

### Prakash Impex: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
PCFC*	7.00	SMERA BB-/Stable (Assigned)
FDBP <sup>^</sup>	11.00	SMERA BB-/Stable (Assigned)

\*Packing Credit in Foreign Currency

<sup>^</sup>Foreign Documentary Bill Purchase

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.18.00 crore bank facilities of Prakash Impex (PI). The outlook is '**Stable**'.

The rating draws comfort from the experienced management. The rating also draws support from the above average financial risk profile marked by modest net worth, comfortable gearing and healthy coverage indicators. However, the rating is constrained by the moderate scale of operations and working capital intensive business.

PI, incorporated in 1995, is engaged in the manufacturing and export of leather garments. The firm benefits from its experienced management. Mr. N Venkataramana and Mrs. S Pavan Kumar, Partners, possess experience of over two decades in the leather industry. The firm has above average financial risk profile marked by modest net worth of Rs.10.37 crore, comfortable gearing (Debt-equity) of 1.07 times, healthy interest coverage ratio (ICR) of 2.34 times and debt service coverage ratio (DSCR) of 2.34 times in FY2014-15.

However, the rating is constrained by the moderate scale of operations of Rs.41.13 crore in FY2015 as against Rs.27.61 crore in FY2014. The working capital intensive operations are marked by high gross current asset days of 186 in FY2015 as against 211 days in FY2015 mainly due to high inventory and debtor days of 70 and 66 days respectively in FY2015. In FY2014, the inventory and debtor days stood at 76 and 111 days respectively..

#### Outlook-Stable

SMERA believes PI will maintain a stable outlook over the medium term on account of its experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

#### Rating Sensitivity Factors

- Scaling up operations
- Efficient working capital management

#### Criteria applied to arrive at the rating:

- Manufacturing entities

### About the Firm

PI, incorporated in 1995, is a Tamil Nadu-based manufacturing firm promoted by Mr. N Venkataramana and Mrs. S Pavan Kumar. The firm manufactures and exports leather garments to Europe, Turkey, Korea, China and Russia.

For FY2014–15, PI registered profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.41.13 crore, as compared with PAT of Rs.0.35 crore on operating income of Rs.27.61 crore in FY2013–14. The tangible net worth stood at Rs.10.37 crore as on March 31, 2015 as against Rs.8.51 crore in the previous year.

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### ABOUT SMERA

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