



Press Release
Prakash Retail Private Limited
October 06, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) on the Rs. 45.00 Cr bank facilities of Prakash Retail Private Limited (PRPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the stable operating performance of PRPL in the last three years. The revenue of PRPL stood at Rs.439.55 Cr in FY2023 as against Rs.345.71 Cr in FY2022. Further, the rating continues to draw comfort from PRPL's strong market position and its established chain of stores in the state of Karnataka under the brand name 'Harsha'. The rating also factors in the moderate financial risk profile with comfortable debt protection metrics and efficient working capital management.

The rating is however tempered by geographical concentration risk, highly competitive nature of industry resulting in thin margins and moderate liquidity.

About the Company

Udupi based, Prakash Retail Private Limited (PRPL) was founded by five brothers, Mr. Surya Prakash K, Mr. Ashok Kumar, Mr. Harish M, Mr. Suresh M and Mr. Rajesh M, in 1985 as a partnership firm. Subsequently in 1999, it changed its constitution to private limited company. The company is engaged in the business of dealing in Electronic, Electrical, Home appliances, Kitchen ware and other consumer durable products. PRPL has Sixteen retail outlet stores spread across cities of Karnataka such as Udupi, Mangalore, Puttur, Kundapura, Shimoga, Hubli, Belgaum, Dharwad among others. The store area ranges between 7000-32000 sq. ft. The company operates showrooms under the brand / store name 'Harsha'. The company is also well known for after sale services with a dedicated and well trained staff and customer care executives. The services are available at respective outlets.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Prakash Retail Private Limited (PRPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management, established brand presence and track record of operations.

The promoter has established track record in operating home appliance retail stores under the brand name 'Harsha' for nearly three decades in Karnataka. The company has a wide

product portfolio of Home Appliances, TV & Audio, Kitchen Appliances, Phone & Tablets, and Camera, among others. PRPL is promoted and managed by Mr. Surya Prakash. He has around 35 years of experience in home appliance trading. He is instrumental in creating the

brand Harsha. PRPL has sixteen stores spread across Karnataka. PRPL has established relations with its original equipment manufacturers (OEM's) such as LG Electronics India Pvt Ltd, Samsung India Electronics Ltd, Sony India Pvt Ltd, Godrej and Boyce Mfg. Co. Ltd, Panasonic India Pvt Ltd and Haier Appliances (India) Pvt Ltd., among others. Acuité believes, the strong brand presence, sufficient number of showrooms and long track record of the company will benefit the company in maintaining the market share it has in the region and will attract a lot of fresh and repeat customers.

PRPL reported Rs.439.55 Cr of revenue in FY2023 which is 27 percent higher than FY2022. The growth in the operating income is mainly due to new showroom opened in October 2021 at Udupi, industry recovery from the COVID-19. The operating margin moderated and stood at 2.91 percent as on FY2023 and against 3.49 percent as on FY2022. The EBITDA stood at Rs.12.78 Cr as on FY2023, Rs.12.07 Cr as on FY2022. In the 3MFY2024, PRPL has reported Rs.112.39 Cr of the revenue. Owing to the festive season in the 2nd and 3rd quarter, additional of new showroom in FY2024, Acuite believes that PRPL operating income to improve over the near to medium term, with the top line estimated to improve to Rs. 480-500 crore.

Moderate financial risk profile

The financial risk profile of PRPL is moderate marked by a moderate gearing ratios and average debt protection metrics and Net worth. The tangible net worth stood at Rs 24.32 Cr as on March 31, 2023 (includes quasi equity of Rs.6.21 Cr) increasing marginally from Rs.16.81 Cr as on March 31, 2022. The gearing improved to 2.13 times as on March 31, 2023 against 3.31 times as on March 31, 2022. The debt protection metrics improved in FY2023. The total debt of Rs.51.80 Cr as on March 31, 2023 consist of long-term debt of Rs.15.32 Cr, short term debt of Rs.32.47 Cr and maturing portion of long term borrowings of Rs.4.01 Cr., short term loan includes cash credit limit of Rs.21.72 Cr, unsecured trade advances of Rs.10.74 Cr. PRPL's long term debt increased by Rs.2.40 Cr in FY2023 on account of capex incurred on new showroom in Mangalore. PRPL also plans to purchase an existing leased showroom in Dharwad in FY2024, at an estimated cost of of Rs.8.18 Cr. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.42 times and 1.27 times respectively in FY2023 as against 2.39 and 1.09 times respectively in the previous year. Acuité expects the company to maintain stable financial risk profile regardless of capex considering the support from the promoters and the stable operating revenues.

