# Herald Publications Private Limited (Revised)

June 26, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 39.30 | CARE BB+; Stable | Assigned |
| Short Term Bank Facilities | 0.70 | CARE A4+ | Assigned |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The ratings assigned to bank facilities of Herald Publications Private Limited (HPPL) are constrained by growing albeit small scale of operations, leveraged capital structure & moderate debt coverage indicators and working capital intensive nature of operations. The ratings are further constrained by company's limited geographical reach in newspaper distribution segment.
The above rating weaknesses are, however, partially offset by long track record of operations with experienced promoters, healthy profit margins and reputed albeit concentrated customers and suppliers.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Significant increase in scale of operations exceeding Rs.90 crore and sustainability in the operating margins above 20%.
- Improvement in leverage position with overall gearing reaching below unity level on a sustained basis

### Negative factors

- Deterioration in the PBILDT margin leading to interest coverage falling below 2x on a sustained basis.
- Substantial decline in the market share/readership in newspaper division / disruption in orders from packaging division, resulting in sustained decline in its revenue

**Analytical approach:** Standalone

**Outlook:** Stable

The 'Stable' rating outlook reflects the steady business and financial risk profile of the company. CARE Ratings Limited (CARE Ratings) expects that HPPL will continue to sustain its performance aided by experienced promoters and reputed albeit concentrated customer base from the packaging division.

## Detailed description of the key rating drivers:

### Key weaknesses

**Growing albeit small scale of operations:** Despite constant growth, HPPL's scale of operations remained small marked by total operating income (TOI) remained in the range of Rs.44.13 crore to Rs.77.68 crore during FY21 to FY24 owing to increase demand from packaging segment on the back of increase in the orders from existing customers across packaging division. The same was also assisted by the continuous capacity additions and modernization of the machines in packaging division. The Gross Cash Accruals (GCA) also stood relatively low in the range of Rs.4.24 crore to Rs.11.53 crore during the given period. The small size deprives it from the benefits of economies of scale and restricts the financial flexibility of the company in times of stress. Further, the TOI is expected to grow over the medium term on the back of continuous capacity additions undertaken during past and as envisaged in the near term.

**Leveraged capital structure and moderate debt coverage indicators:** The overall gearing remains leveraged at 2.01 times as on March 31, 2024 (vis-à-vis 1.78 times as on March 31, 2023) on account of higher reliance on external debt. The same

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

has deteriorated owing to term loans additions during the year along with higher utilization of working capital limits as on balance sheet date.
The debt coverage indicators remained moderate marked by total debt to GCA at 3.59 times as on March 31, 2024 (vis-à-vis at 3.94 times as on March 31, 2023). The same improved marginally owing to higher accruals during the year. Further, PBILDT interest coverage ratio remained healthy at 5.22 times as on March 31, 2024 (vis-à-vis at 5.38 times as on March 31, 2023). While the same deteriorated marginally owing to higher interest cost incurred during the year. The capital structure is expected to gradually improve in the near to medium term on the back of scheduled debt repayments and no major debt funded capex envisaged in the near to medium terms.

**Working capital intensive nature of operation:** The operations of the company remained working capital intensive marked by higher Gross Current Assets (GCA) period of 153 days in FY24 (vis-à-vis 175 days in FY23) primarily on account of higher inventory period of 73 days (55 days) and collection period of 63 days (76 days). The same leads to higher utilization of the working capital limits. On the other hand, company receives moderate credit from its suppliers leading to creditors period of 45 days (46 days). Thus, the operating cycle also remained high at 90 days (86 days).

**Limited geographical reach of newspaper distribution with print media challenges**
The company's revenue from the newspaper segment has regionally concentrated with major revenue coming from Goa and followed with Maharashtra. This exposes the company revenues to risks due to high competition in the region. The newspaper industry impacted significantly in COVID, and the physical print business is yet to revert to the pre-COVID levels impacted by structural factors such as shift of preference among readers to read news in electronic/digital form through mobile applications or website has resulted in some decline in circulation. Growing popularity of digital platforms, in line with changing media consumption habits, is likely to be a major challenge to the print media industry.

