

Prachi (India) Private Limited

February 02, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	15	CARE B+;Stable (CARE B Plus; outlook; Stable)	Assigned
Short-term Bank Facilities	3	CARE A4 (A Four)	Assigned
Total	18 (Rupees Eighteen crore only)		

Details of facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Prachi (India) private limited are primarily constraint by modest scale of operations along with project execution risk with debt funding yet to be tied up. The ratings are further constrained by low profitability margins, leveraged capital structure, weak coverage indicators, elongated operating cycle and competitive nature of industry.

The rating, however, draws comfort from experienced management, established track record of operations, growing scale of operations and established marketing network.

Going forward, the ability of PIPL to increase its scale of operations with improvement in profitability margins, capital structure and efficient working capital management shall be the key rating sensitivities.

Detailed description of the key rating drivers

Though the scale of operations of the company have been growing on y-o-y basis, however it stood modest which restricts the company's financial flexibility in times of stress and deprives it of scale benefits. The company's profitability margins have been historically on the lower side owing to the limited value addition and intense market competition given the highly fragmented nature of the industry. This apart, interest burden on working capital borrowing also restricts the net profitability of the company. The capital structure of the company stood leveraged on account of high dependence on external borrowings to meet the working capital requirements coupled with low net worth base. Furthermore, the company's debt coverage indicators as marked by interest coverage and total debt to GCA stood weak on account of low profitability as against debt levels.

PIPL is currently undertaking capital expenditure to set up printing and publishing unit and the debt with respect to the same is yet to be tied up. The company is exposed towards project execution in terms of debt yet to be tied-up, completion of the project with-in the envisaged time and cost.

The collection period stood elongated since majority of income accrue during the last quarter the same results into high receivable as on balance sheet date. The average working capital limits of the company remained almost fully utilized during the past 12 month period ending December 31, 2016.

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.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology - Infrastructure Sector Ratings](#)

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

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

[Criteria on assigning Outlook to Credit Ratings](#)

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Company Background

Delhi-based Prachi (India) Private limited established in 1999 by Mr Mukesh Tyagi, Mr Rakesh Tyagi and Mrs Savitri Tyagi. The company is primarily engaged in 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 to public schools, spread out across India.

During FY16 (refers to the period April 01 to March 31), PIPL has achieved a total operating income (TOI) of Rs.72.10 crore with PAT of Rs.0.17 crore, respectively, as against TOI of Rs.65.09 crore with PBILDT and PAT of Rs.3.11 crore and Rs.0.67 crore, respectively. Moreover, the company has achieved total TOI of Rs.16 crore till 7MFY17 (refers to the period April 01 to October 31) (as per unaudited results).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Non-fund-based - ST-Letter of Credit	-	-	-	3.00	CARE A4/Stable

Annexure 2

Rating History for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE B+; Stable				
2.	Non-fund-based - ST-Letter of credit	ST	3.00	CARE A4				

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