



SMERA RATINGS LIMITED

Costra Advertising India Private Limited (CAIPL)

*Rating
Rationale***April 29, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Letter of Credit	1.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and a short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.6.00 crore bank facilities of Costra Advertising India Private Limited (CAIPL). The outlook is '**Stable**'. The ratings are constrained by the moderate scale of operations, working capital intensive business and customer concentration risk. The ratings are also constrained by the company's exposure to foreign exchange fluctuation risk. However, the ratings are supported by the experienced management, healthy profitability and comfortable financial risk profile.

Outlook: Stable

SMERA believes that CAIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation. Any deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements and capital expenditures may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Debt funded capex
- Substantial and sustainable growth in revenues or operating margins
- Effective working capital management

About the Firm

CAIPL, incorporated in 2007 by Mr. Manoj Rijumal Adnani and Mr. Rijumal Nottandas Adnani is engaged in the manufacture of furniture and fixtures for retail outlets. For FY2014-15, CAIPL reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.18.50 crore, as compared with PAT of Rs.0.48 crore on operating income of Rs.19.75 crore in FY2013-14. The net worth of the company stood at Rs.6.69 crore as on March 31, 2015.

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