

Kips Learning Private Limited

February 08, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BBB- (CE); Stable@ [Triple B Minus (Credit Enhancement); Outlook: Stable]	Assigned
Total Facilities	12.00 (Rs. Twelve Crore Only)		

Details of facilities in Annexure-1

@The above facility is backed by Letter of Comfort provided by ABP Private Limited

Unsupported Rating ^[2]	CARE BB (Double B);
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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 facility of Kips Learning Private Limited (KIPS) is based on credit enhancement in the form of Letter of comfort provided by ABP Private Limited (ABP).

Detailed Rationale & Key Rating Drivers of ABP Private Limited

The ratings assigned to the bank facilities/instruments of ABP Private Limited (ABP) continue to derive strength from the experienced promoters with established track record, diversified portfolio of newspapers, magazines & news channels, strong position in the print and electronic media segment albeit concentration of print media in Eastern India, stable financial performance in FY20 (refers to the period April 01 to March 31) and comfortable capital structure albeit moderation in H1FY21 due to the impact of COVID-19 pandemic. The ratings are constrained by, susceptible of profitability to newsprint prices, forex fluctuation risk, significant dependence on advertisement revenue and risks associated with implementation of ongoing projects.

Key Rating Drivers of Kips Learning Private Limited for Unsupported Ratings

The rating assigned to the bank facility of KIPS is constrained by moderate financial risk profile, geographical concentration risk, modest scale of operations, high working capital requirement and its seasonal nature of business. However, the rating derives strength from strong promoter group, experienced and professional management team, in-house design and editorial team and diversified portfolio of books.

Rating Sensitivities (LOC Provider)

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

- Improvement in operating income with operating margin beyond 15% on a sustained basis
- Increase in market share in Hindi news channel segment and maintain its leadership position in the regional genres
- Retaining its leadership position in dailies like Ananda Bazar Patrika on a sustained basis and increase its market share in Telegraph
- Improvement in overall gearing and TD/GCA below 0.5x and 1.5x respectively

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

- Decline in operating income below Rs.1,000 crore and operating margin below 10%
- Drop in market share in the existing newspaper and news channel
- Increase in exposure towards group companies exceeding 25% of combined net worth
- Cost or time overrun in planned capex of the group

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters with established track record

ABP has been in the business of publishing newspapers and magazines since 1922. Over nine decades, the company 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 experienced professionals.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

^[2] As 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).

Diversified portfolio of newspapers, magazines and news channels

With a legacy of best practices and reaching out to millions of viewers and readers, the ABP group has evolved into a media conglomerate that has 11 premier publications and various news channels.

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. Anandabazar Patrika, a Bengali daily, is the leading newspaper in West Bengal with daily circulation of 11 lakh. However, in H1FY21, the daily circulation was impacted and reduced to 7.53 lakh on account of lockdown induced due to COVID-19. However, the print media presence is mostly concentrated in Eastern India. In electronic media, ABP News (Hindi) and ABP Ganga (UP & Uttarakhand) is having a satisfactory position while ABP Ananda (Bengali), ABP Ashmita (Gujrati) and ABP Majha (Marathi) are maintaining leadership position in their respective genres.

Stable financial performance in FY20 and comfortable capital structure albeit moderation in H1FY21 due to the impact of COVID-19 pandemic

In FY20, the total operating income (TOI) of the group deteriorated by 3.48% y-o-y to Rs.1274 crore. However the PBILDT margin has marginally improved to 10.12% in FY20 as compared to 7.86% in FY19. Interest coverage ratio remained stable at 6.02x in FY20 (6.70x in FY19) In FY20, the group reported GCA of Rs.95 crore vis-à-vis nil debt repayment obligation.

On a standalone basis, the total operating income (TOI) deteriorated by 14% to Rs.714 crore on account of lower advertisement revenue coupled with lockdown in the last few days in the month of March'20 due to COVID-19. However the PBILDT margin has improved to 8.76% in FY20 as compared to 4.51% in FY19 mainly due to softer prices of newsprint. Interest coverage ratio improved from 2.45x in FY19 to 4.79x in FY20. In FY20, the group reported GCA of Rs.44.46 crore vis-à-vis nil debt repayment obligation. ABP reported losses of Rs.49.28 crore on TOI of Rs.143.44 crore in H1FY21.

