

AGX Retail Solutions Private Limited

September 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	5.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in ratings assigned to the bank facilities of AGX Retail Solutions Private Limited (AGX) considers moderate scale of operations, low order book position, high working capital utilisation with instances of overdrawals in cash credit account, leveraged capital structure, stretched liquidity, and presence in highly competitive industry.

The ratings are however, takes into account strength from experienced promoters, marquee clientele, and different branding solutions with services across India, increase in scale of operations in FY24 [Provisional: FY refers to the period April 01 to March 31] and healthy profit margins, comfortable operating cycle and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income by 20% Y-o-Y while maintaining PBILDT margin of 7.50% and above on a sustained basis
- Efficient working capital utilization with average utilization for last 12 months not exceeding 90%.

Negative factors

- Decline in profitability or TOI by more than 30% y-o-y.
- Overall gearing deteriorating to above 2.00x, going forward.

Analytical approach: Standalone

Outlook: Stable

Stable CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry and established relationship with reputed customers.

Detailed description of the key rating drivers:

Key weaknesses

Moderate scale of operations: The scale of operation of the company remains moderate marked by a TOI of Rs 95.51 crore in FY24. The tangible net worth of the company also remained moderate at Rs 13.06 crore as on March 31, 2024. However, the company has witnessed a ~24% growth in FY24. Leveraging favourable industry prospects and securing consecutive orders from reputed clients, the company has the potential to further improve its scale in the future.

Higher working capital utilisation: The working capital utilisation of the company remained high at 96.79% for the past 12 month leaving limited room for unforeseen working capital needs. There were 2 instances of overdrawals in last 12 months ended June 30, 2024 which were regularised with a peak delay of 2 days.

Low Order book Position: AGX has an outstanding active order book of ₹44.11 crore as on August 30, 2024 which translates to an order book to TOI ratio of 0.46x reflecting short term revenue visibility. The company is expecting to get fresh orders by bidding for government tenders in Q2 and Q3 of present financial year i.e. FY25.

Leveraged capital structure: The capital structure of the company marked by debt equity ratio and overall gearing ratio remained leveraged and similar at 0.84x (PYE: 0.84x) and 1.78x (PYE: 1.78x), respectively, as on March 31, 2024. The company availed additional term debt in FY24 to fund the increased working capital requirements arising from the delay of payments from government contracts.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Intense competition in the industry: Advertising Industry is highly fragmented with low entry barriers. The industry has few organized while numerous unorganized small players which results in intense competition. The purchase behaviour of the customer is characterized by low brand awareness of the products which enables companies to focus on the competitive advantages of their products, the distinctive added value to customers, and sustain the market competition. As a result, various organizations in India are relying on innovative advertising solutions to reach targeted audiences, enhance customer experience, and increase profitability.

Key strengths

Improvement in total operating income and profitability: In the FY24, AGX registered a ~24% growth in total operating income (TOI). The TOI showed significant improvement, reaching Rs 95.51 crore in FY24 compared to Rs 77.16 crore in FY23. The increase in revenue was on account of entering into a new vertical of tender based government projects with clients like Indian Oil Corporation Limited and Bangalore and Pune Metro.

In terms of profitability, there was an upturn in the PBILDT margin to 7.60% in FY24 from a 6.70% in FY23. Furthermore, the PAT margin also demonstrated improvement, registering 3.58% in FY24 compared to 3.13% recorded in FY23.

Experience of promoters with well qualified team: AGX Retail Solutions Private Limited is promoted by Mr. Mamidi Arjun Reddy and his family members. Mr. Mamidi Arjun Reddy is an MBA and has more than a decade of experience in advertisement industry. Ritanshu Mohan (Chief Marketing Officer) is also an MBA in marketing and has more than a decade of experience in marketing. He worked with reputed organizations like Coca Cola, Saint Gobain, Wipro and 3M as a marketing officer. The directors had professional experience in the fields of retail branding, OOH, design, store fit outs, graphic designing, exhibitions, fixtures, and visual merchandising. Their diverse exposure has endowed with a clear understanding of the needs of the customers and how they align with current market trends.

Lower counterparty risk and reputed customer base: The clientele of AGX comprises of highly reputed and strong companies which reduces the counterparty risk. The company also receives repetitive orders from these customers and has clear terms w.r.t collection from debtors. The company is well associated with their customers and mostly the customers are recurring. The company has demonstrated good track record and has established relations with marquee clients.

Industry Outlook: India's advertising market is projected to maintain a steady upward trajectory in 2024 and 2025, with growth rates of 15.5% and 14.9%, respectively. India stands out as one of the globe's fastest-growing out-of-home (OOH) advertising markets, with billboards serving as the cornerstone of this dynamic sector. Notably, India is leading the charge in the transition towards Digital OOH (DOOH) at a pace that outpaces many mature markets. This shift is being propelled by an upswing in infrastructure and construction activities within the country, leading to an increased availability of prime platforms for OOH advertising.

Liquidity: Stretched

Liquidity position of the company is stretched marked by gross cash accruals of Rs. 4.23 crore in FY24 vis-à-vis repayment obligation of Rs.2.56 crore for FY25. Further, the company's working capital utilization for last 12 months ended June 2024 remained high at about ~97% leaving less cushion in case of any additional working capital requirements.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Media	Advertising & Media Agencies

Hyderabad based AGX Retail Solutions Private Limited (AGX; formerly known as Auto Striping India Private Limited) was established in the year 1996. The company is engaged in commercial retail designing, developing, and providing various kinds of advertising like creating innovative designer brands, logos and images for stores and corporate companies in the form of flex sign boards, logos, and hoardings. The company is also engaged into store build-out, wayfinding design, space design and visual graphics.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	68.59	77.16	95.51
PBILDT	-3.55	5.17	7.26
PAT	-6.35	2.41	3.42
Overall gearing (times)	1.72	1.78	1.78
Interest coverage (times)	-1.95	2.31	3.33

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: The ratings of AGX continues to remain under INC by CRISIL vide its PR dated July 20, 2023

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (06-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	-	1)Withdrawn (06-Apr-21)
3	Fund-based - LT-Cash Credit	LT	12.00	CARE BB; Stable	-	1)CARE BB; Stable (05-Oct-23)	1)CARE BB-; Stable (29-Sep-22)	1)CARE BB+; Stable (26-Jul-21)
4	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A4	-	1)CARE A4 (05-Oct-23)	1)CARE A4 (29-Sep-22)	1)CARE A4+ (26-Jul-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of all the entities consolidated:** Not Applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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