Aajkaal Publishers Private Limited

August 31, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	10.04	**CARE B+; Stable (Single B Plus; Outlook: Stable)**	**Assigned**
Short-term Bank Facilities	11.00	**CARE A4 (A Four)**	**Assigned**
Total Facilities	**21.04 (Rupees Twenty One crore and Four lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Aajkaal Publishers Private Limited (APPL) are constrained by its below average financial risk profile marked by small scale of operation, low profitability margins, leveraged capital structure and moderate debt coverage indicators, volatility in newsprint prices, regional concentration risk and competitive and fragmented nature of the industry. The aforesaid constraints are partially offset by the experienced promoters, long track record of operations and favorable demand outlook for printing daily newspapers.

The ability of the company to increase its scale of operations with improvement in profitability margins and effective management of working capital will be the key ratings sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Below average financial risk profile: The scale of operations of the company remained relatively small marked by total operating income of Rs.52.65 crore (Rs.42.81 crore in FY17) with a PAT of Rs.0.62 crore (Rs.0.26 crore in FY17) in FY18, provisional. The profitability margins of the company remained low marked by PBILDT margin of 8.41% (0.60% in FY17) and PAT margin of 1.18% (0.61% in FY17) in FY18, provisional.

The capital structure of the company remained leveraged marked by overall gearing ratio improved as on March 31, 2018 to 8.10x as against 17.96x as on March 31, 2017. The debt coverage indicators remained moderate marked by interest coverage of 2.68x (0.17x in FY17) and total debt to GCA of 4.44x (11.15x in FY17) in FY18, provisional.

Volatility in newsprint prices: The major raw material for APPL is newsprint constituting about 49.47% of the total raw material expenses in FY18. APPL procures newsprint from the domestic as well as international suppliers. The share of imported newsprint was about 91.21% in FY18 (FY17: 91.21%). The prices of imported newsprint remain highly volatile. Domestic newsprint prices are also influenced by international newsprint prices. Currently, APPL is procuring the same at USD 954.45/- tonne with Rs.2800 per tonne as clearing charges from dock. As the majority raw material is imported, APPL is subjected to forex fluctuation risk. However, the forex risk is partially mitigated as the company takes forward cover at an opportune time (between the transaction date and date of receipt/payment).

Regional concentration risk: APPL is a regional player with more than 70% of its revenue being derived from West Bengal, Tripura and Assam enunciating its limited geographical presence. Furthermore, APPL is engaged in the publication of single language (Bengali) newspaper and magazines and consequently it mainly caters to some part of eastern India only.

Working capital intensive nature of business: APPL's business, being publication of newspaper dailies and magazines is working capital intensive and the company maintains adequate inventory of raw materials for smooth running of its production process and to mitigate price fluctuation risk. The average collection remained high as on the last three account closing dates primarily on the back of the company's strategy to provide higher credit period for advertisements agencies to attract them and to retain them on the back of increasing competition. Moreover, the average creditor's period was on the higher side during last three years which mitigates its working capital to a certain extent. Accordingly the average utilization of fund based limits was around 100% during last twelve months ended in June 30, 2018.

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

Competitive and fragmented nature of the industry: The paper and magazine printing industry is fragmented with a large number of small to medium scale organized and unorganized players owing to low entry barriers with no visible differentiators in product profile. APPL faces stiff competition not only from other established Bengali daily's like "The Anandabazar Patrika", "Bartaman", "Sangbad Pratidin", "Ganashakti" etc. but also from newly launched Bengali daily's like "Ei Samay", "Sambad Akhon", "Ebela" etc. Hence the players in the industry do not have any pricing power and are exposed to competition limits the scope for margin expansion.

Key Rating Strengths

Experienced promoters and long track record of operations: APPL is into business of publication of newspaper dailies and magazines since 1981 and thus has around four decades of track record of operations. Over four decades, the company has evolved into a print media conglomerate with various premier publications and magazine publishing. Moreover, the key director Mr. Tapan Kumar Ghosh (aged, 60 years) has more than four decade of experience in the same line of business looks after the day to day operations of the company supported by other director's, editors, reporters and a team of experienced professionals.

Favorable demand outlook for printing daily newspapers: In the long term, the overall newsprint market is expected to grow on the back of increasing advertisement revenue, print penetration and reach especially in tier II and tier III cities, supported by favorable demographics, increasing purchasing power and growth in literacy level.
Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[Financial ratios – Non-Financial Sector]
[Criteria for Short Term Instruments]
[CARE's Policy on Default Recognition]

About the company

Aajkaal Publishers Private Limited (APPL) was incorporated in September 1979 to carry out the business of publishing news dailies to provide readers with news, views and other forms of information and knowledge. It is the second oldest surviving Bengali daily based out of West Bengal. APPL is primarily engaged in publishing Bengali news daily in the name of "Aajkaal" apart from other publications and magazines in diversified areas of interests attracting readers of different genre and states covering states like West Bengal, Siliguri, Tripura, Assam, Delhi, Odisha, Jharkhand, Bihar, Mumbai, southern states of Andhra, Tamil Nadu and Karnataka. The different magazines published by APPL include "Khela", "Susthyo" and "Safar". The company has three news printing units located at Kolkata, Siliguri and Agartala having a total installed capacity of 30000 copies per hour. 'Aajkal' is the second leading Bengali daily in India having an average daily circulation of 190000 copies during the period from January 2018 to June 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	42.81	52.65
PBILDT	0.26	4.43
PAT	0.26	0.62
Overall gearing (times)	17.96	8.10
Interest coverage (times)	0.17	2.68

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2
Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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	-	-	-	8.00	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	Dec. 2023	2.04	CARE B+; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	11.00	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	8.00	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	2.04	CARE B+; Stable	-	-	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	11.00	CARE A4	-	-	-	-

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