

RATING METHODOLOGY –MEDIA (PRINT)

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Table of Contents:

Overview	1
Rating Methodology	2
Business Risk Assessment	3
Financial Risk Assessment.....	6
Other Elements of Credit Risk Assessment.....	8
Management Quality.....	9
Assessment of Environmental, Social and Governance Risks.....	10
Summing Up	11
ANNEXURE.....	12

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This rating methodology describes ICRA's approach to assess the credit quality of entities engaged in the print media industry, and supersedes ICRA's earlier methodology note on this subject, published in June 2019. While this revised version incorporates a few modifications, ICRA's overall approach towards rating entities in the sector remains materially similar.

Entities in the print media universe include both newspaper as well as magazine publishers.

Overview¹

The Indian print media industry is estimated at Rs. 189.9 billion for CY2020, with newspapers contributing ~97% to the segment revenues, and the balance by magazines. The revenues witnessed a decline of 36% in CY2020 due to the adverse impact of the Covid-19 pandemic-related lockdown and economic slowdown, which severely curtailed circulation and advertisement revenues. Post the lockdown, the recovery in circulation revenues of English newspapers was slower, especially in metros while the regional newspapers were able to regain a large part of their circulation revenues. Advertisement revenues drive ~64% of the total print media revenues, while circulation revenues contribute ~36%.

The Indian print media industry is highly fragmented with a few national players and a large number of regional players. The publications can be further segmented by language (Hindi / English / vernacular), format (broadsheet / tabloid / books), reach (regional / national / international) and frequency of the publication (daily / weekly / fortnightly / monthly). Overall, Hindi publications contributed 41% to the total newspaper advertisement volumes in CY2020, followed by English publications at 23%; while the remaining (36%) was generated by regional language publications. The English language contributed to 49% to magazine advertisement volumes in CY2020, followed by Malayalam at 11%, Hindi at 8% and the balance (32%) being generated by regional language publications.

¹ Source: "Playing by new rules" India Media & Entertainment Sector March 2021 report by Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young, ICRA Research

Rating Methodology

This rating methodology aims to help entities, investors and other interested market participants understand ICRA's approach in analysing quantitative and qualitative risk characteristics that are likely to affect ratings of entities in the print media industry. This methodology does not include an exhaustive treatment of all factors that are reflected in the rating process but enables the reader to understand the rating considerations that are usually the most important. ICRA's risk analysis framework for the entities in the print media industry can be broadly divided into the following factors

Industry Risk Assessment

- Competition from alternative media impacting growth
- Regulatory Risk

Business Risk Assessment

- Scale and market position
- Revenue mix, business mix and geographic mix

Financial Risk-Assessment

- Profitability
- Leverage and debt coverage
- Liquidity and financial flexibility
- Foreign currency-related risks
- Tenure mismatches, and risks relating to interest rates and refinancing

Other Elements of Credit Risk Assessment

- Parentage
- Financial Flexibility
- Debt Servicing Track Record
- Contingent Liabilities and Off-balance Sheet Exposures
- Event Risk

Management Quality

Assessment of Environmental, Social and Corporate Governance Risks

Industry Risk Assessment

Competition from alternative media

In recent years, the print media industry has witnessed significant competition from the internet and alternative media platforms like television, radio and digital, which has not only resulted in a decline in traditional subscribers but has also encouraged advertisers to allocate higher budget shares towards these platforms. While the growth in advertisement revenues of traditional media may have been limited in recent years, the digital platforms have been able to attract marketing and advertisement spends. The competition from digital media has been further exacerbated post emergence of the Covid-19

pandemic as circulation revenues declined during the lockdown and some of subscribers permanently moved away from traditional print media. The trend is more evident for the English language publications. This has exerted pressure on the business growth prospects of the publishing entities. The above developments will necessitate investments by the traditional print companies to develop a substantial presence online through subscription models which may put short-term pressure on their profitability.

