Press Release

Creative Offset Printers Private Limited (COPPL)

February 12, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs.12.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** on the Rs.12.00 crore bank facilities of Creative Offset Printers Private Limited. The outlook is **'Stable'**.

Noida based Creative Offset Printer Private Limited (COPPL) incorporated in 2002 by Mr. Rohit Khanna and Ms. Gazal Dhillon. The company is engaged in manufacturing and printing of packaging boxes, brochures, magazines, books, journals, periodicals etc. Currently the company's main business is manufacturing of various types of packaging boxes with an installed capacity of 8.50 crore unit per annum. Company have been associated with Samsung India Electronics Pvt. Ltd. for more than a decade now and supplies various types of mobile boxes.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

COPPL was established in 2002 by Mr. Rohit Khanna and Ms. Gazal Dhillon. The company has established track record of 18 years in the same line of business. Both the directors Mr. Rohit Khanna and Ms. Gazal Dhillon possesses around 18 years of experience in aforementioned industry and is ably assisted by an experienced second line of management. This has helped COPPL manage reputed clientele such as Samsung India Electronics Private Limited.
Acuité believes that COPPL will benefit from experienced management which will help the company to maintain long standing relations with its customer and suppliers.

- **Moderate working capital operations**

COPPL has moderate working capital operations marked by Gross Current Assets (GCA) of 145 days in FY2019 as against 86 days in FY2018. The debtor days stood at 56 days in FY2019 as against 20 days in FY2018 and 61 days in FY2017. The inventory of the company stood at 86 days in FY2019 as against 54 days in FY2018 and 55 days in FY2017. Further, the company has net cash accruals of Rs.2.21 crore as against Rs.1.97 crore of debt obligations in FY2019.
Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Modest scale of operations**

The company have modest scale of operation. The operating income of COPPL decline marginally and stood at Rs.34.36 in FY2019 as against Rs.35.33 crore in FY2018. While in the current financial year the operating income stood at Rs.28.02 crore as on 31st December, 2019. The company is expected to achieve a revenue of Rs.38.00-40.00 crore by the end of the current financial year.

Weaknesses

- **Average financial risk profile**

The financial risk profile of COPPL remained average marked by net worth of Rs.10.39 crore as on 31 March 2019 as against Rs.9.19 crore as on 31 March 2018. The gearing deteriorate to 1.26 times as on 31 March 2019 as against 0.94 times as on 31 March 2018. This is mainly due to debt funded capital expenditure of Rs.4.05

crore in FY2019. The total debt of Rs.13.07 crore as on 31 March 2019 mainly comprises Rs.9.66 crore of long term debt and Rs.3.41 crore of working capital facility. Interest Coverage Ratio (ICR) stood at 2.50 times for FY2019 as against 3.96 times for FY2018. The decline in interest coverage ratio is mainly on account of increase in finance cost. The NCA/TD (Net Cash Accruals to Total Debt) ratio declined to 0.17 times in FY2019 against 0.28 times in FY2018. Further, Debt to EBITDA stood at 3.05 times in FY2019 as against 2.20 times in FY2018.
Going ahead,
Acuité believes that the financial risk profile of COPPL will remain moderate in absence of any major debt funded capex and moderate net cash accruals.

• **Declining trend in operating and profitability margin**
The company's operating margins have shown declining trend of 11.09 percent in FY2019 from 11.24 percent in FY2018 and 14.63 percent in FY2017. This is mainly on account of increase in raw material and power cost. The PAT margin have also decline to 3.48 percent in FY2019 from 4.71 percent in FY2018 and 5.43 percent in FY2017. This is mainly on account of increase in finance cost and depreciation.
Acuité believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• **High customer concentration risk**
Company's major amount of revenue is from Samsung India Electronics Private Limited. In FY2018, Samsung contributed ~83 percent of the total revenue. In FY2019, the same contribution increase to ~96 percent. In the current financial year the same client contributed ~92 percent of revenue. The company thus has high dependence on one of its client particularly Samsung India Electronics Private Limited.

Rating Sensitivity Factor

- High customer concentration risk

Material Covenants

None

Liquidity position: Stretched

Liquidity of COPPL is stretched marked by the net cash accruals against repayment obligations. The company has generated cash accruals of Rs.1.81-2.45 crore for FY2017-19, while it's maturing debt obligations were in the range of Rs.1.41-1.97 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.70-3.75 crore during 2020-22 while the maturity debt obligation is estimated to be Rs.1.60 crore each year for the same period. The company operates in a moderate working capital intensive nature of operations marked by gross current asset (GCA) days of 145 in FY2019. Further, the average cash credit utilization of the company stood at ~90 percent for the last 6 months ending December, 2019. The company maintains unencumbered cash and bank balances of Rs.0.22 crore as on March 31, 2019. The current ratio of the company stood at 0.89 times as on March 31, 2019.

Outlook: Stable

Acuité believes that COPPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of continuous decline in the group's operating margins, or in case of further deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	34.36	35.33
PAT	Rs. Cr.	1.20	1.66
PAT Margin	(%)	3.48	4.71
Total Debt/Tangible Net Worth	Times	1.26	0.94
PBDIT/Interest	Times	2.50	3.96

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

None

Any other information
None

Applicable Criteria
- Default Recognition -https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entity - 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/criteria-complexity-levels.htm

Rating History (Up to 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.30	ACUITE BB-/Stable (Assigned)
Term Loan I	29-11-2018	Not Applicable	29-07-2031	3.94	ACUITE BB-/Stable (Assigned)
Term Loan II	29-11-2018	Not Applicable	29-04-2019	0.45	ACUITE BB-/Stable (Assigned)
Working capital term loan	29-12-2018	Not Applicable	29-02-2023	2.00	ACUITE BB-/Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.31	ACUITE BB-/Stable (Assigned)

Contacts

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