

## Press Release

### Paramount Powders Private Limited

December 03, 2020



### Rating Upgraded and Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 13.05 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Stable (Upgraded from ACUITE BB)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from **ACUITE BB (ACUITE Double B)** and reaffirmed the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.05 crore bank facilities of Paramount Powders Private Limited (PPPL). The outlook is 'Stable'.

The rating was earlier downgraded as per the press release dated 23<sup>rd</sup> July, 2020 on account of information risk. The company has now cooperated with Acuité for the review.

The rating upgrade considers the expected steady operational performance, supported by its extensive experience of its promoters, long relationship with its stakeholders, expected stability in its revenues and comfortable financial risk profile over the medium term. The ratings, however, remain constrained by PPPL's moderate and stagnant scale of operations, coupled with fluctuating profitability and working capital-intensive nature of operations.

PPPL is a Delhi based company, established in 1997 and promoted by Mr. Tarlochan Singh Badyal. It is engaged in manufacturing of polyurethanes and thermosetting powder coating. The company has a manufacturing unit at Gurgaon (Haryana) with an installed capacity of 3000 MT and is currently fully utilised.

### Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of PPPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced promoters and long track record of operations**

PPPL, incorporated in 1997, is engaged in manufacturing of Polyurethane and Thermosetting powder coating. The promoters have an overall experience of over two decades in the manufacturing of coating powder. It has helped to a build healthy relationship with its suppliers and customers to ensure a steady raw material supply and repeat business from its customers. Acuité believes that PPPL continues to enjoy the promoters experience supports its business risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile is marked by comfortable gearing and TOL/TNW, and moderate debt protection metrics. The gearing and TOL/TNW are comfortable at 0.21 and 1.65 times as on March 31, 2020 against 0.58 and 2.00 times as on March 31, 2019. The net worth is modest at Rs.10.14 crore as on March 31, 2020. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are comfortable at 3.36 times and 0.20 times, respectively in FY2020 vis-à-vis 2.36 times and 0.15 times, respectively in FY2019. The PPPL had generated cash accruals of Rs.0.82-0.84 Cr during the last three years through 2019-20, against 0.07-0.10 Cr maturing debt obligations during the same period. It is expected to generate cash accruals of Rs 0.75-0.850 Cr expected in fiscals 2021-2023, should comfortably cover the maturing debt of Rs 0.07-0.10 crore during the same period. Current ratio was comfortable estimated at 1.43 times as on March 31, 2020.

Acuité believes that with moderate accruals and no significant capex plans, the financial risk profile is

expected to be at similar levels over the medium term.

### Weaknesses

#### • Moderate working capital management

The company has moderate working capital operations as evident from its Gross Current Assets (GCA) of 153 days as on March 31, 2020 as against 156 days as on March 31, 2019. The company maintains 57-66 days inventory comprising both raw materials and finished product, and offers a credit of about three months to its clientele; resulted in receivable days of about 91-105 during last years ended with as on March 31, 2020. The company is able to stretch its credit terms are in the range of 101-103 days during last years ended with as on March 31, 2020. This led to bank utilisation of its working capital limits at about 51 percent over the past 10 months ended October 2020. Acuite believes that PPPL's operations continue to be at similar levels basis the manufacturing and distribution cycle.

#### • Fluctuating operating margins and highly competitive and fragmented industry

The raw materials used to manufacture PPPL's products are based out of petroleum, which is exposed to price fluctuations. Hence, the operating margins are exposed to fluctuation due to change in prices of raw materials. Its profitability margins fluctuating between 2.29 % to 2.72 % during last three years ended with FY2020. Further volatile margins are owing to its presence in highly competitive industry with competition from other organised and unorganised players.

### Liquidity Position: Adequate

Liquidity profile of PPPL is moderate reflected by moderate bank line utilisation. The PPPL had generated cash accruals of Rs.0.82-0.84 Cr during the last three years through 2019-20, against 0.07-0.10 Cr maturing debt obligations during the same period. It is expected to generate cash accruals of Rs 0.75-0.850 Cr expected in fiscals 2021-2023, should comfortably cover the maturing debt of Rs 0.07-0.10 crore during the same period. Current ratio was comfortable estimated at 1.43 times as on March 31, 2020. Bank limit utilisation was low, averaging 51 % over the 10 months ended October, 2020. Acuite believes that PPPL's Liquidity will remain adequate, in the absence of any major debt-funded capex plans in the medium term.

### Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Any further large debt-funded capital expenditure, impacting the financial risk profile adversely.
- Stretch in the working capital cycle

### Material covenants

None

### Outlook: Stable

Acuite believes that PPPL will maintain a 'Stable' business risk profile over the medium term. The concern will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the concern registers healthy growth in its revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in the profitability margins, or in case of any stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	57.01	60.47
PAT	Rs. Cr.	0.41	0.42
PAT Margin	(%)	0.71	0.69
Total Debt/Tangible Net Worth	Times	0.41	0.58
PBDIT/Interest	Times	3.36	2.36

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-July-2020	Cash Credit	Long Term	8.00	ACUITE BB Issuer not co-operating* (Downgraded from ACUITE BB+/Stable)
	Letter of credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
	Proposed Cash Credit	Short Term	0.05	ACUITE A4+ (Issuer not co-operating*)
17-May-2019	Cash Credit	Long Term	8.00	ACUITE BB+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	0.05	ACUITE BB+ / Stable (Reaffirmed)
14-Mar-2018	Cash Credit	Long Term	8.00	ACUITE BB+ / Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	0.05	ACUITE BB+ / Stable (Assigned)

### \*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	8.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE BB+/ Stable (Upgraded from ACUITE BB)

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**About Acuité Ratings & Research:**

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