Regulatory risks

The print media industry in India remains sensitive to Government policies and regulations. The industry comes under the aegis of the Ministry of Information & Broadcasting (MIB) and is regulated on several aspects—foreign direct investment (FDI) and corporate holding structure in the print media space. Also, the industry is exposed to regulations pertaining to employee wages, as seen in the past such as the Majithia Wage Board recommendations, which can negatively impact the operating profit margins of the entities. While regulations generally pose an entry barrier for competition (such as foreign ownership norms prescribed by the MIB in the print media), the quantum of favourable or unfavourable impact of the same on the business and the financial profile of players remain key rating sensitivities.

Business Risk Assessment

Scale and market Position

Scale, as measured by revenues, indicates an entity's ability to command pricing with subscribers as well as advertisers. It results in benefit of operating leverage on raw material sourcing, news gathering, printing technology investments and is, thus, a driver of operating efficiency. Nevertheless, a low absolute scale may not necessarily have an overbearing influence on the entity's credit profile as the entity concerned can still command a strong market position in its addressable market, such as select Hindi / regional language newspapers in select locations where they are a preferred publication for its subscribers. However, by being present in a niche or a limited-sized market, the entity may remain exposed to risks arising out of a possible lack of diversification. The market position, i.e., the ranking of the publication in terms of circulation and readership in its key operating markets forms an important rating criterion from the business sustainability point of view. Not only does it indicate the success of the publication in attracting and retaining readers, it also reflects the company's ability to negotiate risks from alternative media and new technology, withstand competitive intensity and change in industry dynamics.

To understand the market share, the degree of competition and overall competitive position of a publication, ICRA analyses the trends in circulation and readership volumes and compares the same with other publications in similar segments. ICRA refers to the periodic readership and circulation data published by accredited industry bodies for such comparisons, with due consideration of the fact that these are not definitive indicators to quantify market shares because of differences and limitations in the measurement criteria. ICRA, thus, focuses on the overall revenue share and relative revenue growth among peers to understand the underlying market trends.

The market position of a print media entity is greatly influenced by the editorial content of the publication, consistent innovation in offerings (coloured pages and high localised news content, among other features, in the case of newspapers) and brand strength, which cumulatively create a loyal readership. The same gets reflected in the readership and the circulation volumes of the publication. An entity in the print media industry derives competitive advantage from its brand strength and scale, which are offshoots of quality content, widespread geographic reach, spread across alternative media platforms and the ability to adapt content to changing consumer preferences as well as keeping pace with technological changes. ICRA analyses the management approach and track record of an entity to invest in its brand development via quality content development, while performing its credit analysis.

In the highly competitive print media segment, healthy circulation and readership volumes enable an entity to negotiate favourable rates with advertisers, influence the extent of promotional offers (thereby impacting its operating profit margins) and help it acquire the best talent to sustain its leadership position. Moreover, entities with a stronger market position and an

established reader base can create entry barriers for new entrants by maintaining low cover prices. Matching such low cover prices could prove unviable for new players. Not only are the above factors a credit positive from a business risk standpoint, but a healthy market position also reflects the form of relatively stable operating profit margins.

Diversification of revenue streams

The main sources of revenues for a print media entity are advertisement (space selling) and circulation with other revenue streams from organising events, such as conclaves and award functions. While analysing the revenue profile of print media entities, ICRA analyses the sustainability as well as the diversity in the revenue streams. Diversity enables an entity to mitigate the cash flow volatility risks associated with business segment and region-specific seasonality in advertisement revenues.

a) Revenue mix: circulation vs advertisement revenues

While circulation revenues provide a stable source of income and are less susceptible to economic downturns, the advertisement revenues are relatively more vulnerable to economic conditions. Advertisements are broadly segmented into display advertisements and tender / classified advertisements. The volumes and advertisement rates in the display advertisements segment are directly linked to the circulation and the readership that the publication enjoys, the size of the advertisement and its placement in the publication. Moreover, the advertisement rate for the tenders / classified segment are similar across all publications and advertisement volumes become the key differentiating factor for tender / classified advertisements revenues among publications. Advertisement revenues are also susceptible to change in advertiser preferences that can be impacted by a decline in readership or circulation, availability of alternative media or any other reason. This may adversely affect the business and financial profile of the entity.

