

Press Release

09 May, 2017

Paras Biotech Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.5.25 Cr
Long Term Rating	SMERA B-/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 5.25 crore bank facilities of Paras Biotech Private Limited. The outlook is '**Stable**'.

Paras Biotech Private Limited (PBPL) was incorporated in 2004 by Mr. Paras Nath Dixit and family. The company is engaged in the manufacture of organic and inorganic bio-fertilisers at Lucknow and has installed capacity of 5000 metric tonnes per annum (mtpa). The company sells its products under the 'PARAS' brand name through dealers and distributors across India.

Key Rating Drivers

Strengths

- **Experienced promoters**

Mr. Paras Nath Dixit, Promoter, possesses experience of more than two decades in the chemicals and fertiliser industry.

Weaknesses

- **Moderate scale of operations**

The moderate scale of operations is marked by revenue of around Rs.10 cr in FY2015-16, a decline from Rs.14.94 cr in FY2014-15. The company registered operating income of Rs.6.00 cr for the period April 2016- December 2016 (provisional).

- **Weak financial risk profile**

The weak financial risk profile of the company is marked by high gearing of 5.82 times in FY2015-16 as against 4.23 times in FY2014-15. The high gearing is attributed to low net worth of Rs.1.25 cr as against total debt of Rs.7.30 cr as on 31 March, 2016. The total debt of Rs.7.30 cr includes cash credit of Rs. 5.72 cr, unsecured loans from promoters of Rs.0.19 cr and term loan of Rs.1.39 cr. The company reported weak debt protection metrics evident from the interest coverage ratio of 0.41 times in FY2015-16 and 1.30 times in FY2014-15. This was on account of deterioration of the profitability profile. Further, the company reported negative net cash accrual of (-) Rs.0.28 cr in FY2015-16 resulting in low Net cash accrual to total debt of (0.04) times in FY2015-16 as compared to 0.04 times in FY2014-15. SMERA believes that any further decline or non improvement in the debt protection metrics like interest coverage ratio and net cash accruals to total debt would be key credit monitoring factors.

- **Competitive and fragmented industry**

The chemical and fertilisers industry is highly competitive with intense competition from the organised as well as unorganised players.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of Paras Biotech Private Limited.

Outlook: Stable

SMERA believes that the outlook on PBPL's rated facilities will remain stable over the medium owing to its experienced management. The outlook may be revised to 'Positive' in case of strong growth in revenue and profitability with significant improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in the liquidity position and/or higher than expected debt-funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company registered net loss of Rs.0.50 cr on operating income of Rs.10.01 cr, as compared with negligible profit on operating income of Rs.14.94 cr in FY2014-15. The net worth stood at Rs.1.25 cr as on March 31, 2016 against Rs.1.50 cr as on March 31, 2015.

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

Brickworks Ratings Limited in its press release dated 22 December, 2016 had inter-alia mentioned the following: 'Brickwork ratings would like to inform that Paras Biotech Private Limited have not provided required information for carrying out a review of the rating and hence BWR is unable to carry out surveillance due to non-availability of information, despite follow-up. Hence, the above credit facility is treated as a case of 'Rating not reviewed'.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	5.25	SMERA B- / Stable

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ABOUT SMERA

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