Paragon Polymer Products Private Limited (Revised)

July 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	15.00	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	265.00	CARE BBB+; Positive / CARE A2	Upgraded from CARE BBB+; Stable / CARE A3+
Short-term bank facilities	30.00	CARE A2	Upgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision of short-term ratings assigned to bank facilities of Paragon Polymer Products Private Limited (PPPPL) factors in improvement in combined entity's liquidity profile following increase in gross cash accruals (GCA) in FY25 aided lower advertisement spends, consolidation of manufacturing units, and increase in average selling price (ASP) of footwears. CARE Ratings Limited (CareEdge Ratings) believes that in case of continuing cost control measures adopted by the Paragon group, combined entity's capital structure and debt coverage indicators would further improve and hence revision in the outlook from 'Stable' to 'Positive'. At the same time, group's ability to maintain gross margin would be key to its prospects as raw material prices depend on crude oil prices, which may witness fluctuation amid geo-political scenario.

Ratings continue to positively factor promoters' vast experience and the Paragon group's long operational track record, its established brand presence with a strong market position in the Indian non-leather footwear industry and its geographically widespread distribution network.

These strengths are partially offset by working capital intensive operations, profitability levels vulnerable to volatile raw material prices, and the highly competitive nature of the footwear industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining scale of operations while improving total debt/profit before depreciation, interest, and taxes (PBDIT) to less than 1.75x.

Negative factors

- Continuously volatile profitability margins or deteriorating liquidity profile.

Analytical approach: Combined

CareEdge Ratings has changed analytical approach from Standalone to Combined, assessing the combined credit profile of PPPPL, Elastrex Polymers Private Limited (EPPL), Preston India Private Limited (PIPL), and Paragon Footwears Private Limited (PFPL). The change in analytical approach is because PPPPL appointed EPPL and PIPL as super distributors for footwear sales in certain regions. The list of combined entities is mentioned as Annexure-6.

Outlook: Positive

The Positive outlook reflects CareEdge Ratings' expectation that combined entity is likely to sustain improved operating margins while maintaining sales volume backed by cost cutting measures, and increased focus on higher margin products among others. The Outlook may be revised to 'Stable' if the company is unable to sustain its improved PBDIT margin especially in the light of volatile raw material prices which depend on crude oil price movement.

Detailed description of key rating drivers:

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Key strengths

Long operational track record of the Paragon group

The combined entity (Paragon) began its operations in 1975 with a production capacity of 1,500 pairs per day in Kerala and started expanding its presence to other states from 1982. Paragon is managed by second-generation promoters, who have over 20 years of experience in the footwear industry. Over the years, the group has expanded its facilities, with the current capacity standing at 4.5 lakh pairs per day.

Improving financial risk profile

The combined entity's total operating income (TOI) grew moderately at 4.6% in FY25 at ₹1,659 crore from ₹1,586 crore in FY24 due to stiff competition in the industry especially from unorganised segment. The company's operating profitability margins have improved significantly in FY25 as a result of normalisation of advertising and promotional expenses in FY25 to pre-FY23 levels. Apart from this, the entity benefitted from the softening of raw material prices in FY24 and FY25 and price revisions, leading to increase in average sales realisation. The entity also intends on shifting focus on new products with higher value addition and margins in the medium term. Current year rationalised couple of manufacturing units and operated at a higher capacity utilisation. With the expected sustenance of current cost structure and likely increase in footwear prices, CareEdge Ratings opines that the company's PBDIT margin will sustain at 10-11% in the medium term.

Company's total outside liabilities to tangible net worth (TOL/TNW) also witnessed improvement from 1.10x as on March 31, 2024, to 0.99x as on March 31, 2025, due to lower creditors outstanding.

Established brand name

The Paragon group was a pioneer in bringing the 'Hawai' slippers to the Indian market four decades ago and the group still holds a dominant presence in this segment. Over the years, products offered have been diversified into other rubber and polymer-based footwear products, predominantly in the low and mid-price segment. Paragon invests significantly on advertisement and sales promotion activities related to its brands, with the group normally expending ~3% of its sales on marketing campaigns. CareEdge Ratings expects the company's strong brand recall and continuous launch of new products to help it gradually improve its scale of operations.

Diverse product portfolio

To reduce dependence on 'Hawai' and to keep in pace with changing customer preferences, Paragon has introduced diversified products, especially in polyurethane (PU) and ethylene vinyl acetate (EVA) segments. To further diversify, the company was predominantly offering open footwear earlier, but has started selling closed footwears, which offers higher margins, over past two years.

