

Press Release

Parasnath Enterprises (PE)

26 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.32 Cr.
Long Term Rating	SMERA BB /Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of 'SMERA BB' (read as SMERA double B) and short term rating of 'SMERA A4+' (read as SMERA A four plus) on the Rs. 10.32 cr. bank facilities of Parasnath Enterprises (PE) .The outlook is 'Stable'.

Parasnath Enterprises (PE), established in 1997, is a Delhi-based partnership firm. Mr. Ashok Kumar Jain, the key partner, has around three decades of experience in the rubber and plastic business. The firm is engaged into manufacturing of rubber component for automobile industry.

Key rating drivers

Strengths

Experienced promoters and second line of management

The AIPE Group was incorporated in 1997 by first generation entrepreneurs led by Mr. Deepak Jain and Mr. Anand Jain who possess experience of more than two decades in the aforementioned line of business.

The partners are also engaged in other businesses including running a petrol pump, real estate (commercial and residential) and managing the day-to-day operations of the group.

Increase in Profitability Margins

The group's EBITDA margins improved from 6.98 per cent in FY2016 to 11.72 per cent in FY2017. Further group's PAT margin stood at 0.12 per cent as against a net loss of 1.55 per cent in FY2016 on account of high depreciation and interest cost due to capex on new land, plant and machinery.

Moderate financial risk profile

The Group has moderate financial risk profile marked by comfortable gearing and coverage indicators. The gearing stands at 0.84 times as on March 31, 2017 against 1.00 times as on March 31, 2016. SMERA has treated unsecured loans amounting to Rs. 14.53 cr as quasi equity. These loans have been extended by group firm, B.K. Developers. Moreover, the interest coverage

ratio stood moderate at 1.59 times in FY2016-17 against 1.33 times in FY2015-16. The networth of the group stands at Rs.22.07 cr in FY2016-17 as compared to Rs.15.85 cr in FY2015-16.

Weaknesses

Competitive and fragmented nature of industry

The Group operates in a highly competitive and fragmented rubber and plastic industry with limited entry barriers and large number of players in the unorganised sector. Performance is also susceptible to the tender based nature of activities and intense competition among players bidding for government contracts.

Working capital intensive nature of business

The Group's working capital intensive operations are marked by high gross current asset days of 261 days in FY2017 as against 207 days in FY2016. This is on account of debtor of 127 days and 75 days in FY2017 and FY2016. Its inventory was 92 days in FY2017 as compared to 64 days in FY2016; and creditors at 111 days in FY2017 and 74 days in FY2016 respectively. SMERA believes the operations of the company will remain working capital intensive on account of its dealings with the government organisations (Railways, Oil Companies and Electricity Boards).

Analytical approach: While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of Adinath Industries and Parasnath Enterprises, together referred to as the 'AIPE Group'. The consolidation is in view of the common customer base, management and similarity in the lines of business of both entities.

Outlook – Stable

SMERA believes that the group will maintain a stable outlook over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers substantial growth in revenue and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the group

The Delhi-based AIPE Group, incorporated in 1997 was promoted by Mr. Ashok Kumar Jain who possesses around three decades of experience in the rubber and plastic business.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.11	43.68	41.58
EBITDA	Rs. Cr.	4.94	3.05	3.76
PAT	Rs. Cr.	0.05	-0.68	0.49
EBITDA Margin	(%)	11.72	6.98	9.03
PAT Margin	(%)	0.12	-1.55	1.18
ROCE	(%)	9.33	6.73	11.17
Total Debt/Tangible Net Worth	Times	0.84	1.00	0.90
PBDIT/Interest	Times	1.59	1.33	1.67
Total Debt/PBDIT	Times	3.52	4.56	3.01
Gross Current Assets (Days)	Days	261	207	194

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>
- Consolidation Approach - <https://www.smera.in/criteria-consolidation.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>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
08-February-2017	Term Loan	Long Term	1.32	SMERA BB (indicative)
	Cash Credit**	Long Term	3.00 (Reduced from Rs.3.50 Cr.)	SMERA BB (indicative)
	Letter of Credit	Short Term	1.45 (Reduced from Rs.3.50 Cr.)	SMERA A4+ (indicative)

	Bank of Guarantee	Short Term	2.00	SMERA A4+ (indicative)
	Proposed Long Term	Long Term	2.55	SMERA BB (indicative)
	**Cash Credit has a sublimit of Letter of Credit of Rs.1.00 Crore			
27-October-2015	Term Loan	Long Term	1.32	SMERA BB (Assigned)
	Cash Credit	Long Term	3.50	SMERA BB (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Assigned)
	Bank of Guarantee	Short Term	3.50	SMERA A4+ (Assigned)

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	3.00	SMERA BB/ Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.87 (Reduced from Rs.4.87 Cr.)	SMERA BB/ Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.45	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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