

## Press Release

**Paras Enterprise**

July 30, 2020



### Rating Withdrawn

|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 13.00 Cr.           |
| <b>Long Term Rating</b>             | ACUITE B<br>(Withdrawn) |

\* Refer Annexure for details

### Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.13.00 crore bank facilities of Paras Enterprise (PE).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

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 the capacity to produce 55,000 containers per day.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

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

The partnership firm is engaged in manufacturing of steel containers for oil storage purpose and catering to the 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 firm is marked by low networth, high gearing, and moderate debt protection metrics. The tangible networth stood at Rs 2.98 crore as on 31st March, 2020 (Provisional) as compared to Rs 1.75 crore in the previous year. The gearing (debt-equity) stood at 3.23 times as on 31st March, 2020 (Provisional) against 3.41 times in FY19. The total debt of Rs 9.64 crore as on 31st March, 2020 consists of a long term loan of Rs. 7.34 crore, short term debt of Rs.1.66 crore, unsecured loan from promoters of Rs. 0.64 as on 31st March 2020. Long term loan of Rs. 4.00 crore has been taken during the year for the setup of automatic machines. The coverage indicators stood moderate marked by Interest coverage ratio (ICR) which stood at 2.67 times for FY20 as compared to 3.39 times in FY 2019 and DSCR (Debt Service Coverage Ratio) stood at 1.25 times in FY20 as against 1.02 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.12 times in FY 2020.

- **Competitive and fragmented nature of industry**

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

#### **Material Covenants**

None

#### **Liquidity Profile: Stretched**

The firm's liquidity is stretched marked by low cash accruals of Rs 1.18 crore in FY 2020 (Provisional) against debt obligations of Rs.1.50 crore over the same period. The operations of the firm are moderately working capital intensive marked by GCA (Gross Current Assets) days of 123 days in FY 2020 as against 248 days in FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.15 crore as on March 31, 2020. The company has availed moratorium on the term loan and Covid loan of Rs. 1.29 crore.

#### **About the Rated Entity - Key Financials**

|                               | Unit    | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 9.89          | 10.03         |
| PAT                           | Rs. Cr. | 0.20          | 0.09          |
| PAT Margin                    | (%)     | 2.04          | 0.90          |
| Total Debt/Tangible Net Worth | Times   | 3.23          | 3.41          |
| PBDIT/Interest                | Times   | 2.67          | 3.39          |

#### **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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

#### **Rating History (Upto last three years)**

| Date        | Name of Instrument / Facilities | Term      | Amount (Rs. Cr) | Ratings/Outlook              |
|-------------|---------------------------------|-----------|-----------------|------------------------------|
| 23-May-2019 | Cash Credit                     | Long Term | 2.00            | ACUITE B/Stable (Reaffirmed) |
|             | Term Loan                       | Long Term | 4.00            | ACUITE B/Stable (Reaffirmed) |
|             | Proposed Term Loan              | Long Term | 7.00            | ACUITE B/Stable (Assigned)   |
| 14-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 (Rs. Crore) | Ratings/Outlook      |
|------------------------|------------------|----------------|----------------|-------------------------------|----------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 2.00                          | ACUITE B (Withdrawn) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 4.00                          | ACUITE B (Withdrawn) |
| Proposed Term Loan     | Not Applicable   | Not Applicable | Not Applicable | 7.00                          | ACUITE B (Withdrawn) |

**Contacts:**

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**About Acuité Ratings & Research:**

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