

Press Release

Printography Systems India Private Limited

August 29, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) from **ACUITE A3+** on the Rs. 13.00 crore bank facilities of PRINTOGRAPHY SYSTEMS INDIA PRIVATE LIMITED (PSPL). The outlook is revised to '**Negative**' from '**Stable**'.

The revision on outlook is on account of substantial decline in operating measures of PSPL marked by operating income of Rs. 45.69 crore for FY2019 (Provisional) and Rs. 59.02 crore for FY2018. Of total revenues, ~87 per cent has been derived from single customer, NSDL. The company has achieved higher revenues in FY2018 due to higher NSDL orders, which were linked with the Jan-dhan scheme. However, the operating margins of the company has significantly deteriorated in FY2019 and stood at 6.64 per cent as against 14.04 per cent in FY2018. The decline in operating margins is majorly on account of low margin orders other than NSDL. The decline in margins has led to deterioration in financial risk profile of the company. Any further deterioration in financial risk profile or decline in operating margin or decline in operating income of the company will impart a negative implication towards the rating.

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 industry

PSPL was established as a proprietorship concern in 1977 and later converted into a private limited company in 2005. PSPL was promoted by Mr. Jayantilal Shah. Mr. Jayantilal has more than four decades of experience in the printing industry. He is equally supported by his brother Mr. Girish Shah, who has an experience of more than three decades in the printing business. Mr. Raj Shah had joined the company five years ago. The extensive experience of the management has enabled PSPL to forge healthy relationships with the 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.

- **Moderate financial risk profile**

PSPL's financial risk profile is moderate, marked by a moderate network, low gearing and above average debt protection metrics. PSPL's network is moderate estimated at around Rs. 18.41 crores as on March 31, 2019 (Provisional). PSPL has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible network (TOL/TNW) levels at 1.11 times and 1.39 times, respectively, as on March 31, 2017. The gearing levels continue to remain low at around 0.66 times as on March 31, 2019 (Provisional). PSPL's moderate cash accruals to the tune of about Rs.2.89 crores have supported in minimising the reliance on external debt, leading to low gearing and debt levels of Rs. 12.12 crores as on March 31, 2019 (Provisional). The Interest Coverage Ratio (ICR) stood healthy at 4.39 times in FY2019 (Provisional) and 6.04 times in FY2018.

Acuite believes that the financial risk profile of PSPL is expected to be moderate in the medium term on account of absence of any major debt funded capex plan.

Weaknesses

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

PSPL has reported operating income of Rs. 45.69 crore in FY2019 (Provisional) as against Rs.59.02 crore in FY2018 and 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 majority of sales is from single customer i.e. NSDL. Acuite believes that the company's ability to scale up its revenue, while maintaining profitability margins in the near to medium term, will be key rating sensitivity.

- **Susceptibility to volatility in raw material prices and adverse impact of regulatory changes**

The raw material costs comprise of ~61 per cent of its turnover. 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. Further, 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 to maturing debt obligations. PSPL generated cash accruals of Rs. 2.89 crore to 6.39 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.68 crore to Rs. 1.67 crore for the same period. The cash accruals of PSPL are estimated to remain around Rs. 3.6 crore to Rs. 4.9 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 0.25 crore per annum that are comfortable to service its repayment obligations, while supporting about 100 per cent of the routine capex and incremental working capital requirements. PSPL's operations are moderately working capital intensive, but the company has kept moderate reliance on working capital borrowings. The cash credit limit in PSPL was utilised at 65 per cent during the last 6 months period ended July 2019. PSPL maintained unencumbered cash and bank balances of Rs. 2.78 crore as on March 31, 2019 (Provisional). The current ratio of PSPL stands healthy at 1.54 times as on March 31, 2019 (Provisional). PSPL is not likely to incur any major capex to be funded by external borrowing. Acuite believes that the liquidity of PSPL is likely to remain adequate over the medium term on account of no major repayments over the medium term.

Outlook: Negative

Acuite believes that PSPL's business risk profile is likely to remain under pressure on account of deterioration in operating measures particularly its profitability. The rating may be 'downgraded' in case of further decline in operating margins and/or revenues of the company. The outlook may be revised to 'Stable' if the company is able to significantly ramp up its scale of operations and showcase improvement in its cash accruals.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	45.69	59.02	31.75
EBITDA	Rs. Cr.	3.03	8.28	4.26
PAT	Rs. Cr.	0.12	3.58	0.92
EBITDA Margin	(%)	6.64	14.04	13.42
PAT Margin	(%)	0.26	6.06	2.89
ROCE	(%)	3.09	20.15	8.90
Total Debt/Tangible Net Worth	Times	0.66	0.76	0.73
PBDIT/Interest	Times	4.39	6.04	4.31
Total Debt/PBDIT	Times	3.19	1.56	2.06
Gross Current Assets (Days)	Days	152	119	144

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
28-Jan-2019	Cash Credit	Long Term	INR 6	ACUITE BBB / Stable (Assigned)
	Secured Overdraft	Long Term	INR 5	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 1.5	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	INR 0.5	ACUITE A3+ (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	6.00*	ACUITE BBB / Negative (Reaffirmed and outlook revised)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Negative (Reaffirmed and outlook revised)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+ (Reaffirmed)

*Includes sublimit of ODBD of Rs.4.00 crore.

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About Acuite Ratings & Research:

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