Efficient Working Capital Management

The efficient working capital management of the group is marked by comfortable Gross Current Assets (GCA) of 86 days as on March 31, 2023 compared to 112 days as on March 31, 2022 owing to improvement in receivables and inventory days. The debtor days improved and stood low at 3 days as on March 31, 2023 and 6 days as on 31st March 2022. The retail business is cash and carry aiding to the very low debtors. Under the whole sale business, debtor days extends up to 15-30 days. Given the industry in which PRPL operates, the company needs to maintain large number of inventory. However, the Inventory days improved to 77 days as on 31st March 2023 as compared to 98 days as on 31st March 2022. The company and the management being in the business for a long time enjoys an average credit period in the range of 60-90 days from its suppliers. Further, the working capital limits have been highly utilised at around 92 percent in the last twelve months ended June 2023. Acuité believes that the working capital operations of the PRPL will remain efficient over the medium term.

Weaknesses

Geographical Concentration risk

PRPL has presence in Karnataka state, with 16 showrooms. Majorly spread across the coastal region of Karnataka with total of 9 showrooms and rest in other districts of Karnataka. PRPL's operations continues to remain concentrated in the state of Karnataka.

Highly competitive industry with large number of single brand, multi brand retailers and e-commerce players

The company operates on thin EBITDA margins over the past 3 years and the same have

been in the range of 2.90 to 3.66 per cent over past 3 years through FY2023. The PAT margins is also low, have been gradually increasing and stood in the range of 0.26 to 0.39 per cent during the same period. The company faces tough competition from other dealers in the town and also faces tough competition from large e-commerce players. The company in an effort to curb the same, launched its own e-commerce website in FY2021. Further, the company has also tied up with Bajaj Finance to sell products through their website for customers opting for financing facility from them.

Rating Sensitivities

- Sustained improvement in the scale of operations and profitability margins from the current levels
- Improvement in the gearing levels and overall financial risk profile
- Improvement in the liquidity profile and current ratio.

All Covenants

None

Liquidity Position: Adequate

PRPL's liquidity position is currently adequate to cover its obligations. The company generated cash accruals in the range of Rs.7.00 Cr - Rs.6.25 Cr. over past 3 years ended FY2023, while debt repayments were in range of Rs. 4.01 Cr - Rs.5.63 Cr over the same period. The cash accruals are expected to remain adequate and expected to remain at Rs.9.20 Cr to Rs.12.45 Cr. for the period FY2024-26 against its repayment obligations in the range Rs. 4.12 Cr - Rs.4.41 Cr. in the same period. Further, the Bank limit utilization for the fund based facilities of PRPL is highly utilized at an average of nearly of 92.03% for the 12 months ending June 2023. The cash and bank balances of the PRPL stood at Rs.0.57 Cr as on March 31, 2023. The liquid investments of the company stood at Rs.0.71 crore as on March 31, 2023. The current ratio is average and stood at 1.01 times as on March 31, 2023. Acuité believes that the liquidity of the PRPL is likely to remain adequate in view of the moderate net cash accruals against repayment obligations.

Outlook: Stable

Acuité believes that PRPL will maintain a 'Stable' financial risk profile over the medium term backed by its experienced management, and established brand presence in Karnataka. The outlook may be revised to 'Positive' in case of higher-than-expected growth in its operating income with improving its profitability margins while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of higher-than-expected debt-funded investment on store expansion leading to deterioration of its financial risk profile and stretch in liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	439.55	345.71
PAT	Rs. Cr.	1.69	1.30
PAT Margin	(%)	0.39	0.38
Total Debt/Tangible Net Worth	Times	2.13	3.31
PBDIT/Interest	Times	2.42	2.39

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jul 2022	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.91	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.72	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	14.83	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	0.30	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.24	ACUITE BBB- Stable (Reaffirmed)
22 Apr 2021	Term Loan	Long Term	14.83	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Working Capital Term Loan	Long Term	1.93	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Term Loan	Long Term	3.43	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	5.01	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	0.30	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
23 Jan 2020	Term Loan	Long Term	3.05	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	0.30	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	1.80	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	11.80	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.17	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	5.88	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	14.35	Not Applicable	Simple	22.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	02 Mar 2020	9.85	22 Dec 2027	Simple	13.65	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not Applicable	Term Loan	02 Apr 2020	9.00	01 Apr 2026	Simple	5.93	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.02	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not Applicable	Working Capital Term Loan	Not available	9.00	Not available	Simple	2.40	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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