WEP Solutions Limited

March 20, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	17.70	CARE BBB-; Stable	Assigned
Short Term Bank Facilities	8.00	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of WEP Solutions Limited (Wep) factors in the company's established position in Managed Printing Services (MPS) wherein company enters into medium term contract with reputed corporate to address their printing needs. In recent quarters, company has improved its profitability in the segment which has helped it in funding losses of other two divisions viz. Printing business and digital services.

At the same time MPS requires constant capex to purchase printers and therefore it is imperative for Wep to improve its profitability in other two division to keep lower reliance on debt. As such, during FY22, Wep has raised equity of Rs. 9.87 crore which is expected to maintain capital structure at comfortable level in medium term.

The ratings also factors in modest scale of operations and high competition from OEMs as well as unorganised segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in scale of operations above Rs.200 Cr with ROCE above 11.50% with TOL/TNW below 0.50x

Negative factors

- Any debt funded capex resulting in Overall gearing above 0.50x
- Unable to improve revenues and earnings in Retail printing business and Digital business verticals which may result in deterioration of overall debt coverage metrics or liquidity position of Wep

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that Wep's business risk profile will continue to be remain stable owing to is long and established relationship with clients in MPS segment which would keep the capital structure and debt coverage indicators at satisfactory level despite losses in other two divisions

Key strengths

Satisfactory PBILDT margins with improvement in Cash profits: The PBIDLT margins of the company remained satisfactory with moderation in FY22. The PBILDT margins of was in the range of 12-18 %. However, the company's PBILDT margins moderated to 11.87% in FY22 when compared to 16.93% in FY21 on account of sales in relation to arrangement between Ricoh and Wep which was a low margin business. Further the company's PAT margins remained negative over the years till FY21 due to higher depreciation on account of business model followed by the company. However, with reduction in deprecation cost the PAT Margins stood at 2.34% in FY22 and 3.21% in 9MFY23 which is expected to continue going forward. Though the company's PAT margins remained negative till FY21 it was able to generate healthy Cash profits over the review period.

Long and Established relations with reputed clientele and OEM's: The company has a brand agnostic approach towards printers and consumables under the MPS segment depending on the customer requirement. The company is also an authorised distributor for Ricoh Printers and consumables. Further the company has reputed BFSI clientele in MPS business.

Ability of the company to raise funds in the capital market along with comfortable capital structure and debt coverage indicators: In Q1FY22 the company has raised equity share capital of Rs.9.87 Cr through the rights issue for paying of the debt, working capital requirements and for general corporate purposes. With the raising of equity share capital, the capital structure of the company further improved and comfortable with overall gearing of 0.13x as on March 31,2022 when compared to 0.36x as on March 31,2021. It remained comfortable during the review period owning to lower working capital limit utilisation and low term loans. The ICR and TD/GCA Stood comfortable at 12.01x and 0.60x respectively for FY22. Despite

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

need of continuous capex in MPS division, CARE Ratings expects Wep to maintain comfortable capital structure over near to medium term

Experienced management: WeP was established in the year 1988 as a part of Wipro's domestic IT business. In September 2000, Wipro spun off its IT Peripherals business into a separate independent company Wipro e-Peripherals Limited, which was later renamed as WeP Peripherals Limited. It is one of the largest employee-owned companies in India. After a series of acquisitions, business diversifications and corporate restructuring exercises, all business lines at WeP are now operating under WeP Solutions Limited, a public limited company listed at Bombay Stock Exchange. Starting primarily with Dot Matrix Printers, WeP is now diversified into emerging and growing segments like Managed Printing Services, Retail Printing Solutions, SaaS based Digital Services and Solutions.
The company is promoted by Mr. Ram N Agarwal who is also the chairman of the company. Ram N Agarwal pioneered to create India's first employee-owned company Wipro e-Peripherals in 2000. He led an employee buy-out of IT Peripherals business from Wipro. During his tenure of 23 years at Wipro, he led multiple business units and functional areas. The overall management is taken care by Mr. Ashok Tirpathy who is the MD and CEO of Wep Solutions limited who was a part of Wipro for more than 24 years in which he helped in Turning around degrowing global IT services, breaking into new international markets, driving profitable growth while enhancing the brand visibility of Wipro's IT infrastructure portfolio. Mr. Sandeep Kumar Goyal who is Whole Time Director & CFO of the company and has been with Wep from 2003 and has been instrumental and a key contributor in building processes and various business development initiatives taken in the past several years.

