Health & Wealth
We Manage Both

alankit LIMITED

2nd March, 2021

To,

**The General Manager**
**Department of Corporate Services**
**Bombay Stock Exchange Limited**
P.J Towers, Dalal Street
Mumbai – 400001
Phones: 022 - 2272 3121, 2037, 2041
Fax: 91-22-22721919
corp.relations@bseindia.com
**Security Code No. : 531082**

**The National Stock Exchange of India Ltd.**
Exchange Plaza, 5th Floor,
C-1, Block G, Bandra – Kurla Complex,
Bandra (E),
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Phones: 022 - 2659 8237, 8238, 8347, 8348
Fax No: (022) 26598120
cmlist@nse.co.in
**Security Code No. : ALANKIT**

Dear Sir(s),

**Ref: Intimation regarding revision in credit rating -pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")**

Pursuant to Regulation 30 of the Listing Regulations, it is hereby informed that CARE Ratings Limited has reviewed and revised the credit rating of the Company.

The rating rational along with press release dated 01.03.2021 issued by the rating agency is enclosed herewith.

Kindly take above intimation on your record.

Thanking you.

Yours faithfully
**FOR ALANKIT LIMITED**

Ankit Agarwal

Digitally signed by Ankit Agarwal
DN: c=IN, st=Delhi, 2.5.4.20=982fde40e60009984cdfb721127fa65b93c1160193a89f188a11ec1f4d5defef, postalCode=110052, street=H.No - 56 S.F.S.,Phase - 4,New Delhi,ASHOK VIHAR,North West Delhi, serialNumber=fb6df8ae1c98d8bd94e83cc88379da88588fcc1b3bb417ee330370d2182cb88f, o=Personal, cn=Ankit Agarwal, title=7757, pseudonym=b844d83a627742dcfaa43198e811cb74
Date: 2021.03.02 17:45:28 +05'30'

**ANKIT AGARWAL**
**MANAGING DIRECTOR**

# Alankit Limited

March 01, 2021

**Ratings**

| Facilities/Instruments | Amount (Rs. crore) | Ratings | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 8.00 | CARE BBB- (CWD) (Triple B Minus) (Under Credit watch with Developing Implications) | Assigned |
| Long Term Bank Facilities | 5.00 (Reduced from 6.00) | CARE BBB- (CWD) (Triple B Minus) (Under Credit watch with Developing Implications) | Revised from CARE BBB (Triple B); Revision in credit watch from Negative Implications to Developing Implications |
| Short Term Bank Facilities | 3.00 (Reduced from 10.00) | CARE A3 (CWD) (A Three) (Under Credit watch with Developing Implications) | Revision in credit watch from Negative Implications to Developing Implications |
| **Total Bank Facilities** | **16.00 (Rs. Sixteen Crore Only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the ratings for the bank facilities of Alankit Limited (AL) takes into account the moderation in its financial risk profile characterized by the stretch in its liquidity position as reflected by the increase in its operating cycle in FY20 (refers to period from April 01 to March 31) following the stretch in its receivable days and with high utilization of its working capital limits accentuated by the lockdown imposed due to Covid-19 not leaving sufficient buffer for the company. The rating revision also factors in the increased exposure to its subsidiaries to the tune of 45% of its net-worth during 9MFY21 (refers to period from April 01 to Dec 31) which increased from ~28% in FY19 (refers to period from April 01 to March 31). The ratings also take cognizance of the high dependence of the company on continuation of government schemes and significant exposure of AL to its wholly owned subsidiaries. The ratings, however, continue to derive strength from its experienced promoters, diversified product offering, geographically diversified service network and comfortable capital structure.

The ratings continue to be on credit watch with developing implications on account of the discontinuance of agreement of the company with NSDL e-Governance Infrastructure Limited (NSDL e-Gov) as a Tax Information Network Facilitator (TIN FC)/ PAN Centre. As per the news articles, the agreement is terminated on account of non-remittance of PAN application fees and TDS filing fees collected from applicant/filers by AL to NSDL e-Gov. In response, AL also initiated arbitration proceedings against NSDL over its dispute related to payment of the arrears of long pending dues to AL and as the matter is still sub-judice the ratings placed on credit watch with developing implications.

CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

**Rating Sensitivities**

**Positive sensitivities:**

- Sustained Increase in scale of operations by 30% or more with increase in profitability margins (at PBILDT Margin of 25% or more) on a sustained basis.
- Ability of the company to manage its working capital requirements while timely realizing from its debtors.
- Ability of the company to reduce its group exposure.

