

Press Release

Paragon Cable India

April 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 11.00 crore bank facilities of Paragon Cable India. The outlook is '**Stable**'.

Established in 1991, Paragon Cable India (PCI) is a partnership firm engaged in manufacturing of low tension cables and wires. It has its manufacturing unit located in Delhi. The firm is promoted by Mr. Vikas Nagpal, who looks after the day to day operations. PCI's supplies cables to Central Government, Departments including Railways, MES, Defence, Reliance Group, L&T, and Jindal Steel etc.

Key Rating Drivers

Strengths

- **Experienced Management and Long Track Record of Operations**

PCI has been established in the year 1991 as a partnership firm and thus has a long track record of operations. The promoter Mr. Vikas Nagpal is an Engineer and has nearly three decades of experience in family business of Cables. The promoters experience has helped PCI to maintain strong clientele base with Central Govt., institutions and private sector companies.

- **Moderate Financial Risk Profile**

The rating also derives comfort from the moderate financial risk profile marked by improvement in gearing and comfortable debt protection metrics. The financial risk profile of the company has remained moderate marked by net worth of Rs. 10.04 crores as on 31 March 2017 as against Rs. 9.94 crores as on 31 March 2016. The gearing stood low at 0.73 times as on 31 March 2017 as against 0.75 times as on 31 March 2016. The total debt of Rs. 7.29 crores outstanding as on 31 March 2017 comprises Rs. 0.63 crores as unsecured loans from Directors and Rs. 6.66 crores as a working capital facility from the bank. The ICR improved to 2.50 times in FY2017 as against 2.37 times in FY2016. The net cash accrual of the firm stands at Rs. 1.51 crores in FY2017 as against Rs. 1.55 crores in FY2016. NCA/TD ratio stood at 0.21 times in FY2017 and FY2016. Going ahead the company will not have any long term debt over the near to medium term. The profit margins of PCI are moderate with 5.04 percent in FY2017 as against 5.57 percent in FY2016. However, the net profitability margin has been comfortable at 5.38 percent in FY2017 and FY2016 supported by the rent income.

- **Reputed and Diversified Customer Profile**

PCI caters to the Central Government departments including Railways, Defence, MES, State Government departments including Electricity Boards and PWD, Private Sectors including L&T, Jindal Steel, Reliance Group etc. SMERA believes a diverse customer base will stand advantageous for PCI in case of adverse scenarios in any particular industry.

Weaknesses

- **Small scale of operation**

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

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The scale of operations is small despite the firm being in business for more than two decades. The revenue of Rs.24.82 crore in FY2017 remains at modest scale. For FY2017, the company reported net profit of Rs.1.33 crore on operating income of Rs.24.82 crore. The revenues are stagnant over past three years at around Rs.24-25cr levels owing to high competition from bigger players.

• Working capital intensive nature of operations

The operations of PCI are working capital intensive marked by GCA of 189 days in FY2017 as compared to 212 days in FY2016. Debtor days for PCI have remained high of 115 and 129 days in FY2017 and FY2016 respectively, on account of the competitive nature of the industry. Its inventory days stood at 60 and 70 days in FY2017 and FY2016 respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of company to arrive at the rating.

Outlook: Stable

PCI will maintain a stable business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company revenue increase significantly backed by improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company incurred significant losses and deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	106.28	100.27	99.92
EBITDA	Rs. Cr.	4.28	4.01	4.10
PAT	Rs. Cr.	0.81	0.75	0.47
EBITDA Margin	(%)	4.03	3.99	4.10
PAT Margin	(%)	0.76	0.75	0.47
ROCE	(%)	7.53	7.11	15.15
Total Debt/Tangible Net Worth	Times	2.63	2.74	2.71
PBDIT/Interest	Times	1.91	2.02	1.71
Total Debt/PBDIT	Times	7.98	8.32	7.49
Gross Current Assets (Days)	Days	140	137	125

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

CARE April 6, 2018: "CARE has been seeking information from Paragon Cable India to monitor the rating(s) vide e-mail communications/letters dated February 28, 2018, February 26, 2018, February 21, 2018 etc. And numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Paragon Cable India's bank facilities will now be denoted as CARE BB/A4; ISSUER NOT COOPERATING*."

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Verma Manager - Rating Operations Tel: 022-67141115 abhishek.verma@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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