

Paramount Cosmetics (India) Limited

February 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.99 (Reduced from 11.08)	CARE B; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Paramount Cosmetics (India) Limited (PCIL) continues to be tempered by modest scale of operations, low cash accruals against debt servicing obligations resulting in thin DSCR levels, weak debt coverage metrics, elongated working capital cycle and intense competition from large number of unorganised players. However, the ratings derive strength from the long vintage of over three decades of the company and established brand presence under the brand name 'Shilpa' in the cosmetics industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total debt to gross cash accruals (TDGCA)<4x and interest coverage ratio (ICR)>2x

Negative factors

- Interest coverage ratio < 1 on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company's business profile remain intact backed by its long track record of operations.

Key weaknesses

Small scale of operations

The total operating income (TOI) of the company stood at Rs. 26.73 crore in FY23 growing by 32.37% from Rs. 20 crores in FY22 owing to improved demand. H1FY24 sales were Rs. 10.43 crore (H1FY23:- Rs. 11.41 crore). Given that the company is in same business for more than 3 decades, scale of operations continues to be small.

Weak debt coverage metrics

During FY21, bank facilities of the company were restructured: CC limit of Rs 11 cr was reduced to Rs 5 cr and the tenure of term loans was extended. To partially pay off CC limits, non-operational manufacturing unit at Vapi, Gujarat was disposed. Also, during H1 FY24, the company has sold another factory premises worth Rs 1.3 cr in order to support its liquidity. Company's capital structure continues to remain leveraged with TOL/TNW at 2.19x as on March 31, 2023, though improved from 2.68x as on March 31, 2022.

DSCR likely to remain thin on account of operational loss during H1FY24 with high material costs. However, with improved operational performance from Q3FY24 onwards, the management expects the cash flow from operations to be sufficient for meet the debt repayment obligations. Also, in case of further requirement of liquidity unsecured loans shall be brought in by the promoters.

Stretched operating cycle

The operating cycle is stretched to 272 days attributed to high finished goods inventory holding of 252 days. The company has the practice of holding the finished goods at higher levels because of the nature of business. Bindis has to be made available to end users at the stores at all point of times. Inadequate stock will lead to immediate switch over to available brands by the end user segment. The collection period is also stretched to 87 days in FY23 but has improved against 113 days in FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Highly fragmented industry with intense competition from large number of players

PCIL faces stiff competition from large number of unorganised players in the market with duplicity of products. High level of competition calls for higher sales promotion expenditure. Further, traditional cosmetics market remains highly fragmented with widespread use of unbranded and homemade products in rural market, wherein small and medium manufacturers are also a competition to an established player.

Key strengths

Experienced management and long track record of operations

PCIL has a long track record of more than three decades in the beauty and personal care industry which has helped in establishing a strong marketing network with a proven track record and an established brand name. The promoters are in the same line of business for over 3 decades. The company claims to be the market leader and the only organised player in Bindi segment which is largely dominated by unorganised players.

Established brand presence

The flagship bindi brand 'Shilpa' is a household name in bindi segment and has been in the market for over 2 decades. The products of the company under the Brand name "Shilpa" are enjoying good brand equity and market repute in the Indian traditional cosmetic range of products and are well accepted by the market and customers. The company is also dealing in other brands namely Instinct, Kromme, Sunspot.

Liquidity: Stretched

Company's liquidity is constrained by tightly matched accruals to repayment obligations. The company utilised an average of 92% bank limits during last 12 months and modest cash balance of ₹1.4 crore as on September 30, 2023.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Personal Products	Personal Care

Paramount Cosmetics (India) Limited, the flagship company of the Paramount group, was incorporated in 1985 by B D Topiwala. With existence of over more than three decades, PCIL has diversified itself from being a single product to a multi-product and a multi-brand company. The company is engaged in the manufacturing of beauty and personal care products like bindi, kumkum, kajal, deodorants, etc. The company is well known for its flagship brand, Shilpa bindis, along with various other brands, including Sunspot (sticker bindis and liquid kumkum), Kromme (instant eye shadow applicator) and Instinct (men's deodorants) among others.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1 2024 (UA)
Total operating income	20.21	26.73	10.43
PBILDT	-0.89	2.66	0.13
PAT	0.20	0.21	0.85
Overall gearing (times)	1.50	1.23	NA
Interest coverage (times)	-0.45	1.57	0.15

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	5.00	CARE B; Stable
Fund-based - LT-Term Loan	-	-	-	February 2031	1.41	CARE B; Stable
Fund-based - LT-Term Loan	-	-	-	February 2028	1.93	CARE B; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	May 2024	1.65	CARE B; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	-	1.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	1.41	CARE B; Stable	-	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)	1)CARE B; Stable (06-Jan-21)
2	Fund-based - LT-Working capital Term Loan	LT	1.65	CARE B; Stable	-	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)	1)CARE B; Stable (06-Jan-21)
3	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable	-	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)	1)CARE B; Stable (06-Jan-21)
4	Non-fund-based - ST-ILC/FLC	ST	1.00	CARE A4	-	1)CARE A4 (28-Mar-23)	1)CARE A4 (06-Jan-22)	1)CARE A4 (06-Jan-21)
5	Fund-based - LT-Term Loan	LT	1.93	CARE B; Stable	-	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)	1)CARE B; Stable (06-Jan-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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