



## RATING RATIONALE

28 Dec 2020

WeP Solutions Ltd.

**Brickwork Ratings Reaffirmed the ratings for the Bank Loan Facilities of Rs. 27.09 Crs. of WeP Solutions Ltd.**

### Particulars:

Facility**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Fund based	26.00	24.59 (6.00)	Long Term	BWR BBB- (Stable)	BWR BBB- (Stable) Reaffirmed
Non Fund Based	2.50 (5.50)	2.50 (13.00)	Short Term	BWR A3	BWR A3 Reaffirmed
<b>Total</b>	<b>28.50</b>	<b>27.09</b>	<b>Rupees Twenty Seven Crores and Nine Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

### RATING ACTION / OUTLOOK

The rating draws strength from the experience of the management team, low gearing, increased operating profit margin and comfortable interest coverage ratio. However the rating is constrained by negative Net Profit since last 3 years, negative Return on Capital Employed, susceptibility to technological obsolescence, and highly competitive market scenario.

BWR believes in the business risk profile of **WeP Solutions Ltd.** (WSL or the company) will be maintained over the medium term. The Stable outlook indicates a low likelihood of a rating change over the medium term.

### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

### KEY RATING DRIVERS

BWR has essentially relied on the audited financials upto FY20, projected financials FY21 & FY22 and information/clarification given by the company's management.

- **Credit Strengths:**

Management team has sufficient experience in the industry. Gearing Ratio stood at 0.25 times as on 31st Mar 2020. Interest Service Coverage Ratio is 9.35 times in FY20. Operating Profit Margin has been improved to 18.26% in FY20 From 10.80% in FY19. The Company has been migrating from traditional printer business to digitalization.



- **Credit Risks:**

The rating is constrained by a small scale of operations, Net Profit of Rs.-2.12 Crs Crs in FY20. Return on Capital Employed is at -0.91% as on 31st Mar 2020. Susceptibility to technological obsolescence, and highly competitive market scenario.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at WSL's rating, BWR has considered its standalone financial and business risk profile.

## **RATING SENSITIVITIES**

Going forward, the ability of the Company to implement future strategies to increase revenue growth by increasing the retail & other businesses including digital services, and required investments in the area of product development, technical upgradation, marketing and resource enhancements would remain the key rating sensitivities

**Positive:** The rating outlook may be revised to positive and the rating may be upgraded if the company is able to improve Total Operating Income and Net Profit Margins.

**Negative:** The rating may be downgraded if the company achieves lower revenue than projected financials.

## **LIQUIDITY INDICATORS**

The current ratio was adequate at 1.32 times as on 31 March 2020. Net cash accruals to total debt stood at 1.15 times as on 31 March 2020. Cash and cash equivalents stood at Rs. 0.26 Crs. as on 31st March 2020. The Company has adequate liquidity.

## **COMPANY PROFILE**

WeP Solutions Limited (WeP), promoted by Mr. Ram Narayan Agarwal was incorporated in the year 1995 located at Bangalore. Company is engaged in Managed Printing Solutions (MPS) and, Manufacturing and distribution of IT peripherals, Retail Billing solutions, and Document Management Solutions. The Company has pan India presence having 19 offices and support locations and provides Printing solutions to ~2000 corporates with an install base of 22000+ installations across 2000+ locations across India. WSL has manufacturing facilities situated in Mysore(Karnataka) and in Baddi (Himachal Pradesh) both facilities are ISO certified. WeP Solutions Ltd. and Ricoh Asia Pacific entered into a distributor agreement for Indian Market. Ricoh's headquarter is located in Tokyo. It is empowering digital workplaces using innovative technologies and services enabling individuals to work smarter. For more than 80 years, Ricoh has been driving innovation and is leading provider of document management solutions, IT services, commercial and industrial printing, digital cameras and industrial system. Under the agreement of WeP Solutions Limited and Ricoh Asia Pacific, WeP has rights to sell and service Ricoh's product portfolio that address digital printing market in india.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Operating Revenue	In Rs. Crs.	76.7	68.37
EBITDA	In Rs. Crs.	8.28	12.48
PAT	In Rs. Crs.	-3.14	-2.12
Net Worth	In Rs. Crs.	41.72	40.49
Total Debt/Net Worth	Times	0.21	0.25
Current Ratio	Times	1.23	1.32

### NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

### RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities		Current Rating		Rating History		
Type	Tenure	Amount (Rs. Crs)	Rating	18.05.2019	2018	23.08.2017
Fund Based	Long Term	<b>24.59</b> <b>(6.00)</b>	BWR BBB- (Stable)	BWR BBB- (Stable)	-	BWR BBB- (Stable)
Non Fund Based	Short Term	<b>2.50</b> <b>(13.00)</b>	BWR A3	BWR A3		BWR A3
<b>Total</b>		<b>27.09</b>	<b>Rupees Twenty Seven Crores and Nine Lakhs Only</b>			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

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### ANNEXURE I

#### Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	Cash Credit	16.00	-	16.00
2.	Term Loan 1	6.80	-	6.80
3.	Term Loan 2	1.79	-	1.79
4.	Working Capital Demand Loan (Sublimit of CC)	(6.00)	-	(6.00)
5.	Letter of Credit	-	2.50	2.50
6.	Letter of Credit (Sublimit of CC)	-	(6.50)	(6.50)
7.	Letter of Credit & Bank Guarantee (Sublimit of CC)	-	(3.00)	(3.00)
8.	Bank Guarantee	-	1.00	(1.00)
9.	Bank Guarantee(Sublimit of LC)	-	(2.50)	(2.50)
<b>Rupees Twenty Seven Crores and Nine Lakhs Only</b>				<b>27.09</b>



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