Gautam Exim Limited

February 02, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	17.52	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**18.02 (Rs. Eighteen Crore and Two Lakhs Only)**		

Details of facilities in Annexure-1

CARE has been seeking information from Gautam Exim Limited (GEL) to monitor the ratings vide e-mail communications/letters dated December 08, 2021, January 21, 2022, January 25, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on GEL's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.
The revision in rating takes in into account non-availability of adequate information. The rating assigned to the bank facilities of GEL continue to remain constrained on account of its thin profitability, leveraged capital structure and weak debt coverage indicators. The ratings further continue to remain constrained by its presence in highly fragmented and competitive paper trading industry. The ratings continue to derive strength from experienced promoters, moderate scale of operations and lean operating cycle

Detailed description of the key rating drivers
At the time of last rating on March 02, 2021 the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings including audited FY21 (FY refers to the period from April 1 to March 31) results and unaudited H1FY22 results):

Key Rating Weaknesses
Thin Profitability margin
The company has thin Profit before interest, lease, depreciation and tax (PBILDT) margin owing to its trading nature of operation marked by PBILDT margin of 1.47% in FY21. PAT margin continues to remain thin at 0.26% in FY21. Also, as per provisional results for H1FY22, PBILDT margin deteriorates to 0.78%,

Leveraged capital structure and weak debt coverage indictors
The capital structure of GEL moderated but continued to remain leveraged marked by overall gearing of 1.94 times as on March 31, 2021 (1.71 times as on March 31, 2020). Debt coverage indicators of the company continued to remain weak marked by high Total debt to gross cash accruals (TDGCA) of 31 years and moderate interest coverage ratio of 1.35 times.

Presence in highly competitive industry with low entry barriers
GEL operates in a competitive paper and paper product industry which has low profits due to highly fragmented industry with low entry barriers. Due to low entry barriers, the industry in the country is flooded with many unorganized players. This has led to high level of competition in the industry and players work on wafer-thin margins

Key Rating Strength
Experienced promoters
GEL is managed by Mr Balasubramanian Raman who has been associated with the company since its incorporation and has an experience of over two decades in the paper industry.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate scale of operations
GEL had moderate scale of operation marked by TOI of Rs.250.47 crore in FY21 though declined from Rs.353.05 crore in FY20. However, During H1FY22, TOI increased by 53.71% to Rs. 226.31 crore (H1FY21: Rs. 104.76 crore) on a y-o-y basis

Lean operating cycle
GEL is engaged in the high sea sales of goods mainly waste paper and act as a distributor for Shah Paper Mills Ltd (SPML) and Shah Pulp and Paper Mills Ltd (SPPML) for finished paper wherein purchases are backed by confirmed orders leading to nil inventory levels. Its receivables days remained moderate at 70 days in FY21 whereas its payable days were 32 days in FY21 and thus lean operating cycle of 37 days in FY21 (FY20: 31 days). Trade receivables had increased from Rs.47.30 crore as on March 31, 2020 to Rs.48.40 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology - Wholesale Trading
Rating Methodology-Manufacturing Companies
Financial Ratios - Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company
Vapi-based (Gujarat), GEL was incorporated in August 2005, by Mr Balasubramanian Raman. In the year 2009, the company took over the paper trading business of Gautam Enterprise, the proprietorship concern of promoter Nagalaxmi Balasubramanian in 2009. GEL is engaged in the trading of waste paper, pulp, chemicals, metal scrap and finished paper. GEL got listed on BSE SME platform on July 11, 2017 and raised Rs. 3.32 crore of equity.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total operating income	353.05	250.47	226.31
PBILDT	3.57	3.67	1.77
PAT	0.67	0.66	0.45
Overall gearing (times)	1.71	1.94	1.79
Interest coverage (times)	1.35	1.35	1.62

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: NIL

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	-	17.52	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based/Non-fund-based-LT/ST	LT/ST *	17.52	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable / CARE A4 (02-Mar-21)	1)CARE BB; Stable / CARE A4 (24-Jan-20)	1)CARE BB; Stable / CARE A4 (26-Dec-18)
2	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)Withdrawn (02-Mar-21)	1)CARE A4 (24-Jan-20)	1)CARE A4 (26-Dec-18)
3	Fund-based - LT-Cash Credit	LT	0.50	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (24-Jan-20)	1)CARE BB; Stable (26-Dec-18)
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	-	1)Withdrawn (24-Jan-20)	1)CARE A4 (26-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities :- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here]

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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