



## Rating Rationale

Chopra Traders

7 Sep 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 25.00 Crores of Chopra Traders (hereafter CT or the Firm).

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2018)	Present
Fund Based Cash Credit	10.00	15.00	Long Term	Issuer did not cooperate; Downgraded to BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable (Upgraded)
Non-fund Based Bank Guarantee	10.00	10.00	Short Term	Issuer did not cooperate; Reaffirmed to BWR A4 (Pronounced as BWR A Four)	BWR A4+ (Pronounced as BWR A Four Plus) (Upgraded)
<b>Total</b>	<b>20.00</b>	<b>25.00</b>	<b>INR Twenty Five Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

Initial rating was done on 10.03.2016 for Rs 20.00 Crs. and assigned the rating at BWR BB-/A4 (Stable).

### Ratings: Upgraded

#### Rationale/Description of Key Rating Drivers/Rating Sensitivities:

BWR has principally relied upon audited financials of the firm upto FY17, **CA & management certified provisional financials of FY18**, projected financials upto FY20, publicly available information, and information/clarifications provided by the management.

The rating, inter alia, reflects proprietor's experience in road construction business, track record of completion of projects, revenue visibility in FY19 backed by current projects in hand, proprietor's ability to manage long term Unsecured Loans to infuse in business, moderate Profit Margins, comfortable Debt Protection Metrics, and low utilization of working capital financing.

However, the rating is constrained by small scale of operations, high gearing and financial leverage, geographical concentration of business in UP, working capital intensive nature of operations, annual cyclicality of the infrastructure projects, risks inherent in tender-based nature of business, and operational and financial limitations inherent with a proprietorship firm. and gap risk



## Description of Key Rating Drivers

- **Credit Strengths:**
  - Proprietor, Mr. Vijay Kumar Chopra, is in this business since 2003, and has completed many road construction projects till now. The Firm's current healthy order book indicates revenue visibility over short to medium term.
  - The proprietor has been able to manage Unsecured Loans from family & friends to be infused into the business.
  - As per CA & management certified provisional financials of FY18, the net and operating profit margins at 6.09% and 14.11% respectively were at moderate level. interest coverage (analyzed) and debt service coverage (analyzed) are at 2.94 times and 2.09 times respectively indicate the comfortable level of Debt Protection Metrics.
  
- **Credit Risks:**
  - The scale of operation of the Firm is small characterized by low and volatile revenue and low Proprietor's Capital. This restricts the operational and financial flexibility of the Firm.
  - Firm's operations are concentrated in UP, exposing it to the social, economic, political, administrative, demographic, and climatic changes in the region.
  - The gearing (analyzed) and financial leverage at 2.05 and 3.36 respectively on 31.03.2018 expose the Firm to the possibility of financial shock if a lean business year makes it difficult for the Firm to service debt obligations.
  - Although the current utilization level of the working capital facility with the Bank is low, the Firm's operations are working capital intensive, and increase in level of operations may warrant dependence on external financing.
  - There is uncertainty inherent in tender-based business due to profit margin based competition among the incumbents.
  - There are operational and financial limitations inherent in proprietorship constitution of a firm.
  - There is gap risk inherent in provisional financials if they differ from the audited financials.
  - Gap risk arises between Provisional and audited financials of FY 18

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). For analytical purposes, 50% of the long term Unsecured Loans have been considered as quasi-equity.

## Rating Outlook: Stable

BWR believes the **Chopra Traders** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues, profit, gearing and debt protection metrics show



sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down, profit margins show lower than expected figures, and gearing and debt protection metrics deteriorate.

### **About the Firm**

Chopra Traders is a Proprietorship Firm established by Mr. Vijay Kumar Chopra in 1996. It is based in Bahraich, UP. The Firm is involved in road construction business since 2003 for National Highways and Public Works Department in UP. It gets orders through participation in bidding process of the various Government tenders. Since FY18, the Firm has also been involved in trading of construction materials.

### **Firm Financial Performance**

Firm's operating income declined from Rs. 64.27 Crs. in FY17 to Rs. 42.05 Crs. (prov.) in FY18. Debt protection metrics declined marginally in FY18, but remained at comfortable level. As on 31st March 2018, Proprietor's Capital of the firm stood at Rs. 9.33 Crs. (prov.) against total debt of Rs. 19.11 Crs. (prov.), resulting in gearing multiple of 2.05 times.

### **Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>	<b>CA &amp; Mgt. Certified Provisional</b>
Operating Revenue	₹ Cr	21.16	64.27	42.05
EBITDA	₹ Cr	2.81	4.82	5.93
PAT	₹ Cr	1.64	3.75	2.56
Proprietor's Capital (PC) (Analyzed)	₹ Cr	6.53	7.02	9.33
Total Debt/PC (Analyzed)	Times	2.37	2.07	2.05
Current Ratio (Analyzed)	Times	1.25	1.21	1.29



### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	31.7.2018	29.6.2017	10.03.2016
1.	Fund Based	Long Term	15.00	<b>BWR BB-</b> (BWR Double B Minus) Outlook: Stable (Upgraded)	<b>Issuer did not cooperate; Downgraded to BWR B+</b> (BWR Single B Plus) Outlook: Stable	<b>Rating Not Reviewed</b>	<b>BWR BB-</b> (BWR Double B Minus) Outlook: Stable
2.	Non-fund Based	Short term	10.00	<b>BWR A4+</b> (BWR A Four Plus) (Upgraded)	<b>Issuer did not cooperate; Reaffirmed to BWR A4</b> (BWR A Four)		<b>BWR A4</b> (BWR A Four)
	<b>Total</b>		<b>25.00</b>	<b>₹ Twenty Five Crores Only</b>			

Status of non-cooperation with previous CRA - Not applicable

Any other information - None

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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