

Paramount Impex

September 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	18.76	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	1.64	CARE BB-; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	4.60	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of Paramount Impex were denoted as CARE BB-; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING; Since, the firm did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Ltd. had reviewed the ratings on the basis of the best available information. However, the firm has now submitted the requisite information to monitor the ratings and CARE Ratings Ltd. has carried out a full review of the ratings and the ratings stands at 'CARE BB-; Stable/ CARE A4'.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Paramount Impex (PI) are constrained by foreign exchange risk, client concentration risk and susceptibility of margins to raw material price volatility. The ratings also factor in the working capital-intensive nature of operations, its leveraged capital structure, moderate profitability margins and partnership firm constitution. The ratings also consider the subdued demand for exports and challenges arising out of the Red Sea crisis, thereby impacting the operations of the firm. However, the ratings draw comfort from the long-standing experience of the partners and recovery in its operational performance during FY24 (refers to period April 01 to March 31).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income to ~₹100 crore with a PBILDT margin above 10% on a sustained basis.
- Prudent working capital management with improvement in operating cycle to 100 days on sustained basis.

Negative factors

- Deterioration in financial risk profile as reflected by overall gearing of above 3.00x on sustained basis.
- Elongation of operating cycle beyond 300 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that Paramount Impex will continue to derive benefit from its long-standing experience of promoters in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Leveraged capital structure

The capital structure of the firm stood leveraged as marked by overall gearing ratio which stood 1.80x as on March 31, 2024, on account of high reliance on external funds to manage its capex and working capital requirements. However, the debt coverage indicators as characterized by interest coverage ratio moderated to 1.78x as on March 31, 2024, due to a slight increase in interest rates.

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

Foreign Exchange Risk

PI exports 100% of its finished products to USA, UK, Belgium, Italy and Ireland. With initial cash outlay for procurement in domestic currency and significant chunk of sales realization in foreign currency, the firm is exposed to the fluctuation in exchange rates. However, the firm does not have any hedge policy in place. Nevertheless, for the uncovered portion, the firm's profitability margins are exposed to volatility in foreign exchange. Moreover, any change in government policies, either domestic or international, is likely to affect the PI's revenues. Earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non-tariffs barriers (restriction on the quality of imports), anti-dumping duties, international freight rates and port charges.

Client concentration risk

Paramount Impex faces customer concentration risk as revenue from exports to Winston Products (key client) accounts for 80-85% of its total revenue in FY24 and the balance is fragmented across various players. This exposes the firm to customer concentration risk. Any change in procurement policy of this key customer may adversely impact on the business of the firm. This also exposes the firm's revenue growth and profitability to its customer's future growth plans. However, the firm has an established relationship with the customer for four years and gets regular orders from them. Also, the firm is expected to add some other players to its clientele in FY25 which will mitigate the risk to some extent.

Susceptibility of margins to volatility in raw material prices

The operations of the firm are raw material intensive in nature with the raw material cost constituting ~80% of the income. With global metal prices highly volatile in nature and susceptible to speculative trading, the margins of the firm are exposed to raw material fluctuation risk. The raw materials are completely procured from domestic markets.

Elongated operating cycle

The average operating cycle of the firm improved to 186 days in FY24 as against 294 days in FY23. However, it is expected to stay elevated due to the working capital-intensive nature of operations and collection period of at least 120 days. The firm is required to maintain an adequate inventory of raw material for the smooth running of its production processes. The firm procured raw materials from the domestic market and keeps an inventory of around 93 days in FY24 (Provisional). The high working capital requirements were met largely through bank borrowings which resulted in a high average utilization of between 90%-95% of its sanctioned working capital limits for the past 12 months period ended July 2024.

Key strengths

Improvement in operational performance, albeit moderate profitability margins

The total operating income of the company increased to ₹63.45 crore in FY24, although remained modest owing to impact on exports by the Red Sea crisis. Further, during 4MFY25 (refers to the period April 01 to July 31), the firm achieved revenue of ~₹25 crore and is envisaged to achieve a total operating income of ~₹90 crore in FY25. The sales is expected to increase due to an increase in export activities and the addition of new clients to its customer portfolio. The profitability margins of the firm witnessed slight moderation in FY24 on account of an increase in the cost of raw material procurement which the firm was not able to pass on to its customers.

Experienced Partners albeit inherent risk of withdrawal of capital

Paramount Impex is a partnership concern established in 2001. In 2019, the partnership firm was reconstituted due to a change in partners and is currently managed by two partners, Rakesh Kapoor, who has more than two decades of experience in auto ancillary industry and his son, Romil Kapoor. Both the partners are involved in the overall business operations and are supported by a team of professionals who possess a decade of experience in their respective domains. However, the firm inherently carries the risk of capital withdrawal by partners during personal contingencies, potentially eroding the capital base and adversely affecting the capital structure. It is witnessed that partners have withdrawn capital of ~₹1 crore during FY24.

Liquidity: Stretched

The liquidity position of the firm remained stretched, characterized by an elongated operating cycle resulting in high average utilization of 90-95% for the last twelve months. The operating cycle is expected to stay on a higher side on account of working capital-intensive nature of operations and high collection period. The firm's gross cash accruals are expected to be ₹2.5-3.5 crore against debt repayment obligations of ₹1.25 crore. Further, the firm has low cash and bank balance of ₹0.18 crore as on March 31, 2024. The current and quick ratio of the firm moderated to 1.57x and 1.07x, respectively, as on March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

PI is a partnership concern established in 2001. It was managed by brothers Rakesh Kapoor and Sunil Kapoor. In 2019, it was reconstituted with present partners Rakesh Kapoor and his son, Romil Kapoor. The firm is engaged in the business of manufacturing and export of a wide range of Tractor Linkage Parts, General Hardware, Grease Coupler, Cargo Ramps etc. The has its manufacturing facility based at Ludhiana, Punjab. The firm is an export-oriented unit.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	108.22	47.63	63.45
PBILDT	6.51	3.60	4.57
PAT	1.67	0.69	1.13
Overall gearing (times)	3.08	1.67	1.80
Interest coverage (times)	1.69	1.90	1.78

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Packing Credit in Foreign Currency	-	-	-	-	14.00	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	-	31 July 2023	4.76	CARE BB-; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing	-	-	-	-	4.60	CARE A4
Fund-based/Non-fund-based-LT/ST	-	-	-	-	1.64	CARE BB-; Stable / 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 2024-2025	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
1	Fund-based - LT-Packing Credit in Foreign Currency	LT	14.00	CARE BB-; Stable	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (24-Jul-24)	1)CARE BB; Negative (24-Jul-23)	1)CARE BB; Stable (02-Aug-22)	-
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	4.60	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (24-Jul-24)	1)CARE A4 (24-Jul-23)	1)CARE A4+ (02-Aug-22)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	1.64	CARE BB-; Stable / CARE A4	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (24-Jul-24)	1)CARE BB; Negative / CARE A4 (24-Jul-23)	1)CARE BB; Stable / CARE A4+ (02-Aug-22)	-
4	Fund-based - LT-Term Loan	LT	4.76	CARE BB-; Stable	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (24-Jul-24)	1)CARE BB; Negative (24-Jul-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: 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-Packing Credit in Foreign Currency	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
4	Fund-based/Non-fund-based-LT/ST	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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About us:

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