

Press Release

Gopsons Printers Private Limited

April 15, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.34.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 34.00 Cr bank facilities of Gopsons Printers Private Limited (GPPL). The outlook is '**Stable**'.

The rating is reaffirmed taking cognizance of company's steady operational performance and moderate business risk profile supported by its established market position, extensive experience of its promoters and long standing relationship with its leading customers ensuring repeated orders. The ratings also factors in its above-average financial risk profile and adequate liquidity position. The rating is constrained by working capital intensive operations and decline in operational metrics due to the pandemic-induced economic slowdown. Overall revenue is likely to decline by 35-40 percent in FY2021.

New Delhi-based, Gopsons Printers Private Limited (GPPL) was incorporated in 2011 and is engaged in the business of printing of security documents including national ID documents, Optical mark recognition sheets(OMR), Answer books, 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 metric tons of thermal paper.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Extensive experience of promoters in security data printing business**

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 security data printing business which has helped the company to maintain portfolio of reputed clientele and ensures repeat orders to an extent. GPPL has diversified its customer base and top customers of GPPL are Directorate of Small Saving Lottery GOA, Bihar School Examination Board, The National Institute of Open Schooling (NIOS), State Bank of India, Iconex India Pvt Ltd among others. GPPL has reported operating income of Rs.100.87 Cr in FY2020 as against Rs.100.27 Cr in FY2019. Acuité believes that it's experienced management and established relationships with customers and suppliers will support GPPL's business profile over the medium term.

- **Above-average financial risk profile**

GPPL's financial risk profile is above-average, marked by a moderate capital structure and moderate debt protection metrics. GPPL's net worth stood moderate at Rs.17.87 Cr as on March 31, 2020 as against Rs.16.02 Cr as on March 31, 2019. GPPL's capital structure is moderate marked by its gearing (debt-to-equity) and total outside liabilities to tangible networth (TOL/TNW) ratio of 1.54 times and 3.00 times respectively, as on March 31, 2020 vis-à-vis 3.02 times and 3.89 times as on March 31, 2019. Debt protection metrics are moderate, reflected in its interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 2.73 times and 0.24 times, respectively, in FY2020 vis-à-vis 3.01 times and 0.20 times for FY2019. The company generated cash accruals of ~ Rs.3.80-6.57 Cr Cr during the last three years through 2018-20, while it's maturing debt obligations were in the range of ~Rs.2.27-3.67 Cr for the same period. The cash accruals of GPPL are

estimated to remain around ~ Rs.4.00 to 6.50 Cr during 2021-23, while its repayment obligations are estimated to be around Rs.3.50-4.50 Cr during the same period. Acuité believes that the financial risk profile is expected to remain at the similar levels in the absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

GPPL operations are working capital intensive marked by its high gross current assets (GCA) at 153-258 days during last 3 years ended March 31, 2020. High GCAs emanate from the company's large debtor and inventory days were in the range of 110-175 days and 110-175 days, respectively during last 3 years ended with FY2020. Its creditor days stood between 88-121 days during last 3 years ended with FY2020. The high working capital intensive operations GPPL's led to highly utilised working capital limits about 88 per cent for the last six months through February 2021. 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.

- **Decline in Operating Income**

The company's operating income (OI) declined to ~Rs. 59 Cr in FY2021 from Rs. 100.87 Cr in FY2020 owing to disruption of operations in the current year due to the pandemic. The operating margins are likely to decline in FY2021 owing to the anticipated decline in revenues and lower absorption of overhead cost. The extent of impact on the demand and GPPL's ability to sustain its revenues and margins will be the key rating sensitivity in the near term.

Rating Sensitivity

- Significant and sustainable revenue growth while maintaining its profitability
- Large debt-funded capex or significant stretch in working capital cycle

Liquidity Position: Adequate

GPPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations albeit constrained by the operations are working capital intensive. The company generated cash accruals of ~ Rs.3.80-6.57 Cr Cr during the last three years through 2018-20, while it's maturing debt obligations were in the range of ~Rs.2.27-3.67 Cr for the same period. The cash accruals of GPPL are estimated to remain around ~ Rs.4.00 to 6.50 Cr during 2021-23, while its repayment obligations are estimated to be around Rs.3.50-4.50 Cr during the same period. The operations are working capital intensive, as indicated by gross current assets of 153 days as on March 31, 2020, on account of sizeable inventory and receivables; resulted in high utilisation of its limits at 88 per cent over last six months through February 2021. Its current ratio is at 1.20 times and negligible cash and bank balances as on March 31, 2020. Acuité believes that the liquidity of GPPL is likely to remain adequate over the medium term on account of adequate cash accruals against its repayment obligations.

Outlook: Stable

Acuité believes that GPPL will maintain a 'Stable' outlook in the medium term backed by its promoter's extensive experience, diversified product and customer profile. The outlook may be revised to 'Positive' if the Company registers more than expected growth in its revenues while maintaining its profitability and improves its capital structure. Conversely, the outlook may be revised to 'Negative' if there is any stretch in its working capital cycle or in case of deterioration in the financial risk profile or significant elongation in the working capital cycle or large, debt-funded capex.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	100.87	110.24
PAT	Rs. Cr.	2.32	2.24
PAT Margin	(%)	2.30	2.03
Total Debt/Tangible Net Worth	Times	1.54	2.02
PBDIT/Interest	Times	2.73	3.01

Status of non-cooperation with previous CRA

Not Applicable

Material Covenants

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector Entities- <https://www.acuite.in/view-rating-criteria-50.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-March-2020	Cash Credit	Long Term	10.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	8.76	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	1.64	ACUITE BB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.60	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A4 (Assigned)
02-March-2020	Cash Credit	Long Term	10.00	ACUITE BB- / Stable (Upgraded)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Reaffirmed)
06-March-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)

*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	10.00	ACUITE BB- / Stable (Reaffirmed)
Term Loan	May-2014	Not Available	April-2023	6.75	ACUITE BB- / Stable (Reaffirmed)
Term Loan	May-2014	Not Available	November-2021	0.70	ACUITE BB- / Stable (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	3.55	ACUITE BB- / Stable (Reaffirmed)
Bank Guarantee	Not	Not	Not	5.00	ACUITE A4 (Reaffirmed)

	Applicable	Applicable	Applicable		
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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