

## Press Release

### Printography Systems India Private Limited

October 29, 2019

### Rating Reaffirmed and Outlook Revised



<b>Total Bank Facilities Rated*</b>	Rs. 13.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Stable
<b>Short Term Rating</b>	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**) on the Rs. 13.00 crore bank facilities of PRINTOGRAPHY SYSTEMS INDIA PRIVATE LIMITED (PSPL). The outlook has been revised to '**Stable**' from '**Negative**'.

The change in outlook in the previous press release dated August 29, 2019 was based on provisional FY2019 figures provided by the management, subsequently Acuité has received the audited figures for FY2019 with a significant change in profitability of the company leading to improvement in debt protection metrics.

Acuité has revised the outlook to 'Stable' on account of improvement in operating measures of PSPL marked by improvement in operating margins of the company that stood at 9.95 percent in FY2019 as compared to 6.64 percent in FY2019 (Provisional). The improvement in operating margins are on account of reduction in other manufacturing expenses and administrative costs. PSPL's operating income has been in line with the provisional FY2019. The operating revenues stood at Rs. 46.16 crore in FY2019 as compared to Rs. 45.69 crore in FY2019 (Provisional). Subsequently the debt protection metrics also reflect improvement in FY2019 as compared to FY2019 (Provisional). Acuité also considers the customer concentration with ~87 per cent from a single reputed government entity. The company has achieved higher revenues in FY2018 on account of one-time increase in orders from a reputed government entity, which were linked to the Jan-dhan Scheme.

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 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 experience of more than three decades in the printing business. Mr. Raj Shah has also joined the company five years back. 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 various Indian states.

Acuite 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 stands moderate at around Rs.19.78 crores as on March 31, 2019. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing of 0.77 times as on 31 March 2018 and total outside liabilities to tangible network (TOL/TNW) levels of 1.15 times as on March 31, 2017. The gearing levels and TOL/TNW levels continue to remain low at around 0.61 times and 0.98 times respectively, as on March 31, 2019. The company incurred capex of ~Rs.10.78 crore over the last three years to expand its scale of operations, while its incremental working capital requirement over the same period has been around Rs.1.21 crore to support the increase in scale of operations. PSPL's moderate cash accruals to the tune of about ~Rs. 4.13 crores have supported in minimising the reliance on external debt lead to healthy debt levels of Rs. 12.09 crores as on March 31, 2019. PSPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs. 4.5 to 5.4 crores which are adequate to service its repayment obligations while supporting about 100 per cent of the routine capex and incremental working capital requirements. As a result, the gearing however is expected to moderate to around 0.49 times as on March 31, 2021 on back of absence of any major debt funded capex plan/healthy accretion to reserves.

Moderate profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY2019 were healthy at 0.34 times and 5.23 times, respectively.

## Weaknesses

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

PSPL has reported operating income of Rs. 46.16 crore in FY2019 as against Rs.59.02 crore for 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 which is a reputed government entity.

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**

Raw material costs comprise ~61 percent 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.

## Rating Sensitivity

- Significant growth in scalability coupled with improvement in profitability
- Diversification of the customer base
- Deterioration in working capital leading to higher reliance on external borrowings

## Material Covenants

None.

## Liquidity position

PSPL has adequate liquidity marked by healthy net cash accruals to maturing debt obligations. PSPL generated cash accruals of Rs. 3.56 to 6.39 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.19 to 1.67 crore for the same period. The cash accruals of PSPL are estimated to remain around Rs. 4 to 5.1 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 0.15 crore per annum. PSPL's operations are moderate, marked by Gross Current Asset of 138 days. Further, the cash credit limit in PSPL remains utilized at ~65 percent during the last six months period ended September 2019. PSPL maintains unencumbered cash and bank balances of Rs. 0.05 crore as on March 31,

2019. The current ratio of PSPL stands healthy at 1.30 times as on March 31, 2019. 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: Stable

Acuite 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 significant 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	46.16	59.02	31.75
EBITDA	Rs. Cr.	4.59	8.28	4.26
PAT	Rs. Cr.	1.37	3.58	0.92
EBITDA Margin	(%)	9.95	14.04	13.42
PAT Margin	(%)	2.97	6.06	2.89
ROCE	(%)	8.05	20.15	8.90
Total Debt/Tangible Net Worth	Times	0.61	0.76	0.73
PBDIT/Interest	Times	5.23	6.04	4.31
Total Debt/PBDIT	Times	2.21	1.56	2.06
Gross Current Assets (Days)	Days	138	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	6.0^	ACUITE BBB / Stable (Assigned)
	Secured Overdraft	Long Term	5.0	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	1.5	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	0.5	ACUITE A3+ (Assigned)
29-Aug-2019	Cash Credit	Long Term	6.0^	ACUITE BBB / Negative (Rating Reaffirmed, Outlook Revised)
	Secured Overdraft	Long Term	5.0	ACUITE BBB / Stable (Rating Reaffirmed, Outlook Revised)

	Bank Guarantee	Short Term	1.5	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	0.5	ACUITE A3+ (Reaffirmed)

^Includes sublimit of ODBD of Rs.4.00 crore.

**\*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 (Rating Reaffirmed; Outlook Revised)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Stable (Rating Reaffirmed; 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 Acuité Ratings & Research:**

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