**Negative sensitivities:**

- Significant Increase in the working capital Cycle on a sustained basis
- Decline in income by more than 15% or decline in PBILDT Margin by more than 300 bps from the current levels in any of the year going forward.
- Any adverse impact due to the IT raid conducted on the company or its promoters or any unforeseen liability which crystalizes on the company due to the matter with NSDL which is sub-judice in the court.
- Deterioration in its Capital Structure (Overall Gearing of more than 0.70x in the projected period)

**Detailed Description of the Key Rating Drivers**

**Key Rating Strengths**

**Experienced promoters**

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) and is also a member of Institute of Financial Consultant (IFC, Canada) and Institute of Internal Auditors (IIA, USA). He has nearly 40 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. Yash Jeet Basrar (Independent Director) who has 47 years of experience in financial services industry, handling compliances and corporate consultancy. 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 around 3 decades with a wide experience in share trading and E-Governance field. AL offers various E-Governance services through its established and wide service network with 21 regional offices spread across at 6120 business locations across India. Further, during FY16 AL become a GSP (GST Suvidha Provider) under GSTN. Also, during FY18, company got a license from Controller of Certifying Authority (CCA) to operate as a Certifying Authority (CA) for issuance of Digital Signature Certificate and also started to operate as a Full-Fledged Money Changers (FFFMC) for which license was issued by Reserve Bank of India (RBI) to one of its wholly owned subsidiary.

**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 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), Aadhaar Services, National Distributor for Smart Card 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. During FY20, revenue from E- governance Product Sales comprised of 11.38% (PY: 9.32%) of its total sales and revenue from E Governance services comprised of 84.65% (PY: 79.56%) of its total sales and the remaining revenue comprising of 3.97% of the total income is from other source (interest income, repair & maintenance income, consultancy income and distribution of LED Bulbs)

The total operating income in FY20 is largely comprised of revenue from PAN Card services which was around ~32% of TOI in FY20 (around ~38% of TOI in FY19) and manpower services which contributes around ~35% of total operating income in FY20 (which contributes around ~33% of total operating income in FY19). In H1FY21, the revenue from the PAN card services dropped significantly to Rs. 5.59 crores because of discontinuation of agreement with NSDL. Company has entered into agreement with UTI to mitigate the same, however revenue contribution from UTI is not much in H1FY21. Total manpower of the company stood at 2256 in FY19, 2648 in FY20 and 3410 in FY21 (YTD). Total employee costs as % of TOI stood at 21.02% in FY18, 45.26% in FY19 and 49.79% in FY20. Alankit Limited is engaged in offering customized solutions for all types of manpower services (wide range of qualified human resources including skilled, semi-skilled and unskilled) across the industries for all types of projects.

**Moderate financial profile with Comfortable Capital Structure**

AL generates revenue from offering E-Governance services, E- Governance product sales and sales of EESL's products viz LED Bulb, fans distribution services with volatile revenue trends in its business segments and high dependency on continuation of govt. schemes related to area of its services offerings. The total operating income of AL has grown continuously from Rs. 107.15 crore in FY18 at a CAGR of 10.31% to Rs. 130.38 crore in FY20. The revenue from PAN Card services stood at Rs. 43.00 crore during FY20 (PY: Rs. 43.73 crore). PBILDT Margin of the company declined to 18.08% in FY20 as against 19.82% in FY19 on account of increase in the employee expenses from Rs. 51.64 crore in FY19 (39.98% of total operating income) to Rs. 64.19 crore in FY20 (49.79% of total operating income) with increase in the revenue from providing man power for various E-Government services. Manpower Services is less profitable viz a viz other services (like PAN Card Services) provided by the company. Total debt of the company stood at Rs. 13.09 crore as on March 31, 2020 which comprised of term loan of Rs. 8.17 crore and working capital borrowing of Rs. 4.93 crore as against total debt of Rs. 13.80 crore as on March 31, 2019 which comprised of term loan of Rs. 8.83 crore and working capital borrowing of Rs. 4.97 crore. Overall gearing of the company improved to 0.15x as on March 31, 2020.

During 9MFY21, the total operating income of the company declined ~17% to Rs. 80.05 cr as compared to Rs. 97.00 cr during 9MFY20, on account of lower sales in 9MFY21 being adversely impacted by the outbreak of COVID-19 and the consequent lockdown to contain the spread and also on account of drop in sales from the PAN card segment following the discontinuation of the agreement with NSDL. The PBILDT and PAT margin stood at 18.89% and 11.83% respectively during 9MFY21 as compared to 18.82% and 9.74% during 9MFY20. The total debt of the company stood at Rs. 14.22 cr as on

September 30, 2020, comprising term loan of Rs. 9.27 cr and working capital borrowings of Rs. 4.95 cr. Company has raised Covid-funding of Rs. 1.66 crores H1FY21 to support working capital management of the company.

**Key Rating Weaknesses**

**Stretched Liquidity**
The liquidity position of the AL is stretched with high working capital utilization and increasing operating cycle and debtors. Working capital utilization at the maximum level for the past 12 months ending Dec 2020 was high at 98.20%. Operating cycle of the company increased to 44 days in FY20 as against 13 days in FY19 on account of increase in collection period of the company from 68 days in FY19 to 88 days in FY20. Total receivables of the company increased from Rs. 26.44 crores as on March 31, 2019 to Rs. 36.60 crores as on March 31, 2020 and Rs. 44.88 crores as on September 30, 2020. Due to the Covid and lockdown imposed in March end, debtor realization became slow and government client also stretched their payments which resulted into increased debtors and operating cycle. Further the business from the manpower segment has also increased where the margins are lower compared to other segments and there is deployment of its working capital due to the nature of the business. AL has not availed any moratorium for its debt servicing on the fund-based limits. Company has raised Covid-funding of Rs. 1.66 crores H1FY21 to support working capital management of the company. Company have Rs. ~0.61 crores of Scheduled debt repayment for FY21. The current ratio of the company stood at 1.56x as on March 31, 2020 (1.41x as on March 31, 2019). Cash and bank balances of the company stood at ~Rs. 6.50 cr (including earmarked deposits of Rs. 2.77 crores) as on March 31, 2020 and Rs. 4.66 crores (including earmarked deposits of Rs. 3.34 crores as on September 30, 2020).

