Neutral Publishing House Limited
October 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	22.50	CARE A-; Negative	Reaffirmed
Short-term bank facilities	7.50	CARE A2+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Neutral Publishing House Limited (NPHL) continue to derive strength from its strong position in the Jharkhand market in terms of circulation, comfortable capital structure albeit moderation in debt protection metrics in FY23 (refers to the period April 01 to March 31) and qualified & professional management team.

The ratings also factor in continued moderation in profitability of NPHL in FY23 due to significant increase in newsprint prices leading to cash losses. Although the performance in Q1FY24 remained subdued, there is slight improvement in Q1FY24 with reduction in losses due to reduction in newsprint prices.

The ratings, however, continue to remain constrained by profitability susceptible to the volatility in newsprint prices which had witnessed significant increase in the recent past, relatively small size of the company vis-à-vis its competitors, elongated collection period and geographical concentration risk with presence only in three states of Eastern India.

Rating sensitivities: Factors likely to lead to rating actions:

Positive Factors:

- Increase in scale of operations and improvement in PBILDT margin beyond 15% on a sustained basis.
- Reduction in operating cycle below 80 days.
- Retaining its leadership position in the Jharkhand market on a sustained basis and increase in its market share in Bihar & West Bengal.

Negative Factors:

- Deterioration in the financial performance with the company incurring cash loss in FY24 as well.
- Reduction in free liquidity below ₹25 crore with maintaining its fund-based working capital limits utilisation below 50%.
- Deterioration in capital structure with overall gearing going beyond 0.25x.

Analytical approach: Standalone

Outlook: Negative

The outlook continues to be negative on account of expected subdued financial performance in the short to medium term. The outlook may be revised to stable if there is turnaround in the performance leading to sustained profitability and positive cash accruals.

Detailed description of the key rating drivers:

Key strengths

Strong position in the Jharkhand market in terms of circulation: Prabhat Khabar is the leading Hindi daily in Jharkhand and faces strong competition in Bihar (amongst competitors like 'Hindi Hindustan' of HT Media Ltd, 'Dainik Jagaran' of Jagran Prakashan Ltd and 'Dainik Bhaskar' of DB Corp Ltd) and occupies second position in the West Bengal market after Sanmarg.

Comfortable capital structure albeit deterioration in debt protection metrics: NPHPL has no outstanding long-term debt or short-term borrowings as on the March 31, 2023. The company has interest bearing trade security/trade advance from its circulation dealers having 5%-6% interest. Overall gearing ratio continued to be comfortable and stood at 0.07x as on March 31, 2023 (0.13x as on March 31, 2022). However, TD/GCA stood negative at 14.76x as on March 31, 2023 on account of cash losses in FY23, nonetheless the company has reported cash profit for the period of Q1FY24 and thereby TD/GCA is likely to improve over the medium term.

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

Qualified & professional management team: NPHL possesses an experienced employee pool having considerable experience in the related field. Editorial columns of the dailies are headed by Mr Ashutosh Chaturvedi, an eminent journalist, with over three decades of experience in the field of journalism. He was earlier associated with different print media companies like Amar Ujala Publication Ltd, Producer at BBC World Service at various positions. He has also been a part of Dainik Jagran, Sunday Observer and India Today.
Mr. Ranjit Kumar Dutta (MBA), Executive Director, looks after the operations of NPHL along with support from a team of experienced professional like Mr. Dutta who has been associated with NPHL since inception.

Key weaknesses
Geographical concentration risk: Since the operations of NPHL are limited to only three states (Bihar, West Bengal and Jharkhand), the company is exposed to the geographical concentration risk while its peers have a much larger national footprint. Moreover, the company does not plan to enter into any new state over the short to medium term.

Relatively small size of the company vis-à-vis its competitors: Though the total operating income (TOI) of the company witnessed y-o-y growth of 19% in FY23 from ₹161 crore in FY22 to ₹193 crore in FY23, the same continues to remain low. The scale of operation is small vis-à-vis its competitors like HT Media Ltd, Jagran Prakashan Ltd, DB Corp Ltd, etc. However, the company's strong regional focus helps it to compete effectively with its much bigger competitors.