Although volatility in advertisement revenues, by nature, is closely linked with economic cycles, diversity across various categories such as institutional / Government or corporate, can help mitigate volatility on account of economic cycles. While vulnerability risks increase with high concentration of revenues from the display advertisement segment, a fairly diversified clientele across industries mitigates this risk. Moreover, with banking, financial services and insurance (BFSI), automobiles, real estate and consumer durables sectors among the large advertisers in print media, the advertisement revenue performance also gets influenced by economic cycles. Thus, the company's ability to translate its market position and service offerings into revenues and, hence, withstand the cyclical downturns as well as secular trends / events has a bearing on its operating performance.

Circulation revenues constitute a relatively lesser proportion of the revenues of print media entities and are derived from the 'cover price' of a publication, which is paid by the readers. As the number of copies circulated and readership indicate the publication's popularity and are an important decision-making criterion for advertisers (space selling for print media), an analysis of the trend in circulation revenues is critical in rating such companies. The key drivers of circulation revenues would include increasing penetration of the publication in focus areas (cities), rising literacy rates or launch of new editions in identified geographies.

b) Business mix

Business diversity is reflected by the number of publications offered by a company and its presence in alternative media platforms like broadcasting, radio, digital, etc. The publications that have presence across languages, interest groups and media platforms, thereby attracting audience or readership across age / interest groups, are better equipped to mitigate risks associated with changing advertiser preferences. In recent years, the print media in tier-I cities, largely English dailies, has witnessed high competition with advertisers allocating budgets to regional publications and digital media. With rising literacy levels, increasing population and rising demand for region-specific content, print media players are adapting to the need to deliver localised content for readers by launching sub-editions; this also allows them to tap local advertisements.

ICRA favorably considers entities that have a more comprehensive range of offerings among peers and thereby derive revenues and profits from a broader set of offerings than the industry average. However, not much comfort is derived by ICRA if only the

array of products is wider with all or most of the products exhibiting a weak competitive position. Furthermore, companies or groups present across media platforms can also benefit by offering bundled media offerings to advertisers.

c) Geographic mix: regional and national

The geographic diversity of a publication is reflected by the number of markets / regions it caters to. While greater concentration within a specific market creates vulnerability to the regional market's socio-economic and political conditions, circulation revenues in such a scenario also become vulnerable to any increase in competitive intensity with the entry of new players. An adequate degree of geographical diversification reduces an entity's vulnerability to— a) variability in demand in a single region, and b) demand disruptions caused by force majeure events in a single geography. Thus, financial performance of a publication with national presence (through multiple editions / sub-editions) may be less vulnerable to any regional / local socio-economic as well as force majeure events that can adversely impact the advertisement spend of corporates / institutions. However, it should be noted that geographical diversification entails higher costs in terms of infrastructure investments (local printing infrastructure, content sourcing teams, distribution network, etc.) and region-focused marketing and editorial teams. Thus, the ability of the company to absorb such incremental costs and maintain healthy operating profit margins is assessed as well.

Business model

In recent times, cost optimisation has become the focus of print media entities to mitigate a decline in revenues caused by competition from alternative media. The major cost for a publisher is in the form of newsprint, content creation and printing. Given the high fixed capital intensity of printing operations, the industry has witnessed the emergence of different business models— in-house printing, outsourced or some combination of the two.

In case of in-house printing, ensuring optimal capacity utilisation is an important driver of the profitability of the entity. For the same, the entity can utilise the idle capacity (during non-printing hours of the publication/s) by undertaking job-work for third parties.

