

Press Release

Chopra Alloys

September 29, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 14.00 Cr.#
Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.14.00 crore bank facilities of Chopra Alloys. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the company

Chopra Alloys was established in the year 2006 as a partnership firm. It is a Ludhiana, Punjab based firm. The partners of the firm are Mr. Baldev Raj Chopra, Mr. Aman Chopra, Mr. Pankaj Chopra and Mr. Deepak Chopra. The firm is engaged in manufacturing and trading of steel ingots and billets. The company has an installed capacity of 55,000 tons per annum.

Analytical Approach

During the previous rating exercise, Acuité had consolidated the business and financial risk profiles of Chopra Alloys and Chopra Steel Strips for analytical purposes. The consolidated approach was based on the similarities in the line of business, common partners, and significant operational and financial linkages and also in the view of both the firms getting merged. However, Acuité has now adopted a standalone approach owing to non-availability of information for Chopra Steel Strips.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoters**

The group is promoted by Chopra family. The partners of the group have been engaged in the aforementioned business line for around four decades. The extensive experience of the partners has helped in establishing healthy relationships with its customers and suppliers. The key customers of the group include names like M/S Aar Kay Industries, M/S Bhushan Steel Industries, and M/S Punjab Steel Rolling Mills amongst others with no major concentration in revenues. The key suppliers include names like M/S Becon Steels, Sponge Sales (India) Private Limited etc to name a few. Acuité believes that the group will benefit from the extensive experience of the partners, healthy relationship with customers and suppliers and also from the prospective of merging of both the firms.

- **Efficient working capital management**

The firm's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 34 days for FY2021 (Prov) and 40 days for FY2020. The inventory days of the group stood at 18 days and debtor days at 3 days as on March 31, 2021 (Prov.). On the other hand, the creditor days stood at 5 days as on March 31, 2021 (Prov.) Acuité expects the working capital management to remain efficient over the medium term on account of low inventory holding period

Weaknesses

• Below average Financial Risk Profile

Chopra Alloy's financial risk profile is below average, marked by low net worth of, high gearing and Average debt protection metrics. The networth stood at Rs.3.83 crores as on 31st March 2021 (Prov.). The leverage levels continue to remain high to around 6.53 times (Prov.) as on March 31, 2021. The firm on the other hand generated cash accruals of Rs.1.59 crore in FY2021 (Provisional). The TOL/TNW stands at 8.31 times in FY2021 (prov.) as against 8.19 times in FY2020. The moderate profitability coupled with high gearing levels have resulted in average debt protection metrics with interest coverage of 2.58 times as on March 31, 2021 (Provisional).

• Competitive and fragmented nature of industry

The group operates in a highly competitive and fragmented industry, characterized by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the group. However, this is partially offset by the extensive experience of the partners which has helped in maintaining healthy relationship with its customer.

• Exposure to risk related to completion of ongoing expansion plan

As the group is focusing on the expansion plan and merging of both the firms in the view of increasing its production capacity. So, timely completion of the project will remain a key monitor able along with the funding support from the partners.

Rating Sensitivity

Not Applicable

Material Covenants

None

Liquidity position: Adequate

Chopra Alloys has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.5 to Rs.2.00 crore during the last three years through 2018-20. The company maintains unencumbered cash and bank balances of Rs. 0.21 crore as on March 31, 2021 (Prov.). The current ratio of the company stood moderate at 1.00 times as on March 31, 2021 (Prov.). Acuite believes that the liquidity of the company is likely to remain stretched over the medium term.

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	131.40	141.02
PAT	Rs. Cr.	1.04	0.18
PAT Margin	(%)	0.79	0.13
Total Debt/Tangible Net Worth	Times	6.53	6.71
PBDIT/Interest	Times	2.58	2.13

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
02-July-2020	Cash Credit	Long Term	6.00	ACUITE BB-/ Stable (Assigned)
	Term loans	Long Term	0.95	ACUITE BB- / Stable (Assigned)
	Term loans	Long Term	7.05	ACUITE BB- / Stable (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
IndusInd Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB- (Withdrawn)
IndusInd Bank	Term loans	March 2018	Not Available	May 2022	0.95	ACUITE BB- (Withdrawn)
IndusInd Bank	Term loans	August 2020	Not Available	February 2025	7.05	ACUITE BB- (Withdrawn)

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About Acuite Ratings & Research Limited:

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