

Press Release

Regal Pride Trading and Commercial Private Limited

10 August, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.21.00 Cr
Long Term Rating	SMERA B/Outlook: Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 21.00 crore bank facilities of Regal Pride Trading And Commercial Private Limited (Regal Pride Trading). The outlook is '**Stable**'.

Regal Pride Trading, incorporated in 2013 is a Mumbai-based content aggregation company. Promoted by Mr. Rashesh Purohit and Ms. Sonal Purohit, the company sources content from producers and content owners and sells the same to large media companies or channel broadcasters, mainly regional channels.

Key Rating Drivers

Strengths

Experienced management: The promoters, Mr. Rashesh Purohit and Ms. Sonal Purohit have more than a decade of experience in the media and entertainment industry.

Growth in revenue Y-o-Y: The operating income increased to Rs.102.85 crore in FY2017 (Provisional) from Rs.50.51 crore in FY2016 and Rs.19.22 crore in FY2015 on account of increased demand for content services.

Comfortable working capital cycle: The company has comfortable GCA (gross current assets) of 95 days for FY2017 (Provisional) as against 4 days in FY2016 mainly on account of inventory days of 68 and debtor days of 27 for FY2017 (Provisional). Further, the utilisation of working capital stood at ~90.00 percent.

Weaknesses

Limited track record of operations and thin profitability: Regal Pride Trading has limited operational track record. The company's profitability has been thin marked by operating margin of 1.47 percent and Profit after tax (PAT) of 0.67 percent for FY2017 (Provisional) as against operating margin of 0.08 percent and PAT margin of 0.05 percent in the previous year. The profitability margin remained low due to the trading nature of business.

Weak financial risk profile and liquidity position: The financial risk profile has been weak marked by low net worth of Rs.1.71 crore and high gearing (debt-to equity ratio) of 12.35 times as on 31 March, 2017 (Provisional). The Interest coverage ratio (ICR) stood at 3.11 times for FY2017. SMERA believes that the gearing and coverage indicators will deteriorate further with the addition of working capital which is likely to increase interest cost and exert pressure on coverage indicators. Furthermore, SMERA believes that the company will have lower liquidity marked by

lower cash accruals positions as against its repayment obligations of Rs.4.20 crore. However, the promoters plan to pay off repayment obligations through an unsecured loan.

Intense competition: Regal Pride Trading is exposed to intense competition from organised and unorganised players in the media industry.

Analytical Approach: SMERA has considered the standalone business and financial risk profile of Regal Pride Trading.

Outlook: Stable

SMERA believes that the outlook of Regal Pride Trading will remain stable in the near term on account of the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of higher than expected revenue and profitability leading to improvement in the debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability leading to deterioration in its liquidity profile or financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.68 crore on operating income of Rs.102.85 crore, compared to net profit of Rs.0.02 crore on operating income of Rs.50.51 crore in FY2015-16. The net worth stood at Rs.1.71 crore as on 31 March, 2017 as against Rs.0.04 crore a year earlier.

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Not Applicable

Applicable Criteria:

- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA B / Stable

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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