



## Press Release

### Pratishtha Commercial Private Limited

August 05, 2022

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	109.00 (enhanced from Rs.100.79 crore including proposed limit of Rs. 8.67 crore)	IVR BBB/Stable (IVR triple B with Stable outlook)	Revised from IVR BBB-/Stable (IVR triple B minus with Stable outlook)	Simple
Short term Bank Facility	1.00	IVR A3+ (IVR A three plus)	Revised from IVR A3 (IVR A three)	Simple
<b>Total</b>	<b>110.00</b> <b>(INR One hundred crore and ten lacs only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the ratings assigned to the bank facilities of Pratishtha Commercial Private Limited (PCPL) considers continuous increase in the scale of operations with improvement in profitability indicators and improvement in capital structure coupled with improvement in debt protection metrics in FY22. Further, the ratings continue to derive comfort from its experienced promoters with established track record in business, reputed client base reducing the counterparty risk, also the efficient working capital management by the company. However, these rating strengths continue to remain partially offset by thin profitability margin given trading nature of business, exposure to price fluctuations and agro climatic risks, 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 on a sustained basis
- Improvement in the capital structure and debt protection metrics



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### **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 substantial loans and advances and/ or investments in subsidiaries and group companies which might adversely impact the company's liquidity position
- Any significant rise in working capital requirements 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

- **Reputed client base which reduces the counterparty risks to an extent**

The company has reputed client base as it deals various government organisations like Kerala Co-operative Milk Federation Limited, Kerala Feeds Limited and Karnataka Co-operative Milk Federation Limited. It also deals with other reputed private parties like Pasupati Agroviet Limited, Venkys India Limited etc. The reputed client base helps the company in reducing counterparty risk to a large extent.

- **Steady increase in the scale of operations with improvement in profitability indicators**

The performance of the company has improved continuously from the last few. Topline increased to Rs.1377.68 crore in FY22 from Rs.857.13 crore in FY21, depicting y-o-y growth of ~67%. EBDITA margin improved to 2.45% in FY22 from 1.98% in FY21 due to decrease in overhead cost with the increase in sales volume. PAT margin also improved to 1.48% in FY22 from 0.68% in FY21 due to decrease in the interest expenses.

- **Improvement in the capital structure with comfortable debt protection metrics**



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The capital structure of PCPL remains moderate with significant improvement the in overall gearing to 1.55x as on March 31, 2022 from 2.76x as on March 31, 2021 with accretion of profit and infusion of Rs. 2.69 in FY22 in form of equity and securities premium of Rs. 20.16 crore. Total indebtedness of the company TOL/TNW improved to 1.87x as on March 31, 2022 from 3.43x in FY21 with accretion of profit to networth with simultaneous decrease in loan amount. Further overall gearing is expected to improve in the projected years.

- **Efficient working capital management with improvement in operating cycle**

PCPL manages its working capital efficiently. It allows credit period of around 50-60 days to its customers and maintains inventory of around 6-17 days. The operating cycle of the company remained comfortable at 51 days in FY22 and improved from 68 days in FY21 led by the improvement in average collection period and average creditor days to 45 days and 11 days in FY22 from 61 and 17 respectively in FY22 due to regularisation of payment post Covid 19 restrictions.

### Key Rating Weaknesses

- **Thin profitability margin given trading nature of business**

The profitability margin of the company remains thin due to trading nature of the business where the profit margins are susceptible to raw material prices and highly competitive nature of industry. However, EBDITA margin improved to 2.45% in FY22 from 1.98% in FY21 PAT margin also improved to 1.48% in FY22 from 0.68% in FY21.

- **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 cyclicity 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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[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 FY22-24. The company earned a Gross Cash Accruals (GCA) of Rs. 20.59 crore in FY22 as against its repayment obligation of Rs. 2.65 crore. However, its working capital limits remained at 83% during the past twelve months ended April 2022 indicating moderated liquidity buffer.

### **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.

### **Financials (Standalone):**

For the year ended* / As on	(Rs. crore)	
	31.03.2021	31.03.2022
	Audited	Provisional
Total Income	857.13	1377.68
EBIDTA	16.99	33.81
PAT	5.81	20.47
Total Debt	148.26	150.59
Tangible Net Worth	53.75	97.06
Adjusted Tangible Net Worth	109.17	129.51
EBDITA Margin (%)	1.98	2.45
PAT Margin (%)	0.68	1.48
Overall Gearing Ratio (x)	2.76	1.55

*\*Classification as per Infomerics' standards*



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**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	WCTL-GECL 2	Long Term	12.33	IVR BBB/Stable	IVR BBB-/Stable	-	-
2.	Cash Credit	Long Term	85.00	IVR BBB/Stable	IVR BBB-/Stable	-	-
3.	WCDL	Long Term	3.00	IVR BBB/Stable	IVR BBB-/Stable	-	-
4.	Proposed-Cash Credit	Long Term	8.67	IVR BBB/Stable	-	-	
5.	PSR	Short Term	1.00	IVR A3+	IVR A3	-	-
6.	Unallocated	Long Term/Short Term	-	-	IVR BBB-/Stable / IVR A3		

### **Name and Contact Details of the Rating Analyst:**

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### **About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://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
WCTL- GECL 2	-	-	January 2026	12.33	IVR BBB/ Stable
Cash Credit	-	-	-	85.00	IVR BBB/ Stable
WCDL	-	-	-	3.00	IVR BBB/ Stable
Proposed – Cash Credit	-	-	-	8.67	IVR BBB/ Stable
PSR	-	-	-	-	-

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

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Pratishtha-aug22.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](http://www.infomerics.com).