

Paramount International

April 12, 2019

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based	10.80	10.80	[ICRA]D; downgraded from [ICRA]A4
Total	10.80	10.80	

*Instrument details are provided in Annexure-1

Rationale

The revision in rating is on account of delays in debt repayments owing to the stretched liquidity position of the firm. ICRA takes note of weak financial profile as reflected by continuous decline in operating income from past four years and stretched working capital indicators. ICRA, however, takes note of the extensive experience of the promoters in the Handicraft industry.

Going forward, the firm's ability to improve its liquidity position and service its debt in a timely manner will be the key rating sensitivity.

Outlook: Not applicable

Key rating drivers

Credit strengths:

Extensive presence of the promoter in handicraft exports and established relations with international customers
 Incorporated in 2008 for the manufacturing of handicrafts like candle stands, lamps, ornaments etc made of brass, coloured glass, iron, etc. The promoters are engaged in the business for more than 10 years. Also, The firm has a wide customer base with significant presence in the international market. However, USA still remains the major revenue contributor followed by UK and Europe (Germany, France, etc).

Credit challenges

Decline in Operating Income and stretched working capital indicators leading to delay in bank overdues

Owing to the stretched liquidity position of the company there have been delays in the repayment of working capital facility

Small scale of operations of the firm- The operational profile of the firm is weak on account of its modest scale of operations, which restricts its economies of scale and also limits its bargaining power with respect to its customers.

Vulnerability of profitability to adverse fluctuations in raw material prices and foreign exchange rates - The firm's margins are significantly affected by raw material price fluctuation, which in turn affects the sales realisations. Also, in absence of a formal hedging policy, the firm's profitability remains exposed to any adverse fluctuations in the foreign exchange rate.

Risk associated with its status as partnership firm- ICRA notes the risks associated with the partnership form of the firm's business in terms of continuity, capital infusions and withdrawals

Liquidity position: The liquidity of the firm is stretched as reflected in limited cushion in fund-based limits which has led to instances of delays.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation /Standalone	The ratings are based on the standalone profile of the company

About the company

Paramount International (PI) was incorporated in 2008. It is involved in manufacturing of handicrafts like Candle Stands, Lamps, Christmas Ornaments etc. made of brass, colored glass, iron, aluminum etc. The raw materials used at present are Timber, Iron and Glass. The firm's factory is in Moradabad, U.P. also known as "Brass City or Peetal Nagri". The firm has no retail outlets and all the sales are exported mainly to the USA and some European countries also.

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	36.48	26.74
PAT (Rs. crore)	0.38	0.18
OPBDIT/ OI (%)	5.93%	7.35%
RoCE (%)	8.91%	8.32%
Total Debt/ TNW (times)	1.47	1.54
Total Debt/ OPBDITA (times)	4.73	5.87
Interest Coverage (times)	1.84	1.75

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2019 April 2019	Date & Rating in FY2018 March 2018	Date & Rating in FY2017 August 2017	Date & Rating in FY2016 November 2016	
1 Packing Credit	Short-term	8.40	-	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4	
2 Bill Discounting	Short-term	2.40	-	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4	

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based	-	-	-	10.8	[ICRA]D

Source: SVPL

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Not applicable	Not applicable	Not applicable

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