

Colossus Trade Links Limited

March 25, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	25.00 (Rs. Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Colossus Trade Links Limited (CTLL) to monitor the rating(s) vide e-mail communications March 08, 2022, March 04, 2022, March 01, 2022, etc 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings of Colossus Trade Links Limited bank facilities will now be denoted as **CARE B+; 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(s).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by Colossus Trade Links Limited (CTLL) with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating continues to remain constrained on account of modest scale of operations, low profitability margins and debt coverage indicators, leveraged capital structure, elongated operating cycle and fortunes linked to the metal industry which is cyclical in nature. The rating, however, continues to draw comfort from experienced management and reputed though concentrated client base.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2021, the following were the rating strengths and weaknesses: (Updated for the information available from Registrar of Companies)

Key Rating Weaknesses

Modest scale of operations: The scale of operations continues to remain modest though improved as marked by total operating income and gross cash accruals of Rs.88.70 crore and Rs.0.56 crore respectively in FY21 as against Rs.80.21 crore and Rs.0.30 crore respectively in FY20. CTLL's raw material consists of metal scrap procured from automobile companies which is further processed, and the final product is sold to various steel companies. Thus, CTLL's raw material procurement is directly linked to automobile sector. Thus, due to slump in automobile sector in the past few years, the raw material availability for the company was affected. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Low profitability margins and weak debt coverage indicators: The profitability margins continue to remain low as marked by PBILDT and PAT margins of 5.24% and 0.31% respectively in FY21 as against 6.02% and 0.01% respectively in FY20. The company is exposed to raw material price fluctuation, thus leading to weaker profitability. Further, due to decreased interest cost, the PAT margin improved in FY21.

Leveraged capital structure: As on March 31, 2021, the capital structure stood leveraged as marked by overall gearing which stood at 3.02x as on as against 2.78x as on March 31, 2020. In FY18 and FY19, there was a subordination clause in the sanction letter, based on which CARE had considered unsecured loans amounting to Rs.2.37 crore and Rs.2.01 crore in FY18 and FY19 respectively as quasi equity. However, after the merger of OBC with PNB, unsecured loans are not treated as Quasi Equity in FY20 as such clause is not applicable in PNB. The same has led to deterioration in capital structure on account of infusion of unsecured loans in FY20.

Elongated operating cycle: The operating cycle of the company stood elongated at 125 days for FY21 as against 117 days in FY20. The company is required to maintain adequate inventory to meet the sudden and bulk demand of the customers resulting in average inventory holding of 72 days for FY21. Being a highly competitive business, the average collection period remained high at around 61 days during FY21. CTLL offers reasonable credit period of around 80-90 days as it caters mainly to large players like Jindal Steel, TATA Steel, AIA Group, TVS Group etc. who possess high bargaining power. However, the company

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

procures the scrap metal from large sized OEMs like TATA Motors, Honda Motors, JBM Group, Maruti Suzuki etc. thus it gets a limited credit period of around 10-15 days from its suppliers, resulting into average credit period of 8 days in FY21.

Fortunes linked to the metal industry which is cyclical in nature: Prospects of iron, steel, copper industry are strongly co-related to economic cycles. Demand for iron, steel and copper products is sensitive to trends of particular industries such as automotive, construction, infrastructure, Gems and jewellery etc., which are the key consumers of iron, steel and copper products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc., in the economies in which they sell their products. When downturns occur in these economies or sectors, these metals may witness decline in demand, which may lead to decrease in metal putting pressure on the entity.

Key Rating Strength

Experienced management: Colossus Trade Links Limited (CTLL) is a company limited by shares incorporated in the year 2004 by Mr. Deepak Gulati, Mr Namit Gulati and Mr. Tarun Gulati who all are well qualified and have an adequate experience of more than 2 decades in trading of scrap metal through this company along with their family run business- Ganpati Steels

Reputed client base though concentrated: The company has been catering to reputed players like Jindal Steel and Power Limited (CARE BBB+; Stable/CARE A2), TATA Steel Limited (CARE AA; Negative), AIA Group, Jai Bharat Steel Industries (ICRA B+; Stable/A4; issuer not cooperating) etc. The same is evidence of acceptance of the company's products and their quality in the market. Further, because of the reputed clientele, the credit default risk remains low. The company has regularly supplied various components to these companies and has been able to get repeat orders from these clients since two decades on account of established relationship. The top 5 customers aggregate to 80% of the total sales of CTLL, thus exposing the company to customer concentration risk. Any change in procurement policy of these customers may adversely impact the business of the company. This also exposes the company's revenue growth and profitability to its customer's future growth plans. CARE cannot comment on the same as updated information is not available due to non-cooperation by CTLL

Liquidity analysis: Stretched

The liquidity position of the company stood stretched marked by low current ratio of 1.30x and quick ratio of 0.64x, as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

About the Company

Delhi based Colossus Trade Links Limited (CTLL) was incorporated as a public limited company (unlisted) in April 2004 by Mr. Deepak Gulati, Mr. Namit Gulati and Mr. Tarun Gulati, who all are currently managing the overall operations of the company. The company is engaged in trading of scrap metal procured from various automobile OEMs like JBM Group, TATA Motors, Maruti Suzuki, Honda Motors, Mahindra etc. which is segregated into reusable metal which is bundled and sent for sale directly and the actual scrap is processed further and converted into small parts (i.e., blanking) as per customers' requirements. The goods are sold to major metal and steel companies like Jindal Steel, TATA Steel, AIA Group, Jai Bharat Steel, TVS Group etc. The company has 7 godowns/warehouses located in Ahmedabad, Delhi, Gurugram, Noida etc. where hubs of automobile companies are located.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22*
Total operating income	80.21	88.70	NA
PBILDT	4.83	4.65	NA
PAT	0.01	0.27	NA
Overall gearing (times)	2.78	3.02	NA
Interest coverage (times)	1.08	1.14	NA

A: Audited, NA: Not Available

*Refers to the period from April 1, 2021, to December 31, 2021.

Status of non-cooperation with previous CRA: ICRA has retained the rating of Colossus Trade Links Limited (CTLL) vide Press release dated February 15, 2022 & Brickwork Ratings have downgraded the rating of Colossus Trade Links Limited (CTLL) vide press release dated January 11, 2022.

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 - LT-Cash Credit		-	-	-	25.00	CARE B+; 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 - LT-Cash Credit	LT	25.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (05-Apr-21)	-	1)CARE BB-; Stable (02-Mar-20)	-

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

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:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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