



Rating Rationale

Prime Retail India Ltd

22 May 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 37.75 Crores of Prime Retail India Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous Rating (June, 2017)	Present Rating (May 2018)
Fund based Cash Credit	30.00	36.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable (Reaffirmed)
Fund based Standby Line of Credit	1.00	1.00			
Non Fund Based Forward Contract	0.25	0.25	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) (Reaffirmed)
Non Fund Based Bank Guarantee	0.50	0.50			
Total	31.75	37.75	INR Thirty Seven Crores Seventy Five Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rating under Credit Watch with Positive / Negative / Developing implications: NA

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisional financial for FY18 and projections for the financial year of FY19 and FY20 of Prime Retail India Ltd ('PRIL' or 'the Company'), information /clarifications provided by the Company's management and publicly available information.

The rating derives strength from the promoters experience in the retail watch industry, maintained relationship with established International luxury watch brands and expansion plan to drive sales growth, apart from improved gearing and adequate debt and interest protection metrics. The rating is however constrained by high working capital intensive operations, highly competitive nature of business, the availability of cheap imitation in the fashion watches industry, high holding cost of Inventory and limited pricing flexibility. Going forward, the ability of the Company to maintain its revenues, improve on profitability through efficient cost management will remain the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Experience of Promoters:** The Company is promoted by Mr. Rajiv Chopra, Mrs. Soniya Chopra and Mr. Mohit Chopra. Mr. Rajiv Chopra has over two decades of experience dealing in luxury watch. Mr. Mohit Chopra, Director oversees the day to day operations of the Company. Mrs. Soniya Chopra assists in maintaining its elite clientele base.
- **Financial Risk Profile:** The Company has maintained its revenues for FY18 (marginal improvement from FY17), There remains a scope for improvement in the operating profit margin. Gearing and debt servicing capacities are adequate as of FY18 to meet the existing obligations. The Banks have informed that the account has satisfactory conduct and classified as standard.
- **Diversified Clientele Profile and long relationship:** The Company shares a long term relationship with more than 35 of the world's leading watch and mobile brands such as Tissot, Rado, Longines, Tag Heuer, Omega, Piaget, ZNITH, Victorinox, Jaquet Droz, Samsung, Motorola and LG.

Credit Risks:

- **Intense Competition among other Entities:** The Company also faces intense competition from other international key players in the industry.
- **Cheap Imitation in the Fashion Watch Industry:** The Company is also exposed to inherent risks associated with cheap imitation of fashion watch..
- **Limited Pricing Flexibility:** Due to trading nature of business, competitive pricing restricts the flexibility and constraints the net profits

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes Prime Retail India Ltd business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Incorporated in the year 1990, Prime Retail India Ltd, based in Kolkata is engaged into sales of luxury watches, gadgets, premium writing instruments, mobiles and lifestyle products. The Company owned majorly by Rajiv Chopra and Soniya Chopra, is supported by Mohit Chopra in its day to day operations. The Company is the trusted partner for more than 35 international brands and is a franchisee for several branded products, across Luxury, Premium and Fashion Brands. The Company has presence in four cities namely Kolkata, Jaipur, Mumbai and Ranchi through 23 of its outlets. The Company has established online presence by sales through major e-platforms such as Flipkart, Snapdeal, Amazon etc. The Company's niche is its own in-house service center for its client maintenance.

Company Financial Performance

As per the Company's provisional financial for FY18, the operating income is Rs.103.46 Cr (FY17: Rs.100.87 Cr), Operating profit is Rs.7.65 Cr (FY17: Rs.7.03 Cr) and Net profit is Rs.1.43 Cr (FY17: Rs.1.37 Cr). The Company has a networth of Rs.25.15 Cr on a debt of Rs.38.66 Cr for FY17. The financials though improved from FY17 need to be maintained/ improved over its FY15 and FY16 financials.

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	(June 2017)#	2016	2015
1	Fund Based Cash Credit	Long Term	36.00	BWR BBB- (Outlook: Stable)	BWR BBB- (Outlook: Stable)	-	-
2	Fund Based Standby Letter of Credit		1.00			-	-
3	Non Fund Based Bank Guarantee	Short Term	0.50	BWR A3	BWR A3	-	-
4	Non Fund Based Forward Contract		0.25			-	-
Total			37.75	₹ Thirty Seven Crores Seventy Five Lakhs Only			

#Note: BWR had rated Bank Loan facilities of Rs.31.75 Cr in June 2017

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

Any other information

Key Financial Indicators

Key Parameters	Units	FY2016	FY2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	104.73	100.87
EBITDA	₹ Cr	8.20	7.03
PAT	₹ Cr	1.42	1.37
Tangible Net worth	₹ Cr	23.37	25.15
Total Debt/Tangible Net worth	Times	1.71	1.54
Current Ratio	Times	1.34	1.34



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.