

Press Release

Alpha Print Management Solution

December 23, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.11.00 Cr. (Enhanced from Rs.10.00 Cr.)
Long Term Rating	ACUITE B+/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.11.00 crore bank facilities of Alpha Print Management Solution (APMS). The outlook is '**Stable**'.

Bangalore based, Alpha Print Management Solution (APMS) was established in 2015 by Mr. Majid Yusuf Patanwala, Mrs. Hawa Majid Patanwala and Mrs. Nailah Majid Patanwala. The firm is a distributor for Hewlett-Packard (HP) printer ink cartridges and directly caters to wholesale and retail traders. APMS procures mainly from Ingram Micro India Pvt. Ltd., Redington India Ltd, and Savex Technology Pvt. Ltd.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of APMS to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

APMS was established in 2015. The promoters have over two decades of experience and association with its parent firm, namely Alpha Consumables. 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

- **Weak financial risk profile**

The firm has weak financial risk profile marked by low net worth, high gearing and average debt protection metrics. The net worth stood at Rs.2.45 crore (Provisional) as on 31 March, 2020 as against Rs.0.30 crore on 31 March, 2019 due to plough back of accumulated profits.

The firm has followed an aggressive financial policy in the past; the same is reflected through its gearing levels of 32.50 times as on March 31, 2019. The gearing reduced significantly to 3.42 times (Provisional) as on March 31, 2020 on account of increase in partners' capital. Total outside liabilities to tangible net worth (TOL/TNW) stood at 4.33 times (Provisional) as on 31 March 2020 as against 52.37 times as on 31 March 2019.

The firm generated cash accruals of Rs.0.36 crore (Provisional) in FY2020 as against Rs.0.20 crore in FY2019. The NCA/TD and interest coverage ratio for FY2020 were moderate at 0.04 times (Provisional) and 1.64 times (Provisional), respectively.

Acuité believes that the financial risk profile of the firm is likely to remain weak over the medium term, on account of high gearing and average debt protection metrics.

- **Intensive working capital management**

The firm's working capital management is intensive marked by its gross current asset (GCA) of around 131 days (Provisional) in FY2020 as against 146 days in FY2019. The firm has maintained an inventory holding period of 38 days (Provisional) as on 31 March, 2020 as against 64 days as on 31 March, 2019. The debtor days remained around 61 (Provisional) in FY2020 as against 48 days in

FY2019.

Acuité expects the working capital management of the firm to remain intensive over the medium term on account of its stretched debtor collection period.

Liquidity Position: Adequate

APMS has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.36 crore (Provisional) for FY2020, with no major debt repayment obligations for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.0.34-Rs.0.38 crore during FY2021-23 against no significant debt repayment obligations in the same period. The firm's working capital operations are intensive, marked by GCA of 131 days (Provisional) for FY2020. The average bank limit utilization over the past eight months ended November 2020 remained at around ~84.09 percent. The current ratio stood at 1.23 times (Provisional) as on 31 March, 2020.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Rating Sensitivities

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Outlook: Stable

Acuité believes that APMS will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in scale of operations or elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	36.32	39.96
PAT	Rs. Cr.	0.35	0.19
PAT Margin	(%)	0.97	0.48
Total Debt/Tangible Net Worth	Times	3.42	32.50
PBDIT/Interest	Times	1.64	1.30

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Oct-2019	Cash Credit	Long Term	10.00	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
24-Jan-2019	Cash Credit	Long Term	10.00	ACUITE B (Indicative)
08-Dec-2017	Cash Credit	Long Term	10.00	ACUITE B/Stable (Assigned)

*The issuer did not co-operate; based on best available information

*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	11.00 (Enhanced from Rs.10.00 Cr.)	ACUITE B+/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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