

Prachi India Private Limited

December 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.65	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	3.35	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Prachi India Private Limited (PIPL) are constrained on account of modest though growing scale of operations, low profitability margins and moderate capital structure and weak debt coverage indicators. The ratings are further constrained by elongated operating cycle and susceptibility of profitability margins to volatility in raw material prices. However, the ratings derive strength from experienced promoters coupled with long track record of operations and established market network along with widespread distribution network.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with total operating income (TOI) of more than Rs.100 crore and sustaining PBILDT margin above 6% on sustained basis.
- Improvement in capital structure marked by overall gearing below 1.00x on sustained basis.

Negative factors

- Decline in scale of operations with TOI below Rs. 70 crore or decline in PBILDT margin below 4.00% on sustained basis
- Deterioration in capital structure marked by Total outside liabilities/Total net worth above 4.50x

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the company shall sustain its growth in total operating income (TOI) supported by expectation of healthy demand arising from implementation of New Curriculum Framework in line with New Education Policy (NEP)

Detailed description of key rating drivers:

Key strengths

Modest though growing scale of operations:

Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 28.93% in last 3 years ended FY24 primarily due to lockdown imposed during Covid-19 and shift towards e-book and online classes from traditional classrooms. However, TOI grew by 9% to Rs.80.1 crore in FY24 over FY23 on account of improved demand from customers and improvement in sales realisation reflecting the normalization of post-COVID-19 conditions. The company has modest net worth base, which stood at Rs.25.59 crore as on March 31, 2024. Scale of operations remained modest, which limits the entity's ability to scale up the business significantly. Further, competition in the industry will continue to restrict future growth prospects.

Low profitability margins

PIPL's operating profitability exhibited a volatile trend with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin within the range of 6-12% in the past three years ended FY24. It stood moderate at 6.47% during FY24, with a y-o-y moderation of 313 bps on account of bad debts written off by the company and higher sale discounts and incentives provided to retain the pre-pandemic market share. The PAT margin increased significantly from 2.26% in FY23 to 12.62% in FY24 due to gain of Rs. ~11 crore on sales of fixed assets in FY24.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

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 199 days in FY24. The company maintains sufficient stock of inventory of around 2 to 3 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 84 days for FY24. Furthermore, the receivables also remained on higher side at 306 days as on March 31, 2024, owing to higher sales during last quarter in FY24. The company receives an average payable of around 4-5 months from the suppliers owing to long standing relationship.

Moderate capital structure and weak coverage indicators

The entity's capital structure stood moderate, as marked by an overall gearing of 1.15x as on March 31, 2024 (2.99x as on March, 31, 2023) with high reliance on external debt. Its debt profile largely comprises external debt in the form of working capital and term debt. The total outside liabilities to net worth stood high at 2.79x as on March 31, 2024 (improving from 6.08x as on March 31, 2023). The improvement in capital structure was on account of profit accretion to reserves and repayment of term debt.

Susceptibility of profitability margins to volatility in raw material prices

The main raw material for PIPL is paper, whose prices have been volatile. So, the profitability margins of the group remain susceptible to the prices of paper, which are volatile in nature since the production is highly dependent on agro cultivation and paper being the global commodity is also affected by global demand supply mismatch.

Key strengths

Established marketing network

The company markets and sells its entire range of products through a well-established network. The company's marketing setup consists in house sales team covering Delhi NCR region and of more than 2000 distributors which also include reputed book distributors in the domestic market. This provides a widespread reach and additional credibility to the products of the company.

Experienced management

PIPL is promoted by Mr. Mukesh Tyagi, who is the Director of the entity and Mr. Rakesh Tyagi, Director having 25 years of experience and overseas operations. Mrs. Savitri Tyagi, Director has 25 years of experience and oversees operations.

Liquidity: Stretched

Liquidity remains stretched, characterized by average working capital being utilized above 90% for the last 12 months ended November, 2024. The company has also availed adhoc limit of Rs.1.50 crore. Further, Gross current asset days were significantly high at 408 days in FY24. The company has generated Net cash accrual (NCA) of Rs. 10.40 crore during FY24 and is expected to generate GCA of Rs. 3.45 crore as on March 31, 2025, against repayment obligation of Rs. 2.25 crore in the same year. However, as of March 31, 2024, the current ratio stood at 1.53x, and the quick ratio was 1.23x and unencumbered cash and bank balance was around Rs.1.07 crore as on March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

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 textbooks, 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 (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	73.62	80.10	2.54
PBILDT	7.07	5.19	-
PAT	1.67	10.11	-
Overall gearing (times)	2.99	1.15	-
Interest coverage (times)	1.73	1.53	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork Ratings has downgraded the rating assigned to Prachi India Private Limited at BWR B; Stable/ Issuer not cooperating vide its press release dated March 28,2024.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BB; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	3.35	CARE BB; Stable / CARE A4
Term Loan-Long Term		-	-	30/09/2028	9.65	CARE BB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING * (10-Apr-23) 2)Withdrawn (10-Apr-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (07-Jul-22)	1)CARE B; Stable; ISSUER NOT COOPERATING * (02-Jun-21)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (10-Apr-23) 2)CARE A4; ISSUER NOT COOPERATING * (10-Apr-23)	1)CARE A4; ISSUER NOT COOPERATING * (07-Jul-22)	1)CARE A4; ISSUER NOT COOPERATING * (02-Jun-21)
3	Fund-based - LT-Cash Credit	LT	8.00	CARE BB; Stable				
4	Term Loan-Long Term	LT	9.65	CARE BB; Stable				
5	Fund-based/Non-fund-based-LT/ST	LT/ST	3.35	CARE BB; Stable / CARE A4				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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