

Press Release

Paras Enterprise (PE)

May 23, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.00 Cr. (Enhanced from Rs.6.00 crore)
Long Term Rating	ACUITE B/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned long term rating of '**ACUITE B** (read as **ACUITE B**) to the Rs. 13.00 crore bank facilities of Paras Enterprise (PE). The outlook is '**Stable**'.

Gujarat based, Paras Enterprise (PE) was established in 2006 as a partnership firm by Mr. Anil Jain and Ms. Kailashben Jain. The firm is engaged in manufacturing steel containers of 15 kg for oil storage. The unit is located in Gandhidham and has a capacity to produce 30000 containers per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PE to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

PE is engaged in manufacturing of steel containers for oil storage purpose and catering to oil manufacturing industry. The partners of the firm have an experience of over a decade in the aforementioned industry. PE has established relations with reputed clients like Cargill Ind Pvt Ltd amongst others and suppliers like JSW Vallabh Tinplate Private Limited to name a few. Acuité believes that PE will continue to benefit from its experienced management and established relations with clients.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is marked by low Net worth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs 1.69 crore in FY2019 as its decreased from Rs. 1.76 crore in FY2018, mainly on account of retention of current year profit. The gearing of the company stood high at 3.51 times in FY2019 as its increased from 1.43 times in FY2018. The total debt of Rs. 5.95 crore consist of long term loan of Rs. 5.88 crore and unsecured loan from promoters of Rs. 0.07 as on 31st March 2019. The interest coverage ratio (ICR) of the company stood healthy at 4.10 times in FY2019 as compared to 2.57 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.25 times in FY2019 as compared to 1.05 times in FY2018. The net cash accruals against the total debt stand moderate at 0.15 times in FY2019 (Prov.) as compared to negative 0.19 times in FY2018.

Competitive and fragmented nature of industry

PE operates in a highly competitive and fragmented industry as there is presence of multiple players from both organised as well as unorganised players in the industry.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 0.88 crore in FY2019 (Prov.), while its maturing debt obligation of Rs.0.65 crore in FY2017-18. The moderate liquidity of the firm has also marked by 75-80 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 208 in FY 2019 (Prov.).

Outlook: Stable

Acuite believes that PE will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady flow of orders. The outlook may be revised to 'Positive' if the firm generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	10.04	12.89	7.66
EBITDA	Rs. Cr.	1.17	0.75	0.55
PAT	Rs. Cr.	0.30	0.20	0.02
EBITDA Margin	(%)	11.60	5.85	7.14
PAT Margin	(%)	2.96	1.56	0.22
ROCE	(%)	9.77	13.65	8.37
Total Debt/Tangible Net Worth	Times	3.51	1.43	1.90
PBDIT/Interest	Times	4.10	2.57	2.09
Total Debt/PBDIT	Times	5.11	3.17	3.65
Gross Current Assets (Days)	Days	208	122	135

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
14 th Dec 2018	Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE B/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B/Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B/Stable (Assigned)

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About Acuité Ratings & Research:

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