

Adsyndicate Services Private Limited: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	25.00	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of **'SMERA BB+' (read as SMERA double B plus)** to the above mentioned bank facility of Adsyndicate Services Private Limited (ASPL). The outlook is **'Stable'**. The rating derives comfort from the long track record of operations and extensive experience of the promoter. The rating also factors in the reputed clients, geographically diversified business and average financial risk profile. However, the rating is constrained by the modest scale of operations and the highly competitive advertising industry.

The Karnataka-based ASPL, incorporated in 1997 is an advertising agency. The promoter, Krishnaraj Rao has two decades of experience in the industry. ASPL caters to reputed clients such as State Bank of India (SBI), Union Bank, Manipal University, TATA Motors, Quikr and ABB Ltd among others across India and overseas.

The financial risk profile of ASPL is marked by improved profitability, moderate gearing and comfortable debt coverage indicators. The profitability margins at operating levels have increased to 4.26 per cent in FY2016 from 3.36 per cent in FY2015. The overall gearing stands at 1.90 times for FY2016. Besides, the company has no long term debt. The interest coverage ratio is comfortable and stands at 3.53 times in FY2016 compared to 2.87 times in FY2015.

ASPL is exposed to intense market competition due to limited entry barriers and relatively less capital intensive nature of the advertising industry. The scale of operations is modest with turnover of Rs.78.60 crore and Rs.71.61 crore in FY2016 and FY2015 respectively.

Rating Sensitivity Factors

- Scaling up of operations while sustaining profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that ASPL will maintain a stable outlook and benefit from its experienced management and healthy relationships with customers and suppliers. The outlook may be revised to 'Positive', in case of improvement in profitability profile without stretching its working capital cycle or if it registers improvement in the capital structure. Conversely, the outlook may be revised to 'Negative', if the financial risk profile deteriorates or the company takes on large debt funded capex.

About the Company

ASPL is an INS accredited advertising agency headquartered in Manipal, Karnataka. Incorporated in 1997, the company offers a range of services related to advertising, consulting, media planning, digital advertising and event management. The promoter, Krishnaraj Rao has two decades of experience in the industry.

For FY2015-16, ASPL reported PAT (profit after tax) of Rs.2.11 crore on net revenue of Rs.78.60 crore as against PAT of Rs.1.35 crore on net revenue of Rs.71.61 crore in the previous year.

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ABOUT SMERA

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