

Press Release

Trump Impex Private Limited (TIPL)

February 06, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 64.00 crore
Long Term Rating	SMERA BBB-/ Stable

**Refer annexure for details*

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to Rs. 64.00 crore bank facilities of Trump Impex Private Limited (TIPL). The outlook is '**Stable**'.

Trump Impex Pvt Ltd. (TIPL) was incorporated in 2006 by Mr.Devang A. Mehta and Ms.Jigna D. Mehta and is engaged in importing and trading of ferrous and non-ferrous metals. TIPL is mainly dealing in flat products like HR coil, CR coil, Colour coated coils, TMT bars, and steel products including G.P. sheet, M.S. billets, and M.S. ingots primarily used in automobiles, construction and machineries sectors.

Key rating drivers

Strengths

Established track record

Incorporated in 2006, TIPL is engaged in importing and trading of ferrous and non-ferrous metals for more than a decade. Mr.Devang A. Mehta, the promoter of the company is experienced in this line of business for more than a decade.

Moderate financial risk profile

The financial risk profile is moderate marked by networth of Rs. 40.04 crore as on 31 March, 2017 as against Rs.15.95 crore as on 31 March, 2016. The gearing stood at 0.93 times as on 31 March, 2017 as against 1.55 times as on 31 March, 2016. The total debt of Rs. 37.09 crore consists of short term. The total liabilities to total networth (TOL/TNW) stood at 2.41 times as on 31 March, 2017. The coverage indicators are moderate with interest coverage ratio (ICR) at 1.28 times in FY2017 and debt service coverage ratio (DSCR) at 1.12 times for FY2017. The Net cash accruals/total debt (NCA/TD) stood at 0.02 times for FY2017.

Weaknesses

Working capital intensive operations

The company's operations are working capital intensive marked by gross current assets (GCA) of 134 days in FY2017. This is on account of inventory holding of 27 days in FY2017 as against 30 days in FY2016 and debtors of 87 days in FY2017 as against 96 days in FY2016 on the debtors are moderately stretched on account of the nature of payment structure.

Thin profit margins due to trading nature of business

TIPL operates in a highly fragmented industry wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers. The operating margins (EBITDA) declined marginally to 1.33 per cent in FY2017 from 1.53 per cent in FY2016. The Profit after tax margins (PAT) fell to 0.18 per cent in FY2017 from 0.25 per cent in FY2016. The margins have declined due to intense competition in the metal trading business. The profitability is expected to remain low due to the trading nature of business.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of UPL to arrive at the rating

Outlook: Stable

SMERA believes that TIPL will maintain a stable outlook over the medium term on account of its established track record of operations and extensive experience of the management in the metal and non-metal trading industry. The outlook may be revised to 'Positive' in case the company manages its working capital cycle significantly. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle.

About the Rated Entities- Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	361.36	224.92	135.14
EBITDA	Rs. Cr.	4.84	3.44	2.38
PAT	Rs. Cr.	0.64	0.56	0.24
EBITDA Margin	(%)	1.33	1.53	1.76
PAT Margin	(%)	0.18	0.25	0.18
ROCE	(%)	7.94	9.91	16.97
Total Debt/Tangible Net Worth	Times	2.41	4.29	4.94
PBDIT/Interest	Times	1.28	1.37	1.51
Total Debt/PBDIT	Times	1.12	1.06	1.31
Gross Current Assets (Days)	Days	134	134	108

Any other information

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable):None

Rating History for the last three years:

None

***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	NA	NA	NA	29.50	SMERA BBB-/Stable
Cash Credit	NA	NA	NA	10.50	SMERA BBB-/Stable
Proposed Cash Credit	NA	NA	NA	24.00	SMERA BBB-/Stable

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ABOUT SMERA

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