

Press Release

Printography Systems India Private Limited

January 28, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.13.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs.13.00 crore bank facilities of Printography Systems India Private Limited (PSPL). The outlook is '**Stable**'.

The Mumbai-based, PSPL was established in 1977 as a proprietorship concern by Mr. Jayantilal Shah and later, the constitution was changed to a private limited in 2005. PSPL is engaged in security printing, PVC card manufacturing and commercial printing. PSPL has the capacity to manufacture 2.50 lakh cards per day with a thickness of an average card being 800 microns.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established presence in the printing industry**

PSPL was established as a proprietorship concern in 1977 and later in 2005 was constituted as a private limited company by Mr. Jayantilal Shah. Mr. Jayantilal has more than four decades of experience in the printing industry. He is equally supported by Mr. Girish Shah who has experience of more than three decades in the aforementioned industry. The extensive experience of management has enabled PSPL to forge healthy relationships with customers and suppliers over the years.

PSPL offers a diverse product portfolio consisting of commercial paper printing, security printing, PVC cards manufacturing, and variable data printing to name a few. PSPL is catering to reputed clients which are majorly government bodies such as National Securities Depository Limited (NSDL), Reserve Bank of India (RBI), State Bank of India (SBI) and National Pension Scheme (NPS), among others. PSPL is also catering to the Election Commission of India for states including Tamil Nadu, Assam and Gujarat to name a few.

Acuité believes that PSPL will continue to benefit from its established presence in the industry over the medium term.

- **Healthy financial risk profile**

The financial risk profile of PSPL is healthy marked by tangible net worth of Rs.18.25 crore as on 31 March, 2018 as against Rs. 14.49 crore as on 31 March, 2017. The net worth includes unsecured loan to the tune of Rs.0.90 crore considered as quasi-equity. The gearing stood healthy at 0.76 times as on 31 March, 2018 as against 0.73 times as on 31 March, 2017. The total debt of Rs.13.90 crore outstanding as on 31 March, 2018 consists of Rs.1.67 crore term loan from bank, Rs.4.50 crore unsecured loans from promoters and Rs.7.72 crore as working capital borrowing from the bank. Interest Coverage Ratio improved to 6.04 times in FY2018 as against 4.31 times in FY2017.

Acuité believes that PSPL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

- **Moderate working capital management**

PSPL has moderate working capital operations as evident from Gross Current Assets (GCA) of 119 days as on March 31, 2018 as against 144 days as on March 31, 2017. The inventory days ranged from 33 to 57 days and debtors ranged from 67-111 days during FY2016 to FY2018. PSPL offers a credit period of 30 days to its customers. Moderate working capital management reflects in low working capital finance requirements which are evident from its bank limits utilisation which stood at ~50 percent for the last six months up to December 2018.

Weaknesses

- **Modest scale of operations marked by customer concentration risk**

PSPL has reported operating income of Rs.59.02 crore for FY 2018 as compared to Rs.31.75 crore in FY2017, in spite of being in operation for more than four decades. Further, PSPL is exposed to customer concentration risk as ~55-60 percent of its total sales in FY2018 has been derived from a single customer i.e. NSDL.

Acuité believes that PSPL's ability to scale up its revenue while maintaining profitability margins and diversifying its customer base in the near to medium term will be key rating sensitivity.

- **Susceptibility to volatility in raw material prices, exchange rate fluctuation and adverse impact of regulatory changes**

Raw material costs comprise ~59 percent of the total costs. The major raw material for PSPL is paper and PVC, prices of which are volatile in nature. Thus, PSPL's margins and operating income are susceptible to volatility in the raw material prices. PSPL is importing all of its PVC requirements; hence, it is exposed to risk of exchange rate fluctuation. The regulatory changes regarding import policy or use of plastic products may further impact PSPL's margins.

Liquidity position

PSPL has adequate liquidity marked by healthy net cash accruals and no long term debt obligations as on 31 December 2018. PSPL generated cash accruals of Rs. 2.62 to Rs.6.39 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.13- Rs. 1.67 crore over the same period. The cash accruals of PSPL are estimated to remain around Rs.6.72 – Rs.8.10 crore during 2019-21, while the repayment obligations are estimated to be Nil. PSPL maintained unencumbered cash and bank balances of Rs.1.52 crore as on March 31, 2018. The current ratio of PSPL stood moderate at 1.45 times as on March 31, 2018. Acuité believes that the liquidity of PSPL is likely to remain adequate over the medium term on account of healthy cash accruals and no long term obligations in the medium term.

Outlook: Stable

Acuité believes that PSPL will maintain a 'Stable' outlook over the medium term on account of its experienced management and established relationships in the industry. The outlook may be revised to 'Positive' in case of sustained growth in operating income while sustaining the profitability margins and the outlook may be revised to 'Negative' in case of decline in profitability metrics and/or deterioration in working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	59.02	31.75	26.35
EBITDA	Rs. Cr.	8.28	4.26	3.38
PAT	Rs. Cr.	3.58	0.92	0.38
EBITDA Margin	(%)	14.04	13.42	12.82
PAT Margin	(%)	6.06	2.89	1.46
ROCE	(%)	20.15	8.90	7.32
Total Debt/Tangible Net Worth	Times	0.76	0.73	1.11
PBDIT/Interest	Times	6.04	4.31	3.37
Total Debt/PBDIT	Times	1.56	2.06	3.61
Gross Current Assets (Days)	Days	119	144	193

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

Not Applicable

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
Cash Credit^	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+

[^]Includes sublimit of ODBD of Rs.4.00 crore.

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About Acuité Ratings & Research:

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