

Press Release

Chopra Traders

June 28, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 20.00 crore bank facilities of Chopra Traders. The outlook is '**Stable**'.

CT, incorporated in 1996, is a U.P-based proprietorship concern promoted by Mr. Vijay Kumar Chopra. The firm is engaged in the civil construction business for various government entities like Public Work department (PWD), National Highway Authority of India (NHAI) etc. in Uttar Pradesh and operates in Engineering Procurement and Construction (EPC) segment.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The firm benefits from the extensive experience of its proprietor, Mr. Vijay Kumar Chopra who possesses extensive experience of more than two decades in the construction industry.

- Moderate financial risk profile**

The firm has moderate financial risk profile marked by comfortable debt protection metrics and moderate networth on account of continuous infusion of capital by the proprietor. The firm's interest coverage ratio stood at 3.78 times and net cash accrual to total debt (NCA/TD) stands at 0.16 times in FY2015-16. SMERA also notes that the Networth of the firm has improved on account of continuous infusion of capital by the proprietor and stands at Rs.5.00 crore as on 31st March 2016 as compared to Rs. 3.34 crore as on 31st March 2015. However the gearing of the firm stands high at 3.40 times as on 31st March 2016 as compared to 2.92 times as on 31st March 2015. The high gearing of 3.40 times as on 31st March 2016 is eminent from the Networth of Rs.5.00 crore as on 31st March 2016 as against the total debt of Rs.16.99 crore (Includes long term loan of Rs.3.05 crore, Unsecured loan from promoters of Rs.3.06 crore and short term working capital loan of Rs.10.09 crore) as on 31st March 2016. SMERA believes that further deterioration of gearing and interest coverage ratio of firm would be key monitorable factor.

- Healthy order book**

The firm currently has an order book of around Rs. 60 crs which lends comfortable revenue visibility over the medium term.

Weaknesses

- Geographical concentration**

The firm is exposed to significant geographical concentration as the firm executes projects in Uttar Pradesh only.

- **Working capital intensive nature of operation**

The operation of the firm is highly working capital intensive marked by the GCA of 315 days in FY2015-16 as compared to 49 days in FY2014-15. The increase in GCA days is eminent from increase in inventory days to 245 days in FY2015-16 vis-à-vis 4 days in FY2014-15 on account of increase in work in progress due to delays in payment from government authorities. SMERA believes that the firm would require additional working capital fund in order to support the further stretch in working capital, which will impact the financial risk profile of the CT.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the CT will maintain a stable outlook owing to its proprietor's extensive experience. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and large debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported (profit after tax) PAT of Rs.1.64 crore on operating income of Rs.21.61 crore as compared with PAT of Rs.1.47 crore on operating income of Rs.37.98 crore in FY2014-15. The net worth stood at Rs.5.00 crore as on March 31, 2016 against Rs.3.34 crore a year earlier.

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	10.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+

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ABOUT SMERA

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