

Press Release



Gupta Steel & Strips Private Limited

18 April, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** on the Rs. 10.00 crore bank facilities of Gupta Steel & Strips Private Limited (GSSPL). The outlook is '**Stable**'.

Gupta Steel & Strips Private Limited (GSSPL) was established in 2004 as a Delhi based proprietorship concern and later in 2011 the firm was converted to private limited company. GSSPL is engaged in trading of iron & steel products like HR coils, CR coils, HR sheets, Strips etc. The company is promoted by Mr. Ashish Gupta who has over a decade of experience in the iron and steel industry.

Key Rating Drivers

Strengths

Experienced management

The company is headed by Mr. Ashish Gupta (Director) who has over a decade of experience in the iron and steel trading business.

Improvement in operating income

GSSPL registered an operating income of Rs 70.95 cr in FY 2017 as compare to Rs 21.89 cr thereby registering a healthy y-o-y growth of 224 per cent. During the current year, the company has clocked revenue of Rs 64.11 cr till March'18 (prov).

Weaknesses

Weak Financial Risk Profile

The weak financial risk profile of the company is marked by high gearing of 5.74 times in FY2016-17 as against 5.96 times in FY2015-16. The high gearing is attributed to low net worth of Rs.1.29 cr as against total debt of Rs.7.43 cr as on 31 March, 2017. The total debt of Rs.7.43 cr includes cash credit of Rs. 7.08 cr, unsecured loans from promoters of Rs.0.10 cr and vehicle loan of Rs.0.24 cr. The company reported moderate debt protection metrics evident from the interest coverage ratio of 1.41 times in FY2016-17 as compare to 1.27 times in FY2015-16. The DSCR stood moderate at 1.26 times in FY 2016-17 as compare to 1.14 times in FY 2015-16.

Low profitability margins

The profitability margin of GSSPL is low where the company achieved operating margins of 1.90 % in FY2016-17 from 3.01 % in FY 2015-16. The dip in the profitability margins is on account of rise in prices of HR coils, CR coils, HR sheets which cannot be passed on to the customers.

Competitive and fragmented nature of Industry

GSSPL is mainly engaged in the business of wholesale trading of steel products. The firm operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Outlook: Stable

SMERA believes that GSSPL will maintain a stable business risk profile in the medium term backed by promoters' extensive experience. The outlook may be revised to 'Positive' if the company registers more than expected revenue while improving profitability and financial risk profile. However, the outlook may be revised to 'Negative' if the company fails to achieve improvement in revenue or profitability leading to deterioration in the debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.95	21.89	16.50
EBITDA	Rs. Cr.	1.35	0.66	0.71
PAT	Rs. Cr.	0.19	0.07	0.00
EBITDA Margin	(%)	1.90	3.01	4.29
PAT Margin	(%)	0.27	0.30	0.03
ROCE	(%)	15.32	11.24	13.09
Total Debt/Tangible Net Worth	Times	5.74	5.96	3.16
PBDIT/Interest	Times	1.41	1.27	1.09
Total Debt/PBDIT	Times	5.43	9.00	4.03
Gross Current Assets (Days)	Days	43	184	91

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

None

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of GSSPL.

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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B/Stable (Assigned)

Contacts

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