Press Release

MEENA ADVERTISERS

February 26, 2020

Rating Downgraded

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Downgraded from ACUITE B+/Stable)

** Refer Annexure for details*

Rating Rationale

Acuité has downgraded the long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to '**ACUITE B**' **(read as ACUITE B)** on the Rs. 12.00 crore bank facilities of MEENA ADVERTISERS (MA). The outlook is **'Stable'**.

Rating downgrade is reflected by significant deterioration in scale of operations, profitability and deterioration in working capital operations. Revenue declined significantly to Rs.6.84 crore in FY2019 from Rs.13.74 crore in FY2018. Revenues for the period April, 2019 to January, 2020 stood low at Rs.5.89 crore (Provisional). Operating margin declined to negative 20.61 per cent in FY2019 from 9.85 per cent in FY2018. Operating margins for the period April, 2019 to January, 2020 stood low at 0.13 per cent (Provisional). Further, working capital operations deteriorated marked by high Gross Current Assets (GCA) days of 1143 in FY2019 as against 465 in FY2018. However, rating is supported by experienced management and reputed clientele.

Established in 1980, MA is a proprietorship firm engaged in marketing of advertising spaces to others at railway stations and airports. It has advertising spaces on some of the railway stations in Mumbai namely Churchgate, Dadar, Andheri, Malad, Santacruz, Mahalaxmi, Lower Parel and Prabhadevi. The day to day operations are managed by its proprietor, Mr. V. Krishnamurthy.

Analytical Approach

Acuité has considered standalone business and financial risk profile of MA to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

  MA commenced operations from 1980. The firm is promoted by its proprietor, Mr. V. Krishnamurthy who has experience of more than three decades in the advertising industry. The extensive experience has enabled the firm to forge healthy relationships with customers and suppliers.

  Acuité believes that MA will continue to benefit from its experienced management and established relationships with customers and suppliers.

Weaknesses

- **Significant deterioration in scale of operations and profitability**

  The firm has reported significant decline in revenue with compounded annual growth rate (CAGR) of around ~30.25 percent through the last three years ended 31 March, 2019. The company reported decline in revenue by ~50.25 percent marked by operating income of Rs.6.84 crore in FY2019 as against operating income of Rs.13.74 crore in FY2018. This is majorly because of the railway contracts which got over around September, 2018 and new contracts started around February, 2019 due to which there was no business for couple of months in FY2019 along with lull period post tenders were awarded due to economic slowdown, elections and union budget. The operating margins of the company has also deteriorated to negative 20.61 percent in FY2019 from 9.85 percent in FY2018. Further, PAT margins have also declined to negative 12.78 per cent in FY2019 from 3.11 per cent in FY2018.

  Acuité believes that the scale of operations and profitability will remain stagnant in near to medium term.

- **Intensive working capital operations**

The working capital of MA is intensive in nature marked by high Gross Current Asset (GCA) days of 1143 for FY2019 as against 465 in the previous year. This is on account of high debtor days which stood high at 384 for FY2019 as against 270 for FY2018, further other current assets stood at Rs.13.82 crore in FY2019 as against Rs.6.61 crore in FY2018. Further, the reliance on working capital facility is high, it is fully utilized on an average for last 6 months ending January, 2020.
Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

- **Average financial risk profile**

The financial risk profile is below average marked by modest net worth, low debt protection measures and high gearing. The net worth of the firm is modest at Rs.4.45 crore as on 31 March 2019 as against Rs.6.13 crore as on 31 March 2018. The gearing (debt to equity) of the firm deteriorated to 2.74 times as on March 31 2019 from 1.35 times as on March 31 2018. Total debt of Rs.12.20 crore consists of term loan of Rs.0.67 crore and working capital facility of Rs.11.53 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) deteriorated to 4.62 times as on 31 March 2019 from 2.84 times as on 31 March 2018. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) deteriorated to 0.38 times in FY2019 from 1.42 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) deteriorated to negative 0.06 times as on 31 March 2019 from 0.06 times as on 31 March 2018.

Rating Sensitivity

- Significant Increase in scale of operations along with the profitability.
- Improvement in working capital operations.

Material Covenants

None.

Liquidity Position: Poor

MA has poor liquidity. The firm generated negative cash accruals of Rs.0.74 crore in FY2019 as against Rs.0.49 crore in FY2018 and negative Rs.0.81 crore in FY2017, while its maturing debt obligation was around Rs.0.13 crore for FY2019, for FY2018 and for FY2017. The firm's working capital operations are intensive as marked by high gross current asset (GCA) days of 1143 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the firm remains fully utilized during the last 6 months' period ended January, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2019. The current ratio of the firm stands at 1.08 times as on March 31, 2019.

Outlook: Stable

Acuité believes that MA will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in MA's operating income, profitability and its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in revenues and weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	6.84	13.74
PAT	Rs. Cr.	(0.87)	0.43
PAT Margin	(%)	(12.78)	3.11
Total Debt/Tangible Net Worth	Times	2.74	1.35
PBDIT/Interest	Times	0.38	1.42

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

Not Applicable

Any other information

None

Applicable Criteria
- Default Recognition - acuite.in/view-rating-criteria-52.htm
- Entities in service sector - https://www.acuite.in/view-rating-criteria-50.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.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
07-Mar-2019	Secured Overdraft	Long Term	8.00	ACUITE B+/Stable (Assigned)
	Proposed Bank Facility	Long Term	4.00	ACUITE B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B/Stable (Downgraded from ACUITE B+/Stable)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.