Due to Covid-19 pandemic led lockdowns from the end of March 2020, there had been significant decline in circulation of newspaper affecting ABP's circulation and advertisement income. However, the same was compensated to an extent by the decline in newsprint cost and cutting down on the number of pages of its daily subscription. The major adverse impact of Covid-19 pandemic is expected on the advertisement income of ABP during FY21 as the key advertisement sectors are already facing challenging times, thus their advertisement budgets may witness curtailment in the medium term. Government spending on advertisement may also remain subdued in medium term, as states too are facing challenging times in managing their deficit. The group reported losses of Rs.36.94 crore on TOI of Rs.377.05 crore in H1FY21 mainly on account of lower circulation in print media and lower advertisement revenue in both print and electronic media of the group in Q1FY21 due to COVID-19.

The overall gearing ratio of the group remained comfortable, although witnessed slight moderation from 0.47x as on March 31, 2019 to 0.66x as on March 31, 2020. Total Debt/GCA has also moderated from 2.85x as on March 31, 2019 to 3.01x as on March 31, 2020 due to increase in debt levels of the group on account of lease liabilities. As on September 30, 2020, the overall gearing and TD/GCA stood at 0.71x and 48.51x respectively due to losses in H1FY21.

On a standalone basis, the capital structure improved from 0.34x as on March 31, 2019 to 0.22x as on March 31, 2020 due to reduction in working capital borrowings of the company. Total Debt/GCA has also improved from 9.91x as on March 31, 2019 to 2.78x as on March 31, 2020. As on September 30, 2020, the overall gearing stood at 0.27x.

Key rating Weaknesses***Susceptible of profitability to newsprint prices***

The major raw material for the ABP is newsprint, constituting more than 90% of the total raw material cost. Domestic NP prices are linked to import price, as majority of domestic NP demand is met through imports. Being a significant component of cost, players are sensitive to price fluctuations.

Forex fluctuation risk

ABP is subjected to forex fluctuation risk, as it imports around 70%-80% of its NP consumption. However, the forex risk is partially mitigated as the company hedges its exposure at an opportune time. However, ABP incurred a forex loss of Rs.1.33 crore in FY20 vis-à-vis loss of Rs.1.76 crore in FY19.

Dependent on the advertisement revenue which in turn is linked to the growth of the economy

The growth in the revenue & profitability of ABP group are linked to the economic cycles, as the advertisement revenue is directly linked to the growth of the economy. However, 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 from FY22 onwards. Increasing literacy levels is helping widen and extend the country's readership base.

Risks associated with implementation of ongoing projects

ABP is planning to take loan amounting to Rs.90 crores in FY21 mainly for routine capex and to manage the working capital requirements of the company. Out of this, the company has already availed Rs.50 crore disbursements in Q3FY21 which has

been utilized for their working capital requirements. Remaining Rs.40 crore is for procurement and maintenance of fixed assets. Apart from this, one of its subsidiaries, ABP Network Private Limited (ANPL) has expansion plans and also plans for technology upgradation which requires significant capital expenditure. The size of the capex is higher as compared to the net-worth of ANPL as on Mar 31, 2020.

Industry Outlook

Print media's business model, based on circulation and advertisement revenue, has been the dominant operational model for newspapers over the last few decades. However, as readers shift from newspaper to webpage, the long term outlook of the print media industry is subdued. In the period from 2014 to 2015, print media advertising grew at a rate of 8%, while digital advertising grew by 38%. Digital advertising is expected to grow at a rate of around 27% to Rs.17,377 crore by CY20, while print advertising is projected to grow at a relatively meager growth of 3%. In FY19, print media had a market size of Rs.33,300 crore and it is projected to reach Rs.37,500 crore in FY22 resulting a CAGR of 4.03% over FY19-22.

