

The Sandesh Limited

September 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	60.00	CARE AA; Stable	Reaffirmed
Short-term bank facilities	35.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of The Sandesh Limited (TSL) continue to derive strength from its established position and long-standing track record in the regional newsprint media, aided by the strong presence of the brand 'Sandesh' in Gujarat, with its largely stable market share in the region. Ratings also draw comfort from TSL's comfortable capital structure and debt coverage indicators, strong liquidity, and healthy income from treasury investments in FY24 (refers to period April 01 to March 31) supporting overall profitability during the year, and promoters' wide experience in the print media industry.

However, long-term rating is constrained by TSL's moderate scale of operations due to its limited geographical presence in the highly competitive Gujarat market and the increasing competition from alternate media platforms (especially digital). It is further constrained due to the high correlation of its advertisement income to economic cycles and the susceptibility of its operating profitability to volatile newsprint prices.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant increase in its circulation and readership base, and in turn, advertisement income on a sustained basis.
- Geographical diversification of its print media operations.

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

- Significant increase in the exposure of TSL to the real estate activity of the group or any activity unrelated to its core operations.
- Adverse impact of migration of readership from print media to digital media leading to sustained pressure on its advertisement income and subsequent moderation in operating profitability below 18% on a sustained basis.
- Inability to realise adequate returns from its investments in the real estate projects and Inter Corporate Deposits (ICDs) or erosion in their value or write-offs.
- Significant moderation in its liquidity.

Analytical approach: Standalone

Outlook: Stable.

CARE Ratings Limited (CARE Ratings) expects that TSL is likely to sustain its business and financial risk profiles over the medium term supported by its established position and long-standing track record in newsprint media apart from its strong liquidity.

Detailed description of key rating drivers:

Key strengths

Strong presence of the brand 'Sandesh' in Gujarat

'Sandesh' has a strong brand presence in Gujarat and is one of the most widely read Gujarati language newspapers in the state. TSL has managed to maintain its market position among the top three print media players in the Gujarat region. The print media industry is witnessing decline in circulations due to shift in consumer preference towards digital media. However, vernacular language newspapers have reported a lesser decline as compared to English newspapers, and CARE Ratings expects a continuous decent readership in the years to come as well. TSL's revenue is supported by improving advertisement income over the past few years, which is also well-diversified among local advertisers, national advertisers, government businesses, and direct parties. To leverage its strong brand presence in the state and further increase its reach among its target audience, TSL started its Gujarati TV News Channel 'Sandesh News' in FY13. Despite being a late entrant and facing intense competition, TSL's news channel is among the top three Gujarati news channels in terms of viewership. It also provides e-paper on its web portal and mobile application.

Strong financial risk profile, marked by strong net worth base, healthy profitability, and absence of external debt

TSL's total operating income (TOI) declined by around 5% in FY24 Y-o-Y, mainly considering decline in advertising revenue on a higher base of FY23. Advertising revenue constitutes around 70% of its TOI and balance is contributed by newspaper subscription revenue. In FY23, the company earned higher advertising revenue considering Gujarat state assembly election. However, due to

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

its localised presence in political stable state, it could not adequately capitalise on general elections 2024. Advertisement income from telecast and out of home (OOH) segment grew to ₹44 crore in FY24 as against ₹36 crore in FY23. CARE Ratings notes that this indicates a positive trend in revenue generation from diverse media sources, and further expects TSL's total income to remain largely stable in near to medium term.

TSL's PBILDT margin declined over FY23 due to lower advertising revenue and normalisation of license fees. Despite decline in PBILDT margin, it remained healthy at 21.23% in FY24 (FY23: 24.56%). CARE Ratings expects TSL's PBILDT margin to remain ~20% in near to medium term given the newsprint prices are stable. TSL reported profit after tax (PAT) of ₹188.69 crore in FY24 (FY23: PAT of ₹101.99 crore) supported by higher income from treasury investments considering buoyant equity markets and increase in investment portfolio. However, volatility in the equity markets may impact its income from investment activities.

TSL had tangible net worth (TNW) of ₹1,257 crore as on March 31, 2024. The company has a long track record of not using external debt, and accordingly, yearly cash accruals after dividend pay-out are deployed in the form of investments. TSL had NIL debt and healthy cash and liquid investments as on March 31, 2024. TSL extends ICDs (₹78 crore as on March 31, 2024, from ₹146 crore in FY23) and invests in equity shares/equity related instruments which exposes it to credit risk and market risk. TSL's management has articulated that these ICDs have been extended to reputed developers and are fully secured by tangible security with good asset coverage and provides a return more than 12% per annum, though names of parties to whom such ICDs have been extended have not been shared by the company citing reasons of confidentiality. CARE Ratings expects TSL's capital structure and debt coverage indicators to remain comfortable in near to medium term.

Experienced promoters with long track record of operations in print media

TSL was promoted by the late Chimantbhai Patel more than seven decades ago and is now being managed by the next generation promoters. Over time, TSL has evolved itself as one of the prominent print media players in Gujarat.

