Alankit Limited

October 26, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	5.00	**CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**	**Assigned**
Short-term Bank Facilities	5.00	**CARE A3+ (A Three Plus)**	**Assigned**
Total Facilities	**10.00 (Rs. Ten crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to Alankit Limited (AL), factors in the healthy financial risk profile of the company as reflected in the growing scale of operations and comfortable capital structure. The ratings also factor in the experienced promoters, diversified product offering and geographically wide service network of the company. These rating strengths are, however, partially offset by moderate scale of operations, significant exposure of AL to its wholly owned subsidiaries and services offered being subjected to regulatory risk.

Going forward, ability of AL to consistently increase its scale of operations with improvement in profitability margins and efficient management of its working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

Alankit Limited (AL) is promoted by Mr. Alok Kumar Agarwal (Chairman), a fellow member of the Institute of Chartered Accountants of India (ICAI). He is also a member of Institute of Financial Consultant (IFC, Canada) and Institute of Internal Auditors (IIA, USA). He has over 30 years of experience in finance, administration and capital markets. Mr. Ankit Agarwal, the Managing Director of the company has more than 10 years of experience in the field of finance and research activities. The board also consists of Mr. Yashjeet Basrar (Independent Director) who has 48 years of experience in financial services industry, handling compliances and corporate consultancy. Mr. Shyam Kishore Lal, (Independent Director) is retired Chief General Manager of State Bank of Hyderabad. Mr. Pradip Kumar Banerji (Independent Director) is a retired IAS and has served the government for 36 years. The management of AL is supported by a team of experienced and qualified professionals who are involved in day to day operations of the company.

Established and geographically wide service network

AL offers various E-Governance services through its established wide service network with 25 regional offices spread across the Country and operates in more than 673 cities with ~3866 business locations. Further, during FY16 AL also became authorized distributor of EESL for the distribution of energy efficient LED bulbs and other products like fans etc. across various parts of the country. The already established service network is being used for the same; this provides savings for the company in terms of expenses saved in establishing a distribution channel.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Diversified product offering

AL has strong presence in the E-Governance space with wide and diversified product offerings. The company generates revenue majorly from E-Governance Services and apart from that company is also in the business of Sale of Printers, Ribbons, PVC Cards used for printing of UID Cards, other Govt. Cards and LED bulb distribution services.

Growing Scale of operations along with comfortable capital structure

AL recorded growth of 187.17% in FY17 over FY16 with total operating income of Rs. 86.65 crore, led majorly from increase in sale of E-Governance Products Sale (printers, Ribbons and PVC Cards used for printing of UID Cards and other Govt. Cards) from Rs. 3.48 crore in FY16 to Rs. 18.62 crore in FY17 and PAN Card services from Rs. 13.96 crore in FY16 to Rs. 46.82 crore in FY17. PAT stood at Rs.14.38 crore for FY17 as against Rs.3.52 crore for FY16.
AL has low total debt of only Rs. 5 crore as on March 31, 2017 comprising of working capital. The capital structure of the company is comfortable with overall gearing of only 0.23 times as on March 31, 2017 and total debt/GCA of 0.30 years.

Key Rating Weaknesses

Moderate scale of operations

AL generates revenue from offering E-Governance services including consultancy services and LED bulb, fans distribution services to its customers. AL operates on a small scale with volatile revenue trend from its business segments. During FY17, although the scale of operation of AL has grown significantly, however remains relatively small. AL registered total operating income of Rs.86.65 crore during FY17 as against Rs.30.18 crore in FY16. The company is currently deriving a significant portion of its turnover from government schemes. Going forward, the ability of the company to increase its scale of operations with improving profitability and further diversification in the customer base would be the key rating sensitivity.

Services offered subjected to significant regulatory risk

AL is majorly dependent upon central and state government for its e-governance business. Stability and continuance of all these government backed schemes remains uncertain. AL received more than 54% of its revenue from PAN Card Services during FY17. AL accepts PAN applications on behalf of NSDL through its chain of TIN-Facilitation Centers (TIN-FCs) and PAN centers set up across the country. Payment for these services rendered is received after the satisfactory report from the government officer. For the business correspondent services and manpower outsourcing consultancy services it is dependent on banks and government departments.
Further, most of the business of the company largely depends upon government schemes whose continuation might become an issue due to change in government or change in the focus area by the government departments or ministries. However, AL has been selected by GSTN for providing gateway facilities for filling of GST returns which would help the company to increase the scale of operations.

Significant Exposure to wholly owned subsidiaries

AL's total exposure to its wholly owned subsidiaries by way of investments in equity shares was Rs.6.29 crore, equivalent to 28.44% of its tangible net worth as on March 31, 2017 (as against 60.91% of its tangible net worth as on March 31, 2016). Going forward, any adverse impact on the financial risk profile of AL on account of exposure to the group companies would be a key rating sensitivity.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Rating Methodology - Service Sector Companies]
[Financial ratios – Non-Financial Sector]

About the Company

Alankit Limited (AL) promoted by Mr. Alok Kumar Agarwal (Chairman), was incorporated in July, 1989 as G.D.M. Jewelry Manufacturing Company Private Limited for manufacturing of gold jewelry products, later in February 1994 company changed its name to Euro Gold Jewelry Limited. From May 2009, the company changed its business into share and commodity trading and broking and the name of the company was changed to Euro Finmart Limited. Later in August 2014, company diversified into e-governance services and the name of the company was changed to Alankit Limited.

AL is mainly into the business of E-Governance and is empaneled as an enrollment agency for AADHAR by Unique Identification Authority of India (UIDAI). AL is also appointed by NSDL Database Management Limited for implementing and managing process for cheque truncation system.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	30.18	86.65
PBILDT	8.42	23.05
PAT	3.52	14.38
Overall gearing (times)	0.00	0.23
Interest coverage (times)	262.41	17.77

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	5.00	CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB+; Stable	-	-	-	-
2.	Non-fund-based-Short Term	ST	5.00	CARE A3+	-	-	-	-

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