In case of electronic media, more than 90% of the revenue of the news channels comes from advertisement. India's advertisement market is projected to grow 10.62% y-o-y to Rs.85,250 crore (US\$ 12.06 billion) till 2021. India's advertisement spending touched Rs.67,603 crore (US\$ 9.67 billion) in 2019, up 11% y-o-y.

Liquidity: Adequate

Liquidity of the group is adequate as marked by gross cash accruals of Rs.95 crore against nil debt repayment obligations and liquid investments to the tune of Rs.43.27 crore as on March 31, 2020. The operating cycle is comfortable at 37 days in FY20. The average utilization of the fund based facilities of ABP was moderate at 86% during the last 12 months ended Nov 30, 2020. The company had availed moratorium on its term loan but did not avail deferment of interest on its fund based limits.

Analytical approach: Consolidated. CARE has taken a consolidated view of ABP and its wholly owned subsidiaries i.e., ABP Network Pvt. Ltd, Swarnakshar Prakasani Pvt. Ltd., ABP Eventures Pvt Ltd (formerly ABP Digital Pvt. Ltd.) and Windsor Software Private Limited [hereinafter referred to as group] as it operates in similar industry and has financial linkages.

For arriving at the unsupported rating, CARE has combined the business and financial profiles of KIPS and Headword Publishing Co Pvt Ltd (HPCPL) as both the companies are engaged in similar line of operation, closely held entities under common management and exhibit cash flow fungibility.

Applicable criteria

- [Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)
- [CARE's Policy on Default Recognition](#)
- [Financial ratios – Non-Financial Sector](#)
- [Rating Methodology- Manufacturing Companies](#)
- [Rating Methodology - Consolidation](#)
- [Rating Methodology - Service Sector Companies](#)
- [Criteria for Rating Credit Enhanced Debt](#)
- [Liquidity analysis of Non-financial sector entities](#)

About the Company

ABP Pvt. Ltd (ABP), one of the leading print media companies in Eastern India, was formed in 1922 with the launch of its four pages Bengali daily - 'AnandaBazar 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 in Kolkata and Barasat, both in West Bengal (WB). Besides this, it has printing facilities in two other towns in WB – Barjora and Baharampur. ABP also has tie-ups with printers in Siliguri who execute printing orders as per ABP's requirement.

Besides print media, ABP has presence in electronic media via its wholly owned subsidiary ABP Network Pvt. Ltd {ANPL, formerly Media Content & Communication Services (India) Pvt. Ltd (CARE A+; Stable)}, which owns one national channel and various regional news channels along with websites.

Consolidated Brief Financials (Rs. crore) - ABP Pvt Ltd	FY19 (A)	FY20 (A)
Total operating income	1319.52	1273.56
PBILDT	103.73	128.93
PAT	31.90	47.65
Overall gearing (times)	0.47	0.66
Interest coverage (times)	6.70	6.02

A: Audited

About the Company – KIPS

In March 2019, KIPS Learning Solutions Limited has sold its entire publishing business to Ananda Publishers Pvt Ltd (APPL, group associate of ABP Pvt Ltd) 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-to-day operations of KIPS is managed by Mr Venugopal Bhaskaran.

Combined financials of HPCPL and KIPS

Brief Financials (Rs. crore)	FY19 (Combined)	FY20 (Combined)
Total operating income	46.00	132.19
PBILDT	7.44	41.52
PAT	3.13	1.57
Overall gearing (times)	25.93	24.32
Interest coverage (times)	3.75	2.35

Standalone Brief Financials of KIPS (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	11.60	90.40
PBILDT	3.72	39.28
PAT	1.53	1.52
Overall gearing (times)	104.07	51.72
Interest coverage (times)	5.09	2.46

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

Rating History (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 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	-	-	-	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 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	12.00	CARE BBB- (CE); Stable	-	-	-	-
2.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BB	-	-	-	-

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

Name of the instrument	Detailed explanation
A. Financial covenants	
I. Cash Credit	Letter of Comfort provided by ABP Pvt Ltd

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

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

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About CARE Ratings:

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