

Press Release

ARMOUR DISPLAY SYSTEMS PRIVATE LIMITED

March 12, 2024

Rating Upgraded



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Ter |
|---------------------------------------|---------------------|------------------------------------|-------------------------|
| Bank Loan Ratings | 16.31 | ACUITE BBB- Stable Upgraded | - |
| Bank Loan Ratings | 2.69 | - | ACUITE A3 Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 19.00 | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB' (read as ACUITE double B) on Rs. 16.31 Cr. bank facility and upgraded the short-term rating to 'ACUITE A3' (read as ACUITE A three) from 'ACUITE A4+' (read as ACUITE A four plus) on Rs.2.69 Cr. bank facility of ARMOUR DISPLAY SYSTEMS PRIVATE LIMITED. The outlook is 'Stable'.

Rationale for upgrade

The rating upgrade takes into cognizance the healthy business and financial risk profile of the company driven by increase in revenues, stable profitability margins, improving working capital cycle and improved interest coverage and debt service coverage ratios. The revenues of the company stood at Rs.48.03 crores in FY23 as against a revenue of Rs.27.84 crores in FY22, a growth of 72.49% in revenues. Although the operating margins and PAT margins have declined to 29.11% in FY23 from 36.82% in FY22 and to 18.14% in FY23 from 25.32% in FY22, the margins remain at a healthy level. The rating also factors in the improvement in Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR). The ICR and DSCR has improved to 12.54 times in FY23 from 7.09 times in FY22 and to 5.65 times in FY23 from 5.23 times in FY22 respectively. ADSPL's rating also considers the improved gearing ratio to 0.27 in FY23 from 0.59 in FY22. The company's current ratio remains healthy at 2.62 times in FY23 signifying adequate liquidity position to meet its debt repayments. The liquidity is also seen in the fund-based utilisation of 69.38% for the seven-month period ended November 2023. The rating assigned also factors in the long-term operational track record of the company and the extensive experience of the promoters in this industry.

About the Company

Armour Display Systems Private Limited is a techno-based, dynamic, Out of the Home (OOH) communication technology organization, incorporated in 2004. ADSPL is engaged in providing outdoor advertising solutions. 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. The company has been creating digital campaigns for different brands in DOOH space for more than 14 years now. The company caters to the railways in various locations, including New Delhi, Maharashtra, Rajasthan, Uttar Pradesh, Gujarat, and others. Mrs. Namrata Hirani and Mr. Pankaj Kumar Srivastava are the current directors of the company and have an experience of around a decade in managing the operations of the company.

Unsupported Rating

Not Applicable

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 operational track record of the company and an experienced team

ADSPL commenced operations from 2001. The company is promoted by its directors, Mr. Pankaj Kumar Srivastava, and Ms. Namrata Hirani who has experience of over a decade in the industry the company deals in. The company is spearheaded by Mr. Pankaj Srivastava, in the capacity of Director who has an experience of about three decades in diversified profiles and looks after the overall management of the company primarily pertaining to growth of business and securing new contracts. The top management is ably supported by a team of qualified and experienced professionals. Acuité believes that the company will continue to benefit from its experienced management and established relationships with its customers.

Healthy financial risk profile

The Company's financial risk profile is marked by a healthy net worth, improvement in gearing and comfortable debt protection metrics. The tangible net worth of the company improved to Rs. 30.48 Cr in FY23 from Rs. 21.75 Cr in FY2022, due to accretion to reserves. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) has also improved to 0.49 times as on 31st March 2023 as against 0.75 times as on 31st March 2022. The company has been improving its gearing continuously over the past years. Its gearing for FY23 is stable at 0.27 times. It had earlier improved to 0.59 times in FY22 from 1.18 times in FY21. The company does not have any major capex plans moving forward and plans to keep its gearing ratios at current levels, showcasing stability in the financial structure. ADSPL's Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) has improved to 12.54 times in FY23 from 7.09 times in FY 22 and to 5.65 times in FY23 from 5.23 times in FY22 respectively. This shows the improving ability of the company to meet its financial obligations. The company's earnings are more than sufficient to cover its principal and interest obligations thus increasing its ability to service debts and mitigate the risks of defaults. Acuité believes that in the foreseeable future, the financial risk profile of the company will improve backed by reduced gearing and comfortable debt protection metrics.

