



SMERA RATINGS LIMITED

Chirag Goel Enterprises Private Limited (CGEPL)

Rating
Rationale

March 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B-/Stable (Assigned)
Letter of Credit/Buyer's Credit	5.00	SMERA A4 (Assigned)
Proposed Cash Credit	5.00	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA single B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A Four**) to the Rs.15.00 crore bank facilities of Chirag Goel Enterprises Private Limited (CGEPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations, low profitability, working capital-intensive operations, high level of customer concentration and weak financial risk profile. The ratings are further constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates in a highly competitive business environment. The aforementioned weaknesses are partially offset by the company's diversified product portfolio.

CGEPL, incorporated in 2006, is a Mumbai-based company involved in trading of non-ferrous metals and fabrics. CGEPL has small-scale operations reflected in revenues of Rs.42.99 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's operating profit margins are low at 0.97 per cent in FY2012-13 and 2.30 per cent in FY2011-12. Further, CGEPL's operations are working capital-intensive. The company's cash conversion cycle is stretched at 137 days in FY2012-13 on account of extended receivables period of 127 days.

CGEPL faces high level of customer concentration risk as the company derived ~79 per cent of its revenues (in FY2012-13) from Alok Industries Limited. Moreover, CGEPL has a weak financial risk profile marked by high overall leverage (TOL/TNW) of 6.02 times as on March 31, 2013 and low interest coverage ratio of 1.22 times in FY2012-13. The company's net worth is low at Rs.3.15 crore as on March 31, 2013. CGEPL imports non ferrous metals and is thus exposed to adverse fluctuations in foreign exchange rates..

CGEPL has a diversified product portfolio, which comprises various non-ferrous metals (including nickel, zinc, aluminium and copper) and fabrics. Moreover, the company plans to venture into trading of copper pan cake coils used in air conditioning and refrigerating systems.

Outlook: Stable

SMERA believes CGEPL's outlook will remain stable over the medium term on the back of the company's diversified product profile. The outlook may be revised to 'Positive' in case the company achieves a substantial improvement in its scale of operations and financial risk profile. Conversely,

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the outlook may be revised to 'Negative' in case of deterioration in the company's capital structure, or in case of further decline in the company's profit margins.

About the company

CGEPL, incorporated in 2006, is a Mumbai-based company promoted by Mr. Dayakishan Goel. CGEPL is engaged in trading of non-ferrous metals and fabrics.. The company has a warehousing facility in Bhiwandi, Thane.

For FY2012-13, CGEPL reported PAT of Rs.0.12 crore on net sales of Rs.42.99 crore, as compared with PAT of Rs.0.11 crore on net sales of Rs.28.16 crore for FY2011-12. The company's net worth stood at Rs.3.15 crore as on March 31, 2013.

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