

Press Release

Chopra Retec Rubber Products Limited (CRRPL)

06 March, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.11.24 Cr
Long Term Rating	SMERA BB+/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) on the Rs.11.24 crore bank facilities of Chopra Retec Rubber Products Limited (CRRPL). The outlook is '**Stable**'.

Incorporated in 1997, Chopra Retec Rubber Products Limited (CRRPL) is engaged in manufacturer of Rubber Parts such as Metal to Rubber Bonded Parts, Gaskets, Wire Mesh Rings, Tube Connectors and among others for the automotive industry. Which it export to Europe, UK, USA, Canada, Middle East, the Far East, Australia and New Zealand.

The rating reaffirmed takes into account small scale of operation, muted growth in revenue and high gross current assets (GCA) days. The rating is supported by improvement in profitability and coverage indicators.

List of key rating drivers and their detailed description

Strengths:

Experience management: The promoters, Mr. Kiron Chopra and Mrs. Kanta Chopra, have more than two decades of experience in the said line of business.

Healthy financial risk profile: CRRPL has healthy financial risk profile marked by comfortable gearing of at 0.33 times as on 31 March, 2016 against 0.28 times as on 31 March, 2015. The interest coverage ratio is comfortable and improved to 10.63 times in FY2015-16 as against 8.44 times in FY2014-15. The operating margin stood at 25.89 per cent in FY2015-16 against 21.98 per cent in FY2014-15. The debt service coverage ratio (DSCR) stood at 3.81 times in FY15-16 against 3.98 times in FY14-15. The company has comfortable liquidity profile (0.03 per cent bank limit utilisation from April 2016 to January 2017).

Weaknesses:

Small scale of operation and declining revenues: Despite of long presence in the industry, the company has small scale of operations of revenue of Rs.13.81 crore in FY2015-16 from Rs.13.26 crore in the previous year.

Working capital intensive business: CRRPL has working capital intensive business with high Gross Current Assets (GCA) days at 188 days in FY2015-16 as compared to 123 in FY2014-15.

Intense competition: The firm faces intense competition from various automotive players in India, which is likely to impact operating performance and profitability. The profit margins are also susceptible to fluctuations in the prices of metal alloys and synthetic butadiene rubber (SBR).

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that the company will maintain its stable business risk profile on the back of the management's extensive experience in the automobile sector and its established relationships with customers. The outlook may be revised to positive in case of sustained increase in revenues and accruals. Conversely, the outlook may be revised to negative in case significant decline in revenues and accruals.

About the Rated Entity

Incorporated in 1997, CRRPL is a Lucknow-based company promoted by Mr. Kiron Chopra and Mrs. Kanta Chopra. The company is engaged in manufactures Rubber Parts such as Metal to Rubber Bonded Parts, Gaskets, Wire Mesh Rings, Tube Connectors and among others for the automotive industry. Which it export to Europe, UK, USA, Canada, Middle East, the Far East, Australia and New Zealand.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.96 crore on operating income of Rs.13.81 crore, as compared to PAT of Rs.1.64 crore on operating income of Rs.13.26 crore in FY2014-15. The net worth stood at Rs.9.21 crore as on 31 March, 2016 against Rs.7.42 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.00	SMERA BB+/Stable (Reaffirmed)	11 Jan, 2016	SMERA BB+ (Assigned)	-	-	-	-
Term Loan -I	LT	0.84	SMERA BB+/Stable (Reaffirmed)	11 Jan, 2016	SMERA BB+ (Assigned)	-	-	-	-
Term Loan - II	LT	8.00	SMERA BB+/Stable (Reaffirmed)	11 Jan, 2016	SMERA BB+ (Assigned)	-	-	-	-
Standby Line of Credit	LT	0.40	SMERA BB+/Stable (Reaffirmed)	11 Jan, 2016	SMERA BB+ (Assigned)	-	-	-	-

*Rs. 1.00 crore interchange ability with Export packing credit and Rs.1.00 crore interchange ability with FOBP

***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*	N.A	N.A	N.A	2.00	SMERA BB+/Stable (Reaffirmed)
Term Loan -I	N.A	N.A	N.A	0.84	SMERA BB+/Stable (Reaffirmed)
Term Loan - II	N.A	N.A	N.A	8.00	SMERA BB+/Stable (Reaffirmed)
Standby Line of Credit	N.A	N.A	N.A	0.40	SMERA BB+/Stable (Reaffirmed)

*Rs. 1.00 crore interchange ability with Export packing credit and Rs.1.00 crore interchange ability with FOBP

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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