

Press Release

Standard Publicity Private Limited

August 19, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 9.83 Cr.
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB** (**read as ACUITE double B**) and reaffirmed short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.9.83 crore of bank facilities of Standard Publicity Private Limited (SPPL). The outlook is '**Stable**'.

The rating upgrade is in view of significant increase in revenue due to increase in electronic media billing, resultant to improvement in the operating profitability and net profitability as well. The rating upgrade also reflects improvement in financial risk profile of SPPL in FY2019 (Prov.).

Standard Publicity Private Limited (SPPL) was incorporated in the year of 1987 by Mr. Asim Kumar Sarkar and Mr. Kalyaneswar Sarkar. The company is engaged in advertising, marketing and promoting. The company has presence across Kolkata, Delhi, Guwahati, Bhubaneswar, Shillong and Jalpaiguri.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of SPPL to arrive at the rating.

Key Rating Drivers:

Strengths

• Experienced management and reputed clientele

SPPL has been in operations since 1987. The directors of SPPL, Mr. Asim Kumar Sarkar and Mr. Kalyaneswar Sarkar, have more than three decades of experiences in advertisement and media industry. The other director, Mr. Surendranath Dhar, has more than a decade of experience in similar industry. This long experience led to established relation with reputed clients such as National Aluminum Company (NALCO), Coal India Ltd, Damodar Valley Corporation (DVC), Income Tax Department, Kolkata Municipal Corporation (KMC), Calcutta University (CU), Kutchina (Bajoria Appliances), among others. The company has been able to maintain long relationship with their customers and suppliers spanning more than three decades. Further, the company advertises in Delhi, Guwahati, Bhubaneswar and Jalpaiguri.

• Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs 12.71 crore in FY2019 (Prov.) as increased from Rs. 10.39 crore in FY2018, mainly on account of accumulated profit. The gearing of the company stood healthy at 0.86 times in FY2019 (Prov.) as compared to 0.66 times in FY2018. The total debt of Rs. 10.94 crore consists of short term loan as on 31 March, 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 5.45 times in FY2019 (Prov.) as compared to 3.26 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 4.13 times in FY2019 (Prov.) as compared to 2.66 times in FY2018. The net cash accruals against the total debt stand moderate at 0.23 times in FY2019 (Prov.) as compared to 0.17 times in FY2018.

Weaknesses

• Working capital intensive nature of operation

Operations of the company were working capital intensive which is evident from high GCA days of 139 days in FY2019 (Prov.) as against 157 days in FY2018. This is mainly on account of high collection period which stood at 120 days and 132 days for FY2019 (Prov.) and FY2018 respectively. The high debtor is mainly on account of late realization from Govt.

• Moderate scale of operation

Though the company has started its operation since 1987, the revenue of the company stood moderate at Rs.58.00 crore in FY2019 (Prov.) as compared to Rs.38.38 crore in FY2018. Acuité believes that the ability of the group to increase scale of operations while sustaining its profitability margins will remain a key monitorable.

Liquidity Position:

The company has adequate liquidity marked by cash accruals of Rs.2.46 crore in FY2019 (Prov.) as compared to Rs.1.16 crore in the previous year. The liquidity of the company is also marked by 100 per cent utilisation of working capital limit. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 139 in FY2019 (Prov). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of adequate cash accrual against no long term debt obligation over the medium term.

Outlook: Stable

Acuité believes that the outlook on SSPL will remain 'Stable' over the medium term on account of experienced management and long track record of operation. The outlook may be revised to 'Positive' in case the firm registers higher -than-expected growth in revenues and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of further deterioration in the firm's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	58.00	38.38	39.84
EBITDA	Rs. Cr.	3.85	1.86	2.01
PAT	Rs. Cr.	2.32	1.06	0.98
EBITDA Margin	(%)	6.64	4.84	5.04
PAT Margin	(%)	4.00	2.75	2.46
ROCE	(%)	20.30	11.94	14.22
Total Debt/Tangible Net Worth	Times	0.86	0.66	1.03
PBDIT/Interest	Times	5.45	3.26	2.46
Total Debt/PBDIT	Times	2.55	3.01	3.88
Gross Current Assets (Days)	Days	139	157	153

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
22-Aug-2018	Secured overdraft	Long Term	9.65	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	0.18	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.65	ACUITE BB+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.18	ACUITE A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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