By outsourcing the printing job, the entity can focus on its core business (content creation and distribution), while enjoying the benefits of technological advancement, without having to bear the burden of investing in capital intensive printing presses and the associated labour costs. Alternatively, printing presses could be retained in-house for greater control, especially in larger target centres, or where the benefits of synergies with other publications of the same publishing group are available to justify the capital investment.

While outsourcing the print function is frequent for small publishers, larger entities in the industry can take advantage of the same to enter into or test new geographies and genres, without having to contend with sub-optimal capacity utilisation. However, other factors like equipment capability, printing capacity, quality of printing job and other expectations of timely deliveries may deter a publisher from outsourcing to independent printers. In the case of any publishing entity that outsources a major part of its printing operations to a group company / related party to stay asset light, adjustments to financial statements are made to evaluate such transactions. Overall, ICRA analyses the business model adopted by individual entities vis-à-vis its financial position and long-term business strategy.

Financial Risk Assessment

Since the prime objective of the rating exercise is to assess the adequacy of the entity's debt-servicing capability, ICRA draws up projections on the likely financial position of the entity under various scenarios. ICRA also takes into account the commitments of the entity towards other group entities, new ventures and its investments in subsidiaries. Accordingly, future cash flows are projected after taking into account the entity's circulation revenues, advertisement revenues, expected movement in newsprint costs, capital expenditure programme, debt repayment schedule, its funding requirements and the funding options available to it. These cash flows are then used to determine the entity's future debt-servicing capability under various scenarios.

The various financial metrics assessed by ICRA could be divided into four categories—profitability, leverage, coverage and liquidity. This document provides a summary of why ICRA considers these ratios to be important. For a more detailed description, readers may refer to the note titled - Approach for Financial Ratio Analysis - published on ICRA's website.

In case of groups consisting of entities with strong financial and operational linkages, various parameters such as capital structure, debt coverage indicators and future funding requirements are assessed at the consolidated / group level.

Profitability

Profitability metrics are a measure of an entity's efficiency and return on investments. It is imperative for most businesses to invest regularly in physical assets, product development, marketing and human capital to sustain or improve their competitive position. Entities that have superior profitability can do so through internal accruals with low dependence on external financing. Moreover, such entities also generate sufficient surplus for not only meeting debt servicing obligations, but also to reward equity investors. This in turn improves their ability to attract fresh capital for future business requirements. Moreover, entities with higher profitability have better resilience to economic downturns and are more likely to generate adequate internal resources for re-investment and debt servicing.

Newsprint, ink, content creation and employee cost are the key cost components for the print media industry. The domestic newsprint industry continues to be a supplier-dominated industry with demand far exceeding the production capacities available, hence, print media companies have traditionally been dependent on imported newsprint for meeting their consumption requirements. Also, the quality and standard weight of the imported newsprint is better compared to the domestic newsprint, which provides a better look to the publication and hence is preferred by certain print media players. An increase in newsprint prices results in a compression in the operating profit margins of the print media entities since the same cannot be easily passed on to the subscribers by way of an increase in cover prices, as it may negatively impact readership and circulation in a highly competitive industry. ICRA tries to analyse the newsprint consumption pattern (volumes and prices) of a company in terms of domestic newsprint versus imported newsprint to assess the exposure of the company to movements in international newsprint prices, foreign exchange movements and the impact of the same on its operating profit margins.

The cover price of a newspaper or magazine is typically much lower than its cost of production and effectively higher circulation leads to higher loss based on circulation revenues alone. However, this loss is offset by the higher advertisement revenues that the publication gets with higher circulation and readership.

