

December 27, 2019

Multiplier Brand Solutions Pvt. Ltd.: [ICRA]BB+ (Stable) assigned

Summary of rated instruments

Instrument*	Current Rated Amount(Rs. crore)	Rating Action
Long Term – Fund-based CC	25.00	[ICRA]BB+ (Stable); Assigned
Total	25.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating considers the extensive experience of the promoters of Multiplier Brand Solutions Pvt. Ltd. (Multiplier) in the manpower staffing industry and established client base comprising of reputed companies across consumer durable industry amongst other industries as reflected by repeat business generated from these customers. The rating, however, remains constrained by Multiplier's low net-worth base, coupled with low profitability margins. Further, the rating remains constrained by the moderately high customer concentration risk and high competitive intensity on account of fragmented nature of the manpower staffing industry with presence of numerous unorganised players which restricts pricing flexibility and puts pressure on profitability.

The stable outlook reflects ICRA's expectation that Multiplier will continue to benefit from extensive experience of the promoters coupled with reputed client base with high proportion of repeat orders, leading to healthy revenue visibility.

Key rating drivers

Credit strengths

Experienced management: Multiplier was established by Mr Madhukar Kamath and Mr. Sameer Mehta. Mr. Kamath has more than four decades of experience in advertising and marketing services and has spent over 25 years in the DDB Mudra Group (erstwhile Mudra). Mr. Mehta has been involved in Multiplier from the start when it was an offshoot of Kidstuff Promos and Events and then managed Multiplier's transition into DDB Mudra Group and then establish Multiplier to be the shopper insight led point of buying solution company.

Reputed customer base: The company has an established client base consisting of reputed clients with more than 50% of revenues being derived from catering to consumer durable industries which ensures stability of revenues and timely cash flows mitigating counterparty risk to a large extent.

Credit challenges

Thin profitability margins: With an operating profit margin of ~1.5% in FY2019, the company's profitability margins remain low due to inherent nature of operations in the staffing business. Further, competitive intensity and limited pricing flexibility in the staffing business has affected Multiplier's margin.

Low net-worth base: ICRA notes that Multiplier's net worth has remained relatively lower at around Rs. 5.9 crore as on March 31, 2019, restricting its financial flexibility. Furthermore, the company has higher total outside liabilities than tangible net worth at 8.7 times in FY2019 due to substantial creditors funding.

Moderately high customer concentration risk with top 5 customers contributing ~77% of total turnover in FY2019:

Despite a healthy customer base of over 100 customers, the company derived ~77% of its revenues from its top 5 clients in FY2019, indicating moderate client concentration risk. However, the revenue growth of the company is largely driven by repeat business from the existing clients, indicating high satisfaction from existing customers, and the same is likely to support revenue stability going forward.

Relatively low entry barriers in the industry resulting in high competitive intensity: The manpower staffing industry is largely unorganized and fragmented, with a very small percentage of requirements being catered by the organized segment. Given the low entry barriers and limited regulatory supervision under which the industry operates, there is considerable headroom for small time contractors to provide temporary staffing services to industries, while adhering to little or no statutory compliance. This has thus resulted in stiff competition and pressure on margins in the industry.

Liquidity Position: Adequate

Multiplier has no term loans from bank as on March 31, 2019. As a result, the company's repayment burden remains nil. The average of maximum utilisation of working capital limits remained moderate at 68% in the past 12-month period that ended in November 2019.

Rating Sensitivities

Positive triggers

- 1) Increase in profitability
- 2) Strengthening of net-worth base or TOL/TNW of 2 times on a sustained basis

Negative Triggers

- 1) Significant deterioration in scale and profitability leading to deterioration in capital structure and coverage indicators
- 2) Stretch in working capital cycle adversely impacting the liquidity profile

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation / Standalone	Standalone

About the company

In 2005, Mudra Communications had acquired Kidstuff Promos and Events Company (KPE), the promotional marketing services company that specializes in all aspects of below-the-line activities. In December 2016, this division of DDB Mudra was acquired by Mr. Madhukar Prabhakar Kamath as part of a management buyout and Multiplier was

incorporated. Multiplier provides a wide range of point of buying solutions that includes Managed Services (Field Force Management), Technology & Data Solutions, Shopper Insights, Retail Branding and Experiential Marketing. The service offerings span across sectors such as Telecom, handsets, alcobev, tobacco, FMCG, Consumer durables, Consumer electronics, automobile, lubricants, IT peripherals, BFSI, entertainment, footwear, among others. Currently, Multiplier has a team of 12000+ people and these teams are monitored and directed from offices situated in over 14 cities all over the country.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	302.0	339.6
PAT (Rs. crore)	2.9	2.3
OPBDITA/ OI (%)	2.2%	1.5%
RoCE (%)		54.5%
Total Outside Liabilities/Tangible Net Worth (times)	11.7	8.7
Total Debt/OPBDITA (times)	0.6	0.7
Interest Coverage (times)	3.8	4.8
DSCR		4.9

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount Rated	Current Rating (FY2020)		Rating History for the past 3 years		
				Amount Outstanding as on March 31, 2019	Rating	FY2019	FY2018	FY2017
					27-Dec-2019			
1	Fund-based	Long Term	25.00	-	[ICRA]BB+ (Stable)	-	-	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based	NA	NA	NA	25.0	[ICRA]BB+ (Stable)

Source: Multiplier Brand Solutions Pvt. Ltd.

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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