



Press Release
PRA CHI INDIA PRIVATE LIMITED
July 21, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.40	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	20.40	-	-

Rating Rationale

ACUITE has assigned its long term rating of **ACUITE BB-(read as ACUITE double B minus)** on the Rs.20.40 Crore bank facilities of Prachi India Private Limited (PIPL). The outlook is 'Stable'.

Rating assigned

The rating assigned takes into account the established track record of operations and experienced management of more than three decades in printing and media industry. Further, the rating takes into consideration growing revenue which stood at Rs.73.70 in FY23 (Prov) against Rs.48.63 Crore in FY22 and Rs.33.11 Crore in FY21. The increase in revenue is contributed by increased order size on y-o-y basis and re-opening of schools. These strengths are however, partly offset by the intensive working capital nature of operations marked by elongated debtor days of 326 days as on 31st March, 2023 (Prov) along with stretched liquidity. Further, the rating factors in average financial risk profile characterized by gearing at 2.92 times as on 31st March, 2023 (Prov) and debt protection metrics with DCSR stood at 1.01 times as on 31st March, 2023 (Prov).

About the Company

Prachi India Private Limited is based in Delhi, India and have its warehouse at Sonipat, Haryana. The company was incorporated in 1999 and is engaged in business as an educational publisher operating in India. Currently it is managed by Mr. Mukesh Tyagi, Mr. Rakesh Tyagi and Mrs. Savitri Tyagi.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of PIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

PIPL has been engaged in business as an educational publisher since 1999. Currently the company is managed by Mr. Mukesh Tyagi, Mr. Rakesh Tyagi and Mrs. Savitri Tyagi who has an experience of about more than three decades in same industry. Their experience into this line of business would help the company to flourish. Acuite believes that PIPL will continue to benefit from its established track record and experience of promoters in this line of business.

Augmentation in business risk profile

The operations of the company have improved with a significant increase in the scale of operations. The company has achieved a top-line of Rs.73.70 Crore in FY23 (Prov) against Rs.48.63 Crore in FY22 and Rs.33.11 Crore in FY21. The company has shown a growth in the top

line due to increase in order size after Covid. However, the EBITDA margins of the company has shown a decline which stood at 10.19% in FY23 (Prov) against 12.08% in FY22. The PAT margin of the company stood at 2.75% in FY23 (Prov) against 1.55% in FY22. Further, the company is expected to achieve the top line under the range of Rs.100 Crore with margins more or less in the same range in near to medium term.

Weaknesses

Working capital intensive operations

The working capital cycle of the company is elongated post Covid marked by GCA days which stood at 414 days as on 31st March 23 (Prov) against 534 days as on 31st March 22. The GCA days slightly improved on an account of inventory days which stood at 81 days as on 31st March 23 (Prov) against 115 days as on 31st March 22. Further, the debtor days of the company stood at 326 days as on 31st March 23 (Prov) against 414 days as on 31st March 22. The company does have debtors of more than 1 year which stood at Rs.9.52 Crore in FY23 out of which Rs.4 Crore will be recovered in current financial year and Rs.5.52 Crore is under litigation. On the other hand, the creditor days of the company stood at 396 days as on 31st March 23 (Prov) against 579 days as on 31st March 22.

Acuite believes that working capital operations may continue to remain intensive due to elongated realisations.

Average Financial Risk profile

The financial risk profile of the company is average marked by moderate net-worth, high gearing and average debt protection metrics. The net-worth of the company stood at Rs.15.76 Crore in FY23 (Provisional) against Rs.13.76 Crore in FY22. The total debt of the company is Rs.46.05 Crore in FY23 (Prov) as compared to Rs.42.68 Crore in FY22. The gearing of the company stood at 2.92 times as on 31st March 2023 (Prov) against 3.10 times as on 31st March 2022. The interest coverage ratio of the company stood at 1.95 times as on 31st March 2023 (Prov) against 1.51 times as on 31st March 2022. The DSCR ratio of the company stood at 1.01 times as on 31st March 2023 (Prov) against 0.83 times as on 31st March 2022.

Acuite believes that the financial risk profile of the company may improve going forward with no major debt funded capex plans.

Rating Sensitivities

- Improvement in the operating performance along with improvement in profitability.
- Any deterioration in the working capital cycle leading to deterioration in financial risk profile and liquidity position.

Material covenants

None.

Liquidity Position

Stretched

The liquidity profile of the company is stretched. The company has generated net cash accruals of Rs.3.00 Crore as on 31st March 2023 against the debt repayment obligations of Rs.2.93 Crore in the same period. Further, the company is expected to generate net cash accruals which are tightly matched to repay the debt obligations in the same period. The current ratio of the company stood at 1.33 times as on 31st March 2023 (Prov) against 1.40 times as on 31st March 2022. Further, the average bank limit utilization of the company stood at 98.20% in last 12 months ending March 2023.

Outlook: Stable

Acuite believes that PIPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters and healthy revenue visibility due to increase in order book size post Covid. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower than anticipated cash accruals, most

likely due to significant debt-funded capex, thereby impacting its financial risk profile and further elongation of working capital operations leading to deterioration in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	73.70	48.63
PAT	Rs. Cr.	2.03	0.75
PAT Margin	(%)	2.75	1.55
Total Debt/Tangible Net Worth	Times	2.92	3.10
PBDIT/Interest	Times	1.95	1.51

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

Brickworks vide its press release dated 9.2.2023 had downgraded the company to BWR B+/Stable; Issuer Not Cooperating.

India Ratings vide its press release dated 28.7.2022, had rated the company to IND-RA BB/A4+; Issuer Not Cooperating

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB- Stable Assigned
Karur Vysya Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.75	ACUITE BB- Stable Assigned
Karur Vysya Bank	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	1.88	ACUITE BB- Stable Assigned
Karur Vysya Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.77	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Depanshi . Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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