



Rating Rationale

K.C. Printing & Allied Works

27 July 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 12.00 Crores of K.C. Printing & Allied Works.

Particulars

Facility	Amount to be rated	Tenure	Rating Recommended
Fund Based - Cash Credit	10.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable)
Non Fund Based - Bank Guarantee	2.00	Short Term	BWR A4 (Pronounced as BWR Single A Four)
Total	12.00	INR Twelve Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financials upto FY 17 and provisional FY18, publicly available information and information/ clarifications provided by the company.

The rating has, inter alia, factored in experienced proprietor, moderate ISCR, moderate profitability margins with improvement in operating profit margin. The rating is, however, constrained by the small scale of operation with stagnant sales, high gearing ratio, constitution of business, working capital intensive operations, fluctuations in prices of raw material and Exposure to risks related to tender-based business.

Key Rating Drivers

Credit Strengths

- **Strong experience of the Proprietor** – Mr. Kali Charan Agrawal established the firm in 1979 and has experience of more than 3 decades in this line of business. Ms Mahima Agrawal is currently operating the firm and has experience of 25 years.
- **Improvement in Operating Profit Margin** - Operating Profit margins of entity has increased from 7.07% in FY15 to 8.33% in FY17 showing an increase of 17.82%. The profitability margin of entity is moderate as Net Profit margin and operating profit margin stood at 2.54% and 11.05% in FY18 Provisional.
- **Moderate ISCR** - Debt protection metrics i.e. ISCR s moderate as it stood at 1.65x in FY18.

Credit Weakness

- **High Gearing Ratio** -The entity has high Overall Gearing Ratio (i.e Total Debt/TNW) of 4.43x in FY17 due to low tangible net worth of Rs. 2.70 Crs. The same is partially offset by unsecured loans of Rs. 4.54 Crs from the relatives to 1.94x.
- **Exposure to risks related to tender-based business:**Since revenue depends on success in winning tenders in a competitive bidding process, it may fluctuate.
- **Small scale of operations** - The Net Sales was Rs. 21.10 Crs for FY 17 which though declined to Rs. 20.05 Crs in FY18 on provisional basis. The scale of operation of entity is small and stagnant.
- **Highly competitive nature of industry** -The entity faces direct competition from various organized and unorganized players in the market. There are number of small and regional players who are located in and around area and catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins.
- **Stretched Working capital cycle** - During the year FY18, receivables collection period was of 233 days. Due to elongated receivable period, working capital requirement is also on higher side leading to higher interest cost.
- **Inherent risk associated with the constitution of the firm** - Constitution of the entity being proprietorship concern, it is exposed to the risk of withdrawal of funds in case of personal exigencies.

Rating Outlook: Stable

BWR believes the K.C. Printing & Allied Works's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

K.C. Printing & Allied Works established in 1979 in Mathura, Uttar Pradesh as a proprietorship concern by Shri Kali Charan Agrawal. Ms Mahima Agrawal became the new proprietor of firm from April 1, 2018. The firm is engaged in printing of books such as text books, answer sheets, OMR Sheets, mark sheets, Application forms, Question papers, Answer Booklets, Degrees, certificates and other education material for various State Education Board and Universities in Uttar Pradesh, Punjab, Haryana, Bihar, Maharashtra, Kolkata, Delhi, Rajasthan, Tripura, Himachal Pradesh and Jharkhand. Firm acquires all these contracts through tendering and bidding process. This Firm is Certified ISO 9001:2015, 27001:2013 (ISMS) accredited By : International Benchmarking Certification, U60,3rd Floor, Shakarpur, Delhi. 110092.

Firm has achieved Net Sales of Rs. 20.05 Crs in FY18 provisional as certified by management and the firm has also reported improvement in its profitability margins.

Company Financial Performance

Key Parameters	Unit	FY17 (Audited)	FY 16 (Audited)
Total Operating Income	Rs. in Crs	21.10	20.12
OPBDIT	Rs. in Crs	1.76	1.62
PAT	Rs. in Crs	0.43	1.19
Tangible Net Worth	Rs. in Crs	2.70	2.80
Total Debt/TNW	Times	4.43	2.89
Current Ratio	Times	1.33	1.14

Status of non-cooperation with previous CRA: In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines CARE's rating on K. C. Printing and Allied Works' bank facilities will now be denoted as CARE B/CARE A4; ISSUER NOT COOPERATING on April 6, 2018.

Rating History for the last three years (including withdrawn/suspended ratings)

Facility	Tenure	Rating Assigned (2018)		Rating History		
		Previous Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based: Cash Credit	Long Term	10.00	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable	NA	NA	NA
Non Fund Based - Bank Guarantee	Short Term	2.00	BWR A4 (Pronounced as BWR Single A Four)	NA	NA	NA
Total		12.00	Rupees Twelve Crores Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Sushil Kumar Chitkara</i> <i>DGM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.