## Key strengths

**Long track record of operations with experienced promoters:** HPPL has an established track record of more than three decades in the publication industry. Mr. Raul Francisco Antonio Fernandes, the managing director, has more than four decades of experience in the same line of business. The company also established track record in packaging division through its two decades of existence. Mr. Boaventura Ferrao is dealing with all day-to-day functions of the business and majorly looks after Production and logistics. Moreover, HPPL has a well-qualified & experienced second-tier management for handling plant operations and finance functions. Furthermore, promoters of HPPL have constantly shown support to the company's operations by way of infusion of funds from time to time. During last four years the promotors have infused Rs.4.04 crore through unsecured loans.

**Healthy and improvement in profit margins:** Operating margin of the company remained healthy and the same has improved in FY24 to 21.13% from 14.51% in FY23 on the back of better yields from packaging division along with reduction in the fixed cost led by increase in the scale of operations. The same was also supported by periodic capex incurred for automation of its packaging division leading to reduction in various costs. The PAT margin also improved in line with PBILDT margin during the year from 4.94% in FY23 to 7.03% in FY24.

**Reputed albeit concentrated customers and suppliers:** HPPL's shares healthy relationship with its clients owing to long track record of operations, it has long-term relationships with its reputed customers majorly from the pharmaceutical and electrical sectors and entails repeat orders from them. Although, the customer base is concentrated with top five clients contributed around 58.82% of its total revenue in FY24 (vis-à-vis 41.60% of its total revenue in FY23), nevertheless the counter party risk is mitigated due to dealing with reputed customers. Also, the company majorly procures paper domestically. The supplier base is reputed although concentrated with top 5 suppliers contributing around 68.54% of its total purchases in FY24 (vis-à-vis 56.28% of its total purchases in FY23).

**Liquidity**: Adequate
The company's liquidity is adequate characterized by sufficient cushion in accruals vis-à-vis around Rs.5.66 crore and Rs.5.69 crore of repayment obligations during FY25 and FY26. HPPL has free cash and bank balance of Rs.4.17 crore as on March 31, 2024 (vis-à-vis Rs.0.41 crore as on March 31, 2023). During FY25, the company is planning to incur a capex of Rs.10 crore which will be equally funded through bank borrowing and internal accruals. The liquidity ratios of the company stood relatively low with current ratio and quick ratio of 1.18 times and 0.85 times respectively as on March 31, 2024. Further, the average maximum utilization of its fund based working capital limits stood at 86.77% and average utilization at 79.84% during last 12 months ended March 2023. Its cash flow from operations stood positive at Rs.10.97 crore in FY24 (vis-à-vis Rs.1.88 crore in FY23).

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

## About the company and industry

### Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Industrials | Capital Goods | Industrial Products | Packaging |

Herald Publications Private Limited (HPPL) was established in 1989 as a newspaper publication house by Mr. Raul Francisco Antonio Fernandes. Later, the company diversified its operations into manufacturing of cartons and cardboard boxes. It publishes an English daily newspaper named Herald which is majorly distributed across Goa and Maharashtra. The company also publishes a Marathi weekly named Dainik Herald. It also operates a 24-hour, free-to-air English news and entertainment channel, HCN.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (UA) | June 30, 2024 (UA) |
|---|---|---|---|
| Total operating income | 65.96 | 77.68 | NA |
| PBILDT | 9.57 | 16.42 | NA |
| PAT | 3.26 | 5.46 | NA |
| Overall gearing (times) | 1.78 | 2.01 | NA |
| Interest coverage (times) | 5.38 | 5.22 | NA |

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL has reviewed the ratings assigned to the bank facilities of HPPL under Issuer Not Cooperating category due to non-submission of requisite information, vide its press release dated February 19,2024.

**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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 20.00 | CARE BB+; Stable |
| Fund-based - LT-Term Loan | | - | - | March 2038 | 11.26 | CARE BB+; Stable |
| Fund-based-Long Term | | - | - | - | 8.04 | CARE BB+; Stable |
| Non-fund-based - ST-BG/LC | | - | - | - | 0.70 | CARE A4+ |

## 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 2024-2025 | 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 |
| 1 | Fund-based - LT-Term Loan | LT | 11.26 | CARE BB+; Stable | | | | |
| 2 | Fund-based - LT-Cash Credit | LT | 20.00 | CARE BB+; Stable | | | | |
| 3 | Non-fund-based - ST-BG/LC | ST | 0.70 | CARE A4+ | | | | |
| 4 | Fund-based-Long Term | LT | 8.04 | CARE BB+; Stable | | | | |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**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 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based-Long Term | Simple |
| 4 | Non-fund-based - ST-BG/LC | Simple |

## Annexure-5: Lender details

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| 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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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**About us:**
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