

### Prakash Textiles: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.50*	SMERA B+/Stable (Suspension Revoked; Rating Assigned)
Term Loan I	1.60	SMERA B+/Stable (Suspension Revoked; Rating Assigned)
Term Loan II	0.85	SMERA B+/Stable (Assigned)

*\*Includes sublimit of bank guarantee to the extent of Rs. 0.52 crore*

SMERA has revoked the suspension of rating on the Rs.6.10 crore bank facilities of Prakash Textiles (PT) and assigned rating of '**SMERA B+**' (read as **SMERA B plus**). Further, SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.0.85 crore bank facility. The outlook is '**Stable**'.

SMERA had on June 27, 2016 suspended the rating for lack of necessary information from PT. The firm has now shared the requisite information, enabling SMERA to assign a rating.

The rating draws comfort from the experienced management, established track record of operations and improving operating profit margins. The rating also factors in the favourable location of its manufacturing unit. However, the rating is constrained by the firm's modest scale of operations, average financial risk profile and working capital intensive business. The rating also factors in the intense competition in the textile industry.

Prakash Textiles, established in 1986, is a Coimbatore-based partnership firm engaged in the manufacturing and trading of grey fabric. The firm is promoted by Mr. Prakash Subbaiyan who possesses experience of around two decades in the textile industry. Further, the manufacturing unit at Coimbatore, Tamil Nadu provides proximity to raw materials and customers. The operating profit margins have improved during the period under study to 5.99 per cent for FY2015-16 as against 3.71 per cent for FY2014-15.

Prakash Textiles has reported operating income of Rs.24.07 crore in FY2015-16 as against Rs.26.84 crore in the previous year. The financial risk profile of the firm is moderate marked by gearing of 2.21 times as on March 31, 2016 and interest coverage ratio of 1.68 times for FY2014-15. The operations of the firm are working capital intensive evident from its average cash credit limit utilisation which stands at ~100 per cent for the last six months ended June, 2016. Further, the firm faces intense market competition in the textile industry.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Effective working capital management
- Debt funded capex plan
- Adverse movements in raw material prices

#### Criteria applied to arrive at the ratings

- Manufacturing Entities

## Outlook-Stable

SMERA believes PT will maintain a stable business risk profile over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue alongwith 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 a Coimbatore-based partnership firm engaged in the manufacturing and trading of grey fabrics. The overall operations are managed by Mr. Prakash Subbaiyan.

For FY2015-16, PT registered net profit of Rs.0.09 crore on operating income of Rs.24.07 crore, as compared with net profit of Rs.0.10 crore on operating income of Rs.26.84 crore in FY2014-15.

## Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating/ Outlook
			Long Term	Short Term	
27 June, 2016	Cash Credit	4.00	SMERA B+ (Suspended)	-	Stable
	Term Loan	1.95	SMERA B+ (Suspended)	-	Stable
09 April, 2015	Cash Credit	4.00	SMERA B+ (Assigned)	-	Stable
	Term Loan	1.95	SMERA B+ (Assigned)	-	Stable

## Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.