Moderate financial performance marked by growth in revenue albeit deterioration in profitability in FY23 and reduction in losses in Q1FY24: In FY23, NPHL's TOI increased by over ~19% y-o-y to ₹192.57 crore, which showcased a healthy growth y-o-y backed by higher advertisement revenue (about 20% higher y-o-y) along with slight increase in average daily circulation and cover price increase in all three states. Nonetheless the overall revenue continues to remain lower than pre-covid levels. The same is due to various offers given during Covid-19 pandemic to attract ad revenue which have gradually been reduced. Increased competition has posed a challenge in recouping the revenue.
The company incurred operating loss in view of the significant increase in NP price due to supply side constraints. The raw material prices per copy of circulation on an average increased by about 39% in FY23 which impacted the overall profitability and neutralized the effect of increase in ad revenue and increased circulation prices. Furthermore, the company also had some high-cost inventory purchased when the prices of NP were almost at peak, on account of which despite correction in prices during Q4FY23 and Q1FY24, the higher cost burden continued for the company. Going forward, no price hikes are expected given the price of NP has started stabilizing. Operating loss and capital charge were partly offset by non-operating income leading to lower loss before tax. The company incurred cash loss of ₹0.73 crore in FY23 against nil debt repayment obligations.
In Q1FY24, the financial performance of the company improved with TOI reported at ₹45.95 crore as against ₹43.23 crore in Q1FY23. Furthermore, operating losses have reduced significantly from ₹4.98 crore in Q1FY23 to ₹0.28 crore in Q1FY24.

Profitability susceptible to volatility in prices of raw materials: Newsprint (NP) cost is the major raw material cost for NPHL (constituting about 51% cost of sales in FY23 as against 42% of cost of sales in FY22). Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices.
During FY23, NPHL largely procured its newsprint requirement from the domestic market (86%- of the total consumption) and the rest was imported.
The average cost of NPHL's newsprint consumption increased from ₹43,648 per metric tonne (MT) during FY22 to 59,710 per MT during FY23. The procurement price have slowly corrected in Q1FY24 at ₹55,323 per MT. Such unprecedented increase in the newsprint prices impacted the profitability of NPHL, albeit it has sufficient cushion to absorb such volatility due to its strong liquidity.

Elongated collection period: The company's operation is working capital intensive in nature mainly on account of the higher collection period and maintenance of NP inventories for around 1 month. Though the collection period witnessed decline in FY23 compared with FY22, however, the same continued to remain high at 86 days in FY23 on account of the credit period of over 3 months offered to its customers for advertisement revenue. The working capital cycle improved to 105 days in FY23 from 131 days in FY22 due to decrease in average collection period.

Liquidity: Strong
The liquidity position of the company is strong with almost negligible average working capital limit utilisation during the last 12 months period ended August 2023. With a gearing of 0.07x as on March 31, 2023, the issuer has sufficient gearing headroom to raise additional debt for its capex, if any. Furthermore, the company had free cash and cash equivalents of ₹25 crore as of August 2023.
The company has increased its investment in promoter group company i.e., Usha Martin Ltd to ₹52.65 crore in August 2023 (the market value of the same is around ₹500 crore as on Sept 28, 2023). The investment has been met from redemption of ICD's and thereby ICD's have been reduced from ₹55.01 crore to ₹22.79 crore.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

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

NPHL, incorporated in 1989, was set up by the Jhawar group of Kolkata to take over a print media company named Prabhat Khabar (established in 1984). NPHL is engaged in the print media business, publishing Hindi dailies ['Prabhat Khabar'] in Jharkhand (Ranchi, Jamshedpur, Deoghar and Dhanbad), Bihar (Patna, Muzaffarpur and Bhagalpur) and West Bengal (Kolkata). The company also operates FM Radio Channel ('Dhoom 104.8') in Ranchi and Jamshedpur. The company is also engaged in event management through its vertical Prabhat Buzz. UML is the flagship company of the Jhawar group.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	161.33	192.57	48.00
PBILDT	-3.11	-9.63	-0.28
PAT	-2.87	-5.21	-0.16
Overall gearing (times)	0.13	0.07	NA
Interest coverage (times)	-5.42	-14.76	-2.15

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.50	CARE A-; Negative
Non-fund-based - ST-BG/LC		-	-	-	2.00	CARE A2+
Non-fund-based - ST-Letter of credit		-	-	-	5.50	CARE A2+

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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	22.50	CARE A-; Negative	-	1)CARE A-; Negative (07-Oct-22)	1)CARE A-; Stable (08-Nov-21)	1)CARE A-; Stable (08-Dec-20)
2	Non-fund-based - ST-Letter of credit	ST	5.50	CARE A2+	-	1)CARE A2+ (07-Oct-22)	1)CARE A2+ (08-Nov-21)	1)CARE A2+ (08-Dec-20)
3	Non-fund-based - ST-BG/LC	ST	2.00	CARE A2+	-	1)CARE A2+ (07-Oct-22)	1)CARE A2+ (08-Nov-21)	1)CARE A2+ (08-Dec-20)

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-BG/LC	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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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