Liquidity: Strong

TSL's strong liquidity is marked by NIL utilisation of its fund-based working capital limit in last 12 months ended June 30, 2024, aided by healthy cash flow from operations. With NIL leverage, TSL has sufficient gearing headroom to raise debt, if required. TSL's healthy unencumbered liquid investment portfolio of ₹817 crore as on March 31, 2024, also strengthens its liquidity.

Key weaknesses

Moderate scale of operations and strong competition from other print media players in Gujarat

Unlike many large print media companies having presence in multiple states and languages across the country, since its incorporation, TSL has focused only on the local market of Gujarat. This has restricted its scale to a moderate level. However, it has established itself as one of the leading print media players in Gujarat. Upon entry of Divya Bhaskar in the Gujarati print media, the existing market share of TSL and Gujarat Samachar reduced to some extent, and since then, there has been intense competition among these three leading players to increase their reach and readership, which limits the growth in newspaper circulation. TSL has diversified its presence in alternate media platforms, 'Sandesh News' TV channel and E-paper, which reduces the risk associated with migration of readers to alternate platforms to an extent. However, revenue contribution from these platforms remains low over the years.

Presence in print media industry, facing headwinds due to declining circulation

India's print media industry is facing headwinds due to declining circulation. Newspaper circulation in India has declined by ~6.3% in last seven years ended FY23 (Source: Press India Annual Report from Ministry of Information and Broadcast). Shift in consumer preference towards digital media especially post COVID-19 is leading the decline in newspaper circulation. TSL's circulation has also declined in last few years. However, CARE Ratings expects this to continue to have a decent readership to come. TSL's initiatives in TV and digital space might reduce the impact of declining circulation to some extent.

Operating profit margin susceptible to newsprint price volatility

Newsprint constitutes TSL's key raw material. It procures newsprint through a mix of local suppliers and imports. In FY24, TSL largely procured its newsprint requirement from overseas market. The average cost of TSL's newsprint consumption declined from ₹60,669 per MT in FY23 to ₹56,114 per MT in FY24, which further moderated to ₹47,987 per MT in Q1FY25. Although the company witnessed some increase in newsprint prices in near term, unprecedented increase in the newsprint prices going forward can impact TSL's profitability, though it has sufficient cushion to absorb such volatility due to its strong liquidity.

Volatility of advertisement revenue amid increasing competition from alternate media platforms

The advertisement revenue remains vulnerable to factors such as readership base of the newspaper, market competition-led advertisement-rate movements, and the level of economic activity in general. High inflationary environment and volatility in commodity prices could cause businesses to trim the advertisement spending to offset rising costs in their operations, which could thus impact TSL's advertisement revenues.

Exposure to the group's real estate venture, although its net worth largely deployed in investment activities

In 2011, promoters of the Sandesh group commenced a phase-wise development of an integrated township project in Ahmedabad under its group company, Applewoods Estate Private Limited (AEPL). TSL holds around 19% equity stake in AEPL as on March 31, 2024. No financial support has been extended by TSL to this venture in last five years ended FY24. The value of TSL investments in AEPL stood at around ₹232 crore as on March 31, 2024 (PY: around ₹211 crore). AEPL has completed and sold most part of the project and does not require support. AEPL had financial investments of ₹1,060 crore as on March 31, 2024, which comprises equity and debt mutual funds, quoted equity shares, government securities, and ICDs. The investments have grown over the years considering surplus generated from the real estate operations and income on investments. The value of investments represents major part of AEPL's TNW of ₹1,105 crore as on March 31, 2024. AEPL does not have plans for new investment in the real estate development activity in near term.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Media, entertainment & publication	Media	Print media

Promoted by the late Chimanbhai Patel in 1943, TSL is one of the leading print media companies in Gujarat, having presence for more than seven decades in the Gujarati print media, through its newspaper 'Sandesh'. It came out with an initial public offering (IPO) in 1994. TSL has its printing press at Ahmedabad, Vadodara, Surat, Rajkot, Bhavnagar, and Bhuj, covering circulation across Gujarat and in Mumbai.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	323	302	69
PBILDT	79	64	16
PAT	102	189	50
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	Very High	Very High	Very High

A: Audited; UA: Unaudited, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	60.00	CARE AA; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	35.00	CARE A1+

Annexure-2: Rating history for 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	Non-fund-based - ST-Letter of credit	ST	35.00	CARE A1+	-	1)CARE A1+ (31-Aug-23)	1)CARE A1+ (06-Sep-22)	1)CARE A1+ (01-Sep-21)
2	Fund-based - LT-Cash credit	LT	60.00	CARE AA; Stable	-	1)CARE AA; Stable (31-Aug-23)	1)CARE AA; Stable (06-Sep-22)	1)CARE AA; Stable (01-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Note on complexity levels of 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 clarifications.

Contact us

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About us:

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