

Thomson Press India Limited

December 31, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	98.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	25.00	CARE A2+ (A Two Plus)	Reaffirmed
Total Bank Facilities	123.00 (Rs. One Hundred Twenty- Three Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Thomson Press India Limited (TPIL) continues to derive strength from the promoter's experience along with long track record of operations in the industry, long-standing customer relationship with some of the large and reputed publishing houses with strong market position and comfortable financial risk profile marked by low overall gearing. The ratings are, however, constrained on account of weak operational performance during FY21 (refers to the period April 01 to March 31) primarily due to Covid-19 induced disruptions, working capital intensive nature of operations, foreign exchange fluctuation risk along with competitive and fragmented nature of industry with susceptibility towards the rapid digital transformation.

Rating Sensitivities

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

- Ability of the company to increase its scale of its operations annually by 20% or more as compared to past trend on a sustained basis going forward while maintaining the profitability margins
- Ability of the company to enhance its overall profitability to more than 12% on a sustained basis from the current levels by expanding its revenue and business segments

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

- Any sizeable capex undertaken by the company adversely impacting its capital structure with overall gearing of more than 0.50x on a sustained basis
- Any elongation in the collection period leading to stretch in operating cycle of more than 150 days on a sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with long track record of operations

Thomson Press India Limited (TPIL) is a part of India Today Group, a major multimedia group with interest in publishing, television, and radio. The company is promoted and managed by the Purie family. Mr. Aron Purie; the chairman of the company has more than five decades of experience in the printing and media industry. He is assisted by his son Mr. Ankoor Purie who has done a specialized course of printing management from London School of Printing and has about 10 years of experience in the industry. The promoters are further assisted by a team comprising of well - qualified and experienced professionals. Mr. Dinesh Bhatia is the Group CFO, who possess more than 24 years of industry experience.

Strong market position with long lasting relationships with reputed client base

TPIL, with its existence in the printing industry for more than six decades, has established strong market position in the domestic as well as export market. TPIL's business profile mainly comprises of two key segments, namely printing and phototypesetting with phototypesetting services being majorly availed by the export market. Under the printing segment, TPIL prints books, magazines, calendars, annual reports etc. for domestic as well as export market. During FY21, the exports comprised of ~73% (PY: 46%) of the total operating income with the main exporting clients being large publishing houses located in the USA and UK. Over the years, TPIL has established strong relationships with reputed publishing houses such as Harper Collins Publishers, Oxford University Press, Penguin Random House India Pvt. Ltd., Elsevier Ltd. etc. In addition to this, TPIL is the sole printer for Living Media India Limited's (LMIL) publications such as India Today, Business Today; Reader's Digest etc. and thus enjoys synergies being part of India Today Group. The established relationship with the reputed customers helps the company in getting repeat orders, which also provides revenue visibility and minimizes counterparty credit risk. During FY21, the top 10 customers contributed 51.33% (PY: 40.92%) of total revenue of TPIL.

Comfortable financial profile

The overall gearing of the company remained low and stood comfortable at 0.02x as on March 31, 2021, as compared to 0.15x as on March 31, 2020, on account of lower reliance on the working capital limits. The working capital borrowings of the company substantially reduced and stood at Rs. 3.48 crore as on March 31, 2021, as compared to Rs. 34.82 crore as on March 31, 2020 due to the faster collection by the company from its customers and company policy of holding lower inventories. The

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

company has not availed any long-term debt. Due to lower reliance on working capital limits, Total Debt to GCA remained comfortable and stood at 0.58x as on March 31, 2021 (PY: 1.54x). Though, due to low profitability in FY21, interest coverage ratio deteriorated and stood at 2.87x in FY21 (PY: 7.92x).

Company's investment in subsidiaries and associates stood at Rs 17.41 crore (net of provision) as on March 31, 2021 and has also has extended loans and advances of Rs 10.14 crore (net of provision). The overall gearing still remains comfortable even after adjusting these advances from net-worth.

Key Rating Weaknesses

Significant dip in turnover with weak operational profile

TPIL reported turnover of Rs 259.95 crore in FY21 (PY: 360.38 crore), a degrowth by ~28% on account of business operations of the company being adversely impacted by the nationwide lockdown being imposed in order to contain the spread of COVID-19 disease in the first half year. Post which the company expected recovery in the operations but due to the subdued demand and non-opening of schools, educational institutions and offices thereby leading to increased usage of digital media impacted the revenue of the company. Despite dip in the revenue, company did not undertake any cost rationalization measures resulting in squeezed PBILDT margin from 8.13% to 1.91% in FY21. Further, due to fire in Faridabad godown, company had to bear the exceptional loss of Rs 1.08 leading to net loss of Rs 6.87 crore.

H1FY22 Performance: With gradual opening up of economy and firming up of demand, the company has recorded sales of Rs.176.88 crore during H1FY22 (refers to period April 1 to September 30) with PBILDT of Rs 11.92 crore as against Rs.128.19 crore with PBILDT of Rs 3.62 crore in H1FY21.

Working capital intensive nature of operations

The operations of the company are working capital intensive on account of the lower credit period being extended by the creditors and higher credit period offered to its clients along with the requirement for the maintenance of raw material inventories. However, from FY20, the working capital cycle of the company is improving from 160 days in FY19 to 152 days in FY20 to 149 days in FY21. The same is on account of better working capital management strategies adopted by the company during FY20, for which TPIL has availed the consulting services of Goldratt India to shorten its operating cycle and reduce its reliance on the working capital limits which is evident from the low utilisation levels in the last trailing 12 months ending on Sept 2021. In some cases, the company is also taking advance from export customers depending upon the requirement of raw material in order to lower its reliance on working capital limits.

