

Press Release

ALPHA PRINT MANAGEMENT SOLUTIONS

October 29, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) from **ACUITE B/Stable** on the Rs. 10.00 crore bank facilities of ALPHA PRINT MANAGEMENT SOLUTIONS (APMS). The outlook is '**Stable**'.

The rating upgrade reflects sustenance of the revenue growth in line with the estimates and experience of the promoters. Alpha reported revenues of Rs.37.96 crore for FY2019 (provisional) against Rs.36.16 crore in FY2018. Further, the ratings continue to reflect the experienced management and steady improvement in operating profitability. However, it is constrained by weak financial risk profile and working capital intensive operations.

APMS was established in 2015 as a partnership firm by Mr. Majid Yusuf Patanwala, Mrs. Hawa Majid Patanwala and Mrs. Nailah Majid Patanwala. The firm is a dealer of Hewlett-Packard (HP) for printer ink cartridges and directly caters to wholesale and retail traders. The registered office is located at Bangalore (Karnataka).

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of APMS to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Established in 2015, the firm has been in the cartridges handling business. The promoters have over two decades of experience and association with its parent firm, namely Alpha Consumables, which is also engaged in dealership of HP Printer ink cartridges. The experience of the promoters in the industry has helped the firm to foster healthy relations with customers and dealers like Ingram Micro India Private Limited, Redington India Ltd. and Savex Technology Private Limited among others, Acuite believes that APMS shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

Weaknesses

- **Working capital intensive operations**

APMS's operations are working capital intensive, as marked by moderate gross current assets (GCA) of 141 days in FY2019 (provisional) and 143 days in FY2018; high GCA is owing to high receivable days of about 90 days in FY2019 and 2018. This caused the bank lines to be highly utilized at about 95 per cent over six months through August 31, 2019. Acuite believes that efficient working capital management will be critical for the firm in maintaining a stable credit profile.

- **Weak financial risk profile**

APMS has weak financial risk profile, characterised by leveraged Capital Structure and moderate coverage indicators. Its capital structure is marked by high Gearing and TOL/TNW stood high at 6.56 times and 11.11 times as of March 31, 2019 (provisional) against 9.42 times and 15.58 times in FY2018, respectively; owing to high reliance on external debt and low net worth of Rs.1.22 crore as on March 31, 2019. The debt-coverage indicators also moderate, as reflected by interest coverage

ratio of 1.36 times and net cash accrual to total debt of 0.04 times for FY2019 Vis-à-vis 1.90 times and 0.07 times for FY2018. Acuite believes that with moderate accruals, the financial risk profile will continue to be weak over the medium term.

Liquidity Position: Stretched

APMS has stretched liquidity, marked by its generated cash accruals of Rs.0.30 crore to Rs. 0.50 crore during the last three years through 2018-19, while its current maturing debt obligations were minuscule during the same period. The cash accruals are estimated to remain around Rs.0.50-0.65 crore during 2020-22, while its repayment obligations are estimated to be minuscule over the same period. Working capital operations of the firm were intensive marked by gross current assets (GCA) of 141 days in FY2019 (provisional) and 143 days in FY2018; high GCA is owing to high receivable days of about 90 days in FY2019. The cash credit limit remained utilized at ~95 per cent during the last six months period ended August 2019. The current ratio stood at 1.09 times as on March 31, 2019 (Provisional).

Rating Sensitivities

- Scaling up of operations, while improving profitability margins while maintains its current financial risk profile would be a positive factor.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Material Covenants

None

Outlook: Stable

Acuite believes that the outlook on APMS will remain stable over the medium term on account of the experience of the promoters and established relationship suppliers and customers. The outlook may be revised to Positive if the firm is able to scale up its operations while maintaining the profitability and improving its working capital management. The outlook may be revised to negative in case of stretch in its working capital management or sharp volatility in its operating margins leading to pressure on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	37.96	36.16	24.88
EBITDA	Rs. Cr.	1.63	1.15	0.77
PAT	Rs. Cr.	0.30	0.53	0.37
EBITDA Margin	(%)	4.30	3.19	3.10
PAT Margin	(%)	0.78	1.48	1.49
ROCE	(%)	18.02	15.08	24.37
Total Debt/Tangible Net Worth	Times	6.56	9.42	11.48
PBDIT/Interest	Times	1.36	1.90	1.93
Total Debt/PBDIT	Times	4.89	6.96	7.53
Gross Current Assets (Days)	Days	141	143	173

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jan-2019	Cash Credit	Long Term	10.00	ACUITE B Issuer not co-operating
08-Dec-2017	Cash Credit	Long Term	10.00	ACUITE B / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-4929 4041 aditya.gupta@acuite.in Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavanisankar.oruganti@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.