Press Release

Armour Display Systems Private Limited

October 17, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 19.00 crore bank facilities of ARMOUR DISPLAY SYSTEMS PRIVATE LIMITED (ADSPL). The outlook is **'Stable'**.

Established in 2001, later reconstituted as a Private Limited company in 2010, ADSPL is engaged in providing outdoor advertising solutions. The day to day operations are managed by its directors, Mr. Deepak Srivastava, Mr. Pankaj Srivastava and Ms. Namrata Hirani. The company works on a Public Private Partnership (PPP) model with the Indian Railways, in which the Railways provide live train running information and other awareness messages through the audio and visual sources provided by ADSPL. It also caters to a government agency i.e. Delhi Advertising and Visual Publicity (DAVP) who provides central government's content of their respective departments. ADSPL has executed the projects on railway stations in Chennai, Mumbai, Bengaluru, Pune, Ahmedabad, Delhi etc.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

ADSPL commenced operations from 2001. The company is promoted by its directors, Mr. Deepak Srivastava, Mr. Pankaj Srivastava and Ms. Namrata Hirani who has experience of over a decade in business services & consultancy industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.
Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and high debt protection measures and low gearing. The net worth of the company is moderate at Rs.24.87 crore as on 31 March 2019 (Provisional) as against Rs.17.66 crore as on 31 March 2018. Though the gearing (debt to equity) of the company is low but it has deteriorated to 0.44 times as on March 31 2019 (Provisional) from 0.12 times as on March 31 2018. Total debt of Rs.11.03 crore consists of term loan of Rs.9.01 crore and unsecured loans of Rs.2.02 crore as on 31 March 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 0.84 times as on 31 March 2019 (Provisional) as against 0.59 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 12.29 times in FY2019 (Provisional) as against 16.45 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.74 times as on 31 March 2019 (Provisional) as against 2.51 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 8.86 times in FY2019 (Provisional) as against 11.85 times in FY2018. The debt protection measures and gearing has deteriorated in FY2019 majorly due to a new term loan of around Rs.6.45 crore for purchase of land.
Acuité believes that the financial risk profile of the company is comfortable at this point in time. However, going forward if company increases its long term borrowings for non-core activities, the financial risk profile will get hampered. Further, deterioration in financial risk profile will be key ratingsensitivity.

- **Increase in scale of operations and profitability**

  The company has reported consistent revenue growth marked by operating income of Rs.36.10 crore in FY2019 (Provisional) as against operating income of Rs.30.15 crore in FY2018 and Rs.28.04 crore in FY2018. The operating margins of the company increased significantly to 33.16 percent in FY2019 (Provisional) from 33.16 percent in FY2018. The growth in profitability is on account of the major reduction in director remuneration.

  Acuité believes that the scale of operations will continue to increase further on the back of current order book of Rs.4.01 crore and increase in number of locations to provide outdoor advertising services.

Weaknesses

- **Intensive working capital management**

  The working capital of ADSPL is intensive in nature marked by high Gross Current Asset (GCA) days of 242 for FY2019 (Provisional) as against 206 in the previous year. This is on account of increase in debtor days which stood at 167 for FY2019 (Provisional) as against 139 for FY2018, further current assets of the company stood at Rs.5.65 crore in FY2019 (Provisional) as against Rs.3.65 crore. However, the reliance on working capital facility is low, its utilization is around ~50 percent on an average for last 6 months ending August, 2019.

  Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

- **Competitive and fragmented industry**

  The company is engaged in providing outdoor advertising solutions. The particular sector is marked by the presence of few mid to big size players. The firm might face intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of biding of contracts. However, this risk is mitigated to an extent as management operating in this industry for last two decades.

- **Tender based business**

  Major business is bagged through open tenders. Hence the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of biding of contracts. Firm has to do tendering on competitive prices; this may affect the profitability of the firm.

Rating Sensitivity

- Increase in scale of operations to around Rs.45.00 to 50.00 crore.
- Decline in operating profitability of the company to around 25.00 to 27.00 per cent.

Material Covenant

None.

Liquidity Position:

ADSPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.8.14 crore in FY2019 (Provisional) as against Rs.5.41 crore in FY2018 and Rs.5.89 crore in FY2017, while its maturi ng debt obligation was around Rs.0.50 crore for FY2019 (Provisional) as against Rs.0.05 crore and Rs.0.03 crore in FY2018 and Fy2017 respectively. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 242 in FY 2019 (Provisional). Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilized at ~50 percent during the last 6 months' period ended August, 2019. The company maintains unencumbered cash and bank balances of Rs.2.27 crore as on March 31, 2019 (Provisional). The current ratio of the company stands at 2.20 times as on March 31, 2019 (Provisional).

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major debt repayments.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term on back of experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in company's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.10	30.15	28.04
EBITDA	Rs. Cr.	11.97	7.56	6.95
PAT	Rs. Cr.	7.20	4.78	4.91
EBITDA Margin	(%)	33.16	25.07	24.78
PAT Margin	(%)	19.96	15.85	17.50
ROCE	(%)	41.14	43.58	67.75
Total Debt/Tangible Net Worth	Times	0.44	0.12	0.12
PBDIT/Interest	Times	12.29	16.45	23.40
Total Debt/PBDIT	Times	0.91	0.28	0.17
Gross Current Assets (Days)	Days	242	206	193

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
- Entities In Services 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)

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
Term loans	Not Applicable	Not Applicable	Not Applicable	6.26	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.74	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+

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About Acuité Ratings & Research:
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