



Press Release

Paralam Global Private Limited

March 10, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	27.65	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	1.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	28.65 (Twenty eight crore and sixty five lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Paralam Global Private Limited (PGPL) derives strength from its experienced promoter & management team coupled with benefits emanating from proximity to its raw material sources. The ratings also positively notes the improvement in financial performance of the company in FY2022 and in 9MFY2023, its satisfactory capital structure and improvement in debt coverage indicators in FY2022. However, these rating strengths remain constrained by small scale of its operations, exposure to risk related to fluctuation in raw material prices, exposure to intense competition and large working capital requirement.

Key Rating Sensitivities

Upward Factors:

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in gross cash accruals
- Improvement in the capital structure with improvement in the overall gearing ratio to below 1x
- Improvement in operating cycle leading to improvement in liquidity position of the company

Downward Factors:

- Moderation in scale of operations and/or moderation in profitability impacting the debt protection metrics on a sustained basis



Press Release

- Any unplanned debt funded capex leading to moderation in the capital structure with moderation in the overall gearing to over 1.5x
- Elongation in operating cycle impacting the liquidity position of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management team**

PGPL was incorporated in 1988 by Mr. Sanjiv Agrawal who is a chemical engineer by qualification and has an experience of over two decades in the manufacturing and marketing of plain and pre-laminated particle board. He is at the helm of affairs of the company and is actively involved in managing the day-to-day operations of the company. He is supported by the other Director Mr. Shubham Jhunjunwala who has an experience of around 5 years in the industry. The promoters are supported by a team of experienced and qualified professionals in managing the affairs of the company.

- **Proximity to raw material sources**

Key raw materials for manufacturing laminate are base paper, kraft paper, phenol, formaldehyde, melamine, methanol, and other allied chemicals which are locally available whereas premium quality papers are imported. PGPL has established relationship with various nearby sawmills in the vicinity to reduce dependence on overseas suppliers and reduce the transportation cost. The proximity to raw material sources imparts advantage to PGPL in terms of cost of raw materials and lower logistics expenditure.

- **Improvement in financial performance in FY2022 and in 9MFY2023, expected to continue going forward**

TOI witnessed a year-on-year growth of ~68% from Rs.53.58 crore in FY2021 to Rs.90.96 crore in FY2022 driven by improved demand for laminated boards resulting in increase in volume sales as well as average sales realisation. Despite the increase in TOI, EBITDA margin moderated from 13.17% in FY2021 to 10.16% in FY2022 due to increase in discounts given by the company to attract new customers and expand its customer base. However, on an absolute level, EBITDA improved from Rs.7.06 crore in FY2021 to Rs.9.24 crore in FY2022. Consequently, PAT also improved from Rs.2.21 crore in FY2021 to Rs.3.76 crore in FY2022. GCA also improved from Rs.3.92 crore in FY2021 to Rs.5.35 crore in FY2022. Further, TOI increased from Rs.65.36 crore during 9MFY2022 to Rs.80.63 crore during 9MFY2023 on the



Press Release

back of improved demand for laminates. The company's ability to sustain the growth in its top line without comprising the margins will be a key rating monitorable going forward.

- **Satisfactory capital structure with improvement in debt coverage indicators in FY2022**

The capital structure of the company witnessed gradual improvement over the past two account closing dates and remained satisfactory as on March 31, 2022. The overall gearing improved from 1.71x as on March 31, 2021, to 1.17x as on March 31, 2022 (considering subordinated unsecured loans from directors and relatives to the tune of Rs.3.21 crore as on March 31, 2022, as quasi equity) on the back of subsequent repayment of term loans and healthy accretion of profits to reserves. Debt coverage indicators also improved with ICR at 3.25x (2.50x in FY2021) in FY2022 and Total debt to GCA of 5.77x (8.60x as on March 31, 2021) as on March 31, 2022. Total indebtedness as reflected by TOL/TNW remained comfortable at 1.99x as on March 31, 2022.

Key Rating Weakness:

- **Small scale of operations**

The scale of operations of the company remained small despite its long track record of operations. Small scale of operations restricts the financial flexibility of the company to an extent.

- **Raw material price fluctuation risk amid intense competition**

The prices of many key raw materials such as base paper, melamine, phenol, etc. are volatile. Given the competitive market, the ability to pass on price increases is limited. Further, the company faces intense competition from large organised and small unorganised players in the decorative laminates market. Intense competition limits the pricing power of the company thereby resulting in low profitability.

- **Large working capital requirement**

Though the working capital cycle of the company improved from 145 days in FY2021 to 117 days in FY2022, yet it remained high due to high inventory period of 101 days in FY2022 (130 days in FY2021) since the company has to keep 3-4 months of inventory in hand as a regular business practice due to the large number of product variants and the associated raw material stocking. Further, PGPL gives a credit of 60-90 days to its customers. PGPL enjoys a credit period of 45-60 days from its creditors. The average utilisation of working capital limits remained satisfactory at ~59% during the last twelve months ended December 2022.



Press Release

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity Position: Adequate

The liquidity profile of the company is adequate marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.5.53 crore in FY2023, Rs.5.32 crore in FY2024 and Rs.4.60 crore in FY2025. The current ratio stands comfortable at 1.24x as on March 31, 2022. Further, the average utilisation of working capital borrowings stood comfortable at ~59% during the last twelve months ended December 2022 indicating sufficient liquidity cushion. Moreover, the liquidity is supported by need-based funding support from the promoters in the form of unsecured loans as and when required.

About the Company

Incorporated in 1988 by Mr. Sanjiv Agrawal, Paralam Global Private Limited (PGPL) is engaged in manufacturing of plain and pre-laminated particle board, at its plant located at Arvi, Maharashtra. It has a capacity to manufacture 3000 boards per day & the board densities ranges from 700 Kgs to 880 Kgs per cubic meter. The products are used for doors, windows, cabinets, tables and chairs, and interior decorations. The board is made by using wood particles which are blended with adhesive and hot pressed into sheet form. The plant capacity is 280 CBM (recently increased from 165 CBM). The promoter's family has also established a unit in the name of Ranga Particle Board Industries Ltd. (rated: IVR BBB-/Stable; IVR A3) for manufacturing of Thin Medium Density Fibre Boards at Andhra Pradesh.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	53.58	90.96
EBITDA	7.06	9.24
PAT	2.21	3.76
Total Debt	33.67	30.92
Tangible Net worth	19.74	26.46
EBITDA Margin (%)	13.17	10.16
PAT Margin (%)	4.08	4.12
Overall Gearing Ratio (x)	1.71	1.17



Press Release

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release dated January 10, 2023, maintained the rating in issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	16.65 *	IVR BBB-/Stable			
2.	Cash Credit	Long Term	11.00	IVR BBB-/Stable	-	-	-
3.	LC/BG	Short Term	1.00	IVR A3	-	-	-

**Outstanding as on December 31, 2022*

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan	-	-	June, 2029	16.65 *	IVR BBB-/Stable
Cash Credit	-	-	-	11.00	IVR BBB-/Stable
Letter of Credit/Bank Guarantee	-	-	-	1.00	IVR A3
Total	-	-	-	28.65	

**Outstanding as on December 31, 2022*

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lenders-PGPL.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.