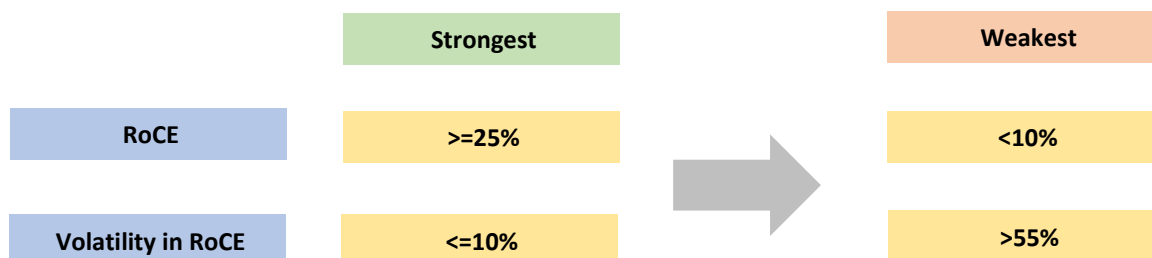
Given the highly competitive intensity and increasing penetration of digital content in metro and tier-I cities, most leading news publications have been compelled to offer promotional offers (subscription copies), which impacts the cost structure.

With a substantial scale of operations, a company is better positioned to make incremental investments in attractive content, talent and latest technology, including investments required in the digital channel. Moreover, a large revenue base also leads to economies of scale in terms of cost efficiencies in the purchasing, production, distribution and administrative functions, thereby supporting operating profit margins.

The key profitability metrics that ICRA looks into include the OPBITDA² margin, the PAT³ margin, and the RoCE⁴.

Validation of Business Risk through Profitability Metrics

[Indicative Metrics⁵]



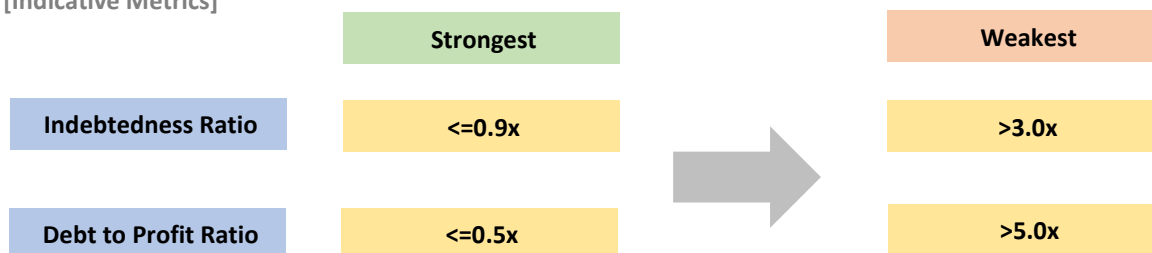
Leverage and Debt Coverage

Leverage ratios measure the indebtedness of an entity. Entities that pursue an aggressive financial policy, including heavy reliance on debt financing, are likely to be more vulnerable to cyclical downturns than entities who employ conservative financial leverage in their business. Low leverage ratios reflect low reliance on debt funding and imparts greater financial flexibility to raise incremental external capital (debt or equity) for re-investment in business or to tide over temporary funding shortfalls. ICRA also notes that the extent to which an entity leverages its balance sheet is, in addition to business requirements, also a function of the philosophy of the management towards growth and funding mix.

Apart from the leverage ratios, ICRA also pays attention to coverage indicators, including interest coverage and debt service coverage, while evaluating the financial health of a print media entity. ICRA is particularly concerned with an entity’s capability to honour its contractual obligations under stress conditions. The more robust an entity’s performance is likely to be under stress scenarios, the better it is from a credit evaluation perspective.

