

Press Release

Prakash Textiles

24 November, 2017



Rating Reaffirmed

Total Instruments Rated*	Rs.6.95 Cr
Long Term Rating	SMERA B+/Stable

**Refer Annexures for details*

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 6.95 crore facility of Prakash Textiles (PT). The outlook is '**Stable**'.

Prakash Textiles, established in 1986 is a Tamil Nadu-based partnership firm led by Mr. Prakash Subbaiyan and Mrs. P. Manonmani. The firm is engaged in the manufacturing and trading of grey fabric at Coimbatore and has installed capacity of 90 lakh meters per annum.

List of key rating drivers and their detailed description

Strengths

Established track record of operations and experienced management

The firm has long track record of operations since it was established in 1986. The day-to-day operations are managed by Mr. Prakash Subbaiyan who possesses over two decades of experience in the textile industry.

Weaknesses

Uneven revenue

The firm operates on a modest scale with uneven revenue in FY2016-17 at Rs.28.94 crore compared to Rs.24.07 crore in FY2015-16 and Rs.26.84 crore in FY2014-15 on account of fluctuations in the prices of cotton. Further, the firm registered operating income of Rs.19.75 crore from April 2017 – October 2017. Prakash Textiles operates in a highly fragmented and competitive textile industry with several organised and unorganised players limiting the bargaining power with customers.

Average financial risk profile

The financial risk profile of the firm had remained average marked by net worth of Rs. 3.70 crore as on 31 March, 2017 as against Rs. 3.41 crore as on 31 March, 2016. The gearing stood at 2.43 times as on 31 March, 2017 as against 2.21 times as on 31 March, 2016. The total debt of Rs. 8.98 crore as on 31 March, 2017 comprises Rs. 2.15 crore of term loan and Rs. 6.83 crore as working capital limits. The DSCR stood at 1.80 times in FY2017 as against 1.68 times in FY2016.

The net cash accruals stood at Rs. 0.57 crore in FY2017 as against Rs. 0.59 crore in FY2016. The NCA/TD stood at 0.06 times in FY2017 compared to 0.08 times in FY2016.

Working capital intensive operations

The operations are working capital intensive marked by high GCA days of 139 in FY2017 and 129 in FY2016. The inventory days stood at 92 in FY2017 and 106 days in FY2016. The debtor days stood at 16 days in FY2017 compared to 21 days in FY2016. The creditor days are stood at 15 days in FY2017 as against 17 days in FY2016. The bank limit utilisation stood at ~90 per cent for the last six months ended October 2017.

Risk of capital withdrawal

PT's financial risk profile is susceptible to the inherent risk of capital withdrawal considering the partnership constitution of the firm. Any withdrawal from the partner's capital can directly impact the financial risk profile of the firm over the medium term.

Analytical approach: SMERA has considered the standalone business and financial risk profile of Prakash Textiles to arrive at the rating.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook: Stable

SMERA believes that the outlook on PT will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity- Key Financials

For FY2016-17, PT reported net profit of Rs.0.10 crore on operating income of Rs.28.94 crore compared to net profit of Rs.0.09 crore on operating income of Rs.24.07 crore in the previous year. The net worth stood at Rs.3.70 crore as on 31 March, 2017 compared to Rs. 3.41 crore in the previous year.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
16-Aug, 2016	Cash Credit	Long Term	4.50*	SMERA B+ / Stable (Suspension Revoked, Rating Assigned)
	Term loan I	Long Term	1.60	SMERA B+ / Stable (Suspension Revoked, Rating Assigned)
	Term loan II	Long Term	0.85	SMERA B+ / Stable (Assigned)
27-June, 2016	Term loan	Long Term	1.95	SMERA B+ / Stable (Suspended)
	Cash Credit	Long Term	4.00	SMERA B+ / Stable (Suspended)
09-April, 2015	Term loan	Long Term	1.95	SMERA B+/Stable (Assigned)
	Cash Credit	Long Term	4.00	SMERA B+/Stable (Assigned)

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

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50*	SMERA B+/Stable (Reaffirmed)
Term loan I	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA B+/Stable (Reaffirmed)
Term loan II	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA B+/Stable (Reaffirmed)

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

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

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.

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) for the latest information on any instrument rated by SMERA.