

Press Release

Gaurav Worldwide Trading Private Limited

March 13, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 50.00 crore bank facilities of Gaurav Worldwide Trading Private Limited (GWPL). The outlook is '**Stable**'.

The ratings continue to reflect extensive experience of the promoters in the scrap metal trading, adequate financial risk profile and comfortable liquidity position reflected by low bank limit utilization. These strengths are partially offset by uneven revenue trend owing to tender based nature of business and low revenue visibility in the medium term.

Mumbai based GWPL was established in 2004 and is promoted by Mr. Gaurav Jhaveri and Mr. Utsav Jhaveri. GWPL is engaged in ship breaking and factory dismantling along with trading in scrap metals.

Analytical Approach

Acuité has considered a standalone approach on GWPL's business and financial risk profile for arriving at the rating.

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.

• Moderate financial risk profile

GWPL's financial risk is moderate marked by low net worth, comfortable gearing and modest debt protection metrics. The net worth stood at Rs.4.47 crore as on March 31, 2018 as against Rs.3.66 crore in the previous year. The same has been supported by capital infusion by the promoters. The gearing remained comfortable at 0.01 times as on March 31, 2018 as against 0.08 times in the previous year. The gearing is expected to remain low in the absence of any debt-funded capex plan. The debt protection metrics remained comfortable with interest coverage ratio of 1.56 times as on March 31, 2018 as against 2.26 times in the previous year. The total outside liabilities against total net worth remained adequate at 0.18 times as on March 31, 2018.

Weaknesses

• Tender based nature of operations

GWPL's operations are tender based in nature resulting in significant volatility in its revenue profile. For factory dismantling process, the company engages in bidding process conducted by MSTC Limited. Additionally, due to inherent cyclicity in the ship breaking and factory dismantling industry, GWPL has fluctuating scale of operations for the last three years. The company registered operating revenue of Rs.24.59 crore in FY2017-2018 as against Rs.1.24 crore in the previous year. Further, the company has registered turnover of Rs.21.45 crore in April-February, 2019. Going forward, company's ability to maintain its revenue profile will remain a key monitorable.

• Cyclicity in ship breaking and steel industry

The ship-breaking industry is characterized by cyclicalities in steel prices as well as increased competition from the ship breaking yards of neighboring countries such as China, Bangladesh and Pakistan. Further, stringent environmental regulations may adversely impact the ship-breaking industry, thereby weakening the revenue profile.

Liquidity Profile

The liquidity profile of the company is comfortable marked by net cash accruals of Rs 0.41 Crore in absence of any maturing debt obligations. The bank limit utilization remained low at 4 percent in the past 6 months ending February, 2019. The working capital operation remained moderate with gross current asset of 51 days dominated by other current assets of Rs 3.11 Crore.

Outlook: Stable

Acuité believes that GWPL will maintain 'Stable' outlook from its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues and profit margins while maintaining efficient working capital management. The outlook may be revised to 'Negative' if revenue profile declines because of any adverse movement in the price of steel scrap, or financial risk profile deteriorates on account of debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.99	1.24	32.37
EBITDA	Rs. Cr.	1.19	-0.15	0.64
PAT	Rs. Cr.	0.31	0.19	0.39
EBITDA Margin	(%)	4.77	-12.41	1.99
PAT Margin	(%)	1.23	15.07	1.20
ROCE	(%)	33.87	9.72	33.23
Total Debt/Tangible Net Worth	Times	0.01	0.08	0.12
PBDIT/Interest	Times	1.56	2.26	2.50
Total Debt/PBDIT	Times	0.02	0.66	0.36
Gross Current Assets (Days)	Days	51	1032	76

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Jan-2018	Cash Credit	Long Term	20.00	ACUITE B / Stable (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A4 (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	20.00	ACUITE B/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4 (Reaffirmed)

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.50.00 crore consists of sublimit of cash credit (ship breaking) to the extent of Rs.2.00 Crore

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Swati Banthia Analyst - Rating Operations Tel: 033-6620-1211 swati.banthia@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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