

Prachi India Private Limited

June 02, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	18.00 (Rs. Eighteen Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 21, 2020, placed the rating(s) of Prachi India Private Limited (PIPL) under the 'issuer non-cooperating' category as PIPL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. PIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated March 27, 2021, March 17, 2021 and March 7, 2021.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account non-availability of requisite information and no due diligence conducted due to non-cooperation by Prachi India Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on April 21, 2020, the following were the rating weaknesses and strengths (Updated for the information from Registrar of Companies):

Key Rating Weaknesses

Modest scale of operations

PIPL's scale of operations remained modest marked by total operating income and gross cash accruals of Rs.87.76 crore and Rs. 2.73 crore respectively for FY20 as against Rs.80.77 crore and Rs.4.30 crore, respectively, for FY19 (refers to the period April 1 to March 31). Furthermore, the net worth base was also relatively small at Rs.12.82 crore as on March 31, 2020. The modest scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Low profitability margins, leveraged capital structure and weak coverage indicators

The profitability margins of the company remained low during the past three years (FY18-FY20) on account of limited value addition and intense market competition given the highly competitive nature of the industry. Further, high interest burden on its bank borrowings also restricts the net profitability of the company. PBILDT and PAT margin stood at 7.65% and 1.89% respectively during FY20 as against 6.45% and 4.45% respectively during FY19. The capital structure of the company stood leveraged for the past three balance sheet dates (FY18-FY20) on account of high dependence on external borrowings coupled with relatively small net worth base. Thus, overall gearing ratio stood at 2.83x as on March 31, 2020 as against 2.99x as on March 31, 2019. Furthermore, debt coverage indicators as marked by interest coverage and total debt to GCA stood weak for the past three financial years i.e. (FY18-FY20) owing to high debt levels with low profitability position. Interest coverage and total debt to GCA stood at 2.07x and 13.28x for FY20 as against 2.42x and 7.77x respectively for FY19.

Project execution risk with debt funding yet to be tied up

PIPL had undertaken capital expansion of Rs 21.10 crore in order to setup printing and binding unit in Kundli, Sonapat (Haryana). As on December 31, 2017, the company had incurred Rs.8.19 crore towards purchase of land, the same was

proposed to be funded through external borrowings and infusion of funds by promoters. The bank debt with respect to the same was proposed to be tied up. The commercial operations were expected to start in March, 2019. This exposes the company towards project execution in terms of debt yet to be tied-up, completion of the project with-in the envisaged time and cost. Moreover, due to debt funded capex and given the small net worth base of the company at present the capital structure of the company is expected to deteriorate going forward. Due to non-cooperation by the client; CARE is unable to comment on the current status of the project and operational performance of the company.

Working capital intensive nature of operations

The operations of the company continue to remain working capital intensive in nature marked by an operating cycle of 87 days in FY20. Though, the company normally allows a credit period of around 2-3 months to its customers; as the realization happens once the books are sold to customers. Furthermore, since majority of income accrue during last quarter the same results into high receivables as on balance sheet date. The company maintains sufficient stock of inventory of around 2 months in form of raw material i.e. paper for smooth running of its operation. Also, the company maintains inventory in form of published books to meet the immediate demands of its customers. The same resulted into an average inventory of 37 days for FY20. The company receives an average payable of around 8-9 months from the suppliers owing to long standing relationship.

Competitive nature of industry

The printing and publication industry is characterized by a high level of fragmentation and regional concentration, with very little differentiation in terms of service offering. PIPL faces direct competition from various organized and unorganized players in the market. There are number of small and regional players who are located in and around area and catering to the same market which has limited the bargaining power of the company.

Key Rating Strengths

Experienced management

PIPL business risk profile is supported by experienced directors; Mr. Mukesh Tyagi, Mr. Rakesh Tyagi and Mrs. Savitri Tyagi; having nearly two decades of experience in printing and publishing business through their association with this entity.

Established marketing network

The company markets and sells its entire range of products through a well-established network. The company's marketing setup consists of more than 250 dealers and distributors which also include reputed book distributors in the domestic market. This provides a wide spread reach and additional credibility to the products of the company. Moreover, the company has carved out of publishing niche titles for nursery to class 12th. Also, company's marketing personnel are present in each part of the nation from where they approach to the educational institutes, which helped them to get regular orders from them.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of non-cooperation by issuers](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Wholesale Trading](#)

About the Company

Delhi-based Prachi (India) Private limited (PIPL) was established in 1999 by Mr. Mukesh Tyagi, Mr. Rakesh Tyagi and Mrs. Savitri Tyagi. The company is primarily engaged in the distribution of text books, study material for classes ranging from nursery to class 12. The company outsourced the activities related to printing, publishing and binding of books. The company supplies its product to public schools, spread out across India.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	80.77	87.76
PBILDT	5.21	6.71
PAT	3.60	1.66
Overall gearing (times)	2.99	2.83
Interest coverage (times)	2.42	2.07

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (21-Apr-20)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Jan-19)
2.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (21-Apr-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (08-Jan-19)

*Issuer not cooperating; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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