Key weaknesses

Working capital-intensive operations and moderate liquidity

The entity's operations are highly working capital-intensive, predominantly due to higher inventory holding, especially of finished goods at its depots for meeting demands and ensuring continuous supply. The entity's operating cycle was 104 days in FY25 against 97 days in FY24.

Margins susceptible to volatile raw material prices

Main raw materials are natural rubber, synthetic rubber, PU, EVA, and poly vinyl chloride (PVC), among others, whose prices are linked with crude oil prices and are volatile. Raw material consumption cost is the major cost component for the group and constituted ~43% of the total operating income (TOI) in FY25 (Provisional) and 47% in FY24. Profitability is susceptible to fluctuating prices of these raw materials.

Fragmented and competitive industry

The domestic footwear industry is fragmented and is characterised by numerous unorganised players. Paragon also faces stiff competition from other organised players in the sector. However, CareEdge Ratings notes that the Paragon group, with its strong brand name and wide distribution network, has been able to withstand competition and sustain its sales over the years.

Liquidity: Adequate

The liquidity position of the combined entity remains adequate, supported by low debt repayment obligations and expected improvement in cash accruals. This is driven by enhanced earnings before interest, taxation, depreciation, and amortisation (EBITDA) margins resulting from price increases and normalisation of advertising expenses in FY25. As on March 31, 2025, the entity held cash and cash equivalents of ₹6.06 crore, with average working capital utilisation at 84% for the 12 months ending April 2025.

Applicable criteria

[Consolidation](#)
[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](#)
[Organised Retail Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Footwear

PPPPL is part of the Paragon group which operates as a footwear entity, engaged in manufacturing and selling footwear. The group offers men, women, and kids' footwear, such as flip-flops, sports, casual shoes, slippers, ethnics, heels, sandals, and formals. Paragon brand has diversified its portfolio with the addition of EVA, PU, and PVC-based footwear in the recent years. The group has manufacturing facilities at Kottayam, Bengaluru, Salem, and Hyderabad with a combined manufacturing capacity of 16.5 crore pairs per annum and sells its merchandise through a common pan-India distribution network of over 550 dealers.

Brief Financials – Standalone (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	1609.14	1661.69
PBILDT	85.30	146.14
PAT	-37.02	37.08
Overall gearing (times)	3.43	2.61
Interest coverage (times)	1.35	2.57

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials – Combined (₹ crore)	March 31, 2024 (UA)	March 31, 2025 (UA)
Total operating income	1,585.53	1,659.24
PBILDT	85.50	181.12
PAT	-21.14	64.20
Overall gearing (times)	0.61	0.60
Interest coverage (times)	1.98	5.03

UA: Unaudited; 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-Term Loan	-	-	-	September 2026	15.00	CARE BBB+; Positive
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	-	265.00	CARE BBB+; Positive / CARE A2
Non-fund-based - ST-Letter of credit	-	-	-	-	30.00	CARE A2

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 2025-2026	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
1	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	265.00	CARE BBB+; Positive / CARE A2	-	1)CARE BBB+; Stable / CARE A3+ (17-Apr-24)	1)CARE BBB+; Stable / CARE A3+ (03-Aug-23)	1)CARE A-; Negative / CARE A2+ (05-Jul-22) 2)CARE A-; Negative / CARE A2+ (07-Jun-22)
2	Non-fund-based - ST-Letter of credit	ST	30.00	CARE A2	-	1)CARE A3+ (17-Apr-24)	1)CARE A3+ (03-Aug-23)	1)CARE A2+ (05-Jul-22) 2)CARE A2+ (07-Jun-22)
3	Fund-based - LT-Term Loan	LT	15.00	CARE BBB+; Positive	-	1)CARE BBB+; Stable (17-Apr-24)	1)CARE BBB+; Stable (03-Aug-23)	1)CARE A-; Negative (05-Jul-22) 2)CARE A-; Negative (07-Jun-22)

LT: Long term; ST: Short term; LT/ST: Long term/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-Term Loan	Simple
2	Fund-based - LT/ ST-CC/Packing Credit	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities combined

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Paragon Polymer Products Private Limited	Full	Operational and financial linkages
2	Elastrex Polymers Private Limited	Full	Operational and financial linkages
3	Preston India Private Limited	Full	Operational and financial linkages
4	Paragon Footwears Private Limited	Full	Operational and financial linkages

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

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