

Press Release

Paramount Industries (PI)

15 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.7.00 Cr.
Long Term Rating	SMERA B / Outlook:Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A4**) on the above mentioned facility of Paramount Industries. The outlook is '**Stable**'.

Established in 2012 by Mr. R Satchinathan, Paramount Industries is a Chennai (Tamil Nadu) based partnership firm engaged in the manufacture of power and distribution transformers. The entity mainly supplies transformers to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). The entity converted from proprietorship to partnership firm in June 2017. The entity is promoted by Mr. S A Arutchelvan (90 per cent) and Mr. R Satchinathan (10 per cent). The entity has an associate concern namely Bala Industries, which is also engaged in manufacture of power and distribution transformers.

Analytical approach: SMERA has considered consolidated business and financial risk profiles of Bala Industries and Paramount Industries (hereinafter referred to as the Bala group). This is because both entities have a common management and have significant operational linkages.

Key rating drivers

Strengths

Experience management and long track record of operations: The promoter, Mr. S A Arutchelvan has almost two decades of experience in the transformer manufacturing business. Mr. S A Arutchelvan holds degree in electrical engineering and prior to his stint as promoter, Mr. S A Arutchelvan has experience as engineer in Indo Tech Transformers Limited.

Established relationship with TANGEDCO and RRB Energy Ltd: The group benefits from three decades of established relationship with TANGEDCO for supplying power and distribution transformers. The group also supplies wind mill transformers to RRB Energy Ltd. The group has an order book position of Rs.16.94 crore as on January 2018 providing revenue visibility over the medium term.

Weaknesses

Average financial risk profile: The average financial risk profile of the group is marked by low net worth, moderate gearing levels and moderate debt protection metrics. Net worth stood at Rs.0.91 crore as on March 31, 2017 as compared to Rs.0.59 crore as on March 31, 2016. The gearing has improved from 10.56 times as on March 31, 2016 to 1.61 times as on March 31, 2017 due to decrease in working capital utilisation. The group has short term debt of Rs.1.37 crore and unsecured loans of Rs.0.10 crore as on March 31, 2017. Coverage indicators such as Interest Coverage Ratio (ICR) increased to 2.71 times as on March 31, 2017 as compared to 2.38 times as on March 31, 2016 due to decline in interest expense. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.36 times as on March 31, 2017.

Working capital intensive operations: The group has working capital intensive operations, as reflected in high gross current assets (GCA) of 208 days as on March 31, 2017 compared to 317 days as on March 31, 2016 due to high debtor levels. Receivable days in FY2017 stood at 144 compared to 287 in FY2016. Receivable days remained high since the group gives credit period of up to 180 days to TANGEDCO.

Tender based business: The group deals mainly with government organisations which provide orders on tender basis. Going forward, the company's ability to bid for large orders and qualify for the same remains to be seen. However, the promoter's ability to cater to private companies in addition to government organisations will partially mitigate this risk.

Outlook – Stable

SMERA believes that the outlook on the group will remain 'Stable' over the medium term on account of the experience of the management. The outlook may be revised to 'Positive' if the financial risk profile of the group improves substantially. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in financial risk profile.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.53	16.03	15.03
EBITDA	Rs. Cr.	0.72	0.77	0.82
PAT	Rs. Cr.	0.45	0.40	0.41
EBITDA Margin	(%)	4.95	4.82	5.48
PAT Margin	(%)	3.06	2.49	2.73
ROCE	(%)	16.37	18.11	112.56
Total Debt/Tangible Net Worth	Times	1.61	10.56	3.88
PBDIT/Interest	Times	2.71	2.38	2.22
Total Debt/PBDIT	Times	1.77	7.50	1.29
Gross Current Assets (Days)	Days	208	317	93

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation of Companies- <https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable.

Rating History (Upto last three years)

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	2.00	SMERA B/ Stable (Assigned)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Assigned)

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ABOUT SMERA

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