

June 26, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	8.00	SMERA BB/Stable (Assigned)
Secured Overdraft	1.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of Profit Shoe Company Private Limited (PSCPL). The outlook is '**Stable**'. The rating draws comfort from the company's experienced management, established brand position, healthy operating profit margins and the company's modest financial risk profile. However, the rating is constrained by the company's leveraged capital structure and the modest-scale of operations in an intensely competitive segment of the footwear retail industry.

PSCPL, incorporated in 1991, is an Andhra Pradesh-based company engaged in footwear retail. The company is headed by Mr. Koteshwara Rao, Managing Director, who has more than two decades of experience in the business. The company is an established brand and operates through its 100 odd showrooms spread across Andhra Pradesh, Telangana and Karnataka. PSCPL's operating margins stood healthy at 8.21 per cent (provisional) as on March 31, 2015 (refers to financial year, April 01 to March 31). The company's modest financial profile is reflected in the interest coverage ratio of 1.77 times (provisional) as on March 31, 2015 and Return on capital employed (ROCE) of 11.30 per cent (provisional) in FY2014-15.

PSCPL's gearing (debt-equity ratio) is high at 2.15 times (provisional) as on March 31, 2015. The company's total debt of Rs.31.00 crore (as on March 31, 2015) includes subordinated unsecured loans of Rs.2.30 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. PSCPL has modest-scale operations with revenues of Rs.62.93 crore (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the footwear retailing industry.

Outlook: Stable

SMERA believes PSCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant improvement in profitability, cash accruals and working capital management. The outlook may be revised to 'Negative' in case of substantial decline in the company's revenues and cash accruals, or in case of stretch in the company's working capital cycle.

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.

About the Company

PSCPL, incorporated in 1991, is an Andhra Pradesh-based footwear retail company promoted by Mr. Koteshwara Rao, Managing Director.

For FY2014–15, PSCPL reported profit after tax (PAT) of Rs.0.92 crore (provisional) on operating income of Rs.62.93 crore (provisional), as compared with PAT of Rs.0.84 crore on operating income of Rs.59.38 crore in the previous year. The company's net worth stood at Rs.13.37 crore (including unsecured loan of Rs.2.30 crore) as on March 31, 2015 (provisional), as compared with Rs.12.13 crore (including unsecured loan of Rs.1.97 crore) a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-11-49731312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@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.