

Kips Learning Private Limited (Revised)

January 07, 2022

Rating

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BBB- (CE); Stable [Triple B Minus (Credit Enhancement); Outlook: Stable]	Reaffirmed
Total Bank Facilities	12.00 (Rs. Twelve crore only)		

Details of facilities in Annexure-1

@ The bank facilities are backed by Letter of Comfort provided by ABP Private Limited (ABP; rated CARE A+; Stable/ CARE A1+)

Unsupported Rating²	CARE BB (Double B) [Reaffirmed]
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Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The above rating assigned to the bank facilities of Kips Learning Private Limited (KIPS) is based on credit enhancement in the form of Letter of Comfort provided by ABP.

Detailed Rationale & Key Rating Drivers of ABP

The ratings assigned to ABP continue to derive strength from the long track record and experience of its promoters, diversified portfolio of newspapers, magazines and news channels, established position in the print and electronic media, albeit concentration of print media in eastern India and its comfortable capital structure.

The ratings take note of the moderation in consolidated financial performance of ABP in FY21 (refers to the period April 1 to March 31) marked by decline in total operating income (TOI) and operating profitability which led to moderation in debt coverage indicators. The decline in TOI was primarily on account of significant decline in revenue from print media division with decline in advertisement revenue as well as revenue from newspaper circulation in FY21 due to impact of Covid-19 pandemic. Lower TOI led to decline in PBILDT margin on an overall basis as well as net loss in its print division, despite implementation of various cost saving initiatives by the group.

Nevertheless, with gradual reduction in the impact of Covid-19 on its advertisement revenue witnessed in the current year, the profitability of the print segment has witnessed improvement during 8MFY22; albeit its revenue is still expected to be lower than the pre-pandemic level of FY20. The revenue and profitability of the news channel segment has also improved and has supported the consolidated performance of ABP.

The ratings, however, continue to remain constrained by the company's dependence on the inherent cyclical nature of its advertisement revenue, susceptibility of its profitability to volatility in newsprint prices which has also started firming up in past few months, forex fluctuation risk and risks associated with implementation of the ongoing projects.

Key Rating Drivers of KIPS for unsupported ratings

The rating assigned to KIPS continues to be constrained by its modest scale of operations, high working capital requirement and seasonal nature of the business with geographical concentration in sales. The rating also takes note of the significant decline in sales in FY21 on a combined basis with Headword Publishing Company Private Limited (HPCPL) due to higher sales returns on account of the impact of the pandemic on demand for school textbooks. The decline in sales resulted in the company incurring cash losses on a combined basis. With the present order flow and Q4 being the major quarter for the company for booking sales, the performance is expected to improve in FY22. However, it would depend upon the severity of the outbreak of the new variant of the virus.

The rating continues to derive strength from the company being part of the established ABP group, demonstrated support from the group, experienced and professional management team, in-house design and editorial team and its diversified portfolio of books.

Rating Sensitivities (ABP)

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in TOI along with improvement in its PBILDT margin and ROCE beyond 15% on a sustained basis aided by robust performance of each of its key business segments.
- Improvement in overall gearing and TD/GCA below 0.5x and 1.5x respectively on a sustained basis.

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

²As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant decline in TOI and PBILDT margin with Total Debt/GCA going above 3x on a sustained basis.
- Increase in exposure towards group companies exceeding 25% of consolidated net worth.
- Any major time and cost overrun in the planned capex projects.

Detailed description of the key rating drivers of ABP**Key Rating Strengths****Experienced promoters with established track record of ABP group**

ABP has been in the business of publishing newspapers and magazines since 1922. Over close to a century, the group has evolved into a media conglomerate with various premier publications, electronic media ventures, book publishing and mobile based information services. The group is managed by a team of veteran professionals.

Diversified portfolio of newspapers, magazines and news channels

With a strong legacy and reaching out to millions of viewers and readers, the ABP group today has evolved into a media conglomerate that has 11 premier publications, one national news channel and several regional news channels. The company is also disseminating news in different languages through presence on digital platforms like web-portal (ABP Live), mobile application (ABP Live) & social media. Further, the company has launched a wholly owned subsidiary named as "ABP Creations Private Limited" in FY21 to diversify its revenue stream which will be in the business of content creation for the digital platforms under the brand name of "ABP Studios".

Strong position in the print and electronic media segment; albeit concentration of print media in Eastern India

The newspapers and news channels enjoy strong position in their respective genres. 'Ananda Bazar Patrika', is the leading Bengali daily in West Bengal having a daily circulation of about 11 lakh copies. However, due to Covid-19 pandemic, the daily circulation witnessed a decline to about 7.6 lakh copies in FY21. The same has again increased in H1FY22, with daily circulation of about 7.8 lakh copies. However, the print media presence is mostly concentrated in Eastern India.

In electronic media, ABP News (Hindi), ABP Ganga (UP & Uttarakhand), ABP Ananda (Bengali), ABP Ashmita (Gujrati) and ABP Majha (Marathi) are some of the news channels run by ANPL. All these properties are strong brands in the market that they operate in. The company has also recently launched ABP Desam and ABP Nadu.

