

## Press Release

### SPG Multi Trade Private Limited

13 October, 2017

### Rating Assigned



<b>Total Bank Facilities Rated</b>	Rs. 70.00 Cr
<b>Long Term Rating</b>	SMERA BBB-/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A3 (Assigned)

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 70.00 crore bank facilities of SPG Multi Trade Private Limited (SMTPL). The outlook is '**Stable**'.

### About the Rated entity

SPG Multi Trade Private Limited (the erstwhile Shree Tirupati Real Estates Private Limited) established in 2006 was taken over by Ms. Shaily Prince Goyal, Director and Mr. Ajay Kumar Agrawal, Director and changed to SPG Multi Trade Private Limited (SMTPL). The company is engaged in the trading of multiple products including textile, coal, steel sheets, ingots, TMT bars, petroleum products and others. In FY2016-17, sales of steel sheets contributed 87.72 per cent (63.20 per cent in FY2015-16), cotton sales contributed 3.26 per cent (3.11 per cent in FY2015-16) and fabric sales contributed 9.01 per cent (20.10 per cent in FY2015-16) to the total revenue.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the company.

### List of key rating drivers and their detailed description:

#### Strengths:

**Experienced management:** SMTPL is led by Mr. Prince Goyal, CEO who possesses more than two decades of experience in the trading of steel, yarn, textile, coal among others. Mr. Madanlal Goyal, Managing Director has been associated with the above business for over three decades.

SMERA believes that SMTPL will continue to benefit from its experienced management and association with the SPG Group.

**Efficient working capital management:** The company has efficiently managed its working capital cycle with Gross Current Assets (GCA) of 46 days due to comfortable collection period of 39 days in FY2016-17 compared to GCA of 56 days with collection period of 52 days for FY2015-16. The companies sell their products against Letter of Credit and Post Dated Cheques (PDCs) limiting the risk of receivables.

SMERA believes that SMTPL's policy of selling products against Letter of Credit and PDCs will ensure an efficient working capital cycle in the future.

**Moderate scale of operations:** The company operates on a moderate scale of operations with revenue of Rs. 639.87 crore for FY2016-17 as against Rs. 520.54 crore for FY2015-16. The revenues grew at a CAGR of 39.57 per cent from FY2013-14 and FY2016-17 largely due to trading in steel products from FY2013-14. Currently, 87.72 per cent revenue is being generated from trading of steel sheets.

SMERA believes that SMTPL will continue to register a stable revenue growth on the back of its experienced management and established relations with customers and suppliers.

**Moderate financial risk profile:** The financial risk profile of SMTPL is moderate with networth of Rs. 23.29 crore as on 31 March, 2017 (Provisional) compared to Rs. 19.31 crore as on 31 March, 2016. The gearing stood at a high of around 0.81 times as on 31 March, 2017 (0.52 times as on 31 March, 2016). The debt of Rs.18.79 crore as on 31 March, 2017 is entirely short term working capital debt. The interest coverage ratio stood at a moderate 2.12 times in FY2016-17 as against 2.53 times in FY2015-16. The net cash accruals (NCA) stood at Rs. 2.73 crore for FY2016-17 (Provisional) as against Rs. 2.27 crore for the previous year.

SMERA believes that SMTPL will be able to maintain above average financial risk profile based on healthy net cash accruals in the future.

## Weaknesses

**Thin profit margins:** The profit margins of SMTPL have been thin during the period under study (FY2014 to FY2017). SMTPL registered operating margin of 1.11 per cent for FY2016-17, 1.07 per cent for FY2015-16 and 0.91 per cent in FY2014-15. The net margins are thin due to the trading nature of operations. The PAT margin stood at 0.43 per cent for FY2016-17 as against 0.43 per cent for FY2015-16 and 0.36 per cent for FY2014-15.

**Intense competition:** SMTPL is exposed to intense competition in the steel industry from organised and unorganised players as also geographic concentration risk since SMTPL sells its products only in Maharashtra.

## Applicable Criteria

- Trading Entities: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

## Outlook - Stable

SMERA believes that the outlook on SMTPL will remain stable over the medium term owing to its experienced management. The outlook maybe revised to 'Positive' in case the company registers sustained growth in revenues while achieving significant improvement in profit margins. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenues and profit margins, or deterioration in the financial risk profile.

## About the Rated Entity - Financials

For FY2016-17 (Provisional), SMTPL, reported profit after tax (PAT) of Rs. 2.73 crore on operating income of Rs.639.87 crore compared to PAT of Rs. 2.25 crore on operating income of Rs. 520.54 crore for FY2015-16. The networth of SMTPL stood at Rs. 23.29 crore as on March 31, 2017 as compared to Rs. 19.31 crore as on March 31, 2016.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for the 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. Crore)	Ratings
Cash Credit	NA	NA	NA	20.00*	SMERA BBB-/Stable (Assigned)
Letter of Credit	NA	NA	NA	50.00**	SMERA A3 (Assigned)

\*sublimit is Letter of credit bill discounting up to Rs. 10.00 crore and Packing Credit up to Rs. 16.00 crore

\*\*sublimit is buyer's credit up to Rs. 50.00 crore and bank guarantee up to Rs. 5.00

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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## ABOUT SMERA

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