SGLTL.

Outlook – Stable

SMERA believes that SGLTL will continue to benefit over the medium term on account of experienced management. The outlook may be revised to 'Positive' if 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 firm fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.82	51.87	51.34
EBITDA	Rs. Cr.	0.54	1.48	1.12
PAT	Rs. Cr.	0.38	0.55	0.37
EBITDA Margin	(%)	1.22	2.85	2.19
PAT Margin	(%)	0.87	1.06	0.73
ROCE	(%)	11.54	12.14	12.20
Total Debt/Tangible Net Worth	Times	1.59	1.41	1.73
PBDIT/Interest	Times	1.40	1.59	1.51
Total Debt/PBDIT	Times	5.35	4.59	7.18
Gross Current Assets (Days)	Days	99	90	96

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

Not Applicable

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06 Feb, 2017	Cash Credit	Long Term	8.00	SMERA BB- (Indicative)
14 Nov, 2016	Cash Credit	Long Term	8.00	SMERA BB-/Stable (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable (Reaffirmed)

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ABOUT SMERA

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