Press Release

Paramount Powders Private Limited

November 13, 2024

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	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 :

The rating reaffirmation takes into cognizance the steady operating revenue of the company marked by improved margins. Further, the rating is supported by an above-average financial risk profile and adequate liquidity. The rating also factors in the experience of the management and the long track record of operations.

These strengths are, however, offset by the working capital-intensive nature of operations of the company 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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

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

PPPL, incorporated in 1997, is engaged in the manufacturing of polyurethane and thermosetting powder coating. The Board of Directors comprises Mr. Tarlochan Singh Badyal, Mr. Avtar Singh, Mr. Manish Jain, and Mr. Gurpreet Singh. Mr. Tarlochan Singh Badyal has an overall experience of three decades in the manufacturing of coating powder. Experience of the management and the extensive track record of operations of PPPL have helped the company establish healthy relations with its customers and suppliers in the domestic market. Acuité believes that PPPL continues to enjoy the promoters experience in improving its business risk profile over the medium term.

- **Stable scale of operations**

  The company's operating income stood at Rs. 86.92 Cr. in FY2024 as against Rs.86.13 Cr. in FY2023. The company has shown stagnant growth in FY2024 on account of lower realizations. The profitability margins of PPPL improved and stood at 3.97 percent in FY2024 as against 2.73 percent in FY2023. The improvement in the margins is on account of a decrease in raw material cost. Acuité believes that, going forward, the business risk profile will continue to improve gradually, backed by the steady demand and rising capacity utilization of the company.

- **Above average financial risk profile albeit moderate net worth**

  PPPL's financial risk profile is above average, marked by healthy debt protection metrics, low gearing, and moderate net worth. The tangible net worth stood at Rs. 13.13 Cr. as on March 31, 2024, as against Rs. 11.69 Cr. as on March 31, 2023. The improvement is on account of accretion of net profit in the reserves. The gearing of the company stood at 0.56 times as on March 31, 2024, against 0.58 times as on previous year. The total debt as on March 31, 2024, consists of working capital limits from banks of Rs. 6.21 Cr, term loans of Rs. 1.15 Cr, and USL of Rs. 0.01 Cr. Further, the interest coverage ratio stood at 4.98 times as on March 31, 2024, as against 3.68 times as on March 31, 2023. DSCR stood at 3.06 times as on March 31, 2024, as against 3.12 times as on March 31, 2023. The debt to EBITDA of the company stood at 2.10 times as on March 31, 2023, as against 2.86 times as on March 31, 2023. However, the TOL/TNW stood to 1.49 times as on March 31, 2024, as against 2.19 times as on March 31, 2023. 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

- **Working capital intensive operations**

  The operations of the company are working capital intensive, marked by Gross Current Asset (GCA) days of 119 days in FY2024 as against 140 days in FY2023. However, there is improvement in GCA days in FY2024 as compared to the previous year on account of improved debtor days and inventory days. The GCA days are mainly marked by debtors' days. Inventory days stood at 48 days in FY2024 as against 59 days in FY2023. Debtor days stood at 69 days in FY2024 as against 80 days in FY2023. The improvement in debtor days is on account of payments being on time. Additionally, the company is managing its operations with a minimal working capital limit of Rs. 8.00 Cr, which was moderately utilized at an average of 69 percent during the past 6 months ending September 2024. Subsequently, the payable period stood at 62 days in FY2024 as against 95 days in FY2023, respectively. Further, the average bank limit utilization in the last six months ended September 24 remained at ~69 percent for fund-based.

- **Competitive Industry**

  PPPL is exposed to volatile margins owing to its presence in highly competitive industry. It faces competition from the other organized and unorganized 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

Liquidity Position: Adequate

The liquidity profile of PPPL is adequate, marked by its adequate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs. 2.19 Cr. in FY2024 as against the current portion of long-term debt (CPTLD) of Rs. 0.24 Cr. and is expected to generate cash accruals in the range of Rs. 1.92-2.01 Cr. against CPLTD of Rs. 0.36- 0.46 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.09 Cr. as on March 31, 2024. The current ratio of the company stood at 1.50 times as on March 31, 2024. Further, the average bank limit utilization in the last six months ended September 24 remained at ~69 percent for fund-based. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of the working capital-intensive nature of operations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	86.92	86.13
PAT	Rs. Cr.	1.51	0.93
PAT Margin	(%)	1.74	1.09
Total Debt/Tangible Net Worth	Times	0.56	0.58
PBDIT/Interest	Times	4.98	3.68

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

Not Applicable

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
• 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
18 Aug 2023	Letter of Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.05	ACUITE BB+ | Stable (Reaffirmed)
27 May 2022	Letter of Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.05	ACUITE BB+ | Stable (Reaffirmed)

Annexure - Details of instruments rated

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