

December 26, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	8.90	SMERA BB/Stable (Assigned)
Term Loan	7.60	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) to the abovementioned bank facilities of Paramount Syntex Private Limited (PSPL). The outlook is '**Stable**'. The rating is supported by the company's experienced management, healthy financial profile and comfortable working capital management. The rating also draws comfort from the expected improvement (arising from forward integration) in the operating efficiency of the company. However, the rating is constrained by the company's moderate-scale operations. The rating is also constrained by the susceptibility of the company's profit margins to volatility in raw material prices

PSPL, established in 1996, is a Ludhiana-based company engaged in manufacturing of synthetic yarns. PSPL benefits from its experienced management. Mr. Puneet Arora, managing director of PSPL, has around two decades of experience in the textile industry. The company's healthy financial risk profile is marked by moderate gearing (debt-equity ratio) of 1.26 times (provisional) as on March 31, 2014 and healthy interest coverage ratio of 4.43 times (provisional) in FY2013-14. PSPL's efficient working capital management is reflected in gross current assets (GCA) of 67 days in FY2013-14 (refers to financial year, April 01 to March 31). The company's operating efficiency is likely to improve on account of forward integration (undertaken recently) into dyeing of yarn.

PSPL's moderate operating scale is reflected in operating income of Rs.54.12 crore (provisional) in FY2013-14. The company's profit margins are susceptible to volatility in raw material (acrylic fibre) prices, which are indirectly linked to crude oil prices.

Outlook: Stable

SMERA believes PSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with business partners. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

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About the company

PSPL, incorporated in 1996, is a Ludhiana-based company promoted by Mr. Puneet Arora. PSPL is engaged in manufacturing of synthetic yarns.

For FY2013-14 (as per provisional financial statements), PSPL reported profit after tax (PAT) of Rs.0.87 crore on operating income of Rs.54.12 crore, as compared with PAT of Rs.0.46 crore on operating income of Rs.43.16 crore in FY2012- 13. The company's net worth stood at Rs.7.09 crore (provisional) as on March 31, 2014, as compared with Rs.6.22 crore a year earlier.

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