



## Press Release

### Costra Advertising India Private Limited

October 24, 2017

### Rating Reaffirmed

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 6.00 Cr.               |
| <b>Long Term Rating</b>             | SMERA B+ / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 6.00 crore bank facilities of Costra Advertising India Private Limited. The outlook is '**Stable**'.

The Thane-based Costra Advertising India Private Limited (CAIPL), incorporated in 2007 by Mr. Manoj Rijumal Adnani and Mr. Rijumal Nottandas Adnani is engaged in the manufacture of furnitures and fixtures.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters, Mr. Manoj Adnani and Mr. Rijumal Adnani have over 10 years of experience in the furnitures and fixtures business.

- **Healthy profitability**

The company has healthy EBITDA margin of 9.78 percent in FY2016 compared to 10.15 percent in FY2015. Further, the PAT margins are stable at 2.99 percent in FY2016 as against 2.72 percent in the previous year.

- **Comfortable financial risk profile**

The comfortable financial risk profile is marked by moderate network of Rs.7.56 crore as on 31 March, 2016 compared to Rs.6.69 crore as on 31 March, 2015. The debt to equity ratio of the company stood at 0.70 times as on 31 March, 2016 compared to 0.46 times as on 31 March, 2015. The interest coverage ratio stood at 2.95 times for FY2015-16 and 2.84 times in FY2014-15. Further, the company reported RoCE of 14.00 times for FY2015-16 and 13.71 times for FY2014-15.

#### Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate with revenue of Rs.21.76 crore for FY2015-16 and Rs.18.50 crore during the previous year. The company booked revenue of Rs. 22 crore in FY2016-17.

- **Foreign exchange fluctuation risk**

CAIPL is engaged in the export of furnitures and fitouts to Dubai. The company generated around 50 per cent revenue in FY2016-17 through exports and the balance from the domestic market. Also, the company imports around 30 percent of its raw material from USA and China.

- **Working capital intensive operations**

CAIPL's business is working capital intensive as reflected in the high GCA days of around 283 days in FY2016. This is on account of high debtor days of 179 and high inventory days of 104 in FY2016. In FY2015, the GCA days stood high at 226 on account of high debtor days of 115 and high inventory

days of 112.

### Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

### Outlook: Stable

SMERA believes that CAIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operation, or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements and capital expenditure.

### About the Rated Entity - Key Financials

For FY2015-16, CAIPL reported profit after tax (PAT) of Rs.0.65 crore on operating income of Rs.21.76 crore, compared with PAT of Rs.0.50 crore on operating income of Rs.18.50 crore in the previous year. The networth stood at Rs.7.56 crore as on 31 March, 2016 as against Rs.6.69 crore as on 31 March, 2015.

### 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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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   |
|-------------|---------------------------------|------------|------------------|-------------------|
| 29-Apr-2016 | Cash Credit                     | Long Term  | INR 5            | SMERA B+ / Stable |
|             | Letter of Credit                | Short Term | INR 1            | 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 | 6.00                        | SMERA B+ / Stable |

### Contacts

| Analytical  | Rating Desk   |
|---|---|
| Vinayak Nayak<br>Head – Ratings Operations<br>Tel: 022-67141190<br><a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>                   | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br><a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a> |
| Vishal Choudhary<br>Senior Analyst - Rating Operations<br>Tel: 022-67141159<br><a href="mailto:vishal.choudhary@smera.in">vishal.choudhary@smera.in</a> |   |

### ABOUT SMERA

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