

Press Release

13 June, 2017

Prafful Exports

Rating Assigned

Total Bank Facilities Rated *	Rs. 9.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 9.50 crore bank facilities of Prafful Exports. The outlook is '**Stable**'.

Prafful Exports (PE) established in 1993 is a partnership firm engaged in the trading and processing of grey fabrics. PE is part of the Surat-based Prafful Group engaged in the manufacture of sarees and dress material under the 'Prafful' brand name. The firm sells its products in the domestic market as also exports to UAE, Indonesia, China, Malaysia to name a few. The firm generates around 70 percent revenue from the domestic market with the remaining from overseas.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Prafful Exports was promoted by Mr. D N Agarwal, Mr. N. Agarwal, Mr. Jai N. Agarwal and Mr. Shiv N. Agarwal. The managing partners have more than three decades of experience in the textile industry.

- Stable profit margins**

The profit margins have been stable during the period FY2014 to FY2016. The EBIDTA margins stood at 3.98 per cent in FY2016, 4.25 per cent in FY2015 and 3.25 per cent in FY2014.

- Moderate financial risk profile**

The firm has moderate financial risk profile marked by gearing of 1.69 times as on 31 March, 2016. The coverage indicators are moderate with interest coverage ratio (ICR) of 1.42 times and total outside liabilities over tangible networth (TOL/TNW) of 2.78 times as on 31 March, 2016. The networth has been moderate at Rs.5.65 crore as on 31 March, 2016.

Weaknesses

- Moderate scale of operations**

The firm has moderate scale of operations marked by operating income of Rs.39.53 crore for FY2016 as against Rs.42.63 crore for FY2015 and Rs.40.24 crore for FY2014. The firm achieved revenue of Rs.40.00 crore in FY2017 (Provisional). The stagnancy in operating income is mainly on account of lower volume sold in the global market impacted by adverse currency fluctuations and fall in demand for textile products.

- **Working capital intensive operations**

The firm has working capital intensive operations marked by GCA (Gross current assets) of 171 days for FY2016 as against 182 days for FY2015. The GCA days are high mainly on account of high inventory days of 121 in FY2016 as against 105 days for FY2015. Further, utilisation of working capital borrowing stood at 85 per cent for the period October 2016 to March 2017.

- **Highly fragmented and competitive industry**

PE operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. Any change in government policies or an economic crisis may impact the revenue generating capability of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that PE's outlook will remain stable owing to its promoter's experience in the textile industry. The outlook may be revised to 'Positive' if its scale of operations increases substantially while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, PE reported profit after tax (PAT) of Rs.0.48 crore on operating income of Rs.39.53 crore as compared with PAT of Rs. 0.53 crore on operating income of Rs. 42.63 crore for FY2014-15. The networth stood at Rs. 5.65 crore as on 31 March, 2016 as compared to Rs 5.16 crore as on 31 March, 2015.

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

India Ratings, vide release dated April 25, 2017 has suspended its ratings on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	1-Jan-1953	4.00	SMERA BB-/ Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	1-Jan-1953	3.50	SMERA BB- / Stable

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ABOUT SMERA

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