

Press Release

Five Star Offset Printers

September 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 5.00 crore bank facilities of Five Star Offset Printers (FSOP). The outlook is '**Stable**'.

The Kerala based, FSOP is a partnership firm established in 1991. The firm is promoted by Mr. K.C. Parameswaran, Mr. K.P. Sabu and Mr. K.P. Saju. The firm is engaged in commercial printing and packaging facilities. The manufacturing facility is located in Kochin (Kerala) with an installed capacity of 500 tons per month with an average utilisation of 50-60 percent.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Five Star Offset Printers to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

FSOP was established in 1991, thus, having an operational track record of around three decades in the printing and packaging industry. The promoters have an experience of around three decades in the aforementioned industry. Hence, long track records of operations and vast experience of management has helped the firm to develop healthy relationship with its customers and suppliers. Acuité believes FSOP will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Modest scale of operations with improving profitability**

The firm has reported operating income of Rs.15.45 crore for FY2018 (Provisional) as against Rs.13.92 crore in FY2017 and Rs.13.48 crore in FY2016. Further, the operating margins improved to 21.28 percent in FY2018 (Provisional) as against 19.93 percent in FY2017 and 18.18 percent in FY2016. Profit after Tax (PAT) margin stood at 3.79 percent in FY2018 (Provisional) as against 2.46 percent in FY2017.

- **Average financial risk profile**

The financial risk profile of FSOP remained average marked by net worth of Rs.5.72 crore as on 31 March, 2018 (Provisional) as against Rs.5.93 crore as on 31 March, 2017. The gearing stood at 1.25 times as on 31 March, 2018 (Provisional) as against 1.33 times as on 31 March, 2017. The total debt of Rs.7.16 crore as on 31 March, 2018 (Provisional) mainly comprises of Rs.6.35 crore of long term debt and Rs.0.81 crore of working capital facility. Interest Coverage Ratio (ICR) stood at 3.93 times for FY2018 (Provisional) as against 3.86 times for FY2017. The NCA/TD (Net cash accruals to total debt) ratio remained at 0.30 times in FY2018 (Provisional) and 0.26 times in FY2017. Further, Debt to EBITDA stood at 2.17 times in FY2018 (Provisional) as against 2.66 times in FY2017.

- **Efficiently managed working capital operations**

FSOP has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 84 days in FY2018 (Provisional) as against 85 days in FY2017. This is mainly because of debtors of 49 days in FY2018 (Provisional) as against 47 days in FY2017. The inventory of the firm stood at 3 days in FY2018 (Provisional) as against 2 days in FY2017. Further, the firm has net cash accruals of Rs.2.18 crore as against Rs.1.21 crore of debt obligations in FY2018 (Provisional). Acuité believes that the firm's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

- **Fragmented and competitive industry**

FSOP operates in a highly competitive environment with many large players as well as numerous small unorganised players.

- **High capex requirement**

Due to the highly competitive nature of the industry and constant technological updates, the firm faces high capital expenditure requirements.

- **Vulnerability of profitability to volatility in raw material prices**

The paper industry as a whole remains vulnerable to various factors such as fluctuations in the prices of paper and cellulose. Any significant changes in such factors will have direct impact on the business operations and profitability of the firm.

- **Partnership constitution**

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Outlook: Stable

Acuité believes that FSOP will maintain 'Stable' outlook over the medium term on the back of experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.45	13.92	13.48
EBITDA	Rs. Cr.	3.29	2.77	2.45
PAT	Rs. Cr.	0.59	0.34	0.45
EBITDA Margin	(%)	21.28	19.93	18.18
PAT Margin	(%)	3.79	2.46	3.33
ROCE	(%)	12.76	10.77	14.25
Total Debt/Tangible Net Worth	Times	1.25	1.33	0.58
PBDIT/Interest	Times	3.93	3.86	4.31
Total Debt/PBDIT	Times	2.17	2.66	1.43
Gross Current Assets (Days)	Days	84	85	72

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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