Competitive and fragmented industry with exposure to digital transformation

The printing industry is highly unorganized with presence of numerous small and mid-sized players which leads to intense competition and adversely impacts the profitability margins of the industry players. However, the entry barriers for this segment remain high with it being highly capital intensive and the successful operations being dependent on timely delivery schedule and maintaining quality, which are crucial to win the trust of the global publishers. The company has been dealing with reputed publishers for nearly six decades now and thus remains one of the leading players in this segment. Further, being a part of India Today group also gives synergistic advantage to the company.

The print industry is largely driven by the sustained readership in the vernacular markets and advertisers' confidence in the medium, especially in the tier-II and tier-III cities. Further, literacy level across states has seen an upswing India's literacy rate stands over ~78%. This has primarily contributed to growth in readership as more people are being initiated into the world of reading and writing. However, increasing digitalization has led to rise in digital content consumption particularly in tier-1 cities which poses a long-term risk to the industry. The digital transformation requires a significant change in content distribution and the content provider's position. The digital segment is highly dynamic and the exact trajectory of movement is not known. The inability of the company to adapt to the transition faster than its competitors may render its products obsolete or it may lose its competitive edge and market share.

Susceptibility of profitability margins to volatility in raw material prices and exchange rate movements

The main raw material for the company is paper, whose prices have been volatile. The raw material cost accounts for around 40%-45% of the total operating income. Thus, the profitability margins of the company remain susceptible to the prices of paper, which are volatile in nature since the production is highly dependent on agro cultivation and paper being the global commodity is also affected by global demand supply mismatch. However, the company maintains adequate paper inventory which can be used for all the printing work and sources specific type and quality of paper only on the basis of the confirmed orders and thus accordingly bills the customers on a cost-plus basis. In addition to this, it has long term relationships with the customers enabling it to negotiate and bargain better and also includes the provision for escalation clause in the contracts. Since, the company is engaged in exports and imports which provides natural hedge to some extent apart from which TPIL hedges ~50% of its exports receivable through forward contracts with the remaining 50% being un-hedged and thus exposing it to volatility in the value of rupee against foreign currency which may impact its profitability and cash accruals going forward. During FY21, the company reported net gain of Rs. 4.27 cr (PY: Rs. 7.40 cr) from foreign exchange fluctuation.

Liquidity: Adequate

The liquidity profile of TPIL is adequate with current ratio of 2.41x (PY: 2.11x) and cash and cash equivalents of Rs. 12.27 cr as on March 31, 2021. Currently, company does not have any term loan. However, TPIL has envisaged capex of Rs 30 crore, out of which Rs 12 crore has already been incurred from internal accruals and remaining will be financed by term loan (yet to be tied up). The company has adequate headroom for the capex given its healthy cash accruals and operational cash flows. TPIL

has the sanctioned working capital limits of Rs. 123 cr (including CC limits of Rs. 98 cr and non-fund-based limits of Rs. 25 cr) for the business operations. The fund based working capital utilization of the company stood low at ~22% at a maximum level in last twelve months ending September 30, 2021 on account of better working capital management strategies adopted by the company.

Analytical approach: Standalone factoring in parent linkages with India Today group

Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Thomson Press India Limited (TPIL), incorporated in 1962 is a part of India Today Group, a major multimedia group with interest in publishing, television, radio etc. The company was promoted by Mr. V. V. Purie. In 1997-98, Living Media India Limited (LMIL), the flagship company of India today Group, bought majority stake in TPIL, making the company its subsidiary. In 2013, LMIL transferred TPIL's stake to World Media Private Limited (WMPL), the group's holding company and at present, TPIL is fully owned by WMPL and the Purie family. TPIL's business profile mainly comprises of two key segments, namely printing and phototypesetting. TPIL is the sole printer for all LMIL's publications such as India Today, Business Today, Reader's Digest etc. It also prints books, magazines, diaries, calendars, annual reports etc. for domestic and export markets. The company has its facilities in Faridabad (Haryana), Okhla (New Delhi), Noida (Uttar Pradesh) and MM Nagar (Chennai) with combined installed capacity of 1037 Million Impressions per second (MIPS) as on March 31, 2021.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	360.38	259.95	176.88
PBILDT	29.32	4.96	11.92
PAT	12.57	-6.87	-
Overall gearing (times)	0.15	0.02	-
Interest coverage (times)	7.92	2.87	-

A: Audited; UA: Unaudited

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 Instruments / 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		-	-	-	98.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	25.00	CARE A2+

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	98.00	CARE A-; Stable	-	1)CARE A-; Stable (07-Jan-21)	1)CARE A-; Stable (03-Jan-20)	1)CARE A-; Stable (07-Jan-19)
2	Non-fund-based - ST-BG/LC	ST	25.00	CARE A2+	-	1)CARE A2+ (07-Jan-21)	1)CARE A2+ (03-Jan-20)	1)CARE A2+ (07-Jan-19)

* Long Term / Short Term

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
Fund-based limits	The utilization in CC will be determined by Drawing Power on the basis of monthly stock statements submitted. The computation drawing power would be as follows: Raw material (including stock in progress and Finished goods) and receivables - 25%
B. Non-financial covenants	
Non-fund-based limits	Tenor for letter of credit is maximum 180 days

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
2	Non-fund-based - ST-BG/LC	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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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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