Improvement in Working Capital Cycle

The Company's Gross Current Assets have improved to 173 days in FY 2023 from 213 days in FY2022. The main reason attributable is the decrease in debtor days to 74 days in FY23 from 156 in FY24. One of the major reasons for this improvement in debtor days has been the insertion of a new clause regarding payments to MSMEs. Also, during previous years, due to Covid-19, the collections were lower and as a result the debtor days were 337 days in FY21. It has now improved to 74 days in FY23 owing to improvement in collections post Covid-19 and implementation of rules regarding MSMEs. Also, the cash balances and investments are high and as a result the GCA days are high currently.

Weaknesses

Fragmented nature of industry coupled with presence in a niche segment of interactive display

The company operates in the digital advertising industry which is characterized by low entry barriers and large number of players. Hence, the company is faced by intense competition putting pricing constraint to ADSPL and leads to limited bargaining power.

Small scale of operations

Though the company is in existence for close to one and a half decade, the operations of the company remained small with a total operating income of Rs. 48.03 crore in FY23. Small scale of operations limits the financial flexibility of the company.

Rating Sensitivities

- Increase in scale of operations.
- Decline in operating profitability of the company.
- Debt funded capex plan.

Liquidity Position

Adequate

The company's liquidity is adequate marked by net cash accruals of Rs. 10.30 Cr. in FY2023 as against long term debt repayment of Rs.0.87 Cr. over the same period. The current ratio is healthy at 2.62 times as on March 31, 2023. Although it has declined from a previous current ratio of 3.03 times as on 31st March 2022, it still is healthy, signifying stable fundamentals to repay the amounts that are due within a year. The fund-based bank limit remained utilised at 69.38 per cent for the last seven months ended November 2023 thus highlighting the company's ability to operate efficiently without relying heavily on credit. Moreover, the company has no major term loans thereby reducing risks of any defaults or unforeseen financial challenges. Acuité believes that the liquidity position of the company is likely to remain adequate backed by the steady accruals, absence of capex plans and a healthy current ratio over the medium term.

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.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 48.03 | 27.84 |
| PAT | Rs. Cr. | 8.71 | 7.05 |
| PAT Margin | (%) | 18.14 | 25.32 |
| Total Debt/Tangible Net Worth | Times | 0.27 | 0.59 |
| PBDIT/Interest | Times | 12.54 | 7.09 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|------------------------------------|------------|-----------------|--|
| 12 Dec 2023 | Bank Guarantee/Letter of Guarantee | Short Term | 2.00 | ACUITE A4+ (Reaffirmed & Issuer not co-operating*) |
| | Cash Credit | Long Term | 3.00 | ACUITE BB Not Applicable (Reaffirmed & Issuer not co-operating*) |
| | Term Loan | Long Term | 6.26 | ACUITE BB Not Applicable (Reaffirmed & Issuer not co-operating*) |
| | Term Loan | Long Term | 7.74 | ACUITE BB Not Applicable (Reaffirmed & Issuer not co-operating*) |
| 03 Oct 2022 | Bank Guarantee/Letter of Guarantee | Short Term | 2.00 | ACUITE A4+ (Reaffirmed & Issuer not co-operating*) |
| | Cash Credit | Long Term | 3.00 | ACUITE BB Not Applicable (Downgraded & Issuer not co-operating*) |
| | Term Loan | Long Term | 6.26 | ACUITE BB Not Applicable (Downgraded & Issuer not co-operating*) |
| | Term Loan | Long Term | 7.74 | ACUITE BB Not Applicable (Downgraded & Issuer not co-operating*) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|--|
| Bank of Maharashtra | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 2.69 | ACUITE A3 Upgraded (from ACUITE A4+) |
| Bank of Maharashtra | Not avl. / Not appl. | Covid Emergency Line. | Not avl. / Not appl. | Not avl. / Not appl. | 26 Feb 2026 | Simple | 2.12 | ACUITE BBB- Stable Upgraded (from ACUITE BB) |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 6.06 | ACUITE BBB- Stable Upgraded (from ACUITE BB) |
| Bank of Maharashtra | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 22 Jun 2024 | Simple | 1.87 | ACUITE BBB- Stable Upgraded (from ACUITE BB) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 10 Apr 2028 | Simple | 6.26 | ACUITE BBB- Stable Upgraded (from ACUITE BB) |

Contacts

| Analytical | Rating Desk |
|---|--|
| Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kaushal Agarwal Associate-Rating Operations Tel: 022-49294065 kaushal.agarwal@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.