Alankit Limited

November 15, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	6.00 (enhanced from Rs. 5.00 crore)	**CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	10.00 (enhanced from Rs. 5.00 crore)	**CARE A3+ (A Three Plus)**	**Reaffirmed**
Total	**16.00 (Rs. Sixteen crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Alankit Limited (AL) continues to derive strength from its experienced promoters, diversified product offering and geographically wide service network of the company. The ratings also factors in healthy financial risk profile of AL characterized by its growing scale of operations and comfortable capital structure.

These rating strengths are, however, partially offset by its moderate scale of operations with high dependence of the company on Govt. Schemes and significant exposure of AL to its wholly owned subsidiaries.

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

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

Incorporated in July 1989, Alankit Limited (AL) is promoted by Mr. Alok Kumar Agarwal (Chairman); he is 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 (Managing Director) 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) 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

Promoters of AL are into service industry for more than 27 years with a wide experience in share trading and E-Governance field. AL offers various E-Governance services through its established wide service network with 21 regional offices spread across the Country and 3 overseas 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 to carry out & promote the business of Energy Efficiency including manufacturing and supply of energy efficiency services & products. AL carries out large-scale distribution, storage and inventory management of LED bulbs & ceiling fans under the given project. 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.

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. The major services offered by Alankit Limited includes GST Suvidha Provider, TIN Facilitation Center & PAN Center, Authorised Person (AP) for National Insurance - policy Repository (NIR), Point of Service (POS) for National Skills Registry (NSR), Manpower Services, Facilitator for Atal Pension Yojana (APY),

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

Business Correspondent (BC), UID Enrolment (Aadhaar), Aadhaar Seeding, National Distributor for Entrust Datacard Printers, Authentication User Agency (AUA), KYC User Agency (KUA). Apart from that company is also in the business of Sale of Printers, Ribbons, PVC Cards used for printing of Govt. cards and LED Bulb distribution services (E-Governance Product sales). During FY18, revenue from E- governance Product Sales comprised of 8.54% of its total sales and revenue from E Governance services comprised of 85.44% of its total sales and remaining revenue is from other income (interest income, repair & maintenance income, consultancy income) and distribution of LED Bulbs.

Growing Scale of operations along with comfortable capital structure

The scale of operation of AL has grown continuously from total operating income of Rs. 30.18 crore in FY16 to Rs. 107.15 crore in FY18 at a CAGR of 88.42. The growth in total operating income is led majorly from increase in revenue from manpower and business correspondent services from Rs. 2.99 crore in FY17 to Rs. 17.33 crore in FY18 and increase in revenue from PAN Card services from Rs. 46.82 crore in FY17 to Rs. 56.04 crore in FY18. Further, During Q1FY19, the company has reported a total operating income of Rs. 26.21 crore as against total operating income of Rs. 28.83 crore in Q1FY18; registering a q-o-q decline of 9.09%. The decline in revenue is on account of decrease in income from E-Governance Services from Rs. 25.45 crore in Q1FY18 to Rs. 22.93 crore in Q1FY19 due to decline in sales from PAN Card business segment under E-Governance Services.

PBILDT Margin of the company improved from 26.40% in FY17 to 30.11% in FY18 due to increased contribution from higher profitability segment i.e. E-Governance Services. The contribution from E-Governance Services has increased from 73.38% of total sales in FY17 to 85.44% in FY18. PAT stood at Rs. 21.35 crore in FY18 as against Rs. 13.09 crore in FY17.

AL has low total debt of only Rs. 4.92 crore as on March 31, 2018 comprising of working capital. The capital structure of the company is comfortable with overall gearing of only 0.08 times and total debt/GCA of 0.22 years as on March 31, 2018. However, working capital utilization of AL remained elevated (working capital utilization remained above 95%) in the past 12 months ending Sep, 2018. Going forward, efficient management of its working capital limits would be the key rating sensitivity.

Key Rating Weaknesses

Moderate scale of operations with High Dependence of company on Government Schemes

AL operates on a small scale with volatile revenue trend from its business segments and most of the business of the company depends upon the government backed schemes whose continuation might become an issue due to change in government or change in the focus area by the government departments or ministries. Though, the scale of operations of AL has grown significantly from Rs. 30.18 crore in FY16 to Rs. 107.15 crore in FY18, however, it remains moderate.

AL is dependent upon central and state government schemes for its e-governance business. Stability and continuance of all these government backed schemes remains uncertain. AL received around 52% of its revenue from PAN Card Services (for acceptance of fresh PAN applications and acceptance of change in PAN particulars). AL accepts PAN applications on behalf of NSDL through its chain of TIN-Facilitation Centers (TIN-FCs), PAN centers set up across the country and through AL's online portal. Also, AL is associated with leading banks as well as the distinct State Govt. centers to provide Aadhaar Services. Payment for these services rendered is received after the satisfactory report from the government officer which might pose problem.

For the business correspondent services and manpower outsourcing consultancy services it is dependent on banks and government departments. As a business correspondent for a number of leading banks of the country, the company provides banking services as and when required by the company's associated banks at given location and time.

Going forward, ability of the company to increase its scale of operations with improving profitability, further diversification in the customer base and continuation of the govt. schemes would be the key rating sensitivities.

Significant Exposure to wholly owned subsidiaries

AL's total exposure to its wholly owned subsidiaries by way of investments in equity shares was Rs. 19.69 crore, equivalent to 31.44% of its net worth as on March 31, 2018 (as against 13.47% of net worth as on March 31, 2017). During FY18, the company has done investments in its subsidiaries namely Alankit Forex India Limited (previously known as Alankit Life Care Limited and received approval on 16th February, 2018 from RBI for operation of Full Fledged Money Changers) and Verasys Technologies Private Limited (a Certifying Authority under the Information Technology Act of India 2000, licensed to issue digital signature certificates) amounting Rs. 12.00 crore and Rs. 2.58 crore respectively.

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) is 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 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 the present one. AL is a part of the Alankit Group, promoted by Mr. Alok Kumar Agarwal. Alankit Group is a conglomerate of 10 Group companies with diversified activities into Financial Services, e-Governance, Insurance & Health Care verticals. AL is headquartered in New Delhi with network of 21 regional offices across the country & presence in 3 overseas locations- London, Dubai & Singapore.
AL is mainly into the business of E-Governance. The major services offered by Alankit Limited include GST Suvidha Provider, TIN Facilitation Center & PAN Center, Authorised Person (AP) for National Insurance - policy Repository (NIR), Point of Service (POS) for National Skills Registry (NSR), Manpower Services, Facilitator for Atal Pension Yojana (APY), Business Correspondent (BC), UID Enrolment (Aadhaar), Aadhaar Seeding, National Distributor for Entrust Datacard Printers, Authentication User Agency (AUA), KYC User Agency (KUA). Apart from that company is also in the business of Sale of Printers, Ribbons, PVC Cards used for printing of several Govt. cards. AL is also authorized distributor of Energy Efficiency Services Limited (EESL, rated CARE AA; Stable/CARE A1+) and is engaged in distribution of energy efficient bulbs, fans etc.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	85.52	104.57
PBILDT	21.74	29.68
PAT	13.09	21.35
Overall gearing (times)	0.11	0.08
Interest coverage (times)	135.78	34.51

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	-	-	-	6.00	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	10.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (26-Oct-17)	-	-
2.	Non-fund-based-Short Term	ST	10.00	CARE A3+	-	1)CARE A3+ (26-Oct-17)	-	-

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