

Press Release

20 March, 2017

Gopal Enterprises

Rating Assigned

Total Bank Facilities Rated *	Rs. 20.00 Cr.
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 20.00 crore bank facilities of Gopal Enterprises.

Gopal Enterprises (GE), a proprietorship concern was established in 1978 by Mr. Gopal Talreja. The firm imports industrial chemicals from USA, France, China and other countries and sells the same in the domestic market.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

Mr. Gopal Talreja, the promoter of the firm has over three decades of experience in the trading of chemicals. Thus, the firm has been able to forge long term relationships with its customers and suppliers.

- **Healthy financial risk profile**

Gopal Enterprises has a healthy financial risk profile marked by low debt to equity ratio of 0.33 times as on 31st March 2016 as compared to 0.34 times as on 31st March 2015. The Interest coverage ratio stood at 2.93 times for FY2015-16 as compared to 4.07 times for FY2014-15. The networth of GE is healthy at Rs.18.38 cr as on 31st March 2016 as compared to Rs.17.21 cr as on 31st March 2015.

- **Reputed clientele base**

Gopal Enterprises caters to reputed clients including Coca-Cola, Asian Paints, Godrej among others.

Weaknesses

- **Foreign exchange fluctuation risk**

GE imports 100% of its purchases from USA, France, China to name a few. The purchases are against LC of 120 days. Thus, the firm is exposed to foreign exchange fluctuation risk. However, the firm has not incurred any forex loss.

- **Margins are susceptible to fluctuations in raw material prices**

The margins are susceptible to fluctuations in raw material prices. The operating margins of the firm stood at 4.65 percent in FY2015-16 as compared to 6.21 percent in FY2014-15. The decline in margins

is on account of fall in the crude oil prices in the international market.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm.

About the Rated Entity - Key Financials

For FY2015-16, the firm registered net profit after tax (PAT) of Rs.2.23 cr on operating income of Rs.73.35 cr as compared to net profit after tax of Rs.3.47 cr on operating income of Rs.72.96 cr in FY2014-15. The networth of the firm stood at Rs.18.38 cr as on 31st March 2016 as compared to Rs.17.21 cr as on 31st March 2015.

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

None

Any other information

None

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>

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
Letter of credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A3

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Vishal Choudhary Rating Analyst Tel: 022-67141159 vishal.choudhary@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

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.

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) for the latest information on any instrument rated by SMERA.*