

April 09, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	1.95	SMERA B+/Stable (Assigned)
Cash Credit	4.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as SMERA single B plus) to the Rs.5.95 crore long-term bank facilities of Prakash Textiles (PT). The outlook is '**Stable**'. The rating is constrained by the firm's low profitability. The rating is also constrained by the firm's exposure to intense competition in textile industry. However, the rating is supported by the firm's experienced management. The rating also derives comfort from the favourable location of the firm's manufacturing unit.

PT, established in 1986, is a Coimbatore-based partnership firm engaged in manufacturing and trading of grey fabric. PT's low profitability is reflected in operating margin of 2.77 per cent and net profit margin of 0.37 per cent in FY2013-14 (refers to financial year, April 01 to March 31). Debt to equity and interest coverage moderate at 1.40 times and 1.34 times respectively in FY2014. PT faces intense competition from several players in the textile industry.

PT benefits from its experienced management. Mr. Prakash Subbaiyan, partner of PT, has around two decades of experience in the textile industry. PT's manufacturing facility is in proximity to raw material sourcing units and key customers.

Outlook: Stable

SMERA believes PT will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm reports high-than-expected profit margins while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected profitability, or in case of deterioration in the firm's liquidity position.

About the firm

PT, established in 1986, is Coimbatore-based partnership firm engaged in manufacturing and trading of grey fabrics. PT has outsourced weaving operations. The firm plans to set up eight weaving looms. PT is entitled to capital and interest subsidy under the Technology Upgradation Fund Scheme (TUFS). The overall operations of the firm are managed by Mr. Prakash Subbaiyan.

For FY2013-14, PT reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.15.48 crore, as compared with PAT of Rs.0.03 crore on operating income of Rs.15.09 crore in FY2012-13.

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For FY2014-15 (provisional financials), PT reported PAT of Rs.0.03 crores on operating income of Rs.24.00 crores. The firm's net worth stood at Rs.1.77 crore as on March 31, 2014, as compared with Rs.1.26 crore a year earlier.

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