

## Rating Rationale

### Colossus Trade Links Limited

4 Jul 2018

**Brickwork Ratings assigns ratings for the bank loan facilities of Colossus Trade Links Limited ( CTLL or ‘the Company’).**

#### Particulars

Issue	Amount Rated (In Rs. Crs)	Tenure	Rating Assigned
<b>Fund Based</b>			
Cash Credit	25.00	Long Term	<b>BWR BB- (Pronounced as Double B minus) Outlook: Stable</b>
<b>Total</b>	<b>25.00</b>	<b>INR Twenty Five Crores Only</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Long-term rating of BWR BB- (Outlook: Stable) assigned to Colossus Trade Links Limited ( “the Company”).**

#### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

While assigning the rating to the Company, BWR has factored in the moderate scale of operations, moderately high financial risk profile of the company, high overheads, cyclicity associated with the demand side owing to strong linkages to other sectors and exposure to price risk and long conversion cycle. However, the rating partially derives its strength from experienced promoters and their ability to fund the business as per requirement, and established relations with customers and suppliers.

Ability of the Company to increase its scale of operations along with improvement in profitability margins and improvement in coverage indicators along with gearing ratio would be the key rating sensitivities.

#### **Key Rating Weaknesses**

- The volatility in scrap prices and the trading nature of operations keep the company’s margins stressed in case of price variations contrary to management expectations, which can lead to execution of trade at a loss. In some cases, the company procured raw materials only after order confirmation. This helped CTLL stabilise its margins to some extent.
- The trading business is marked by a large number of organised and unorganised participants. CTLL is a small-sized player in the industry. Furthermore, the company is involved in trading activity, which has relatively low margins. The trading business is

4 Jul 2018

highly fragmented as well owing to the low entry barriers, which limits the pricing flexibility of the participants including CTLL.

- Conversion cycle is high on account of high level of operating cycle and low cushion provided by the payables.
- Diversion of funds to Associate/ Sister Concerns

### **Key Rating Strengths**

- CTLL's management has experience of more than a decade in the trading of scrap metals procured from the domestic automobile industry. Over the years, the promoters have gained a thorough knowledge of the markets. A long-term presence in the industry has helped the company establish relationships with several suppliers and customers.
- CTLL's customers include foundries and steel plants and electronic original equipment manufacturers (OEMs). The company has well-established relationships with several customers as is demonstrated by repeat orders from the same.
- Average net working capital of Rs. 4.32 Crs was deployed in the business in FY17. NWC increased to Rs. 5.45 Crs in 10M-FY18.

**Analytical Approach:** BWR has taken the financials of the Company on a standalone basis into consideration while determining the credit rating of the entity.

### **Rating Outlook: Stable**

BWR believes the **Colossus Trade Links Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Entity**

CTLL was incorporated in 2004 by Mr. Namit Gulati and his family. The company is engaged in trading of scrap metal procured from the domestic automobile sector. It derives its revenues from supply of scrap metal to foundries, steel plants, traders and electronic original equipment manufacturers (OEMs). CTLL, which is headquartered in Delhi, has seven warehouses (three owned and four rented) across northern India, with a combined area of over 15,000 square yards and combined storage capacity of over 8,000 tonnes.

### **Company Financial Performance**

Particulars	Units	FY2016 (Audited)	FY2017 (Audited)
Total Operating Income	Crores	99.40	108.60
EBITDA	Crores	4.73	5.81
PAT	Crores	0.28	0.56
TNW	Crores	7.54	8.10
TOL : TNW	Times	4.66	4.48
Current Ratio	Times	1.12	1.14

**Rating History for the last three years: (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (FY19)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY18	FY17	FY16
1	Cash Credit	Long Term	25.00	BWR BB-  Outlook: Stable	NA	NA	NA
	TOTAL		25.00	INR Twenty Five Crores Only			

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

**Any other information: NA**

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Companies](#)

**For any other criteria obtain hyperlinks from website**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

#### **DISCLAIMER**

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