Press Release
PARAMOUNT POWDERS PRIVATE LIMITED
August 18, 2023
Rating Reaffirmed

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

Rating Rationale
Acuité has reaffirmed its long-term rating at **'ACUITE BB+' (read as ACUITE double B plus)** and its short-term rating at **'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'**.

Rationale for reaffirmation of the rating
The rating reaffirmation takes into cognizance the steady operating performance of the company marked by stable revenues. The company has achieved revenues of Rs.86.13 Cr in FY2023 (Provisional) as compared to revenues of Rs.69.93 Cr in FY2022 and Rs.51.25 in FY2021 thereby registering a CAGR of 29.86 per cent over the two years. The rating also factors the experience of the management, the long track record of operations and the above average financial risk profile of the company. These strengths are, however, offset by the working capital intensive nature of operations of the company, the moderate profitability margins and the competitive industry.

About the Company
Based in Delhi, Paramount Powders Private Limited (PPPL) is established in 1997 and is managed by Mr. Tarlochan Singh Badyal and Mr. Manish Jain. The company is engaged in the manufacturing of polyurethanes and thermosetting powder coating.

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

Key Rating Drivers

Strengths
Steady rise in the scale of operations coupled with experienced management
The company's operations are aided by Mr. Tarlochan Singh Badyal and Mr. Manish Jain who possess an industry experience of more than two decades. PPPL has established a long track record of operations spanning over two decades in the manufacturing business of polyurethane and thermosetting powder coating. With the support from the management, the company has developed healthy clientele relationships which ensures the smooth business operations.

Moreover, the company has witnessed improvement in the scale of operations and has achieved revenues of Rs.86.13 Cr in FY2023 (Provisional) as compared to revenues of Rs.69.93

Cr in FY2022 and Rs.51.25 in FY2021, thereby, registering a CAGR of 29.86 per cent over the two years. The increase in operating income is supported by the rise in the production capacity utilisation coupled with steady demand for the products. Acuité believes that the company will continue to be benefitted by the long standing operations and the experienced management of the promoters over the medium term.

Above average financial risk profile

The company's above average financial risk profile is marked by low albeit improving net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.11.44 Cr as on March 31, 2023 (Provisional) from Rs.10.62 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the company stood comfortable at 0.60 times as on March 31, 2023 (Provisional) as against 0.51 times as on March 31, 2022, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 2.16 times as on March 31, 2023 (Provisional) as against 2.50 times as on March 31, 2022. The comfortable debt protection metrics is marked by Interest Coverage Ratio at 3.31 times and Debt Service Coverage Ratio at 2.75 times as on March 31, 2023 (Provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.18 times as on March 31, 2023 (Provisional). 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

Moderate profitability margins

The profitability margins of the company remained at a moderate level over the years. The operating margin stood at 2.45 per cent in FY2023 (Provisional) as compared to 1.71 per cent in FY2022 on account of reduction in the operating cost as against the increase in the revenue level. The PAT margin stood at 0.80 per cent in FY2023 (Provisional) as compared to 0.42 per cent in FY2022. Acuité believes that, going forward improvement in the margins will be key monitorable.

Working capital intensive nature of operations

The company's intensive working capital management is marked by Gross Current Assets (GCA) of 135 days as on 31st March, 2023 (Provisional) as compared to 176 days as on 31st March, 2022. The moderately high GCA days are on account of the moderate debtor period. The debtor days stood at 76 days as on 31st March, 2023 (Provisional) as compared to 87 days as on 31st March, 2022. Further, the moderate inventory period is marked by 58 days as on 31st March, 2023 (Provisional) as compared to 85 days as on 31st March, 2022.

Acuité believes that the working capital operations of the company is likely to remain around the similar levels as evident from the moderate collection period and modest inventory cycle 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

- Increase in the scale of operations while improvement in the profitability margins
- Elongation in working capital cycle
- Sustenance in the capital structure

Material covenants

None

Liquidity Position: Adequate

The adequate liquidity position is marked by steady net cash accruals of Rs.1.19 Cr as on March 31, 2023 (Provisional) as against long term debt repayment of only Rs.0.02 Cr over the same period. The current ratio stood at 1.33 times as on March 31, 2023 (Provisional) as compared to 1.27 times as on March 31, 2022. The cash and bank balances of the company stood at Rs.0.05 Cr as on March 31, 2023 (Provisional). The fund based bank limit utilisation stood at a moderate level of 70 per cent over the six months ended June 2023. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 135 days as on 31st March 2023 (Provisional) as compared to 176 days as on 31st March 2022. Acuité believes that, going forward, the liquidity position of the company may continue to remain adequate backed by 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 revenues or operating margins from the current levels along with improvement in the financial risk profile and liquidity position. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	86.13	69.93
PAT	Rs. Cr.	0.69	0.29
PAT Margin	(%)	0.80	0.42
Total Debt/Tangible Net Worth	Times	0.60	0.51
PBDIT/Interest	Times	3.31	2.70

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 May 2022	Cash Credit	Long Term	8.00	ACUITE BB+ | Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.05	ACUITE BB+ | Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
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	Long Term	0.05	ACUITE BB (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Issuer not co-operating*)

Annexure - Details of instruments rated

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