Press Release

Prakash Impex

February 27, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

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

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

Analytical Approach:
Acuité has taken a standalone view of the business and financial risk profile of PI to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations
PI has been in operations since 1995. The Partners, Mr. N Venkataramana and Mr. S Pavan Kumar Paul, have experience of more than 20 years in leather industry which has helped them establish comfortable relationships with their key suppliers and customers.

Healthy financial risk profile
The financial risk profile is marked by moderate net worth, modest gearing and comfortable debt protection metrics. The net worth stood moderate at Rs.11.39 crore in FY2018 as it increased from Rs.11.23 crore in FY2017, mainly on account of retention of current year profit. The gearing stood modest at 1.47 times in FY2018 as compared to 1.00 times in FY2017. The total debt of Rs.16.69 crore consist of long term debt of Rs.0.22 crore, short term debt of Rs.15.89 crore and unsecured loan from promoters of Rs.0.58 as on 31 March, 2018. The interest coverage ratio (ICR) stood healthy at 2.72 times in FY2018 as compared to 2.60 times in FY2017. The debt service coverage ratio (DSCR) stood comfortable at 2.47 times in FY2018 as compared to 2.35 times in FY2017. The net cash accruals against the total debt stood comfortable at 0.10 times in FY2018 as compared to 0.14 times in FY2017.

Weaknesses

Moderate scale of operations
The scale of operations of PI with revenues of Rs.56.73 crore in FY 2018 as compared to Rs.42.64 crore in previous year. The firm has booked Rs.38.59 crore till 31 January, 2019 (Provisional). Acuité believes the ability of the company to scale up the operations will remain a key moniterable.

Working capital intensive nature of operations
The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 181 days in 2017-18, as compared to 217 days in 2016-17. These high GCA days emanates from high debtor days of 81 in FY2018 compared to 66 days in FY2017. The inventory days also stood moderate at 76 days in FY2018 as it declined from 116 days in the previous year. The company's operations are expected to

remain working capital intensive with long processing cycle of around ~90 days. The lengthy debtor days are on account of the long transit period.

Liquidity Position

The firm has moderate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm has generated cash accruals of Rs.1.70 crore in FY2017-18, against its maturing debt obligations of Rs.0.10 crore in FY 2017-18. The moderate liquidity of the firm is also marked by 85-90 per cent utilisation of working capital limits. The firm's operations are working capital intensive as marked by gross current asset (GCA) days of 181 in FY 2018.

Outlook: Stable

ACUITÉ believes that PI will continue to benefit over the medium term from the promoter's long experience and from its established relationship with its key suppliers. The outlook may be revised to 'Positive' if PI achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	56.73	42.64	40.40
EBITDA	Rs. Cr.	2.41	2.39	2.36
PAT	Rs. Cr.	0.75	0.46	0.51
EBITDA Margin	(%)	4.25	5.60	5.84
PAT Margin	(%)	1.32	1.07	1.26
ROCE	(%)	6.90	6.37	7.09
Total Debt/Tangible Net Worth	Times	1.47	1.00	1.05
PBDIT/Interest	Times	2.72	2.60	2.33
Total Debt/PBDIT	Times	6.19	4.54	4.69
Gross Current Assets (Days)	Days	181	217	227

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

ACUITE is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Aug-2018	Packing Credit in Foreign Currency	Long Term	7.00	ACUITE BB- (Indicative)
	Foreign Documentary Bill Purchase	Long Term	11.00	ACUITE BB- (Indicative)

30-Nov-2017	Packing Credit in Foreign Currency	Long Term	7.00	ACUITE BB-/Stable (Assigned)
	Foreign Documentary Bill Purchase	Long Term	11.00	ACUITE BB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Packing Credit in Foreign Currency	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB-/Stable (Reaffirmed)
Foreign Documentary Bill Purchase	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.