

APRIL 13, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF PARAS FLOWFORM ENGINEERING LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long /Short-term Bank Facilities	13	CARE BB-/CARE A4 (Double B Minus/A Four)	Reaffirmed
Short-term Bank Facilities	7	CARE A4 (A Four)	Reaffirmed
Total	20 (Rupees Twenty crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Paras Flowform Engineering Limited (PFEL) continues to be constrained by relatively modest scale of operations, low net profit margin, leveraged capital structure and weak debt coverage indicators. The ratings are further tempered by working capital intensive nature of operations and exposure to adverse movements in the raw material prices. The reaffirmation of the ratings factor in decline in operating income and significant improvement in profit margin along with deterioration in capital structure and debt coverage indicators during FY15 (refers to the period April 1 to March 31).

The ratings, however, continue to draw strength from established track record of promoters in the industry and comfortable operating profit margins.

The ability of PFEL to increase its scale of operations and improve net profitability and capital structure along with efficient management of its working capital remain the key rating sensitivity.

Background

Promoted by Mr Sharad Shah, PFEL was incorporated in June 16, 2009, and was majorly engaged in trading of copper, copper alloys and printed circuit boards (PCB). However, since FY15 the company is purely engaged into manufacturing of components for the domestic defense and aeronautical sectors like precision tubes/chambers, using an engineering process of flow forming. The manufacturing unit of the company is located at Ambernath, Thane.

During FY15 , PFEL achieved a total operating income of Rs.35.09 crore (vis-à-vis Rs.114.66 crore during FY14) and posted a net loss of Rs.0.15 crore (vis-à-vis profit of Rs.0.51 crore).

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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