

Press Release

C.P Re-Rollers Limited (CPRL)

28 January, 2017

Rating Reaffirmed

Total Bank Facility Rated *	Rs.31.73 Crore
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.31.73 crore bank facilities of C.P Re-Rollers Limited (CPRL). The outlook is '**Stable**'.

CPRL, incorporated in 2000 is engaged in the manufacture of ingots, TMT bars, and structural steel products such as MS rounds, angles and channels. The company was promoted by Mr. Kumar Chand Chawla and Mr Dilip Chawla.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company is headed by Mr. Kumar Chand Chawla and Mr Dilip Chawla who possess over two decades of experience in the steel industry.

Above average financial risk profile: The above average financial risk profile is marked by comfortable net worth base of Rs.49.80 crore in FY2016 as against Rs.48.67 crore in FY2015. The company has maintained comfortable gearing (Debt-Equity) of 0.76 times as on 31 March, 2016 as against 0.82 times as on 31 March, 2015. The ICR stood at 1.81 times in FY2016 as against 1.75 times in FY2015.

Low customer and geography-centric risk: CPRL has a diversified client base in northern and eastern parts of India. The dealer network is spread across the states of Uttar Pradesh, Punjab, Bihar among others.

Weaknesses:

Working capital requirements: The operations are working capital intensive marked by gross current asset days of 265 in FY2016 as compared to 156 in FY2015. This is mainly on account of increase in debtor days to 174 in FY2016 from 90 days in FY2015. The rise in debtor days is due to weak realisation from debtors in FY2016.

Intense market competition: The rating factors in the intense market competition with a large number of players in the highly fragmented steel industry.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of CPRL.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook - Stable

SMERA believes that CPRL will maintain a stable outlook and benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' if the company scales up its operations significantly with improvement in profitability and better working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company reports lower than envisaged sales or profitability and weakening of capital structure due to higher working capital requirements.

About the Rated Entity

CPRL, incorporated in 2000, is a closely-held public limited company promoted by the Kolkata-based Mr. Chawla and family. The company is engaged in the manufacturing of ingots, TMT bars and structural steel products such as MS rounds, angles and channels. The TMT bars are marketed under the brand name 'CP Turbo 500+'. The day-to-day operations are managed by Mr. Kumar Chand Chawla and Mr. Dilip Chawla.

For FY2016, CPRL reported Profit after Tax (PAT) of Rs.0.69 crore on total operating income of Rs.122.06 crore as compared with PAT of Rs.0.62 crore on total operating income of Rs.120.61 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	28.40	SMERA BB/Stable (Reaffirmed)	-	-	7 Oct, 2015	SMERA BB/Stable (Assigned)	-	-
Letter of Credit	ST	2.45	SMERA A4+ (Reaffirmed)	-	-	7 Oct, 2015	SMERA A4+ (Assigned)	-	-
Bank Guarantee	ST	0.88	SMERA A4+ (Reaffirmed)	-	-	7 Oct, 2015	SMERA A4+ (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	28.40	SMERA BB/Stable (Reaffirmed)
Letter of Credit	NA	NA	NA	2.45	SMERA A4+ (Reaffirmed)
Bank Guarantee	NA	NA	NA	0.88	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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