

Press Release

Gaurav Worldwide Trading Private Limited



9 January, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B** (read as SMERA B) and short term rating of **SMERA A4** (read as SMERA A four) on the Rs 50.00 crore bank facilities of Gaurav Worldwide Private Limited. The outlook is '**Stable**'.

Gaurav Worldwide Trading Private Limited (GWTPL), established in 2004 is engaged in ship breaking, factory dismantling and also trades in scrap metals at Mumbai (Maharashtra). The company is led by Mr. Gaurav Jhaveri and his son, Mr. Utsav Jhaveri.

Key rating drivers

Strengths

Experienced promoters

The promoters, Mr. Gaurav Jhaveri and Mr. Utsav Jhaveri have experience of more than a decade in scrap metal trading and the dismantling business.

Weaknesses

Average financial risk profile

The average financial risk profile is marked by low net worth, comfortable gearing and modest debt protection measures. The networth stood low at Rs.3.66 crore as on 31 March, 2017 as compared to Rs. 3.47 crore as on 31 March, 2016. The debt equity ratio stood at 0.08 times in FY2017 compared to 0.12 times in FY2016. The total debt of Rs.0.28 crore consists of unsecured loans from promoters. The Interest Coverage Ratio stood at 2.26 times in FY2017 compared to 2.50 times in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.82 times as on 31 March, 2017. The TOL/TNW stood at 0.21 times as on 31 March, 2017 as against 7.91 times in the previous year. The reason for decrease in TOL/TNW is decline in trade receivables from Rs.26.36 crore as on 31 March, 2016 to Rs.0.03 crore as on 31 March, 2017.

Fluctuating trend in revenue

The company reported revenue of Rs.1.24 crore in FY2016-17 as against Rs.32.37crore in the previous year due to fewer orders from the government. For factory dismantling, the company

participates in the bidding process. The company has registered a fluctuating trend in revenue due to the cyclical nature in the ship breaking industry.

Slowdown in ship breaking industry

The ship-breaking industry is characterised by weakening steel prices as well as increased competition from the ship breaking yards of neighbouring countries such as China, Bangladesh and Pakistan.

Exposure to environmental regulatory risk

Stringent environmental regulations may adversely impact the ship breaking industry, thereby weakening the revenue growth.

Analytical approach:

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

Outlook – Stable

SMERA believes that GWTPL will maintain a Stable outlook and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenue and profit margins while maintaining efficient working capital management. Conversely, the outlook may be revised to 'Negative' if revenue weakens because of adverse movements in prices of steel scrap and slowdown in the ship breaking industry, leading to substantial losses.

About the Rated Entity – Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1.24	32.37
EBITDA	Rs. Cr.	(0.15)	0.64
PAT	Rs. Cr.	0.19	0.39
EBITDA Margin	(%)	(12.41)	1.99
PAT Margin	(%)	15.07	1.20
ROCE	(%)	9.72	33.23
Total Debt/Tangible Net Worth	Times	0.21	7.91
PBDIT/Interest	Times	2.26	2.50
Total Debt/PBDIT	Times	(1.79)	0.67
Gross Current Assets	Days	1032	76

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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):

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA B/ Stable
ILC/FLC/Buyer's Credit	Not Applicable	Not Applicable	Not Applicable	30.00*	SMERA A4

Total Fund Based and Non Fund Based limit should not exceed Rs.50.00 crore.

**Inland Letter of Credit/FLC/Buyer's credit is interchangeable to Cash credit.*

^The Cash Credit Limit of Rs.20.00 crore consists of sublimit of cash credit to the extent of Rs.2.00 crore

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Deep Majumder, Rating Analyst, Tel: +91-22-6714 1147 Email: deep.majumder@smera.in	

ABOUT SMERA

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