

Press Release

Anandcine Service Private Limited

27 December, 2017



Rating Assigned

Total Bank Facilities Rated*	200.00 Cr.
Short Term Rating	SMERA A3 (Assigned)

SMERA has assigned short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 200.00 crore bank facility of Anandcine Service Private Limited (ASPL).

ASPL was established as a partnership concern in 1985 by Mrs. Sai Siva Jyothi and Mrs. Padma Manohar and converted into a private limited entity in August 2017. The company is led by Directors, Mr. Kasi Vishwanathan, Mr.R.Shyamm Kumar, Mrs. Padma Manohar. ASPL is engaged in the leasing of film equipments such as cameras, lens, zoom, lighting equipment, cranes, dollies, sound equipment among others. The company is based in Chennai and has branches in Hyderabad, Cochin and Bengaluru.

Key rating drivers

Established market presence and experienced management

The company has long track record of operations of more than three decades. The Managing Director, Mr. Kasi Vishwanathan, the third generation entrepreneur has experience of over two decades in the industry. ASPL has strong market presence in the southern film industry (Tamil, Telugu and Malayalam).

SMERA believes that the strong market presence in the south will help the company get repeat orders over the medium term.

Moderate financial risk profile

The financial risk profile is moderate marked by healthy net worth of Rs. 262.03 crore as on 31 March, 2017 as against Rs. 0.52 crore as on 31 March, 2016.

The gearing stood low at 0.55 times as on 31 March, 2017 as against 713.13 times as on 31 March 2016. The total debt of Rs. 143.14 crores outstanding as on 31 March 2017 comprises Rs. 2.08 crore vehicle loan and Rs. 40.81 crore of unsecured loan from directors. The interest coverage ratio stood at 6.69 times in FY2017 as against 5.14 times in FY2016.

The Net cash accruals stood at Rs. 9.42 crore in FY2017 as against Rs.6.35 crore in FY2016. The NCA/TD stood at 0.07 times in FY2017 as against 0.02 times in the previous year.

SMERA believes that going ahead, ACPL will generate sufficient net cash accruals in order to repay future debt obligations and maintain healthy financial risk profile.

Weaknesses

Debt funded capex plan

The company has undertaken capex of Rs. 270 crore for import of equipments from Arnold & Richter Cine Technik GmbH & Co. Betriebs (ARRI) in December, 2017. Currently, the company caters to Chennai, Cochin, Hyderabad, and Bengaluru and plans to expand to Mumbai in FY2019. The company proposes to avail Letter of credit (LC) in December 2018, at 1.5 percent per annum to be converted to a term loan from FY2021. The company expects to repay the same in two years in 8 quarterly instalments from the first quarter of FY2021 and ending in the fourth quarter of FY2022.

Going ahead the ability of the company to generate sufficient net cash accruals in order to repay the debt obligation would be a key rating sensitivity.

Risks related to technological obsolescence

The firm is exposed to risks related to technological obsolescence. Accordingly, it may have to invest regularly in the latest technology. However, the company is able to generate rental income on equipments older than 10 years. Also since the company plans to import the latest equipments, the said risks are low in the initial three-five years.

Highly competitive and fragmented industry

The film equipment leasing industry in India is fragmented and players face intense competition from large production houses as well as from other equipment rental companies. Most players cater to regional needs of producers and local film studios. High concentration of such film equipment leasing companies is found in Mumbai and Chennai, two of the major film production hubs of India.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of ASPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Service Entities - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.93	30.12	35.72
EBITDA	Rs. Cr.	11.07	7.61	10.56
PAT	Rs. Cr.	4.03	0.58	4.05
EBITDA Margin (%)	(%)	41.12	25.26	29.55
PAT Margin (%)	(%)	14.97	1.93	11.35
ROCE (%)	(%)	1.47	0.78	2.96
Total Debt/Tangible Net Worth	Times	0.55	713.13	0.12
PBDIT/Interest	Times	6.69	5.14	12.78
Total Debt/PBDIT	Times	1.47	0.78	2.96
Gross Current Assets (Days)	Days	368	1008	523

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years: NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Proposed Letter of Credit cum Buyer's credit	Not Applicable	Not Applicable	Not Applicable	200.00	SMERA A3 (Assigned)

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ABOUT SMERA

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