Press Release

Pratishtha Commercial Private Limited

November 21, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	115.50 (enhanced from Rs.109.00 crores and includes proposed limit of Rs 0.25 crores)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Rating revised from IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR double B plus with Negative outlook Issuer Not Cooperating) and removed from 'Issuer Not Cooperating category'	Simple
Short Term Bank Facilities	28.50 (enhanced from Rs 1.00 crores)	IVR A3+ (IVR A three plus)	Rating revised from IVR A4+/ Negative ISSUER NOT COOPERATING* (IVR A four plus Issuer Not Cooperating) and removed from 'Issuer Not Cooperating category'	Simple
Total	**144.00 (INR One hundred forty-four crore only)**			

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

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the ratings of Pratishtha Commercial Private Limited (PCPL) to Issuer Not Cooperating category vide it press release dated September 22, 2023, because of non-submission of required information. However, the entity has started cooperating and submitted the required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

The revision in the ratings assigned to the bank facilities of Pratishtha Commercial Private Limited (PCPL) considers experienced promoters with established track record in business, moderately diversified product portfolio, reputed client base which reduces counterparty risk to a large extent. Further, ratings also derive strength from improvement in capital structure and adequate debt protection metrics in FY23, and moderate working capital cycle. However, these rating strengths continue to remain partially offset by moderation in scale of operations and profits in FY23, albeit improvement in H1FY24, thin profitability margin given trading nature of business, exposure to price fluctuations and agro climatic risks and presence in a highly fragmented and competitive agro-commodity trading industry.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record in business

The company is promoted by Mr. Suresh Kumar Poddar, Mr. Manoj Kumar Poddar & Mr. Jay Prakash Poddar. They have a long experience in the industry which helps in making established relationship with the customers resulting in repeat orders.

Moderately diversified product portfolio

PCPL is engaged in trading in various agro commodities, primarily that is used as animal feeds which is procured domestically through commission agents and brokers spread across India. Soya deoiled cake is the major product which contributed around ~56% (PY: ~62%) to the total revenue in FY23. Other commodities that PCPL deals in includes maize, wheat, de oiled rice bran, broken rice and other animal feeds and pulses.

Reputed client base which reduces counterparty risk to a large extent

The company has reputed client base as it deals various reputed private parties like Pasupati Agrovet Limited, Venkys India Limited etc. Further, the company's customer base also includes government agencies like Kerala Co-operative Milk Federation Limited, Kerala Feeds Limited and Karnataka Co-operative Milk Federation Limited. The reputed client base helps the company in largely reducing counterparty risk.

Improvement in capital structure and adequate debt protection metrics in FY23

The capital structure of PCPL improved with an decline in total debt to 144.82 crore as on March 31, 2023, from Rs.149.85 crore as on March 31, 2022 due to reduction in debt levels led by repayment of term loan. Networth increased to Rs. 112.16 crore as on March 31, 2023, from Rs.97.74 crore as on March 31, 2022, due to accretion of profit to net worth Thus the overall gearing improved to 1.29x as on March 31, 2023 from 1.53x as on March 31, 2022 . TOL/TNW improved to 1.45x as on March 31, 2023 from 1.94x in as on March 31, 2022. Interest coverage ratio was adequate at 2.97x in FY23, though it marginally deteriorated from 3.10x in FY22. DSCR was 1.82x in FY23 (2.75x in FY22). Debt protection metrics of the company is expected to improve going forward with accretion in profit to net worth and simultaneous decrease in loan amount.

Moderate working capital cycle

The operating capital cycle of the company was 62 days in FY23 which elongated from 50 days in FY22, due to increase in collection period to 58 days (PY: 45 days). Since most of purchases are made in advance and average credit period of 60 days is allowed to its customers, it lead to elongation in operating cycle for the company. However, the same remains within manageable levels.

Key Rating Weaknesses

Moderation in scale of operations and profits during FY23, but improvement seen in H1FY24

The total operating income of the company declined by 11.2% to Rs.1226.81 crore in FY23 (PY: Rs.1337.80 crore). The decline witnessed during FY23 was primarily on account of moderation in sales realisation of the products traded. However, the overall volume witnessed an improvement during FY23. Moreover, EBITDA and PAT declined at absolute levels by 6% and 31.7% and stood at Rs 33.04 crore (PY:35.15 crore) and Rs 14.44 crores (PY: 21.14 crore) respectively, driven by decline is revenue. Furthermore, PAT in FY22, included non-operating income of Rs 4.43 crores which is non-recurring in nature. However, in H1FY24, TOI increased 9.8% y-o-y to Rs. 615.41 crore and EBITDA was up 15.9% y-o-y to Rs.13.77 crore. Infomerics notes that a sustained increase in topline and profit will be a key rating driver going forward.