Its subsidiary, ANPL's digital arm has web portals (ABP News, ABP Ananda, ABP Majha, ABP Asmita, ABP Sanjha, ABP Ganga, ABP Live, ABP Network, ABP Nadu, ABP Desam) in 8 regional languages Hindi, English, Marathi, Gujarati, Bengali, Punjabi, Tamil and Telugu. For news-on-the-go, the company has a mobile application (ABP Live TV News) integrating all language sites. The company also broadcasts ABP News in UK, USA and Canada and earns subscription revenue from the international market. On account of its established position, the company has been associated with established players in their respective segments for garnering advertisement revenue.

Comfortable capital structure; albeit deterioration in debt protection indicators during FY21

The capital structure of the company (consolidated) remained comfortable with overall gearing improving from 0.66x as on March 31, 2020 to 0.56x as on March 31, 2021. Despite availing of fresh term loan of Rs.71 crore, the overall gearing witnessed an improvement with decline in short term borrowings. Its TDGCA, however, witnessed deterioration despite decline in total debt on account of significant reduction in GCA due to the adverse impact of the Covid-19 pandemic especially on its print segment.

With increased circulation of newspapers and revenue from advertisements witnessed during 8MFY22, the debt coverage indicators are expected to improve going forward.

Stable industry outlook

The Indian Media and Entertainment (M&E) industry is expected to witness growth backed by rising consumer demand and improving advertising revenue. The industry is expected to grow at a much faster rate than the global average rate with growth in retail advertisement and rising popularity of e-commerce industry.

Liquidity: Adequate

Liquidity of ABP is adequate marked by sufficient cash accruals expected to be earned vis-à-vis low term debt repayment obligation of Rs.11.58 crore in FY22. The company had free cash and cash equivalents (consolidated) of Rs.49 crore as on March 31, 2021. The company has a project capex plan of Rs.60 crore which is expected to be funded in a debt: equity ratio of 0.38:0.62 in FY22. The average fund-based working capital limit utilisation (standalone) stood comfortable at 52% during the trailing 12-month period ending September 2021.

Key Rating Weaknesses**Moderation in financial performance of the group in FY21; albeit improvement witnessed in the current year**

The consolidated TOI of the company witnessed a de-growth of 25.5% y-o-y in FY21 on account of significant decline in revenue from print media division with decline in advertisement revenue as well as revenue from newspaper circulation in FY21 due to Covid-19 pandemic. There was marginal moderation in TV channels advertisement revenue as well.

With decline in revenue leading to lower absorption of fixed costs, the operating (PBILDT) margin of the company also witnessed a decline from 10.12% in FY20 to 9.34% in FY21. Despite reduction in average cost of purchase of newsprint (which is the major raw material for print media), the PBILDT margin declined on account of losses incurred by the company in one of its subsidiary (ABP Eventures Pvt Ltd). The company took cost rationalisation measures to control its losses by reducing its marketing, manpower, administrative costs to an extent.

On account of the pandemic, people's preference has slowly moved from physical newspapers to digital media which has led to reduction in daily circulation of both the newspapers in FY21 and H1FY22. Going forward, with normalisation of the pandemic impact, the daily circulations are expected to increase again.

With decline in operating profit and increase in capital costs, the consolidated PAT also witnessed significant decline from Rs.47.65 crore in FY20 to Rs.1.97 crore in FY21.

In 8MFY22, the total operating income of ABP (standalone) has witnessed growth compared with H1FY21 on account of increased revenue from advertisements and higher circulation of newspapers; albeit on a significant lower base of the previous year. Also, the operating profit witnessed an increase with better spread of fixed costs. Going forward, with increase in advertisement revenues and higher circulation of newspapers, the revenue and profitability are expected to improve. However, the TOI of its print segment in FY22 is expected to remain lower than the pre-pandemic level of FY20.

With gradually reducing impact of the pandemic along with established market position of ANPL's news channels in their respective genres-Hindi, Marathi, Bengali and Gujarati, the company has been able to increase advertisement revenue in 7MFY22. PBILDT margin also improved with better spread of fixed costs.

Dependence over advertisement revenue which in turn is linked to the growth of the economy and thus depicts cyclicity

The growth in the revenue and profitability of ABP group are dependent on the advertisement revenue which forms 87% of the total revenue (69% in print media & 99% in digital media in FY21).

Advertisement revenue is directly linked to the growth of the economy and is inherently cyclical in nature. Furthermore, ad spend on a particular channel/newspaper depends on its market reach and popularity it enjoys among the consumers. ABP has strong regional focus which helps it to compete effectively with its much larger competitors having national content. Strong market position and large client base, from all the sectors, are also expected to contribute to its revenue growth going forward. Increasing literacy levels is helping widen and extend the country's readership base; albeit challenges from growing digitalization remains.

Risk associated with implementation of ongoing projects

ABP (Standalone) had availed term loan of Rs.70 crore in FY21 for routine capex requirements and managing its working capital requirement. Recently, the company has launched 'Aaro Ananda' app on digital media to bring a vast range of Bengali content on one platform. The company plans to incur some routine capex in order to enhance its visibility and content. Further, the company is planning to establish a new printing press. The machinery and land have already been procured in Barjora and the company expects to incur capex of around Rs.10 crore for the setting up of the unit in FY23.

