



SMERA RATINGS LIMITED

Prime Enterprises (Prime)

*Rating
Rationale***October 13, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B/Stable (Assigned)
Proposed Cash Credit	4.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.10.00 crore bank facilities of Prime Enterprises (Prime). The outlook is '**Stable**'. The rating is primarily constrained by the firm's exposure to geographical concentration risk in an intensely competitive segment of the utensils industry. The rating is also constrained by the firm's low net profit margin and working capital-intensive operations. However, the rating draws comfort from the firm's experienced management.

Prime, established in 1998, is a Delhi-based firm engaged in manufacturing of stainless steel utensils. Prime's business operations are concentrated in the Delhi region. The firm faces intense competition from several players in the unorganized segment of the utensils industry. Prime's net profit margin is low at 0.45 per cent (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The firm's operations are working capital-intensive with gross current assets (GCA) of 121 days in FY2013-14.

Prime benefits from its experienced management. Mr. Sanjay Kumar Goel, proprietor of Prime, has around 15 years of experience in the utensils industry.

Outlook: Stable

SMERA believes Prime will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profit margins while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of stretch in the firm's liquidity position.

About the firm

Prime, established in 1998, is a Delhi-based proprietary concern promoted by Mr. Sanjay Kumar Goel. Prime is engaged in manufacturing of stainless steel utensils such as storage containers, bowls and glasses. The firm has a manufacturing unit in Wazirpur Industrial Area, Delhi.

For FY2013-14 (as per provisional financial statements), Prime reported profit after tax (PAT) of Rs.0.16 crore (provisional) on total operating income of Rs.34.68 crore (provisional), as compared

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with PAT of Rs.0.03 crore on total operating income of Rs.31.25 crore. The firm's net worth stood at Rs.2.76 crore (provisional) as on March 31, 2014, as compared with Rs.1.02 crore a year earlier.

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