

Press Release

Chopra Retec Rubber Products Limited

June 07, 2018

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs.11.24 Cr
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed & assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE 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, CRRPL is a Lucknow based company promoted by Mr. Kiron Chopra and Mrs. Kanta Chopra. The company is engaged in manufacturing rubber parts such as metal to rubber bonded parts, gaskets, wire mesh rings, tube connectors and among others for the automotive industry. The products are being currently exported to Europe, UK, USA, Canada, Middle East, the Far East, Australia and New Zealand.

Key Rating Drivers

Strengths

- **Experience management**

The promoters, Mr. Kiron Chopra and Mrs. Kanta Chopra, have more than two decades of experience in this line of business. Such long experience has helped company in developing comfortable relationships with key suppliers and customers.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by net worth of Rs.11.23 crore as on 31 March, 2017 as against Rs.9.21 crore as on 31 March, 2016. CRRPL has healthy financial risk profile marked by comfortable gearing of at 0.63 times as on 31 March, 2017 against 0.33 times as on 31 March, 2016. Moreover, the interest coverage ratio is comfortable and improved at 31.75 times in FY2016-17 as against 810.63 times in FY2015-16. The debt service coverage ratio stood at 2.18 times in FY17 against 3.81 times in FY16. The Net Cash Accruals to Total debt stood at 0.37 times for FY2016-17.

Weaknesses

- **Small scale of operation and sluggish revenues**

Despite long presence in the industry, the company has small scale of operations of revenue of Rs.13.81 crore in FY2016-17 same as the previous year. The company has incurred capex of around Rs. 10.30 crores in FY2017 to increase the capacity to 4 times which is expected to increase their revenues.

- **Susceptibility of profit margins to raw material prices**

The profit margins are susceptible to fluctuations in the prices of metal alloys and synthetic butadiene rubber (SBR).

- **Working capital intensive business**

CRRPL has working capital intensive business with high Gross Current Assets (GCA) days at 190 days in FY2016-17 as compared to 188 days in FY2015-16. The inventory days stood at 58 in

FY2017 as against 40 days in FY2016. The debtor days stood at 78 in FY2017 as against 75 days in FY2016.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuité believes that the company will maintain its stable business risk profile on the bank 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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.81	13.81	13.26
EBITDA	Rs. Cr.	3.75	3.57	2.92
PAT	Rs. Cr.	2.21	1.96	1.64
EBITDA Margin	(%)	27.15	25.89	21.98
PAT Margin	(%)	15.99	14.22	12.37
ROCE	(%)	22.36	29.83	34.12
Total Debt/Tangible Net Worth	Times	0.96	0.54	0.56
PBDIT/Interest	Times	31.75	10.71	9.10
Total Debt/PBDIT	Times	1.87	0.83	0.66
Gross Current Assets (Days)	Days	123	187	123

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs.Crore)	Ratings/Outlook
06 March, 2017	Cash Credit	Long Term	2.00	SMERA BB+/Stable (Reaffirmed)
	Term Loan I	Long Term	0.84	SMERA BB+/Stable (Reaffirmed)
	Term Loan II	Long Term	8.00	SMERA BB+/Stable (Reaffirmed)
	Standby Line of Credit	Long Term	0.40	SMERA BB+/Stable (Reaffirmed)
11 Jan, 2016	Cash Credit	Long Term	2.00	SMERA BB+ (Assigned)
	Term Loan I	Long Term	0.84	SMERA BB+ (Assigned)
	Term Loan II	Long Term	8.00	SMERA BB+ (Assigned)
	Standby Line of Credit	Long Term	0.40	SMERA BB+ (Assigned)

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ / Stable (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.40	ACUITE BB+ / Stable (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.24	ACUITE BB+ / Stable (Assigned)

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