

PN Rao

Instrument	Amount (Rs. Crore ¹)	Rating Action
Long Term - Term Loan	2.70	[ICRA]BBB-(stable); reaffirmed
Long-term: Fund based	6.00	[ICRA]BBB-(stable); reaffirmed
Total	8.70	

ICRA has reaffirmed the long term rating at **[ICRA]BBB-** (pronounced as ICRA triple B minus) for the long term fund based cash credit limits of Rs.6.00 crore and term loan of Rs. 2.70 crore of P N Rao (PNR). The outlook on the long term rating is stable.

The rating reaffirmation is supported by the growth in revenue of the firm in FY 2014-15 with the addition of two new stores in Bangalore and also increased sales from the older stores. The growth has been supported by the long established presence of the firm in the textile retail business for the past nine decades supported by a professional management and the strong brand recognition built by the firm. ICRA also takes into account the strong financial profile of the firm as reflected by a comfortable capital structure and strong coverage indicators during FY 2014-15. ICRA also notes the efforts taken by the management to reduce the inventory level with the central warehouse mechanism and also introducing the Enterprise Resource Planning (ERP) system.

The rating is, however, constrained by the small scale of operations of the firm restricting operational and financial flexibility to an extent and the decline in the profitability in FY2014-15 on account of the increased costs in setting up new stores. ICRA also takes into account PNR's vulnerability to adverse economic conditions like weakness in consumer spending and the intense competition in the suiting and shirting segment marked by presence of many regional/national branded and unbranded players which puts pressure on the pricing flexibility of the firm.

Going forward, PNR's future expansion plans & funding requirements for the same, reduction in working capital intensity and improvement in the profitability will be the key rating sensitivities.

About the firm

P.N.Rao was incorporated in the year 1923 by late Shri P.N.Rao. It retails in branded suits, shirts and accessories. It is one of the largest selling suit stores in south India. PNR group is a leading dealer in textiles, ready-made garments and tailor in suits and other accessories. With years of experience and expertise, it is one of the largest stores in Bangalore, for the purchase or tailoring of suits. Having started its flagship store on MG Road in Bangalore in 1923, the group has grown consistently over last decade with five stores in Bangalore at M.G Road, Indira Nagar, Jayanagar, Koramangala and Malleshwaram and one in Alwarpet, Chennai.

Result Results

The firm reported a net profit of Rs. 2.55 crore on an operating income of Rs. 36.49 crore during FY 2014-15 as against a net profit of Rs. 1.87 crore on an operating income of Rs. 27.26 crore during FY 2013-14.

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¹ 100 lakhs = 1 crore = 10 millions



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