

## Algol Business Systems Private Limited

March 02, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.64 (Reduced from 8.49)	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
<b>Total Facilities</b>	<b>7.64</b> <b>(Rs. Seven Crore and Sixty-Four Lakhs Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Algol Business Systems Private Limited (ABSPL) continues to remain constrained by its small and fluctuating scale of operations and competition from other established and upcoming players in the market. The rating, however, continues to draw comfort from experienced management coupled with long track record of operations, moderate profitability margins, comfortable capital structure and moderate debt coverage indicators.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Consistent increase in scale of operations as marked by total operating income of above Rs.30.00 crore.
- Improvement in profitability margins as marked by PBILDT and PAT margin above 35.00% and 14.00% respectively.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in the capital structure as marked by overall gearing ratio of above 1.50x.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Small and fluctuating scale of operations:** ABSPL's scale of operations continues to remain small as evident from total operating income (TOI) of Rs.6.23 crore and gross cash accruals of Rs.1.21 crore respectively, during FY21 (FY refers to the period April 1 to March 31) as against Rs.8.12 crore and Rs.1.59 crore respectively, during FY20. Moreover, ABSPL's scale of operations remained fluctuating for the period FY19-FY21 (refers to the period April 1 to March 31). TOI registered improvement in FY20 over FY19 and thereafter declined in FY21. The same was mainly on account of lockdown in the country in the wake of COVID-19 pandemic. Therefore, going forward, it is imperative for the company to target new customers and improve on its scale of operations. Further, the company has achieved total operating income of Rs.7.90 crore during 10MFY22 (refers to the period from April 1, 2021 to January 31, 2022; based on provisional results).

**Competition from other established and upcoming players in the market:** ABSPL faces high competition from other established and upcoming players in the market; the same limits the bargaining power of the company which exerts pressure on its margins. However, the ability of the ABSPL to tap the projected number of students depends on its ability to distinguish itself and leverage on its established presence in the market.

#### Key Rating Strengths

**Experienced management coupled with long track record of operations:** Mr. Sandeep Arora, Mr. Sajjan Singh and Mr. Navdeep Naseer are the directors of the company and they collectively look after the overall operations of the company. All the directors are post graduates by qualification and have accumulated vast experience of varied up to two decades through their association with this entity. Being in the industry for such a long period helps the promoter to gain adequate acumen about the business which aid in smooth operations of the company.

**Moderate profitability margins:** The profitability margins of the company continue to remain moderate for the past three financial years (FY19-FY21) owing to service sector undertaking with majorly fixed cost to be absorbed. Moreover, the company has long standing presence in the market along with association with customer base which has resulted into competitive edge over other established players. PBILDT margin of the company improved and stood at 29.66% in FY21 as against 26.42% in FY20 on the back of proportionate decline in overhead expenses such as administration expenses. However, PAT margin declined and stood at 9.39% in FY21 as against 12.78% in FY20 owing to increase in interest expenses.

**Comfortable capital structure and moderate debt coverage indicators:** The capital structure of the company stood comfortable as on past three balance sheet dates ending March 31, '18-'20 on account of satisfactory net worth base against the debt levels. Overall gearing ratio stood at 0.50x as on March 31, 2021 as against 0.25x as on March 31, 2020 mainly on account of new vehicle loan and COVID-19 relief loan availed to fund the incremental working capital requirements of business owing to uncertainties caused due to COVID-19 impact.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

The debt coverage indicators of the company continue to remain moderate as marked by interest coverage ratio and total debt to GCA of 3.94x and 4.38x respectively, during FY21 as against 8.57x and 1.58x respectively, during FY20. The deterioration was mainly on account of lower PBILDT owing to decline in scale of operations consequently leading to lower gross cash accruals.

#### Liquidity: Stretched

The liquidity position of the company remained stretched characterized by tightly matched accruals vis-à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.1.21 crore during FY21 and is expected to generate envisage GCA of Rs.1.50 crore for FY22 against repayment obligations of Rs.1.28 crore. However, the company has adequate free cash & bank balances which stood at Rs.3.30 crore as on March 31, 2021.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

#### About the Company

Haryana based, Algot Business Systems Private Limited (ABSPL) was incorporated in November, 1996 as a private limited company. The company is currently managed by Mr. Sandeep Arora, Mr. Sajjan Singh and Mr. Navdeep Naseer. The company is engaged in providing consultancy/ intermediary services for various colleges and universities mainly for distance education which comprises of graduation and post-graduation courses based in PAN India. The company primarily processes the applications of students received from different colleges who apply to these educational courses. For this purpose, they maintain the database, conduct background verification and other related functions. The company is dealing with nearly 2500 different colleges and universities and processes approximately 30,000 applications per annum.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	10MFY22*
Total operating income	8.12	6.23	7.90
PBILDT	2.15	1.85	NA
PAT	1.04	0.59	NA
Overall gearing (times)	0.25	0.50	NA
Interest coverage (times)	8.57	3.94	NA

A: Audited; NA: Not Available

\*refers to the period from April 1, 2021 to January 31, 2022.

**Status of non-cooperation with previous CRA:** Brickwork Ratings has conducted the review and has maintained Algot Business Systems Private Limited as "Not Cooperating" vide its press release dated October 14, 2021.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure- 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	September, 2025	3.33	CARE BB; Stable
Fund-based - LT-Proposed fund based limits		-	-	-	4.31	CARE BB; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	3.33	CARE BB; Stable	-	1)CARE BB; Stable (17-Feb-21)	1)CARE BB; Stable (24-Jan-20)	-
2	Fund-based - LT-Proposed fund based limits	LT	4.31	CARE BB; Stable	-	1)CARE BB; Stable (17-Feb-21)	1)CARE BB; Stable (24-Jan-20)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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