

Alaknanda Printers Private Limited: Downgraded

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	6.00	SMERA B/Stable (Downgraded from SMERA BB-/ Stable)

SMERA has downgraded the long term rating on the Rs.6.00 crore bank facility of Alaknanda Printers Private Limited (APPL) to '**SMERA B**' (read as **SMERA B**) from 'SMERA BB-' (read as SMERA double B minus). The outlook is '**Stable**'.

The rating downgrade reflects significant deterioration in its financial risk profile due to decline in profitability and coverage indicators. The rating is further constrained by the small scale of operations, working capital intensive operations and intense market competition. However, the rating is supported by the company's long track record of operations and experienced management.

Update

APPL has booked operating income of Rs.14.93 crore in FY2014-15 as against Rs.12.98 crore in FY2013-14. The company has incurred net loss of Rs.0.64 crore in FY2014-15 and Rs.1.45 crore in FY2013-14 on account of high interest burden. As per provisional data for FY2015-16, the company booked operating income of Rs.14.04 crore and net loss of Rs.1.38 crore. The losses have deteriorated the financial risk profile of the company resulting in negative net worth of Rs.(0.02) crore as on March 31, 2015 and low interest coverage ratio of 0.85 times for FY2014-15.

APPL's operations are working capital intensive as reflected in its gross current asset days of 398 days for FY2014-15. Further the company faces stiff competition from unorganised players in the market.

However, APPL benefits from its experienced management. Mr. Venkatesh Madhav Pai and Mrs. Geetha Ganapathi Pai, Directors have around three decades of experience in the printing and publication industry.

Rating Sensitivity Factors

- Increasing scale of operations
- Efficient working capital management
- Improvement in the capital structure

Outlook-Stable

SMERA believes APPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' if the company registers healthy revenues and net cash accruals while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

APPL, incorporated in 1978, is a part of the Bharath Beedi Group and is engaged in the manufacture of notebooks and text books. The company has manufacturing units comprising 20,000 sq ft area in Karkala and Mangalore.

For FY2014–15 (refers to financial year, April 01 to March 31), APPL registered net loss of Rs.0.64 crore on operating income of Rs.14.93 crore as compared with net loss of Rs.1.45 crore on operating income of Rs.12.98 crore in FY2013-14.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
24 June, 2015	Cash Credit	6.00	SMERA BB-	-	Stable

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