Press Release

Paramount Powders Private Limited (PPPL)

14 March, 2018

Rating Assigned

Total Bank Facilities Rated	Rs. 13.05 crore
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

Rating Rationale

SMERA has assigned long term rating of **'SMERA BB+' (read as SMERA Double B Plus)** and short term rating of **'SMERA A4+' (read as A Four Plus)** on the Rs. 13.05 crore facilities of Paramount Powders Private Limited (PPPL). The outlook is **'Stable'**.

PPPL, the Delhi-based company, established in 1997 is promoted by Mr. Tarlochan Singh Badyal. An ISO 9001: 2000 certified company, PPPL is engaged in the manufacturing of polyurethene and thermosetting powder coatings, widely used in the automobile, telecom and engineering sectors. Raw materials are procured from the domestic market as also imported from Thailand, China and Germany. The company caters to the domestic market through 25 distributors spread across the country. The manufacturing unit is located at Gurgaon, Haryana.

Key Rating Drivers

Strengths

Long track record of operations, experienced management

PPPL was incorporated in 1997. The company is led by Mr. Tarlochan Singh Badyal (Managing Director) Mr. Avtar Singh, Manish Jain, Mr. Gurpreet Singh and others with extensive experience in manufacturing coating powder.

Improving scale of operations

PPPL registered CAGR of 18 percent from FY2015 to FY2017. The company has an improving operating revenue trend of Rs. 53.18 crore in FY2017 as against Rs. 43.41 crore in FY2016 and Rs. 38.48 crore in FY2015. Further, the company registered revenue of around Rs.44.72 crore from April to December, 2018.

Above average financial risk profile

The financial risk profile is above average marked by networth of Rs. 9.13 crore as on 31 March, 2017 as against Rs. 8.13 crore as on 31 March, 2016. The company has comfortable gearing of 0.82 times as on 31 March, 2017 as against 0.90 times in the previous year. The total debt mainly comprises cash credit limit of Rs. 7.00 crore. The coverage ratios are healthy marked by Interest Coverage Ratio of 2.74 times for FY2017 as against 1.93 times in FY2016. The DSCR stood at 2.29 times for FY2017 and 1.76 times in the previous year. The TOL/TNW stood at 2.10 times as on 31 March, 2017 compared to 2.44 times in the previous year. The NCA/TD stood at 0.19 times in FY 2017 as against 0.12 times in FY 2016.

Weaknesses:

Working capital intensive operations

PPPL has stretched working capital management marked by Gross Current Asset days of 165 in FY2017, 205 days in FY2016 and 221 days in FY2015. This is on account of high debtor days of 105 in FY2017 and 115 days in FY2016. The company charges interest at the rate of 18 percent per annum from dealers in case of delays in receivables. Presently, the company has availed cash credit limit of Rs.7.00 crore. The average utilisation has been around 80 percent for the last six months ended December, 2017. Further, the company reported net cash accruals of Rs. 1.39 crore for FY2017.

Susceptible to fluctuations in raw material prices and forex rates

Since PPPL procures raw materials from India as also from the overseas market, it is exposed to forex fluctuation risk. The company avails facility of forward contracts to hedge forex fluctuation risk.

Highly competitive and fragmented industry

PPPL is exposed to intense competition from organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PPPL to arrive at the rating.

Outlook: Stable

SMERA believes that PPPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.18	43.41	38.48
EBITDA	Rs. Cr.	2.76	2.14	1.78
PAT	Rs. Cr.	1.00	0.39	0.29
EBITDA Margin	(%)	5.20	4.92	4.63
PAT Margin	(%)	1.88	0.91	0.75
ROCE	(%)	16.02	11.50	20.95
Total Debt/Tangible Net Worth	Times	0.82	0.90	1.01
PBDIT/Interest	Times	2.74	1.93	1.67
Total Debt/PBDIT	Times	2.54	3.22	3.96
Gross Current Assets (Days)	Days	165	205	221

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Entity in the Manufacturing Sector - 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
Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB+ / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA BB+ / Stable

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ABOUT SMERA

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