

## Press Release

### Pamm Advertising & Marketing

January 07, 2019



### Rating Reaffirmed

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

\* Refer Annexure for details

### Rating Rationale

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

The New Delhi based partnership firm PAM, incorporated in 1987, by Mr. Sunil Chhabra and Mrs. Atiya Chhabra with the motto of providing advertisement services via various media such as print digital and outdoor. The firm generates more than 90 percent of revenue from government organisations and rest from private players. PAM is accredited by Indian Newspaper Society (INS), DIP Directorate of Advertising & Visual Publicity (DAVP) and Indian Broadcasting Foundation (IBF).

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PAM for arriving at the rating

### Key Rating Drivers

#### Strengths

- **Experienced promoters**

The Key promoter, Mr. Sunil Chhabra, along with his wife, Mrs. Atiya Chhabra, have been associated with the advertising business for over three decades. Over the years with the extensive experience of the promoters', the firm has been able to develop a healthy portfolio of more than 100 clientele spanning from Ministry of Finance, Transport, Heavy Engineering, namely, ONGC, IOCL, Indian Railways, NHPC, NTPC to name a few.

- **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 1.19 times as on March 31, 2018 against 1.23 times as on March 31, 2018. The net worth levels of the entity stood at Rs.6.24 crore as on 31 March, 2018 as compared to Rs.5.81 crore in the previous year. The total debt of Rs.7.41 crore consists of long term debt of Rs. 2.37 crore, short term working capital borrowings of Rs.3.19 crore and unsecured loans from promoters and relatives of Rs.1.85 crore. Moreover, the interest coverage ratio stood moderate at 2.54 times in FY2018 against 2.28 times in FY2017. The net cash accrual to total debt stood at 0.14 times in FY2018 as compared to 0.13 times in the previous year. Going forward, the financial risk profile is expected to improve as the firm has no debt funded capex plans.

#### Weaknesses

- **Competitive and fragmented nature of industry**

Advertising Industry is a highly competitive industry due to presence of multiple players which results in intense competition from both the organised as well as unorganised players in the industry.

- **Working capital intensive**

The business of the firm is highly working capital intensive evident from Gross Current Assets (GCA) at 156 days in FY2018 as against 124 days in FY2017. The GCA days are eminent from increased debtor

days at 140 days in FY2018 as compared to 114 days in FY2017. Acuité believes that improvement in the working capital cycle of the firm will be a key rating sensitivity.

#### **Outlook: Stable**

Acuité believes that PAM will maintain a 'Stable' business risk profile over the medium term as the firm will continue to benefit from the extensive experience of the promoters in the industry and healthy customer portfolio. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while maintaining its profitability and improvement in financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or working capital cycle.

#### **About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	46.81	43.96	55.03
EBITDA	Rs. Cr.	1.69	1.61	1.78
PAT	Rs. Cr.	0.85	0.70	1.19
EBITDA Margin	(%)	3.62	3.66	3.23
PAT Margin	(%)	1.83	1.59	2.16
ROCE	(%)	11.52	11.20	33.00
Total Debt/Tangible Net Worth	Times	1.19	1.23	1.56
PBDIT/Interest	Times	2.54	2.28	2.59
Total Debt/PBDIT	Times	4.31	4.31	3.39
Gross Current Assets (Days)	Days	156	124	151

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

None

#### **Any other information**

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Complexity Level Of Financial Instruments - <https://www.acuite.in/view-rating-criteria-33.htm>

#### **Note on complexity levels of the rated instrument**

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

#### **Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-May-2018	Cash Credit	Long Term	4.50	ACUITE BB (Indicative)
	Bank Guarantee	Short term	3.00	ACUITE A4+ (Indicative)
11-Mar-2017	Cash Credit	Long Term	4.50	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
30-Oct-2015	Secured Overdraft	Long Term	4.50	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)

**\*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	ACUITE BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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