

## Press Release

Gnet Tradelinks Private Limited

December 18, 2018



### Rating Assigned

|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 12.00 Cr.               |
| <b>Long Term Rating</b>             | ACUITE B+ / Outlook: Stable |
| <b>Short Term Rating</b>            | ACUITE A4                   |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 12.00 crore bank facilities of Gnet Tradelinks Private Limited (GTPL). The outlook is '**Stable**'.

The Maharashtra-based, GTPL was incorporated in 2000 and is engaged in trading of medium density fiber (MDF) board, timber granules and decorative boards to name a few. The company is led by Mr. Manoj Sharma, Mr. Satish Kulkarni and Mr. Mohd Ali Zaidi.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GTPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established track record and experienced management**

GTPL was incorporated in 2000. The Director, Mr. Manoj Sharma has experience of more than three decades in the said industry. The company is also supported by Mr. Satish Kulkarni and Mr. Mohd Ali Zaidi with experience of more than two decades in the construction material industry.

- **Improved scale of operation and profitability**

GTPL reported revenues of Rs.59.99 crore as against Rs.35.81 crore in FY2017 and Rs.30.13 crore in FY2016. The growth is mainly due to addition of new products. The company has reported revenues of Rs.37.29 crore for the period April to November 2018 (Provisional). Further, the profitability has improved with operating profit of Rs.1.89 crore in FY2018 as against an operating loss of Rs.1.52 crore in FY2017. Acuité expects that the revenues will improve in the medium term backed by improved clientele and supplier base.

#### Weaknesses

- **Moderate liquidity position**

The company's liquidity position is stretched mainly due to slow moving debtor profile and limited funding cushion given by fully utilised bank limits. The company over the years has shown efficiency in managing its working capital, however, remains intensive. The Gross Current Assets (GCA) improved to 133 days in FY2018 as compared to 160 days in 2017 and 267 days in FY2016. This is mainly due to reduced inventory holding days to 27 in 2018 (PY: 43 days). The debtors stood at 83 days in FY2018 as against 68 days in FY2017. The working capital limit has been almost fully utilised in the past six months ended October 30, 2018. Acuité believes that an improvement in the company's liquidity position coupled with traction in debtor profile will remain a key rating monitorable.

### Outlook: Stable

Acuité believes that the outlook on GTPL's rated facilities will remain 'Stable' over the medium term on account of the extensive experience of its promoters and established presence in the industry. The outlook may be revised to 'Positive' in case of sustainable growth in revenue and profitability while effectively maintaining its working capital. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability resulting in deterioration in the financial risk profile or in case of elongation in working capital requirements.

### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 59.99         | 35.81         | 30.13         |
| EBITDA                        | Rs. Cr. | 1.89          | -1.52         | -1.79         |
| PAT                           | Rs. Cr. | 1.77          | -1.74         | -1.91         |
| EBITDA Margin                 | (%)     | 3.14          | -4.24         | -5.93         |
| PAT Margin                    | (%)     | 2.95          | -4.85         | -6.33         |
| ROCE                          | (%)     | 31.27         | -26.15        | -24.37        |
| Total Debt/Tangible Net Worth | Times   | 1.34          | 1.08          | 0.20          |
| PBDIT/Interest                | Times   | 4.91          | -3.17         | -4.46         |
| Total Debt/PBDIT              | Times   | 2.39          | -2.10         | -0.57         |
| Gross Current Assets (Days)   | Days    | 133           | 160           | 267           |

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

None

### 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)

Not Applicable

### \*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 | 2.00                        | ACUITE B+ / Stable |
| Letter of credit       | Not Applicable   | Not Applicable | Not Applicable | 10.00*                      | ACUITE A4          |

\*Interchangeable with CC for upto 60 percent of LC limit

## Contacts

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### About Acuité Ratings & Research:

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