

Rakesh Advertising Private Limited

January 22, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	8.50	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	12.50 (Rs. Twelve Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Rakesh Advertising Private Limited (RAPL) to monitor the ratings vide e-mail communications/letters dated August 27, 2020, October 21, 2020, November 23, 2020, December 01, 2020, December 11, 2020, December 17, 2020, January 04, 2021, January 08, 2021, January 18, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on RAPL's bank facilities will now be denoted as **CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of requisite information. The ratings further take into account its deterioration in scale of operations and cash loss along with deterioration in debt coverage indicators during FY20 (Audited, refers to the period April 1 to March 31). The ratings are further constrained on account of susceptibility of its profit margins due to intense competition and restricted budget for advertisements by clients.

The ratings, however, continue to derive benefits from comfortable capital structure during FY20 along with vast experience of the promoters and well diversified client base.

Detailed description of the key rating drivers

At the time of last rating on November 22, 2019 the following were the rating strengths and weaknesses (updated for the information available from client):

Key Rating Weaknesses

Deterioration in scale of operations coupled with cash loss during FY20

During FY20, RAPL's total operating income (TOI) decreased significantly by 48.85% y-o-y and remained at Rs.51.51 crore as compared to Rs.100.71 crore during FY19 mainly on account of non-renewal of few major contracts during FY20.

During FY20, RAPL's PBILDT margin deteriorated to 3.15% as compared to 10.95% during FY19 on the back of higher fixed cost incurred as against deteriorated TOI during FY20. As a result, RAPL's net profit of Rs.2.63 crore during FY19 converted into net loss of Rs.3.26 crore during FY20 owing to substantial decrease in operating profit along with high depreciation and interest expense during FY20. Further, it also reported cash loss of Rs.1.83 crore in FY20.

Deterioration in debt coverage indicators

Debt coverage indicators of RAPL has deteriorated and remained weak as marked by weak Total Debt / GCA ratio as on March 31, 2020 on the back of cash loss during FY20. Further, interest coverage ratio of RAPL also deteriorated and remained at 0.50 times during FY20 [2.30 times during FY19].

Presence in competitive and cyclical media industry

RAPL operates in highly competitive media and advertising industry and faces stiff competition from other local players. The industry is marked by the presence of large number of small and unorganized players. Also, the advertising industry is cyclical

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications; *Issuer did not cooperate; Based on best available information

in nature, with prices driven by demand and supply conditions in the market. Also, with presence of various players in the trade segment, the same limits bargaining power which exerts pressure on its margins.

Key Rating Strengths

Experienced promoters and well diversified client base

RAPL's promoters hold healthy experience in the publication & advertising business for more than two decades along with well diversified client base.

Comfortable capital structure

Solvency position of RAPL improved marked by overall gearing ratio which improved and remained comfortable at 0.88 times as on March 31, 2020 [1.19 times as on March 31, 2019] on account of decrease in total debt as on March 31, 2020.

Liquidity analysis: Stretched

Liquidity position of RAPL remained stretched marked by gross current asset days which elongated to 257 days during FY20 [152 days during FY19] on the back of increase in collection period during FY20. Further, RAPL has availed moratorium of six months for its bank facilities during period from March, 2020 to August, 2020 as a COVID-19 relief measure.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Ahmedabad (Gujarat) based RAPL was incorporated in 2003 which is promoted by Mr. Rakesh Gandhi and Mrs. Kinnari Gandhi. RAPL operates in media segment with primary focus on two segments i.e. print media advertisement and transit media (a segment of out-of-home advertising) advertisement. RAPL also works for its group entity Krishna Communication in Gujarat for its two projects.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	100.71	51.51
PBILDT	11.03	1.62
PAT	2.63	(3.26)
Overall gearing (times)	1.19	0.88
Interest coverage (times)	2.30	0.50

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	8.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (22-Nov-19)	1)CARE BB; Stable (06-Dec-18)	1)CARE BB-; Stable (27-Dec-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	8.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (22-Nov-19)	1)CARE A4 (06-Dec-18)	1)CARE A4 (27-Dec-17)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this Company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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