**Increased exposure to wholly owned subsidiaries**
AL's total exposure to its wholly owned subsidiaries by way of investments in equity shares was Rs. 28.38 crore, equivalent to 33.13% of its net worth as on March 31, 2020 which stood increased as against 28.68% of the tangible net worth as on March 31, 2019 and it further increased to Rs. 40.68 crores as on September 30, 2020 which is approximately 45% of its net-worth. Company has invested around ~Rs. 12.30 crores in Alankit Imagination Limited in H1FY21. As per the management, company has plans to set Alankit Imagination as a discount brokerage company. Currently this business is under Alankit assignments and it will be bought by Alankit Imagination. Going forward, any adverse impact on the financial risk profile of AL on account of its exposure towards the group companies would be a key rating sensitivity. Ability of AL to reduce its exposure towards the subsidiaries and group companies will be a key monitorable going forward.

**High Dependence 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. 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 32% of its revenue from PAN Card Services during FY20 (for acceptance of fresh PAN applications and acceptance of change in PAN particulars). The discontinuation of the agreement with NSDL has however impacted the revenue flow from this segment which the company is trying to mitigate by scaling up in other segments and offerings. AL accepts PAN applications through 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 officials which elongates the whole process.
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 such as State Bank of India, Bank of Baroda, IDBI Bank, 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. 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. Being a service provider for these banks, Alankit essentially helps in enrolling customers and enabling their transactions at the Customer Service Points (CSPs) besides sourcing various deposit and loan products of the bank as a business facilitator. Further, AL operates on a small scale with volatile revenue trend from its business segments and most of the business of the company largely depend 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 is optimistic about the E-Governance business and has projected stable growth in the total operating income and PAT for the coming years on account of stable government and policies with increase in revenue from manpower related services with the rapid boom in industrial development, resulting in increased demand for manpower.

**Analytical approach**
Standalone

**Applicable Criteria**
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial Ratios - Non-Financial Sector]
[Criteria for Short term Instruments]
[Liquidity Analysis of Non-Financial Sector Entities]
[Rating Methodology - Service Sector Companies]

**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 15 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), Aadhaar Services, National Distributor for Smart Card 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.
In June 2020, NSDL e-Governance Infrastructure Ltd. (NSDL e-Gov) has intimated in an official statement of the termination of its agreement with Alankit Limited as a Tax Network facilitator (TIN FC)/ PAN Centre. Thus, subsequent to this, AL is no longer a facilitation center service provider for NSDL e-Gov and cannot provide services on NSDL's behalf for accepting and processing PAN applications, e-TDS/ e-TCS Statements etc. The agreement is terminated on account of non-remittance of PAN application fees and TDS filing fees collected from applicant/filers by AL to NSDL e-Gov. AL also initiated arbitration proceedings against NSDL over its dispute related to payment of the arrears of long pending dues to AL. The matter in subjudicied and the final outcome is awaited. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

| Brief Financials (Rs. crore) | FY19 (A) | FY20 (A) |
|---|---|---|
| Total operating income | 114.08* | 130.38 |
| PBILDT | 10.53* | 23.57 |
| PAT | 13.22 | 12.69 |
| Overall gearing (incl. acceptances) (times) | 0.19 | 0.15 |
| Interest coverage (times) | 4.62 | 6.88 |

*A: Audited*
**excluding one-time income of Rs. 15.06 cr*

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

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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- (CWD) |
| Non-fund-based-Short Term | - | - | - | 3.00 | CARE A3 (CWD) |
| Fund-based - LT-Term Loan | - | - | March 2034 | 8.00 | CARE BBB- (CWD) |

**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 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Cash Credit | LT | 5.00 | CARE BBB- (CWD) | 1)CARE BBB (CWN) (16-Jun-20) | 1)CARE BBB; Stable (07-Feb-20) | 1)CARE BBB+; Stable (15-Nov-18) | 1)CARE BBB+; Stable (26-Oct-17) |
| 2. | Non-fund-based-Short Term | ST | 3.00 | CARE A3 (CWD) | 1)CARE A3 (CWN) (16-Jun-20) | 1)CARE A3 (07-Feb-20) | 1)CARE A3+ (15-Nov-18) | 1)CARE A3+ (26-Oct-17) |
| 3. | Fund-based - LT-Term Loan | LT | 8.00 | CARE BBB- (CWD) | - | - | - | - |

**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 the Instrument | Complexity Level |
|---|---|---|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Term Loan | Simple |
| 3. | Non-fund-based-Short Term | Simple |

***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.*

## Contact us

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**About CARE Ratings:**
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



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