

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

Acuité 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

Acuité 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, Acuité 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. Acuité 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. Acuité 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

Acuité 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>

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited)

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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) |

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About Acuité Ratings & Research:

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