Its subsidiary ANPL has shifted its office to a larger space in Noida in March 2021 which was funded majorly out of internal accruals and debt of Rs.2.21 crore. The building has been taken on rent and ANPL has installed its own furniture and technology. Thus, the overall project implementation risk of the company on this count stands reduced with the successful implementation of the project.

The company has moderate sized capex plans which is expected to be funded in a debt: equity ratio of 0.53:0.47 in FY22 and the debt for the same has already been tied up.

The company has received sanction of Rs.40 crore term loan for capex purpose against which the company has already drawn Rs.2.21 crore and the balance fund shall be drawn by the company to meet its other project costs.

Susceptibility of profitability to newsprint prices

The major raw material for ABP is newsprint (NP), constituting more than 90% of the total raw material cost. ABP procures majority of the NP from the international suppliers with the balance from domestic supplier. The domestic NP prices were based on import price parity given majority of domestic NP industry demand (55-60%) is met through imports. The NP prices have witnessed a significant increase in H1FY22 which is likely to have some impact on the profitability of the company towards last quarter of FY22 and beginning of FY23. Being a significant component of cost, players are sensitive to price fluctuations.

ABP is also subjected to forex fluctuation risk on NP imports. However, the forex risk is partially mitigated as the company hedges its exposure at an opportune time. ABP did not incur any forex loss in FY21 vis-à-vis loss of Rs.1.33 crore in FY20.

Analytical approach: Consolidated. CARE has taken a consolidated view of ABP and its wholly owned subsidiaries/step-down subsidiaries as they operate in similar industry and have financial and managerial linkages. Further, CARE also factors in the support provided by ABP to its other group entities.

List of entities being consolidated with ABP:

Name of the Subsidiary	Name of the Holding Company	% holding as on March 31, 2021
ABP Network Private Limited	ABP Pvt Ltd	100%
ABP Eventures Private Limited	ABP Pvt Ltd	100%
Swarnakshar Prakasani Private Limited	ABP Pvt Ltd	100%

Name of the Subsidiary	Name of the Holding Company	% holding as on March 31, 2021
Windsor Software Private Limited	ABP Pvt Ltd	100%
ABP Creations Private Limited	APB Network Pvt Ltd	100%

For arriving at the unsupported rating, CARE has combined the business and financial profiles of KIPS and HPCPL as both the companies are in similar line of operations, closely held entities under common management and exhibit cash flow fungibility.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

About the Company - ABP

ABP, one of the leading print media companies in Eastern India, was formed in 1922 with the launch of its four pages Bengali daily - 'Ananda Bazar Patrika'. Currently, ABP's publication portfolio includes 'Ananda Bazar Patrika' (Bengali daily), 'The Telegraph' (English daily), TTIS and other Bengali periodicals. ABP has state-of-the-art printing infrastructure under its group entity Ananda Offset Pvt Ltd in Kolkata and Barasat, both in West Bengal (WB). Besides this, it has printing facilities in two other towns in WB – Barjora and Berhampur. ABP also has tie-ups with printers in Siliguri who execute printing orders as per ABP's requirement.

Besides print media, ABP also has presence in electronic media via its fully owned subsidiary ABP Network Pvt. Ltd (ANPL; rated CARE A+; Stable), which owns 8 news channels among which 'ABP News' & 'ABP Ananda' are the flagship channels.

Consolidated Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	8MFY22 (UA)*
Total Operating Income	1273.56	948.21	291.85
PBILDT	128.95	88.60	42.48
PAT	47.67	1.97	24.20#
Overall gearing (times)	0.66	0.56	NA
Interest coverage (times)	6.02	3.73	NA

A: Audited; UA: Unaudited; NA: Not Available

*Standalone financials of ABP; #PBT

About the Company – KIPS

In March 2019, KIPS Learning Solutions Limited sold its entire publishing business to Ananda Publishers Pvt Ltd (APPL, group associate of ABP) and formed Kips Learning Private Limited. Initially, KIPS was a partnership firm which evolved into a private limited company over a span of 15-20 years and established a position in the market. KIPS is engaged in publishing of computer books for Central Board of Secondary Education (CBSE), Indian Certificate of Secondary Education (ICSE), and other State Boards. KIPS has a diversified product portfolio with around 250 titles in Computer books. The day-today operations of KIPS is managed by Mr Venugopal Bhaskaran.

Incorporated in 2013, HPCPL publishes books (primarily English subject books) for CBSE, ICSE and other State Boards like Nagaland Board of School Education (NBSE), etc.

Standalone Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total Operating Income	96.26	46.61	14.82
PBILDT	39.37	2.50	2.27
PAT	1.52	-25.68	NA
Overall gearing (times)	49.55	-6.45	NA
Interest coverage (times)	2.46	0.16	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

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 for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB- (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BB

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB- (CE); Stable	-	1)CARE BBB- (CE); Stable (08-Feb-21)	-	-
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BB	-	1)CARE BB (08-Feb-21)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:

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