

Press Release

Chandan Trading Corporation (CTC)

February 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.6.80 Cr
Long Term Rating	SMERA BB/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of Chandan Trading Corporation (CTC). The outlook is '**Stable**'.

CTC is a Bangalore-based partnership firm established in 1982. The firm is a wholesaler and retailer of wires and cables.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: Chandan Trading Corporation (CTC) is led by partners, Mr Anil Kothari and Mrs Meena Kothari who possess experience of two decades in the industry.

Healthy financial risk profile: The firm's healthy financial risk profile is marked by interest coverage ratio (ICR) of 2.56 times and low gearing (debt-equity) of 0.69 times as on 31st March, 2016.

Reputed supplier: CTC has established long term relations with reputed suppliers - Polycab Wires Pvt Ltd, Havells India Pvt Ltd, Universal Cables among others.

Weaknesses:

Declining margins: The PAT margin declined from 5.04 per cent in FY2014 to 3.64 per cent in FY2016. The EBITDA margin also fell to 6.08 per cent in FY2016 from 6.24 per cent in FY2015 and 6.81 per cent in FY2014.

Working capital intensive operations: The operations are working capital intensive reflected in the Gross current asset days. The inventory and debtor days stood at 136 and 107 respectively. As informed by the management, utilisation of working capital limit is 80 per cent.

Fluctuations in metal prices: The rating factors in the fluctuations in the prices of metals (copper and aluminium) that resulted in decline in revenue to Rs.43.28 crore in FY2016 from Rs.49.36 crore in the previous year.

Analytical Approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Trading Entities - <https://www.smerra.in/criteria-trading.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 CTC will maintain a 'Stable' outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also improving the operating profitability. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

CTC is a Bangalore-based partnership firm, established in 1982. The firm deals in the wholesale and retail of wires and cables.

For FY2015-16, CTC reported net profit of Rs.1.58 crore on operating income of Rs.43.28 crore, as compared with profit after tax of Rs.2.38 crore on operating income of Rs.49.36 crore in FY2014-15.

Status of non-cooperation with previous CRA: 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	6.80	SMERA BB /Stable (Assigned)	-	-	-	-	-	-

*Annexure - Details of instruments rated:

Name of the Facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	6.80	SMERA BB/Stable (Assigned)

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

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ABOUT SMERA

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