Pratishtha Commercial Private Limited

November 25, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	132.50 (enhanced from 115.50 and includes proposed limit of 0.25)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Short-Term Bank Facilities	28.50	IVR A3+ (IVR A three plus)	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
Total	**161.00 (INR One hundred and sixty-one crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Pratishtha Commercial Private Limited (PCPL) continues to derive comfort from its experienced promoters with established track record in business, moderately diversified product portfolio, reputed client base which reduces counterparty risk to a large extent and moderate financial risk profile. These rating strengths continues to be partially offset by its exposure to 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 and working capital intensive nature of operations.

The long-term rating outlook is Stable on the back of satisfactory demand outlook of the respective industry coupled with increase in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in profit margins.
- Improvement in capital structure coupled with improvement in debt protection metrics.

Downward Factors

- Substantial deterioration in revenue and profitability of the company.
- Deterioration in the capital structure and/or moderation in debt protection metrics.

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. Manoj Kumar Poddar and Mr. Jay Prakash Poddar. All the directors are having about three decades of experience in the related industry which helps in making established relationship with the customers resulting in repeat orders. The company has started its operation during 1997, thus enjoying about two decades of satisfactory operational track records.
- **Moderately diversified product portfolio**
  PCPL is engaged in trading of various agro commodities, primarily that is used as animal feeds which is procured domestically through commission agents and brokers spread across India. Soya de oiled cake is the major product which contributed around ~52% (PY: ~57%) to the total revenue in FY24 (refers to period April 1st, 2023, to March 31st, 2024). The 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 Private Limited, Uttara Foods and Feeds Private 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 credit risk.
- **Moderate financial risk profile**
  The financial risk profile of PCPL continues to remain moderate marked by its moderate leverage ratios and moderate debt protection metrics with minimal debt repayment obligations in the near term. Though slightly deteriorated, debt-equity ratio of the company stood comfortable at 0.32 times and overall gearing remained moderate at 1.48 times as on March 31, 2024 (0.28 times and 1.29 times respectively as on March 31,2023). Overall gearing ratio has deteriorated on account of increase in total debt with availment of unsecured loan from related parties and higher utilisation of bank borrowing to fund the escalated scale of operation. Interest coverage ratio, though deteriorated due to decline in operating profit coupled with increase in capital charges due to higher debt as mentioned

above, was satisfactory at 1.98x in FY24. Further, Total indebtedness of the company, marked by TOL/TNW, continued to remain adequate and was at 1.80 times as on March 31, 2024. Infomerics expects that the financial risk profile of PCPL will continues to improve in the near term.

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. 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 slight decline to 2.19% in FY24 from 2.69% in FY23 (refers to period April 1st, 2022, to March 31st, 2023).

- **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 agro climatic 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.

- **Working capital intensive nature of operations**

  Being a trading concern, operation of the PCPL is working capital intensive. To retain the sales in the competitive market, the company has to extend credit period to regular customers, where average collection period of the company remain range bound and hovering around 57 days in FY24. Since most of purchases are made in advance and being trading nature of business where inventory period also short, operating cycle also was around 60 days in FY24 and FY23. The average utilisation of its fund-based limit remained high at ~91% during last twelve months ended in August, 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies]
[Financial Ratios & Interpretation (Non-Financial Sector).]
[Criteria for assigning Rating outlook.]
[Policy on Default Recognition]
[Complexity Level of Rated Instruments/Facilities]
[Consolidation of Companies]

Liquidity – Adequate

PCPL has earned gross cash accrual of Rs. 13.63 crore in FY24. Further, the company is expected to earn gross cash accruals in the range of ~Rs.18-22 crore as against around ~Rs.3 crore per year debt repayment obligation as projected during FY25-26. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Moreover, the current ratio was adequate at 1.71x as on March 31, 2024. However, the average fund-based utilisation for the past twelve months ended August, 2024, remained high at ~91% indicating a low headroom. However, absence of any debt funded capex provides further comfort to the 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.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1226.81	1383.64
EBITDA	33.04	30.36
PAT	14.44	13.09

Total Debt	144.82	185.06
Tangible Net Worth	112.16	125.27
EBITDA Margin (%)	2.69	2.19
PAT Margin (%)	1.18	0.94
Overall Gearing Ratio (x)	1.29	1.48
Interest Coverage (x)	2.92	1.98

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	**Name of Security/ Facilities**	**Current Ratings (Year 2024-25)**			**Rating History for the past 3 years**				
		Type (Long Term/Short Term)	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**		**Date(s) & Rating(s) assigned in 2022-23**		**Date(s) & Rating(s) assigned in 2021-22**
					(Nov. 21, 2023)	(Sep. 22, 2023)	(Aug. 05, 2022)	(Apr. 06, 2022)	
1.	GECL	Long-Term	4.65	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB/ Stable	IVR BBB-/ Stable	-
2.	Cash Credit	Long-Term	124.60	IVR BBB/ Stable	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 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 BBB/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB/ Stable	-	-
5.	Export Packing Credit	Short-Term	19.50	IVR A3+	IVR A3+	-	-	-	-
6.	Purchase Bill	Short-Term	7.50	IVR A3+	IVR A3+	-	-	-	-

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
					(Nov. 21, 2023)	(Sep. 22, 2023)	(Aug. 05, 2022)	(Apr. 06, 2022)	
	Discounting								
7.	PSR	Short-Term	1.00	IVR A3+	IVR A3+	IVR A4+ ISSUER NOT COOPERATING*	IVR A3+	IVR A3	-
8.	CEL	Short-Term	0.50	IVR A3+	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).

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	January 2026	4.65	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	84.60	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	40.00	IVR BBB/ Stable
WCDL	-	-	-	-	3.00	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	-	0.25	IVR BBB/ Stable
Export Packing Credit	-	-	-	-	19.50	IVR A3+
Purchase Bill Discounting	-	-	-	-	7.50	IVR A3+
PSR	-	-	-	-	1.00	IVR A3+
CEL	-	-	-	-	0.50	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-pratishtha-nov24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.