

Press Release

ADSYNDICATE SERVICES PRIVATE LIMITED

December 18, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 25.00 crore bank facilities of ADSYNDICATE SERVICES PRIVATE LIMITED. The outlook is '**Stable**'.

The upgrade reflects improvement in profitability, financial risk profile and debt protection metrics. The rating continues to draw comfort from the experienced management and established relations with clients. The Karnataka-based Adsyndicate Services Private Limited (ASPL), incorporated in 1997, is an Indian Newspaper Society (INS) accredited advertising agency. The company, promoted by Mr. Krishnaraj Rao and Mr. Prabhakar Sastana Pai offers services in consulting, media planning, digital advertising, event management among others.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

ASPL was established in 1997 by Mr. Krishnaraj Rao and others with extensive experience in the industry. The company undertakes advertising, consulting, media planning and other assignments.

- **Reputed clientele, geographically diversified**

ASPL caters to reputed clients such as State Bank of India (SBI), Union Bank, Manipal University, Dena Bank, Himachal Tourism to name a few. The company has long term relations of about two decades with the above. SMERA believes that ASPL will continue to benefit from its experienced management and long-standing relations with clients.

- **Increase in EBITDA and PAT Margins**

The EBITDA margins increased to 5.85 percent in FY2017 from 4.31 percent in FY2016 on account of diversification to screen designing, event management and merchandise printing. Further, the PAT margins stood at 3.99 percent in FY2017 as against 2.70 percent in FY2016. The PAT margin increased by virtue of increase in EBITDA margins and decline in finance cost.

- **Moderate financial risk profile and working capital cycle**

ASPL has a moderate financial risk profile marked by tangible networth of Rs.12.37 crore as on 31 March, 2017 as against Rs.10.54 crore as on 31 March, 2016. The gearing improved to 0.50 times as on 31 March, 2017 as against 1.90 times as on 31 March, 2016 on account of low utilisation of working capital facilities during the year. The total debt of Rs.6.31 crore as on 31 March, 2017 consists of working capital loan. ASPL has a moderate interest coverage ratio of 5.20 times in FY2016-17 as against 3.55 times in FY2015-16. Going forward, the gearing is expected to remain comfortable in the medium term in the absence of external borrowing. The working capital operations are comfortable with Gross Current Asset (GCAs) days of 64 in FY2017 as against 102 in FY2016 on account of improvement in debtor days to 58 in FY2017 from 80 in FY2016. Further, the company utilised ~60 percent of total working capital limits for the six months ended September 2017.

Weaknesses

• Decline in revenue

ASPL reported decline in revenue of around 32 percent in FY2017 compared to FY2016. The company reported operating income of Rs. 53.47 crore for FY2016-17 as against Rs.78.60 crore in FY2015-16. The fall in revenue was due to decline in spends by clients due to demonetisation and competition. The company registered revenue of Rs.43.00 crore for the period April 2017 to October 2017.

• Highly competitive and fragmented industry

ASPL is exposed to intense competition from several players due to limited entry barriers and less capital intensive nature of the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of ASPL.

Outlook: Stable

SMERA believes that ASPL will maintain a stable outlook and benefit from its experienced management and healthy relations with customers and suppliers. The outlook may be revised to 'Positive', in case of improvement in the 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 Rated Entity - Key Financials

For FY2015-17, ASPL reported Profit After Tax (PAT) of Rs.2.14 crore on total operating income of Rs.53.47 crore compared with PAT of Rs.2.12 crore on total operating income of Rs.78.60 crore in FY2015-16. The tangible net worth stood at Rs.12.37 crore as on 31 March, 2017 as against Rs.10.54 crore in the previous year.

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
18-Oct-2016	Cash Credit	Long Term	INR 25	SMERA BB+ / Stable

*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	Not	25.00	SMERA BBB- /

		Applicable	Applicable		Stable
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Contacts

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ABOUT SMERA

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