

Press Release

Shree Gautam Labdhi Trade Links

December 15, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.8.00 Crore bank facilities of Shree Gautam Labdhi Trade Links (SGLTL). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating and on account of request received from the company and NOC received from the banker.

About the Company

SGLTL, is a Mumbai-based partnership firm established in 2012 by Mr. Tejas Gosalia and Mr. Bhavin Gosalia. The firm is engaged in the trading of Thermomechanical Treated (TMT) bars.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of SGLTL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced partners**

SGLTL, benefits from established presence in trading of TMT bars since 2012 and extensive experience of the partners have helped to establish long standing relationship with its customers and suppliers. The promoters of SGLTL, Mr. Tejas Gosalia and Mr. Bhavin Gosalia have an extensive experience of around two decades in the steel industry. Prior to this firm, the promoters had a joint family business engaged in a similar line of business. The firm is well supported by second line of management.

Acuité believes that the firm will continue to benefit from experienced partners, longstanding relationship with its customers and suppliers.

- **Average financial risk profile**

The firm has average financial risk profile, marked by net worth of Rs. 8.91 crore as on 31 March, 2020 (Provisional) as compared to Rs.9.38 crore as on 31 March, 2019. The net worth includes unsecured loans of Rs.4.87 crores in FY2019 and FY2020 (Provisional) treated as quasi capital. The debt to equity ratio stood at 0.07 times as on 31 March, 2020 (Provisional) as compared to 0.36 times as on 31 March, 2019. SGLTL has an interest coverage ratio (ICR) of 1.14 times for FY2020 (Provisional) as compared to 1.67 times for FY2019. Total debt outstanding as on March 31, 2020 (Provisional) of Rs.0.66 crore consists of long term borrowings of Rs.0.49 crore and short term working capital borrowings of Rs.0.17 crore. Further, TOL/TNW stood at 0.08 times as on March 31, 2020 (Provisional) as against 0.46 times as on March 31, 2019.

Acuité believes that the firm will continue to maintain average financial risk profile over the medium term on account of stagnant growth in revenues and profitability, and absence of any debt funded capex.

Weaknesses

- **Decline in revenues and thin profitability margins**

The operating income of the firm has declined by 30.55 percent to Rs.33.92 crore in FY2020 (Provisional) as against Rs.48.84 crore in FY2019. The operating margins and PAT margins stood at 1.36 percent and 0.10 percent in FY2020 (Provisional) as against 1.31 percent and 1.17 percent in FY2019. The decline is due to slowdown in end user industry like Real estate and lockdown imposed due to COVID-19.

Acuité believes margins to remain in the same range over the medium term due to trading nature of business.

• Moderately Working capital intensive nature of operations and susceptibility to cyclical nature of industry

The operations of the firm are moderately working capital intensive marked by Gross Current Assets Days (GCA) of 96 days in FY2020(Provisional)and FY2019. The high GCA days is dominated by higher receivable days of 96 days in FY2020 (Provisional) and FY2019. The average credit provided by the firm to customers ranges between 90 to 120 days. However, firm has lower reliance on bank facility, which stood utilised below 5.00 percent in last six month ending April 2020. Furthermore, TMT bars consumption is majorly dependent on the economic activities taking place in and around the country. The end user industry being Infrastructure and Real Estate, any significant slowdown in these industries will impact the revenues of steel players. Further, SGLT competes with various players in the organized and unorganized segments in the TMT bars trading in the industry, thus limiting the pricing power. The same can be observed through a decline in operating performance and margins in the current year.

Liquidity position: Adequate

SGLT has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm has generated cash accruals of Rs. 0.11 crore for FY2020 (Provisional), while its maturing debt obligations were Rs. 0.04 crore for the same period. The cash accruals of the firm are estimated to remain in the range of ~Rs.0.10 crore to Rs. 0.50 crore during 2021-23 against debt obligation in the range of ~ Rs. 0.05 crore to Rs. 0.10 crore. The firm has moderately working capital intensive nature of operations marked by GCA days of 96 days for FY2020 (Provisional). The firm maintains unencumbered cash and bank balances of Rs. 0.03 crore as on 31 March, 2020 (Provisional). The current ratio stood at 30.33 times as on 31 March, 2020 (Provisional).

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals to its maturing debt obligation.

Rating Sensitivities

None

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	33.92	48.84
PAT	Rs. Cr.	0.04	0.57
PAT Margin	(%)	0.10	1.17
Total Debt/Tangible Net Worth	Times	0.07	0.36
PBDIT/Interest	Times	1.14	1.67

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Jun-2020	Cash Credit	Long Term	8.00	ACUITE BB- / Stable (Reaffirmed)
16-May-2019	Cash Credit	Long Term	8.00	ACUITE BB- / Stable (Reaffirmed)
09-Mar-2018	Cash Credit	Long Term	8.00	ACUITE BB- / Stable (Reaffirmed)
06-Feb-2018	Cash Credit	Long Term	8.00	ACUITE BB- (Indicative)
14-Nov-2016	Cash Credit	Long Term	8.00	ACUITE BB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB- (Withdrawn)

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About Acuité Ratings & Research:

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