Key weaknesses

Moderate scale of operations: The scale of operations of Wep remained in the range of Rs.65-80 Cr during the review period. However, in FY22, income grew to Rs.110.88 Cr when compared to Rs.64.49 Cr in FY21 majorly on account of temporary arrangement for distribution to a larger dealer of Ricoh (Japan) in India. The arrangement is valid till FY23. Apart from the above Wep is also a Ricoh's authorised distributor of Ricoh's printers in India however the sale from which is in the nascent stage of operations which is expected earns returns from it in the due course. The operations of the company were impacted due to covid -19 resulting in dip in FY21.

Asset under ownership of Wep requiring relatively high capex requirements: Wep purchases printers and deploys at customers premises. Company primarily charges to customers on per page basis which covers for depreciation, maintenance, service etc. Wep takes care of all printing requirement except for purchase of paper. Wep's Managed Printing business model requires the company to incur regular capital expenditure for purchase of printers which are further deployed to its customers. This capital expenditure includes replacing the existing printers and for addition of new printers for the newly added customers. Further the business model is exposed to frequent technological advancement risks in the printing devices and solutions.

High competition from local unorganised players: Wep is into highly competitive and fragmented industry of printing which is majorly dominated by local and unorganised players. Wep is among the few organised players in the Managed printing services apart from OEM's.

Loss making Printing business and digital services division:
Printer Division: Wep has its own manufacturing unit for retail billing printer which assembles retail printers used at retail shops/ groceries etc. Also owns the software. Due to under-utilization of capacity, segment is incurring losses. Further Wep is also an authorized dealer for Ricoh printers but yet to establish set up. Wep has been appointed as dealer in 2019 Due to Covid-19, there is delay in ramp up of operations which has impacted the segments profitability. The segment also includes the revenue from temporary arrangement for distribution to a larger dealer of Ricoh (Japan) in India which is a one-time business at negligible margin for the company which has impacted its margins under the printing business of the company. However, Wep is in the process of establishing the distribution network for the Ricoh distribution.
Digital Services division: In relation to Digital services division Wep provides tailor made digital solutions for future problems. The areas of operations include GST, Document Management, Retail Automation Solutions, Business Services, Compliance Services which also includes providing digital business solutions through cloud-based technology for retail and enterprise units and Payment Services. The revenue from this division remained low with consistent loss-making operations over the years.

Liquidity: Adequate

Wep's Liquidity position is adequate marked by healthy cash accruals against moderate repayment obligations and liquid investments to the tune of Rs.4.18 crore as on December 31, 2022 which can be utilised for funding its capital expenditure and to expand the other business. The average working capital limits utilisation stood at 12.26% during the past 12 months ended December 31, 2022 and Its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities

[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Manufacturing Companies](#)
[Service Sector Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipment

WEP Solutions limited (Wep) was incorporated on March 1, 1995 as Datanet Corporation Limited. Wep started primarily with Dot Matrix Printers which it has phased out and is now diversified into segments like Managed Printing Services, Retail Printing Solutions, SaaS based Digital Services and Solutions. The company is promoted by Mr. Ram N Agarwal who is also the chairman of the company. Ram N Agarwal pioneered to create India's first employee-owned company Wipro e-Peripherals in 2000. He led an employee buy-out of IT Peripherals business from Wipro

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31,2022(UA)
Total operating income	64.49	110.88	74.44
PBILDT	10.92	13.16	10.88
PAT	-1.11	2.59	2.39
Overall gearing (times)	0.36	0.13	NA
Interest coverage (times)	7.07	12.01	15.77

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	November 2023	2.70	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	7.50	CARE A3
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	0.50	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	2.70	CARE BBB-; Stable				
2	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable				
3	Non-fund-based - ST-BG/LC	ST	7.50	CARE A3				
4	Non-fund-based - ST-Loan Equivalent Risk	ST	0.50	CARE A3				

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Loan Equivalent Risk	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: +91-98407 54521 E-mail: pradeep.kumar@careedge.in	Name: Karthik Raj K Director **CARE Ratings Limited** Phone: 9980562244 E-mail: karthik.raj@careedge.in Name: Himanshu Jain Assistant Director **CARE Ratings Limited** Phone: 8123793395 E-mail: himanshu.jain@careedge.in Name: Sai Srikar Kolluru Analyst **CARE Ratings Limited** E-mail: Srikar.Kolluru@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in