

Press Release

Paramount Powders Private Limited

May 27, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	9.05	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	13.05	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.05 Cr bank facilities of Paramount Powders Private Limited (PPPL). The outlook remains '**Stable**'.

The rating is primarily driven by the long track of operations, experienced management and the above average financial risk profile of the company marked by healthy debt protection metrics. These strengths are, however, offset by the working capital intensive nature of operations of the company and the competitive industry.

About the Company

Established in 1997, Paramount Powders Private Limited (PPPL) is based in Delhi and is promoted by Mr. Tarlochan Singh Badyal, Mr. Gurpreet Singh, Mr. Vikrant Singh Gill and Mr. Manish Jain. 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 4500 MTPA.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Paramount Powders Private Limited (PPPL).

Key Rating Drivers

Strengths

- Improvement in scale of operations buoyed by long track record of operations

PPPL has achieved improvement in the top line in FY22 and has generated revenues of Rs.69.92 Cr (provisional) as compared to revenues of Rs.51.25 Cr in FY21 and Rs.57.01 Cr in FY20, thereby registering a CAGR of 10.82% over the two years. The improvement in top line is due to the increase in the volume of sales. Moreover, the company has an experienced management in the field of manufacturing business of coating powder. The directors, Mr. Tarlochan Singh Badyal, Mr. Gurpreet Singh, Mr. Vikrant Singh Gill and Mr. Manish Jain have an overall experience of over two decades and has aided the company in building healthy relationship with the suppliers and customers ensuring steady raw material supply and repeat business from the customers. Acuité believes that going forward, the experienced management will aid the improvement in the scale of operations.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.10.33 Cr as on March 31, 2021 from Rs.10.14 Cr as on March 31, 2020 due to accretion of reserves. Gearing of the company stood comfortable at 0.51 times as on March 31, 2021 as against 0.41 times as on March 31, 2020, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 1.95 times as on March 31, 2021 as against 1.65 times as on March 31, 2020. The healthy debt protection metrics is marked by Interest Coverage Ratio at 3.13 times as on March 31, 2021, and Debt Service Coverage Ratio of 2.16 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.12 times as on March 31, 2021. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

Weaknesses

- **Declining profitability margins**

The operating margin of PPPL stood at 1.63 per cent (provisional) in FY22 as compared to 2.25 per cent in FY21. The PAT margin stood at 0.36 per cent (provisional) in FY22 as compared to 0.37 per cent in FY21. The decline in margins is due to rise in the raw material cost as the raw materials used are petroleum based which is exposed to price fluctuations. Acuité believes that going forward, the improvement in profitability margins will be a key monitorable.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 187 days as on 31st March 2021 as compared to 149 days as on 31st March 2020. The high GCA days is on account of moderate debtor days. The debtor period stood at 100 days as on 31st March 2021 as compared to 91 days as on 31st March 2020. The moderate debtor days are due to the extended credit period provided to the clientele. The inventory holding stood moderate at 88 days as on 31st March 2021 as compared to 57 days as on 31st March 2020. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from extended collection mechanism and moderate inventory levels over the medium term.

- **Competitive industry**

PPPL is exposed to volatile margins owing to its presence in highly competitive industry. It faces competition from the other organised and unorganised players in the market.

Rating Sensitivities

- Improvement in the scale of operations while increase in profitability margins
- Elongation in working capital cycle
- Sustenance in the capital structure

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.0.61 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.07 Cr over the same period. Further, the current ratio stood comfortable at 1.30 times as on March 31, 2021 as compared to 1.40 times as on March 31, 2020. The fund based limit, however, remains utilised at an average of 72 per cent over FY2022. The cash and bank balances of the company stood at Rs.0.14 Cr as on March 31, 2021. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 187 days in 31st March 2021 as compared to 149 days in 31st March 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on PPPL will remain 'Stable' over the medium term on account of the experienced management and steady business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	51.25	57.01
PAT	Rs. Cr.	0.19	0.41
PAT Margin	(%)	0.37	0.71
Total Debt/Tangible Net Worth	Times	0.51	0.41
PBDIT/Interest	Times	3.13	3.36

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Dec 2020	Proposed Bank Facility	Long Term	1.05	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
23 Jul 2020	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Short Term	0.05	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)
17 May 2019	Proposed Cash Credit	Long Term	0.05	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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