

Press Release

11 March, 2017

Pamm Advertising & Marketing

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.7.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 7.50 crore bank facilities of Pamm Advertising & Marketing. The outlook is '**Stable**'.

The New Delhi-based, Pamm Advertising and Marketing (Pamm) was established in 1987 by Mr. Sunil Chhabra and Mrs. Atiya Chhabra. The firm is an advertising agency and provides advertising services for the print, digital and outdoor media. The firm generates more than 90 per cent revenue from government organisations and the rest from private players. Pamm is accredited with Indian Newspaper Society (INS), Directorate of Advertising & Visual Publicity (DAVP) and Indian Broadcasting Foundation (IBF).

Key Rating Drivers

Strengths

- **Experienced promoters and second line of management**

The firm was incorporated by Mr. Sunil Chhabra and Mrs. Atiya Chhabra. The partners have experience of more than two decades in the said line of business.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by comfortable gearing and coverage indicators. The moderate gearing of the firm stood at 1.05 times as on March 31, 2016 against 0.99 percent in the previous year. The interest coverage ratio stood moderate at 2.06 times in FY2015-16 against 2.00 times in FY2014-15. The operating margin stood at 3.23 per cent in FY2015-16 against 3.62 per cent in FY2014-15. The firm registered moderate operating income of Rs.55.03 cr in FY2015-16 that improved from Rs.50.34 cr in FY2014-15. The firm achieved operating income of Rs.36.09 cr till December 2016. SMERA also notes that the average bank limit utilisation of the firm stood comfortable at 49.50 percent from April 2016 to December 2016.

Weaknesses

- **Competitive and fragmented industry**

The advertising industry is highly competitive with large number of players.

• Working capital intensive operations

The business of the firm is highly working capital intensive evident from the GCA days of 151 in FY2015-16 as against 92 in FY2014-15. The debtors days stood at 141 in FY2015-16 as compared to 85 in FY2014-15.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that Pamm will maintain a stable outlook over the medium term, on account of its experienced management and healthy relations with customers and suppliers. The outlook may be revised to Positive if the firm reports higher than expected revenue, improved profitability margins and working capital management. Conversely, the outlook may be revised to Negative, in case of significant deterioration in its capital structure on account of large debt-funded capital expenditure.

About the Rated Entity - Key Financials

In FY2015-16 the firm achieved operating income of Rs.55.03 cr with Profit After Tax (PAT) of 1.19 cr as compared to operating income of Rs. 50.34 cr with PAT of 0.85 cr a year earlier. The networth stands at Rs.6.06 cr as on 31 March 2016 as compared to Rs.5.77 cr a year earlier. The networth of Rs.6.06 cr as on 31 March 2016 includes quasi equity of Rs. 1.20 cr.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Oct-2015	Overdraft	Long Term	INR 4.5	SMERA BB / Stable
	Bank Guarantee	Short Term	INR 3	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+

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ABOUT SMERA

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