

## Paramount Cosmetics (India) Limited

March 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.23 (Reduced from 9.99)	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

- Deterioration in liquidity profile of the company or it not receiving support from the parent company in timely manner.

### Analytical approach: Standalone

#### Outlook: Stable

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

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations and thin profitability

The total operating income (TOI) deteriorated by 19% to Rs. 21.81 Cr in FY24, amid internal operational restructuring. The company has recorded sales of Rs. 14.41 Cr in 9MFY24 (UA) and expects to achieve 10% growth in sales in FY25. PCIL's PBIDT margin reduced to 2.06% in FY24 from 9.95% in FY23, due to inventory write-offs (non-bindi) and high procurement costs. PAT margins continue to remain low due to high finance costs. Given that the company is in same business for more than 3 decades, scale of operations continues to be small.

##### Weak debt coverage metrics

FY24 saw the company's capital structure improve marginally, yet it stands leveraged. Marked by overall gearing and TOL / TNW of 1.18x and 2.00x as of Mar 31, 2024, respectively (PYE: 1.23x and 2.23x respectively). However, the debt coverage indicators further deteriorated on account of sharp fall in profitability. ICR (PBIDT /Interest) stands at 0.26x in FY24 (PY: 1.57x). DSCR likely to remain thin on account of low profitability with high material costs. However, with improved operational performance from FY26 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 elongated to 327 days attributed to high finished goods inventory holding of 284 days as of March 31, 2024. The company has a practice of holding the finished goods at higher levels because of the nature of business. Bindis, of various colours and sizes, must be made available to end users at the stores at all points of time. Inadequate stock will lead to immediate switch over to available brands by the end user segment.

##### 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

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

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. It utilised an average of 97% bank limits during last 12 months and had a modest cash balance of ₹0.04 crore as on December 31, 2024.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Personal Products	Personal Care

PCIL, the flagship company of the Paramount group, was incorporated in 1985 by B D Topiwala. The company is engaged in the manufacturing of beauty and personal care products like bindi, kumkum, kajal, deodorants, etc. The company is 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, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	26.73	21.81	14.41
PBILDT	2.66	0.45	0.52
PAT	0.21	0.02	0.04
Overall gearing (times)	1.23	1.18	NA
Interest coverage (times)	1.57	0.26	0.41

A: Audited UA: Unaudited; NA: Not available, Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	5.00	CARE B; Stable
Fund-based - LT-Term Loan	-	-	-	February 2031	0.47	CARE B; Stable
Fund-based - LT-Term Loan	-	-	-	February 2028	1.53	CARE B; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	September 2026	1.23	CARE B; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	-	1.00	CARE A4

**Annexure-2: Rating history for 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-Term Loan	LT	0.47	CARE B; Stable	-	1)CARE B; Stable (02-Feb-24)	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)
2	Fund-based - LT-Working capital Term Loan	LT	1.23	CARE B; Stable	-	1)CARE B; Stable (02-Feb-24)	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)
3	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable	-	1)CARE B; Stable (02-Feb-24)	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)
4	Non-fund-based - ST-ILC/FLC	ST	1.00	CARE A4	-	1)CARE A4 (02-Feb-24)	1)CARE A4 (28-Mar-23)	1)CARE A4 (06-Jan-22)
5	Fund-based - LT-Term Loan	LT	1.53	CARE B; Stable	-	1)CARE B; Stable (02-Feb-24)	1)CARE B; Stable (28-Mar-23)	1)CARE B; Stable (06-Jan-22)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable****Annexure-4: Complexity level of 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 complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Karthik Raj K Director <b>CARE Ratings Limited</b> Phone: +91-80-4662 5555 E-mail: <a href="mailto:karthik.raj@careedge.in">karthik.raj@careedge.in</a>
<b>Relationship Contact</b>  Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a>	Himanshu Jain Associate Director <b>CARE Ratings Limited</b> Phone: +91-80-46625528 E-mail: <a href="mailto:himanshu.jain@careedge.in">himanshu.jain@careedge.in</a>
	Sahil Kulkarni Rating Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Sahil.kulkarni@careedge.in">Sahil.kulkarni@careedge.in</a>

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