

Press Release

Paras Enterprise

July 30, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE B (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reviewed and withdrawn the long term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.13.00 crore bank facilities of Paras Enterprise (PE).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

Acuite 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. Acuite 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:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in Priyanka Rath Analyst - Rating Operations Tel: 033-6620-1210 priyanka.rathi@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.