

Press Release

Gopsons Printers Private Limited

March 06, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 15.00 crore bank facilities of Gopsons Printers Private Limited (GPPL). The outlook is '**Stable**'.

Incorporated in 2011, GPPL is promoted by Mr. Anil Kumar Goel, Mrs. Chanchal Goel, Mr. Gaurav Goel and Mr. Nitin Goel based at New Delhi. The company is engaged in printing of security documents including national ID documents, examination sheet(OMR), cheque books, lottery ticket, book printing, and thermal paper printing of POS and ATM roll. The company has two printing facilities located at Noida and Maharashtra with installed capacity of 12000 MT of paper (writing paper), 12000 of thermal paper and 1200 MT of aluminium foil. The company is approved by Indian Bank Association (IBA)/Reserve Bank of India (RBI) security printers for printing security documents for banks and other government institutions.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GPPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The company was incorporated in 2011 and the promoters have around three decades of prior experience in same line of business. GPPL has managed to maintain a portfolio of reputed clientele such as Government institutes, State Universities, Board & States Road Transport Corporation, among others.

Acuité believes that GPPL will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

• Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.23.94 crore as on 31 March, 2018 as against Rs.22.76 crore in the previous year. Net worth includes unsecured loan of Rs.9.67 crore from the promoters which is treated as quasi equity based on the undertaking provided by the management that the same will be maintained in the business over the long term. The gearing stood high at 1.22 times as on 31 March, 2018 as against 1.90 times in the previous year. The total debt of Rs.29.17 crore includes term loan from bank of Rs.17.26 crore and working capital borrowings of Rs.11.90 crore. Interest Coverage Ratio (ICR) stood at 1.87 times in FY2018 as against 1.52 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.29 times as on 31 March, 2018 as against 2.45 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.13 times in FY2018 compared to 0.06 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Weaknesses

• Improving revenue with fluctuating profitability margins

GPPL has improving revenue marked by operating income of Rs.65.97 crore in FY2018 as against Rs.55.33 crore in FY2017 and Rs.52.24 crore in FY2016. The company has booked revenue of Rs.68.26 crore for April to December, 2018. Further, the company's operating margins have shown a fluctuating trend of 12.71 percent in FY2018 as against 14.40 percent in FY2017 and 17.73 percent in FY2016. The company reported Profit after Tax (PAT) margin of 0.71 percent in FY2018 against 0.08 percent in FY2017 and 1.10 percent in FY2016.

Acuite believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Working capital intensive operations

The company's operations are working capital intensive marked by high Gross Current Asset (GCA) of 258 days in FY2018 as compared to 291 days in FY2017. The GCA days are mainly dominated by collection period of 175 days in FY2018 compared to 179 days in FY2017. The inventory holding stood at 52 days in FY2018 as against 74 days in FY2017. Further, working capital is supported by high creditor days of 121 in FY2018.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Liquidity

Liquidity of GPPL is weak marked by net cash accruals against repayment obligations. The company generated cash accruals of Rs.2.57-4.49 crore for FY2016-18, while its maturing debt obligations were Rs.2.57-7.11 crore over the same period. The cash accruals of the company are estimated to remain around Rs.3.00-5.00 crore during 2019-21. The company operates in a working capital intensive nature of operations marked by gross current asset (GCA) days of 258 in FY2018. Further, the cash credit limit of the company is utilised fully for last six months ended January 2019. The company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2018. The current ratio of the company stood at 1.19 times as on March 31, 2018.

Outlook: Stable

Acuite believes that GPPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle, financial risk profile and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	65.97	55.33	52.24
EBITDA	Rs. Cr.	8.39	7.97	9.26
PAT	Rs. Cr.	0.47	0.05	0.62
EBITDA Margin	(%)	12.71	14.40	17.73
PAT Margin	(%)	0.71	0.08	1.19
ROCE	(%)	8.75	9.27	20.42
Total Debt/Tangible Net Worth	Times	1.22	1.90	2.66
PBDIT/Interest	Times	1.87	1.52	1.89
Total Debt/PBDIT	Times	3.39	5.10	4.10
Gross Current Assets (Days)	Days	258	291	247

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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00#	ACUITE B / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

#Sublimit - CC convertible to LC of Rs.5.00 crore

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About Acuité Ratings & Research:

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