Press Release

The Incoda

March 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-' (read as SMERA BBB minus)** on the Rs. 13.50 crore bank facilities of The Incoda. The outlook is **'Stable'**.

Established as a proprietorship firm by Mr. Samirendra Dutta in 1986 and reconstituted as a partnership firm in 2009, The Incoda provides outdoor advertising services and also manufactures clay and ceramic artefacts.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations:**
The promoter, Mr. Samirendra Dutta has more than two decades of experience in the advertising business. The firm was converted into a partnership firm with Ms. Sibani Dutta (wife) joining in as a partner in 2009.

• **Healthy financial risk profile:**
The healthy financial risk profile is marked by healthy debt protection metrics, moderate capital structure and networth. The interest coverage is at 2.90 times and Net Cash Accruals to Total Debt is at 0.33 times in FY2016. The Debt Service Coverage ratio has been healthy at 2.74 times in FY2016. The gearing stood at 1.02 times as on 31st March, 2016 compared to 1.14 times as on 31st March, 2016. The networth stood at Rs 6.27 cr as on 31st March, 2016.

• **Diversified business risk profile:**
The firm derives around 80 per cent revenue from advertising and the balance from selling of handicraft items under the brand name 'Potpourri'. The company has outdoor media properties in the form of traffic booths, metro train branding and Incoda TV - the TV channel in the Kolkata Metro Railway premises.

• **Established market position and reputed clientele:**
The firm enjoys a dominant market position in West Bengal with operations spread across Gujarat, Orissa, Assam, and Hyderabad. The company has exclusive rights to advertise in Kolkata Metro Railway premises. It has also set up traffic booths in various parts of West Bengal. The firm has more than 20 years of experience in the advertising business which has helped build an established clientele. Some of its clients are Vodafone, Tata Docomo, Domino's Pizza, Tata Sky among others.

Weaknesses

• **Modest scale of operations**
Despite increase in turnover to Rs 21.18 cr in FY2016 from Rs 12.69 cr in FY2015 the scale of operations continue to remain modest. Till Feb 17 (Provisional), the firm registered operating income of around Rs 22 cr.

- **Working capital intensive operations**
  The working capital intensive business is marked by high Gross Current asset days of 246 in FY2016. While receivables were stretched at 126 days as on March 31, 2016 under the advertising segment, inventory stood at 43 days for the manufacturing business.

- **Susceptibility of revenue to economic cycles**
  Since ad spending is linked to economic cycles, economic downturns can severely affect the revenue and profitability of the firm.

Analytical Approach
SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable
SMERA believes that the outlook on the rated facilities of Incoda will remain 'Stable' over the medium term backed by its experienced management and established market position. The outlook may be revised to 'Positive' in case the firm registers more than envisaged sales and profitability while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of failure to achieve envisaged revenue and profitability and if the working capital cycle gets further stretched. Any deterioration in the financial risk profile may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials
For FY2015-16, The Incoda registered Profit After Tax (PAT) of Rs.0.63 cr on operating income of Rs.21.18 cr as compared with PAT of Rs 0.37 cr on operating income of Rs.12.69 cr in FY2014-15.

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
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Entities In Services Sector - https://www.smera.in/criteria-services.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

*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	4.00	SMERA BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	20-Apr-2020	3.00	SMERA BBB- / Stable
Proposed	Not Applicable	Not	Not Applicable	4.50	SMERA BBB- /

Long Term Loan		Applicable			Stable

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ABOUT SMERA

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