

Press Release

Five Star Offset Printers

December 24, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr. (Enhanced from Rs. 5.00 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 5.61 crore bank facilities of Five Star Offset Printers (FSOP). The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 4.39 crore bank facilities of 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

Acuite 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 record of operations and vast experience of management has helped the firm to develop healthy relationships with its customers and suppliers. Acuite believes that FSOP will sustain its existing business profile on the back of established track record of operations and experienced management.

• Modest scale of operations and profitability

The firm has reported operating income of Rs.15.46 crore in FY2018 as against Rs.13.92 crore in FY2017. Further, the operating (EBITDA) margins stood at 17.56 percent in FY2018 as against 19.93 percent in FY2017. Profit after Tax (PAT) margin stood at 1.62 percent in FY2018 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. 6.47 crore as on 31 March 2018 as against Rs. 5.93 crore as on 31 March 2017. The gearing stood at 1.27 times as on 31 March 2018 as against 1.33 times as on 31 March 2017. The total debt of Rs. 8.19 crore as on 31 March 2018 mainly comprises Rs. 7.38 crore of long term debt and Rs.0.81 of working capital facility. Interest Coverage Ratio (ICR) stood at 3.53 times for FY2018 as against 3.86 times for FY2017. The NCA/TD (Net Cash Accruals to Total Debt) ratio remained at 0.23 times in FY2018 and 0.26 times in FY2017. Further, Debt to EBITDA stood at 2.92 times in FY2018 as against 2.66 times in FY2017.

• Moderate working capital operations

FSOP has moderate working capital operations marked by Gross Current Assets (GCA) of 103 days in FY2018 as against 85 days in FY2017. The debtor days stood at 49 days in FY2018 as against 47 days in FY2017. The inventory of the firm stood at 12 days in FY2018 as against 2 days in FY2017. Further, the firm has net cash accruals of Rs.1.88 crore as against Rs.1.21 crore of debt obligations in FY2018. Acuite 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

Acuite believes that FSOP will maintain 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. 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 firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.46	13.92	13.48
EBITDA	Rs. Cr.	2.71	2.77	2.45
PAT	Rs. Cr.	0.25	0.34	0.45
EBITDA Margin	(%)	17.56	19.93	18.18
PAT Margin	(%)	1.62	2.46	3.33
ROCE	(%)	8.26	10.77	14.25
Total Debt/Tangible Net Worth	Times	1.27	1.33	0.58
PBDIT/Interest	Times	3.53	3.86	4.31
Total Debt/PBDIT	Times	2.92	2.66	1.43
Gross Current Assets (Days)	Days	103	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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Sep-2018	Term Loan	Long Term	5.00	ACUITE BB- / 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
Term loans	Not Applicable	Not Applicable	Not Applicable	5.61	ACUITE BB- / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	4.39	ACUITE BB- / Stable (Assigned)

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About Acuite Ratings & Research:

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