WEP Solutions Limited

December 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	28.00 (Enhanced from 25.00)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	5.05 (Reduced from 8.05)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of WEP Solutions Limited (Wep) continue to factor in the company's established position in enterprise business where it enters medium-term contracts with reputed corporates to address their printing needs. CARE Ratings Limited (CARE Ratings) positively takes note of improvement in profit before depreciation, interest and tax (PBDIT) margin of the Enterprise division aided by economies of scale and other cost-control measures undertaken, which are likely to sustain.

However, the company's other division, Partner division, continues to report losses due to lower capacity utilisation and investments in new product development. It has tie ups with Fujifilm and Ricoh for distribution of their printers. The company's ability to ramp up its production and increase operations in printer distribution in Partner business would be key to its credit profile. The rating also derives strength from Wep's experienced management, comfortable capital structure and steady cashflow from operations, which would ensure lower reliance on debt to fund constant capex required in the Enterprise division.

However, credit strengths are partly offset by modest scale of operations and high competition from original equipment manufacturers (OEMs) and unorganised segments.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in scale of operations above ₹150 crore with return on capital employed (ROCE) above 11.50% with total outside liabilities to total net worth (TOL/TNW) below 0.50x.

Negative factors

- Decline in scale of operations or ROCE to below ₹50 crore or 7% respectively
- Debt funded capex resulting in deterioration in overall gearing above 0.50x.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that Wep's business risk profile will continue to remain stable owing to its diversified revenue segments and long and established relationship with reputed clients and OEMs in Enterprise segment, which would keep capital structure and debt coverage indicators at satisfactory level despite losses in Partner segment.

Detailed description of key rating drivers:

Key strengths

Experienced management

WeP was established in1988 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, 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 including managed printing services, retail printing solutions, SaaS-based digital services and solutions. The company is promoted by Ram N Agrawal, who is also the company's chairman. Ram N Agrawal pioneered to create India's first employee-

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

owned company Wipro e-Peripherals in 2000. He led an employee buy-out of IT Peripherals business from Wipro. In his 23 years at Wipro, he led multiple business units and functional areas. Overall management is taken care by Ashok Tripathy who is the MD and CEO of Wep Solutions Limited. He was a part of Wipro for over 24 years, where he helped in turning around degrowing global IT services, breaking into new international markets, driving profitable growth, while enhancing brand visibility of Wipro's IT infrastructure portfolio. Sandeep Kumar Goyal, Whole Time Director & CFO has been with Wep from 2003 and has been instrumental and a key contributor in building processes and business development initiatives taken in the last several years.

Comfortable capital structure and adequate debt service coverage metrics
Capital structure is comfortable with overall gearing of 0.22x as of March 31, 2024, against 0.09x as of March 31, 2023. Slight moderation is due to utilisation of working capital limits and increase in term loans. Increase in term loans was due to anticipation of higher orders. To maintain liquidity profile, it has availed term debt of ₹10 crore of which ₹8.5 crore have been disbursed so far. The interest coverage ratio (ICR) and total debt to gross cash accruals (TD/GCA) ratios stood comfortable at 24.11x in FY24 (PY: 14.08x) and 0.99x (PYE: 0.34x) as of March 31, 2024, respectively.
Despite constant capex requirements in Enterprise segment, CARE Ratings expects the company's capital structure would remain comfortable.

Long-term relationship with reputed OEMs and clientele
The company has a brand agnostic approach towards printers and consumables under the Enterprise segment and supplies the product depending on customer requirement. The company has reputed banking, financial services and insurance (BFSI) clientele in Enterprise business. The company is also an authorised distributor for Ricoh Printers and consumables and has entered partnership with Fujifilm India Private Limited. CARE Ratings believes that association with diversified clients and OEMs would help the company maintaining stable business profile in the long term.

Key weaknesses

Modest scale of operations
Wep's scale of operations remained in the range of ₹65-70 crore until FY21 except for FY22 and FY23 due to one-time income revenues. The company's revenue normalised and stands at ₹68.84 crore in FY24 against ₹92.53 crore in FY23 in line with CARE Ratings' expectations. In partnership with Fujifilm, expansion in MPS segment and constant endeavours being taken by the company to add new products in Partner segment and new customers in Enterprise segment, CARE Ratings expects the company's revenue to grow at a compounded annual growth rate (CAGR) of 15- 20% in the medium term.

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

High competition from local unorganised players
Wep is in the highly competitive and fragmented printing industry, which is majorly dominated by local and unorganised players. Wep is among the few organised players in managed printing services apart from OEMs.

Liquidity: Adequate
Wep's liquidity position is supported by strong cash accruals, which can be utilised for funding its capital expenditure and to expand other businesses. Wep has relatively low term debt obligations, thus its cash accruals would be sufficient to repay upcoming debt obligations.
Maximum working capital limits utilisation stood at 39.63% in 12-months ended November 2024 and its unutilised bank lines are over adequate to meet its incremental working capital needs in the next one year. The company has healthy net cash flow from operations of ₹16.50 crore. In FY24 against ₹12.82 crore in FY23 while cash and cash equivalents stood at ₹21.53 crore as on September 30, 2024.

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Service Sector Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Wep was incorporated on March 01, 1995, as Datanet Corporation Limited in Bengaluru. Wep started primarily with Dot Matrix Printers, which has been phased out and is now diversified in segments including managed printing services, retail printing solutions, SaaS-based digital services and solutions. The company is promoted by the chairman, Ram N Agrawal, who pioneered India's first employee-owned company Wipro e-Peripherals in 2000. He led an employee buy-out of the IT Peripherals business from Wipro.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	92.53	68.84	30.76
PBILDT	13.97	13.89	8.18
PAT	5.84	3.87	2.29
Overall gearing (times)	0.09	0.22	NA
Interest coverage (times)	14.08	24.11	14.10

A: Audited UA: Unaudited NA: Not Applicable; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	18.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	February 2029	10.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	4.50	CARE A3
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	0.55	CARE A3

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Dec-23)	1)CARE BBB-; Stable (20-Mar-23)	-
2	Fund-based - LT-Cash Credit	LT	18.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Dec-23)	1)CARE BBB-; Stable (20-Mar-23)	-
3	Non-fund-based - ST-BG/LC	ST	4.50	CARE A3	-	1)CARE A3 (07-Dec-23)	1)CARE A3 (20-Mar-23)	-
4	Non-fund-based - ST-Loan Equivalent Risk	ST	0.55	CARE A3	-	1)CARE A3 (07-Dec-23)	1)CARE A3 (20-Mar-23)	-

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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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.

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