Assessment of Leverage

[Indicative Metrics]



² Operating profit before interest, tax, depreciation & amortisation

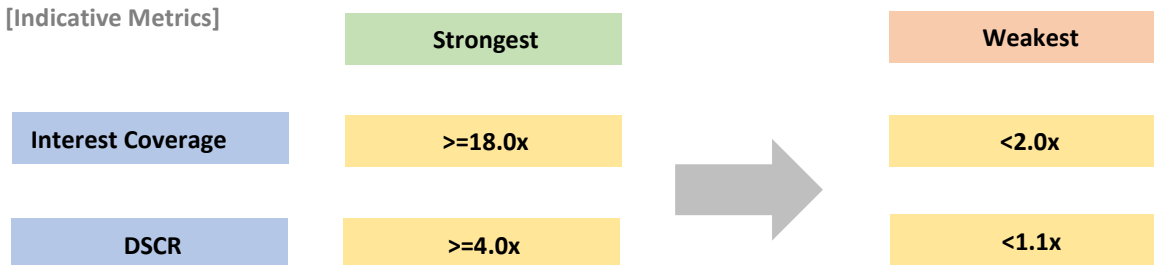
³ Profit after tax

⁴ Return on capital employed

⁵ The indicative financial metrics mentioned here and elsewhere in the document are intended to provide a broad overview to the readers regarding what ICRA generally considers as ‘relatively strong’ or ‘relatively weak’ metrics. It is, however, possible that an entity has relatively weaker metrics on one or more financial parameters, but its credit risk is assessed to be low because of other mitigating factors, including (but not limited to) stronger metrics on other financial parameters, a healthy business risk profile, strong financial flexibility or a strong promoter group that is willing to extend distress support to it.

Assessment of Coverage

[Indicative Metrics]



Liquidity

Liquidity ratios measure the buffer, which an entity has in the form of cash or cash equivalents with respect to its obligations that can be utilised in case of any temporary cash flow mismatch. Any fluctuations in working capital cycle and the availability of back-up lines to finance the same are monitored. The existence of adequate buffers of liquid assets / bank lines to meet short-term obligations is viewed positively. In addition, ICRA notes that an entity with strong liquidity can mitigate the impact of any short-term exigencies or events that might adversely impact cash flows in the interim. The entity’s liquidity is assessed by its unutilised bank / credit limits and liquid investments

Foreign currency-related risks

The foreign currency risks for the print media space primarily arise on account of newsprint imports. The foreign currency risk can also arise from unhedged liabilities, especially for entities with liabilities denominated in a foreign currency. ICRA analysis also focuses on the hedging policy of the entity concerned in the context of the tenure and nature of its contracts with counterparties (short-term / long-term, fixed price / variable price). Analysis of net foreign exposure and the extent of the timing difference in expected receipts vis-à-vis scheduled outflows is also looked into.

Tenure mismatches and risks relating to interest rates and refinancing

Large dependence on short-term borrowings to fund long-term investments can expose an entity to significant re-financing risks, especially during periods of tight liquidity. Existence of adequate buffers of liquid assets / bank lines to meet short-term obligations is viewed positively. Similarly, the extent to which an entity could be impacted by movements in interest rates is also evaluated.

Other Elements of Credit Risk Assessment

Parentage

Apart from standalone credit considerations, the likelihood of extraordinary support coming in from the parent/ Group to an entity, or the support that an entity is likely to extend to the other Group companies, is factored in while assessing the entity’s credit profile. This process involves an assessment of the ability and willingness of the parent/ Group to extend support to the entity (and vice-versa), the strategic importance of the entity to the Group to which it belongs, along with the financial strength of Group entities, among others⁶.

⁶For more details on this, readers may refer to the document titled, “Impact of Parent or Group Support on an entity’s Credit rating”, available on ICRA’s website

Financial Flexibility

An entity's financial flexibility (or the lack thereof) is reflected in its ability to access capital or money markets at short notice and enjoy the confidence of banks, financial institutions, and intermediaries. A strong financial flexibility allows an entity to raise fresh borrowings or refinance existing ones in quick time, whenever required. Financial flexibility could arise from factors such as an entity's large scale of operations with strong financials, large, unencumbered cash flows, unencumbered assets and the flexibility to borrow against such assets, or strong parentage or linkages with a strong group.

