

Prakash Retail Private Limited

Instrument	Amount	Rating Action
	(Rs. Crore ¹)	December 2016
Term loan	17.0 (enhanced from Rs. 12.0)	[ICRA]BB+ (stable); reaffirmed
Fund based facilities	18.0 (enhanced from Rs. 13.0)	[ICRA]A4+; reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) assigned to the Rs. 17.0 crore (enhanced from Rs. 12.0 crore) term loan of Prakash Retail Private Limited (PRPL / the company). The outlook on the long-term rating is stable. ICRA has also reaffirmed the short term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 18.0 crore (enhanced from Rs. 13.0) fund based facilities of the company.

The reaffirmation in the ratings takes into account the stable growth in revenues during FY2016 and FY2017 (YTD) marked by overall good contribution from the existing outlets as well as the additional outlets opened in Udupi and Mangalore. The ratings factor in the experience of the promoters and the strong brand name of the retail chain, 'Harsha', created through branding efforts and offerings aligned to the regional demand, which has enabled the company to grow its market share in the region. The ratings take into account the healthy relationships enjoyed by the company with its suppliers, which enables the company to manage working capital efficiently. The company has a diversified product portfolio across categories and brands and presence in untapped tier 2 and tier 3 cities that support growth prospects going forward. The ratings also factor in the operational advantages enjoyed by the company by setting up additional outlets in the same geographical area there by gaining synergies in terms marketing, warehousing and other overheads.

The ratings are, however, constrained by the company's moderate financial profile, marked by thin margins which are inherent to the nature of the business, the high gearing levels on account of the low net-worth position of the company and moderate coverage indicators, notwithstanding the improvement witnessed in FY2016. The ratings are further constrained by the competitive intensity from online retailers and other regional and national retailers; however, strong presence of the company in the regions it operates provides some support. The ratings also take into account the capital expenditure plan towards the setting up of new outlets in the next 3 years which will predominantly be funded through term loans and is expected to further stretch the capital structure and the liquidity position of the company going forward.

Company Profile

Prakash Retail Private Limited (PRPL) is the flagship company of the Prakash Group based in Udupi, Karnataka. The company was started in 1985 as a partnership firm named, 'M/s. Prakash Electric Company', promoted by five brothers. The firm was converted into a private limited company in April 1999 to meet the changing business requirements and later renamed 'Prakash Retail Private Limited' in 2008.

PRPL is engaged in the business of retailing consumer durables and household appliances through a chain of retail outlets under the brand name 'HARSHA'. The company currently operates 12 outlets spread across various cities in Karnataka. Besides, the company also operates a distribution centre in Udupi. The key products retailed by the company include LCDs, Colour TVs, and Refrigerators, Washing Machines (WMs), Air Conditioners (ACs), DVD players, Audio Systems, Digital Cameras, Mobiles, Laptops and a wide range of kitchen and household appliances.

Recent Results

During FY2016, the company reported a net profit of Rs. 1.4 crore on an operating income of Rs. 291.0 crore, as against a net profit of Rs. 4.0 crore on an operating income of Rs. 257.1 crore during FY2015. As per the provisional financial statements, the company reported a profit before tax of Rs. 1.2 crore on an operating income of Rs. 153.1 crore during the first half of FY2017.

December 2016

¹ 100 lakhs = 1 crore = 10 million

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