



Press Release
Prakash Retail Private Limited
October 03, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	50.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B Minus**) on the Rs. 50.00 Cr. bank facilities of Prakash Retail Private Limited (PRPL). The outlook is ‘**Stable**’.

Acuite has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B Minus**) on the Rs. 10.00 Cr. bank facilities of Prakash Retail Private Limited (PRPL). The outlook is ‘**Stable**’.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the improvement in operating revenue and sustaining its operating margins for the last three years. Further, the rating takes note of multiple CAPEX undertaken in FY2025 (adding of three showrooms), which will aid in the further improvement in the operating revenue over the medium term, and the financial risk profile of the company has not been significantly affected.

Furthermore, 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 is, however, tempered by geographical concentration risk and the highly competitive nature of industry resulting in thin margins.

Going forward, the ability of the company to improve its financial risk profile especially TOL/TNW will be key monitorable.

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 nineteen retail outlet stores spread across cities of Karnataka such as Udupi, Mangaluru, 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 nineteen 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.

PRPL generated operating revenue of Rs.503.27 Cr. in FY2024 as against Rs.439.55 Cr. in FY2023 reporting 14.50 percent of growth in FY2024. The moderate growth in the operating income is due to a new showroom opened in November 2023 at Mangaluru and an increase in demand for electrical and electronic goods. The operating margin improved and stood at 3.08 percent in FY2024 as against 2.91 percent in FY2023. The PAT margins stood at 0.57 percent in FY2024 in comparison to 0.39 percent in FY2023. Further, in 5MFY2025, PRPL has reported revenue of Rs.282.64 Cr.

Acuité believes that 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. Further, with three new showrooms opening in FY2025, Acuite believes that PRPL operating income will further improve over the near to medium term, with the top line estimated to improve to Rs. 580.00-630.00 Cr.

Moderate financial risk profile

The financial risk profile of PRPL is moderate marked by improving networth, moderate gearing ratios and moderate debt protection metrics. The tangible net-worth stood at Rs.26.81 Cr. as on March 31, 2024 as against Rs.24.32 Cr. as on March 31, 2023. The networth includes quasi equity of Rs.4.60 Cr. Improvement in the net worth includes accretion of profits to reserves. The total debt of the company stood at Rs.60.69 Cr as on March 31, 2024 consist of long-term debt of Rs.18.85 Cr, Short term debt of Rs.35.44 Cr. and the maturing portion of long term borrowings of Rs.6.41 Cr. Short term loan includes cash credit limit of Rs.21.78 Cr. and unsecured trade advances of Rs.13.65 Cr. The long-term debt is estimated to be Rs.24.39 Cr in FY2025 on account of CAPEX incurred on the set-up of three new showrooms across Karnataka.

The debt-equity ratio stood at 2.26 times as on March 31, 2024 as against 2.13 times as on March 31, 2023. Further, TOL/TNW (Total outside liabilities/Total net worth) has moderately deteriorated and stands at 5.59 times as on March 31, 2024 as against 4.90 times in the previous year.

The debt protection metrics of the company are moderate with Interest coverage ratio (ICR) of 2.50 times in FY2024 as against 2.42 times in FY2023. Further, DSCR of the company stood at 1.44 times in FY2024 as against 1.27 times in FY2023. NCA/TD (Net cash accruals to total debt) stands at 0.14 times for the last two years ended FY2024.

ACUITE believes that the financial risk profile of the company will remain moderate over the medium term owing to planned CAPEX in FY2025.

Efficient Working Capital Management

The efficient working capital management of the company is marked by comfortable Gross Current Assets (GCA) of 92 days in FY2024 as compared to 86 days in FY2023. The GCA days are primarily driven by the moderate inventory days. Given the industry in which PRPL operates, the company needs to maintain large inventory. The inventory days of the company stood at 80 days in FY2024 as against 77 days in FY2023. The debtor days stood low at 3 days for the last two years ending March 31, 2024. The retail business is cash and carry aiding to the very low debtors. Under the whole sale business, debtor days extend up to 15-30 days. The creditors days stood at 75 days in FY2024 as against 64 days in FY2023. Further, the Bank Limit Utilization (BLU) for the fund-based facilities of PRPL is highly utilized at an average of 93.69% for the 6 months ending August 2024.

Acuité believes that the working capital operations of the PRPL will remain at the same levels as evident from the efficient collection mechanism over the medium term.

Weaknesses

Geographical Concentration risk

PRPL has presence in Karnataka state, with 19 showrooms. Majorly spread across the coastal region of Karnataka with total of 11 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 3.50 per cent over past 3 years ended FY2024. The PAT margins is also low, have been gradually increasing and stood in the range of 0.38 to 0.57 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 .
- Improvement in the gearing levels, TOL/TNW and overall financial risk profile.
- Improvement in the liquidity profile and current ratio.

Liquidity Position: Adequate

PRPL's liquidity is adequate marked by sufficient generation of net cash accruals in FY2024 to its maturing debt obligations. PRPL has generated cash accruals in the range of Rs.8.48 Cr. during FY2024 as against its long-term debt obligations of Rs.4.01 Cr. for the same period. The company is expected to generate healthy NCAs in the range of Rs.12-15 Cr. in FY2025-26 against CPLTD of Rs.6.00-7.00 Cr. for the same period. Further, the bank limit utilization for the fund based facilities of PRPL is highly utilized at an average of 93.69% for the 6 months ending August 2024. The cash and bank balances of the PRPL stood at Rs.1.51 Cr. as on March 31, 2024. The liquid investments of the company stood at Rs.0.82 crore as on March 31, 2024. The current ratio is low and stood at 0.97 times as on March 31, 2024. 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 and improvement in the financial risk profile of the company. The outlook may be revised to 'Negative' in case of higher-than-expected debt-funded CAPEX on store expansion leading to deterioration of its financial risk profile and stretch in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	503.27	439.55
PAT	Rs. Cr.	2.86	1.70
PAT Margin	(%)	0.57	0.39
Total Debt/Tangible Net Worth	Times	2.26	2.13
PBDIT/Interest	Times	2.50	2.42

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
20 Oct 2023	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	13.65	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.93	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.40	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.02	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB- Stable (Assigned)
06 Oct 2023	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	13.65	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.93	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.40	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.02	ACUITE BBB- Stable (Reaffirmed)
21 Jul 2022	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	0.30	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	14.83	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)
	Proposed Long Term Loan	Long Term	0.24	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)
22 Apr 2021	Cash Credit	Long Term	18.00	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)
	Term Loan	Long Term	14.83	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	5.01	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 Long Term Loan	Long Term	3.43	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.40	Simple	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.18	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	02 Mar 2020	Not avl. / Not appl.	22 Dec 2027	13.73	Simple	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	02 Apr 2020	Not avl. / Not appl.	01 Apr 2026	4.22	Simple	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	14 Jun 2023	Not avl. / Not appl.	13 Jun 2033	2.28	Simple	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	28 Nov 2023	Not avl. / Not appl.	27 Nov 2033	1.59	Simple	ACUITE BBB- Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	28 Nov 2023	Not avl. / Not appl.	27 Nov 2033	5.00	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	02 Mar 2020	Not avl. / Not appl.	22 Dec 2027	1.60	Simple	ACUITE BBB- Stable Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Working Capital Term Loan	30 Sep 2024	Not avl. / Not appl.	30 Sep 2029	4.00	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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