

## Press Release

Standard Publicity Private Limited

June 20, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.18	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	9.65	ACUITE BB+   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	9.83	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

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

The revision in outlook is driven by substantial deterioration in the top line of SPPL which may pose a threat to the absolute profitability levels, going forward. In addition, the company's debt levels have increased over the years on account of delayed realisation of its debtors.

SPPL's rating is driven by the above average financial risk profile of the company marked by healthy debt protection metrics, the experienced management and the long track record of operations. These strengths are, however, offset by the deteriorating business risk profile along with the working capital intensive nature of operations.

### About the Company

Incorporated in 1987, Standard Publicity Private Limited (SPPL) is based in Kolkata. It is engaged in advertising, marketing and promotion business. SPPL is headed by Mr. Asim Kumar Sarkar and Mr. Kalyaneswar Sarkar. The company has its branch office in Delhi, Guwahati, Bhubaneswar and Shillong.

### Analytical Approach

Acuite has considered the standalone financial and business risk profile of Standard Publicity Project Private Limited (SPPL).

### Key Rating Drivers

#### Strengths

- **Long standing operations and experienced management**

SPPL has a long track record of operation spanning over more than three decades in the media industry. Moreover, the directors of the company, Mr. Asim Kumar Sarkar and Mr. Kalyaneswar Sarkar, have more than three decades of experience in the advertisement and media industry contributing to the growth of the company by establishing long-term healthy relations with their clients. Acuité believes that, the company will continue to benefit from the experience of the promoters and the long standing operations.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.14.89 Cr (provisional) as on March 31, 2022 from Rs.12.83 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood comfortable at 0.81 times (provisional) as on March 31, 2022 as against 0.84 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 1.27 times (provisional) as on March 31, 2022 as against 1.44 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 5.17 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 4.55 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood high at 0.22 times (provisional) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

## **Weaknesses**

- **Deterioration in the business risk profile**

The Covid-19 pandemic had a huge impact on the company's performance which led to the steep decline in the top line over the years. The revenue of the company declined to Rs.11.55 Cr in FY21 from Rs.45.37 Cr in FY19. Though in comparison to FY21, SPPL has achieved a slight increase in the top line to generate revenues of Rs.15.65 Cr (Provisional) in FY22. The increase in FY22 is supported by the rise in the orders received and executed by the company in the same period. Also, the company has expanded their line of business to include more of the digital media along with the print media in order to improve the business performance. Along with this, for FY22 the operating margin of the company increased to 14.38 per cent (provisional) as compared to 2.65 per cent in FY21 and the PAT margin also rose to 15.91 per cent (provisional) in FY22 as compared to 0.37 per cent in FY21. The increase in the margin is buoyed by the comparatively decreasing costs. Acuité believes that going forward, the inclusion of digital media along with the established relations with the clientele will benefit the scale of operations and the profitability margins.

- **Working capital intensive nature of operations**

The company's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 535 days (provisional) as on March 31, 2022 as compared to 730 days in 31st March 2021. The GCA days are high on account of high debtor level during the same period. The debtor period stood at 277 days (provisional) as on March 31, 2022 as compared to 527 days as on 31st March 2021 due to the extended credit period provided to the clientele. However, the inventory period stood nil due to the non-requirement of any inventory. Acuité believes that the working capital operations of the company will remain at same level as evident from the extended collection mechanism over the medium term.

- **Exposed to cyclical and highly competitive industry**

The high dependence on advertisement activity exposes the company to the economic cycles, increasing the volatility of the revenues. The advertisement industry is highly competitive with the presence of both organized and unorganized players. Further, advertising industry remains susceptible to a slowdown in economy resulting from companies cutting back on advertising sponsor, changes in government policies, any change in the advertiser preferences, and exogenous events like the novel coronavirus (Covid-19) pandemic.

### Rating Sensitivities

- Improvement in the scale of operations while maintain profitability margins
- Further elongation in working capital cycle

### Material covenants

None

### Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.2.61 Cr (provisional) as on March 31, 2022 against long term debt repayment of Rs.0.02 Cr for the same period. The company has availed loan moratorium. The fund based limit of the company is moderately utilized at 79 per cent over the six months ended March, 2022. The cash and bank balances of the company stood at Rs.0.59 Cr (provisional) as on March 31, 2022. The current ratio stood comfortable at 1.86 times (provisional) as on March 31, 2022 as compared to 1.76 times as on March 31, 2021. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 535 days (provisional) as on March 31, 2022 as compared to 730 days in 31st March 2021. Acuite believes that going forward the group will maintain adequate liquidity position due to steady accruals.

### Outlook: Negative

The outlook revision to 'Negative' is primarily driven by the deterioration in the top line along with the high level of debtors. The rating may be downgraded in case of any further deterioration in the top line or substantial elongation in the working capital cycle. Conversely, the outlook may be revised to 'Stable' in case of significant improvement in the business risk profile along with the working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	11.55	38.43
PAT	Rs. Cr.	0.04	0.94
PAT Margin	(%)	0.37	2.45
Total Debt/Tangible Net Worth	Times	0.84	0.76
PBDIT/Interest	Times	1.20	2.46

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Rating History**

<b>Date</b>	<b>Name of Instruments/Facilities</b>	<b>Term</b>	<b>Amount (Rs. Cr)</b>	<b>Rating/Outlook</b>
21 Jan 2022	Bank Guarantee	Short Term	0.18	ACUITE A4+ ( Issuer not co-operating*)
	Secured Overdraft	Long Term	9.65	ACUITE BB+ ( Issuer not co-operating*)
09 Nov 2020	Bank Guarantee	Short Term	0.18	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	9.65	ACUITE BB+   Stable (Reaffirmed)
19 Aug 2019	Bank Guarantee	Short Term	0.18	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	9.65	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.18	ACUITE A4+   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+   Negative   Reaffirmed   Stable to Negative
Indian Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE BB+   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+   Negative   Reaffirmed   Stable to Negative

## Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuите.in">pooja.ghosh@acuите.in</a></p> <p>Geeta Karira Management Trainee-Rating Operations Tel: 022-49294065 <a href="mailto:geeta.karira@acuите.in">geeta.karira@acuите.in</a></p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuите.in">rating.desk@acuите.in</a></p>

### About Acuité Ratings & Research

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