



SMERA RATINGS LIMITED

# Paras Intermediates Private Limited (PIPL)

## Rating Rationale

**February 17, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	3.00	SMERA BB/Stable (Assigned)
Term Loan	6.25	SMERA BB/Stable (Assigned)
Bank Guarantee**	0.50	SMERA A4+ (Assigned)
Forward Cover Limit	0.17	SMERA A4+ (Assigned)

\* EPC/FBD is a sub limit to the extent of Rs.2.00 crore.

\*\* LC is fully interchangeable within overall BG limit.

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Paras Intermediates Private Limited (PIPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, comfortable financial risk profile and efficient working capital management. However, the ratings are constrained by the moderate scale of operations in an intensely competitive segment of the chemical industry. The ratings note that the company's profit margins are susceptible to raw material price volatility and forex fluctuation risk.

### Outlook: Stable

SMERA believes that PIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability in revenues or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

### Rating Sensitivity Factors

- Improvement in revenues while maintaining profitability
- Significant debt funded capex plans

### About the Company

PIPL, established as a partnership concern in 1977 was converted into private limited in 1999. The company is engaged in the manufacture and export of chemicals and derives ~76 per cent of its revenue from export to USA and France. The manufacturing unit of the company is located at Vapi, Gujarat.

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*Rating  
Rationale*

For FY2014–15, PIPL reported net profit of Rs.2.11 crore on operating income of Rs.29.19 crore, as compared with net profit of Rs.2.37 crore on operating income of Rs.28.46 crore in FY2013–14. The company's net worth stood at Rs.15.81 crore as on March 31, 2015, as compared with Rs.13.96 crore a year earlier.

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