

### EG Communications Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA BBB-/Stable (Reaffirmed)
Bank Guarantee	11.50	SMERA A3 (Reaffirmed)
Proposed Cash Credit	2.00	SMERA BBB-/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the abovementioned bank facilities of EG Communications Private Limited (EGCPL). The outlook is '**Stable**'.

The ratings continue to derive comfort from the company's experienced management and well established market position. The ratings are also supported by the healthy financial risk profile and comfortable liquidity position. However, the ratings continue to be constrained by the high fixed cost obligations towards Delhi Metro Railway Corporations (DMRC), modest scale of operations and exposure to business cycle risk.

EGCPL, established in 2002, is a New Delhi-based INS accredited advertising agency that undertakes indoor and outdoor advertising for Delhi Metro Trains. The promoter, Mr. Praveen has over 35 years of experience in the industry.

#### Update

In the first quarter of the current financial year, EGCPL was awarded sole advertising rights on the Violet and Green line of the Delhi Metro – in addition to the Red, Blue and Yellow line. SMERA believes that attaining and sustaining healthy occupancy levels on these lines shall be instrumental in maintaining the overall credit risk profile of the company. SMERA believes that EGCPL will continue to benefit from its monopolistic position on account of being the sole concessionary on all Delhi Metro lines.

EGCPL continues to maintain a healthy financial risk profile marked by prudent gearing and comfortable coverage indicators. The gearing (debt to equity) of the company is healthy and stands at 0.17 times in FY2016 as against 0.07 times in FY2015. The interest coverage stands at 2.55 times in FY2016 as compared to 2.31 times in FY2015. EGCPL also reported a low bank limit utilisation of 10 per cent for six months ended October, 2016.

The ratings, however, are constrained by the high fixed cost obligations - lease rental of Rs.34.47 crore in FY2016 (Rs.17.33 crore in FY2015). Any decline in occupancy levels can have an adverse impact on the operating profit margin and debt protection metrics of the company. The risks are further exacerbated by the concentration of the company's revenues in the Delhi Metro Rail network. Consequently, EGCPL's operating income continues to remain modest at Rs.45.42 crore in FY2016 as against Rs.23.51 crore in FY2015. SMERA further believes that EGCPL is exposed to substantial business cycle risk. The overall occupancy levels shall remain vulnerable to the changing business environment.

#### Outlook-Stable

SMERA believes that EGCPL will maintain a 'Stable' outlook on account of its well established market position and healthy financial risk profile. The outlook may be revised to 'Positive', in case of improvement in the occupancy level, without stretching its working capital cycle. Conversely, the outlook may be revised to 'Negative', in case of lower than expected occupancy level or deterioration in the working capital cycle.

### Rating Sensitivity Factors

- Movement in occupancy levels
- Geographical diversification of revenue streams
- Improvement in revenues

### About the Company

EGCPL, established in 2002, is a New Delhi based INS accredited advertising agency. The company has sole advertising rights for train wraps in Delhi Metro Trains on Line I, II and III and for inside panels on Line I, II, III and IV.

For FY2015-16, EGCPL reported PAT of Rs.1.55 crore on operating income of Rs.45.42 crore in FY2016 as compared with PAT of Rs.0.66 crore on operating income of Rs.23.51 crore for FY2014-15. The company's networth stood at Rs.16.72 crore as on March 31, 2016 as compared with Rs. 13.56 crore on 31 March, 2015.

### Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
12 Aug, 2015	Cash Credit	3.00	SMERA BBB- (Assigned)	-	Stable
	Bank Guarantee	11.50	-	SMERA A3 (Assigned)	-
	Proposed Long Term Bank Facilities	2.00	SMERA BBB- (Assigned)	-	Stable

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## ABOUT SMERA

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