In contrast, among the various measures of an entity's depleting financial flexibility, one relates to a high share of pledged promoter shareholding. A sign such as this may imply that the entity might be persuaded to distribute high dividends or support the promoter group through other means to the detriment of its own credit profile. If the promoters fail to repay their loans (availed by pledging of shares) or top up collateral when required, the lenders could sell the pledged shares. In some cases, this could trigger a change-of-control clause in the rated entity's bond indentures or loan documents and require it to redeem its debt ahead of schedule, creating a liquidity squeeze, besides affecting fresh capital-raising ability.

Debt Servicing Track Record

The debt servicing track record of the company forms an important rating consideration. Any history of past delays or defaults in meeting interest and principal repayment obligations reduce the comfort level with respect to the company's future debt servicing capability and willingness. Nevertheless, the reason behind past defaults is also analysed, which could also be due to adverse demand situations in the underlying industry. The company's ability to honour its debt obligations during the period of cyclical stress is also factored in.

Contingent Liabilities and Off-balance Sheet Exposures

ICRA reviews the contingent liabilities and off-balance sheet exposures as disclosed by the entity in its Annual Report and evaluates the likelihood of their devolvement and the financial implications of the same. ICRA also discusses the possible outcome of litigation risk faced by print media entities with the company's management.

Event Risk

ICRA recognises the possibility of events, such as unrelated diversification, mergers and acquisitions, business restructuring, asset sales and spin-offs, capital restructuring and litigations, which could have a material impact on the credit profile of a company. Incorporating the impact of such discrete events in the credit rating, from the beginning, is often difficult. Depending on whether and when such events occur, the rating opinion could be substantially different. To take rating decisions in such cases, ICRA applies its analytical judgment based on the rated entity's track record, the credibility of the management and the experience of having seen similar situations play out in other entities. However, given the nature of such events, it is possible that the rating may undergo a material change later, upon the occurrence of the event.

Management Quality

In addition to the business and financial risk analysis, all debt ratings incorporate an assessment of the quality of the entity's management, its financial policies and governance practices. An experienced management and independent directors on its board are considered positive factors. An entity should practice sound corporate governance policies to serve the interest of all stakeholders.

In addition, the likely cash flow impact on the rated entity, from the possible need to support other group entities are of importance, in case the rated entity is among the stronger ones within the group. Usually, a detailed discussion is held with the management of the rated entity to understand its business objectives, plans and strategies, and views on past performance, besides the outlook on the rated entity's industry.

Some of the points assessed are:

- Experience of the promoter/ management in the industry
- Commitment of the promoter/ management to the concerned line of business
- Risk appetite of the promoter/ management and risk mitigation plans
- The rated entity's plans regarding new projects, acquisitions, and investment in non-core business segments
- The rated entity's policies on leveraging, interest risk and currency risks

Periodic interactions with the management also help to estimate the possibility of the management's tendency to deviate from its core philosophy in times of stress.

Assessment of Environmental, Social and Governance Risks

The assessment of the Environmental, Social and Governance (ESG) risks by ICRA involves a broad range of considerations that pertain to the sustainability of an entity, with focus on aspects that can have a material impact on its credit quality. While the Environmental (E) & Social (S) risks tend to be both sector-related as well as entity-specific and could be driven by external factors such as regulations or demographic changes, the G risks are largely entity-driven. The impact of the E&S risks on an entity's credit profile tends to be asymmetric. If the ESG risks are material but unmitigated, these generally translate into pulling down the rating, but generally the ratings are not pushed up even when the ESG context is favourable.

Environmental and Social Risks

While undertaking a credit assessment of the entities, ICRA seeks to incorporate all relevant credit considerations into its rating decisions while taking a forward-looking view on the risks and mitigants. The relevant credit considerations include (sometimes overtly, sometimes covertly) the E&S factors that could affect the rated entity/ transaction.

