

Press Release

Gopsons Printers Private Limited

March 02, 2020



Rating Upgraded

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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B**' (**read as ACUITE B**) and reaffirmed its short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.15.00 crore bank facilities of GOPSONS PRINTERS PRIVATE LIMITED. The outlook is '**Stable**'.

The upgrade follows the improvement in Gopsons Printers Private Limited (GPPL) business and financial risk profile as demonstrated by stable growth in business operations and improvement in working capital operations of the company. The operating income of the company has improved by ~67 percent in FY2019 over FY2018 and stood at Rs.110.24 crore. Further there has been improvement in working capital operations of the company as demonstrated by improvement in Gross Current Assets (GCA) to 162 days in FY2019 from 258 days in the previous year.

New Delhi based GPPL was incorporated in 2011 and is engaged in the business of 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. GPPL has two printing facilities located in Noida and Maharashtra with an installed capacity of 12000 MT of writing paper and 12000 MT of thermal paper. Company has approval from Indian Bank Association (IBA)/Reserve Bank of India (RBI) security printers for printing security documents for banks and other government institutions.

Analytical Approach

For arriving at its rating, Acuité has considered the standalone business and financial risk profiles of Gopsons Printers Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters of GPPL, Mr. Mr. Anil Kumar Goel, Mrs. Chanchal Goel, Mr. Gaurav Goel and Mr. Nitin Goel have around three decades of prior experience in the printing business which has helped the company to maintain portfolio of reputed clientele like Central Board Secondary Education (CBSE), State Bank of India, Delhi Transport Corporation and Punjab National Bank to name a few.

Acuité believes that the promoters' experience will continue to benefit GPPL over the medium term.

• Moderate financial risk profile

Financial risk profile of the company is moderate marked by moderate net worth and debt protection metrics and low gearing. The net worth of the company has improved to Rs. 24. 59 crore as on 31 March, 2019 as against Rs.23.94 crore as on 31 March, 2018. The gearing level (debt-equity) of the improved to 0.97 times as on 31 March, 2019 as against 1.22 times as on 31 March, 2018 on account of repayment of the long term debt. The total debt of Rs.23.82 crore as on 31 March, 2019 comprises of long term debt of Rs.14.33 crore and working capital facility of Rs.9.49 crore. There has been improvement in the debt protection metrics of the marked by improvement in interest coverage ratio (ICR) of 3.01 times in FY2019 as against 1.87 times in FY2018. . TOL/ TNW (Total outside liabilities to total net worth) ratio stood at 2.19 times in FY2019 and 2.29 times in FY2018. Debt to EBITDA stood at 2.09 times in FY2019 as against 3.39 times in FY2018.

Acuité believes that the financial risk profile of the company is expected to remain moderate on account by average net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

• Working capital intensive nature of Operations

Operations of GPPL are working capital intensive marked by Gross Current Assets (GCA) of 162 days in FY2019 as against 258 days in FY2018. This is majorly on the account of high debtors' collection period of 119 days in FY2019 as against 175 days in the previous year. Further, current ratio of the company is average at 1.20 times as on 31 March, 2019 as against 1.19 times as on 31 March, 2018.

Acuité believes that the working capital operations of the company is expected to remain intensive on account its low bargaining power with the customers which will cause the debtors' collection period to remain high.

• Fluctuating profitability margins

Operating margins of the company has shown a fluctuating trend during the period under study. The operating margins stood at 10.30 per cent in FY2019, 12.71 percent in FY2018 and 14.40 percent in FY2017. However, the net profit margins improved to 2.03 percent in FY2019 as against 0.71 percent in FY2018. Acuité believes that the stable operating margins will be critical in the future.

Rating Sensitivities

- Significant improvement in operating performance of the company leading to improvement in overall financial risk profile.
- Insufficient cash accruals leading to increase in borrowings and weakening of capital structure.

Material Covenants

None

Liquidity Profile: Stretched

Company has stretched liquidity marked by average net cash accruals to its maturing debt obligations and full utilization of cash credit facility. Company generated net cash accruals of Rs.6.57 crore in FY2019 as against debt obligation of Rs.2.57 crore for the same period. The cash credit facility is almost fully utilized over the last 6 months ended December, 2019. Company maintained unencumbered cash balance of Rs.0.06 crore as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of moderate net cash accruals against its repayments obligations over the medium term which will help to fulfill company's working capital requirement.

Outlook: Stable

Acuité 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	110.24	65.97
PAT	Rs. Cr.	2.24	0.47
PAT Margin	(%)	2.03	0.71
Total Debt/Tangible Net Worth	Times	0.97	1.22
PBDIT/Interest	Times	3.01	1.87

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Mar-2019	Cash Credit	Long term	5.00	ACUITE B/ Stable (Assigned)
	Packing Credit	Short term	5.00#	ACUITE A4 (Assigned)
	Bank Guarantee	Short term	5.00	ACUITE A4 (Assigned)

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

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable (Upgraded from ACUITE B/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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