Thin profitability margin given trading nature of business

The profitability margin of the company remains thin due to trading nature of the business. The profit margins are susceptible to raw material prices and the industry is also characterized by high competitiveness thus impacting margins. However, EBDITA margin witnessed improvement to 2.69% in FY23 from 2.55% in FY22.

Exposure to price fluctuations and agro climatic risks

Being involved in agro-commodity trading, any changes in the minimum support prices may affect the product's competitiveness. The company also remains exposed to agroclimatic risks, changing crop patterns and the associated cyclicality in the business. The company's product mix, thus, must continually adapt to the changing crop patterns.

Presence in a highly fragmented and competitive agro-commodity trading industry

The agro-commodity trading business is highly fragmented and characterized by the presence of many organized and unorganized players, which leads to intense competition. The industry also faces constraints with high cost of raw materials, low value addition along with low product differentiation, thus leading to low pricing power.

Analytical Approach: Standalone

Applicable Criteria:

Criteria for rating outlook

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY24-26. The company earned a Gross Cash Accruals (GCA) of Rs. 14.77 crores in FY23 as against its repayment obligation of Rs. 3.27 crore. However, its working capital limits remained at 90% during the past twelve months ended September 2023 indicating moderate liquidity buffer. Nevertheless, absence of any capex plans in the near future provides support to liquidity position.

About the Company

Pratishtha Commercial Private Limited was incorporated in February 1997 and is based in Kolkata. The company is primarily engaged in the business of trading of agricultural Products and animal feed. The company majorly deals in products like soya de-oiled cake, mustard/rapeseed de-oiled cake and maize. The company also deals in products like various pulses and grains. Their supply of feed raw materials extends to various feed manufacturers, poultry farms, public sector undertakings and dairy co-operative societies in India.

Press Release

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	**31-03-2022**	**31-03-2023**
	Audited	**Audited**
Total Operating Income	1378.10	1226.81
EBITDA	35.15	33.04
PAT	21.14	14.44
Total Debt	149.75	144.82
Tangible Net worth	97.74	112.16
EBITDA Margin (%)	2.55	2.69
PAT Margin (%)	1.53	1.18
Overall Gearing Ratio (x)	1.53	1.29

**As per Infomerics' Standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	**Name of Instrument/ Facilities**	**Current Rating (Year 2023-24)**				**Rating History for the past 3 years**			
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Rating (September 22, 2023)**	**Date(s) & Rating(s) assigned in 2022-23**		**Date(s) & Rating(s) assigned in 2021-22**	**Date(s) & Rating(s) assigned in 2020-21**
						(August 5, 2022)	**(April 6, 2022)**		
1	GECL	Long Term	7.65	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	IVR BBB/ Stable	IVR BBB- / Stable	-	-
2	Cash Credit	Long Term	104.60	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	IVR BBB/ Stable	IVR BBB- / Stable	-	-
3	WCDL	Long Term	3.00	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	IVR BBB/ Stable	IVR BBB- / Stable	-	-
4	Proposed-Cash Credit	Long Term	0.25	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperatin	IVR BBB/ Stable	-	-	-

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		Type	Amount outstanding (Rs. Crore)	Rating	Rating (September 22, 2023)	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
						(August 5, 2022)	(April 6, 2022)		
					g*				
5	Purchase Bill Discounting	Short Term	7.50	IVR A3+	-	-	-	``-	-
6	Export Packing Credit	Short Term	19.50	IVR A3+	-	-	-	-	-
7	PSR	Short Term	1.00	IVR A3+	IVR BB+/ Negative Issuer Not Cooperating*	IVR A3+	IVR A3	-	-
8	CEL	Short Term	0.50	IVR A3+		-	-	-	-
9	Unallocated	Long Term/ Short Term	-	-	-	-	IVR BBB- / Stable/ IVR A3	-	-

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

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	January 2026	7.65	IVR BBB/ Stable
Cash Credit 1	-	-	-	64.60	IVR BBB/ Stable

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 2	-	-	-	40.00	IVR BBB/ Stable
WCDL	-	-	-	3.00	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	0.25	IVR BBB/ Stable
Purchase Bill Discounting	-	-	-	7.50	IVR A3+
Export Packing Credit	-	-	-	19.50	IVR A3+
PSR	-	-	-	1.00	IVR A3+
CEL	-	-	-	0.50	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-PCPL-nov23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com

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