While ICRA's analytical approach does not explicitly disaggregate these risks to assess their impact on the rating, these risks are often assessed broadly. Further, it is not always feasible to fully or precisely disaggregate the sub-components of E&S risks in credit analysis since these considerations often tend to overlap. That said, the materiality of the E&S risks and the time horizon over which they are expected to crystallise, differ widely across sectors and entities. In some cases, while the E&S risks could be material, their effect on the credit profile may be muted because of other fundamental strengths of the entity. In other cases, the adverse impact of the E&S risks is expected to play out in the future and hence these considerations do not necessarily weigh on the rating today with the expectation that by then they would possibly adapt themselves by realigning their business model.

While evaluating the E&S risks, ICRA's objective is only to assess the direct and indirect risks that an entity faces and how it already is or is intending to mitigate the impact of such risks on its credit profile. As an example, ICRA only assesses whether an entity is exposed to physical climate risks, or carbon transition risks such as those arising from changes in regulations or other environmental and social risks; and seeks to understand the various mitigation and adaptation approaches that the entity is implementing to mollify these risks. The print media industry's exposure to environmental risks is related to newsprint sourcing with focus on sustainable sourcing and steps taken to reduce consumption (lighter newsprint). The company is also exposed to environmental risks for its printing units which produce waste, and disposal of the same is imperative. The above necessitates the print media companies to have proper waste management practices in the absence of which the company could attract penalties from the regulatory authorities and the operations may be impacted.

Social risk considered in our assessment include evolving demographic and social trends, in particular revolving around changes in the way consumers consume media. The print media industry has been affected by both the changing demographics and shifts in consumer behaviour with preferences aligning towards the consuming social media and digital platforms for news content.

Governance Risks

A sound corporate governance structure attempts to make clear the distinction of power and responsibilities between the Board of Directors and the management. The constitution of an entity's Board and the Board of Directors' participation in strategy formulation, besides the entity's adherence to legal and statutory compliance requirements are factored in during credit assessments. ICRA seeks to gain a qualitative understanding of an entity's commitment to following transparent and credible practices depending on the way its financial statements are reported, the level of disclosures, consistency in communication and the openness about sharing information during the credit rating exercise. Besides, the corporate group structure (whether simple or complex), the rated entity's related party transactions and instances of supporting group entities at the expense debt holders are also assessed.

Summing Up

ICRA's credit ratings are a symbolic representation of its opinion on the relative credit risk associated with the instrument being rated. This opinion is arrived at following a detailed evaluation of the entity's business and financial risks, likely cash flows over the life of the instrument being rated, and the adequacy of such cash flows vis-à-vis the entity's debt-servicing obligations. ICRA's approach to rating print media entities incorporates the evaluation of various business risk parameters such as the entity's brand strength and competitive position, trend in circulation and advertisement revenues, business and geographic diversification and its management's overall approach towards investment and growth.

ANNEXURE

Summary of rating factors and an example to illustrate the key building blocks of a credit rating

		Strong			Comfortable			Adequate			Moderate			Weak			
Industry Risk	Industry Position	■	■	■													
	Scale and Market Share				■	■	■										
Business Risk	Pricing Position							■	■	■							
	Product Diversification							■	■	■							
	Customer Diversification							■	■	■							
	Geographic Diversification							■	■	■							
	Profitability and Earnings Stability				■	■	■										
Financial Risk	Leverage				■	■	■										
	Coverage				■	■	■										
		Enhance					Support/ Neutral					Hinder					
Do these factors enhance or hinder the credit profile?	Diversification							■	■	■	■	■	■				
	Refinancing Dependence, Liquidity and Financial Flexibility	■	■	■	■	■	■										
	Currency Risk													■	■	■	
	Financial Policy													■	■	■	
	Management, Governance & Reporting							■	■	■	■	■	■				
		Very High				High				Moderate				Low			
Parent Support	Likelihood of Parent Support							■	■	■							
	Rating of Parent	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B/ C category		
Final Rating		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B/ C category		

The above graphic is only for illustration purpose and does not represent a rating output from a formulaic model. The ratings assigned by ICRA are determined by Rating Committees based on both quantitative and qualitative considerations.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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