

## Press Release

**Shree Gautam Labdhi Trade Links (SGLTL)**

**09 March, 2018**

**Rating Reaffirmed**



<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	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.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**

<https://www.smera.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)

### Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury, President-SMERA Bond Ratings Tel: 022-67141107 Email: <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Vishal Choudhary, Senior Analyst – Rating Operations, Tel: +91-22-6714 1153 Email: <a href="mailto:vishal.choudhary@smera.in">vishal.choudhary@smera.in</a></p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

