

August 19, 2022

Bhaskar Prakashan Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	7.50	4.47	[ICRA]A- (Stable); reaffirmed
Long-term – Fund-based working capital/Cash credit	7.95	7.95	[ICRA]A- (Stable); reaffirmed
Long-term –Unallocated	0.30	4.38	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund based working capital	1.55	0.50	[ICRA]A2+; reaffirmed
Total	17.30	17.30	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings factors in the conservative capital structure and comfortable debt coverage indicators of Bhaskar Prakashan Private Limited (BPPL) as well as the established brand name and market position of its key publication, *Dainik Bhaskar* in the regions it operates in. The ratings continue to favourably consider the extensive experience of its promoters in the newspaper publishing industry. The ratings also note the rebound in the company's revenues and profitability in FY2022, primarily driven by growth in advertisement revenues. In FY2022 (provisional), the total revenues improved to Rs. 106.9 crore from Rs. 91.4 crore, while the operating margin strengthened to 15.1% from 13.2% in FY2021.

The strengths are partially offset by the high dependence of circulation revenues on a single publication—*Dainik Bhaskar*—and BPPL's dependence on a few territories. Although the company has diversified its publication with inclusion of *Jan Jagriti* along with the launch of its digital portal - bhaskarhindi.com, the same is yet to gain significant traction from the market and provide meaningful contribution to its profitability. Moreover, BPPL's operating margin remains susceptible to adverse movements in newsprint prices, which have seen a steep uptick in the recent quarters. While ICRA positively notes the company's bulk procurement strategy of paper, which safeguarded its profitability in Q4 FY2022, its ability to shield its margin, on a sustained basis, would be a key monitorable. Notwithstanding the recent increase in working capital limits and utilisation on account of increasing commodity prices, the capital structure is expected to remain comfortable. ICRA also notes the strong competition from other established Hindi dailies as well as digital media.

The Stable outlook on the rating reflects ICRA's opinion that BPPL will continue to benefit from its established market position and healthy brand recognition among the leading Hindi dailies. Any material increase in loans and advances to related parties adversely impacting the company's financial risk profile or liquidity position will be a key monitorable.

Key rating drivers and their description

Credit strengths

Established market position and healthy brand recognition in its key markets – BPPL's key publication—*Dainik Bhaskar*—enjoys a strong brand recognition and a leadership position. *Dainik Bhaskar* has been the leading national daily in the country and continues to maintain a strong position. The daily is published by BPPL and DB Corp Limited based on demarcation of territories and editions.

Comfortable financial risk profile – Despite pressure on its operating performance over the past two years with lower advertisement revenues and margin pressure because of high newsprint prices, the company's credit profile has remained healthy, with interest coverage of 7.3 times, total debt/OPBITDA of 1.7 times and DSCR of 2.7 times in FY2022. While BPPL has increased its working capital limit utilisation recently on account of increasing commodity prices, the capital structure is expected to remain comfortable. The company's liquidity position also remains adequate, underpinned by unencumbered cash and bank balances, and liquid investments of Rs. 13.5 crore as on June 30, 2022.

Extensive experience of promoters in the print media industry – The promoters and their families have been involved in the print media industry for more than three decades.

Credit challenges

Single publication with limited geographical diversity – BPPL has a single publication-driven model in a highly competitive print media segment. The company publishes its newspaper in few territories of Central India as per the understanding with DB Corp. Limited. Jabalpur and Nagpur are the key markets for BPPL, with a combined share of ~80% of total circulation, reflecting the geographical concentration risk. In addition, other Hindi dailies continue to pose stiff competition to BPPL in these markets. While *Dainik Bhaskar* has a good and established market position, the company's ability to withstand competition and drive profit growth remains a key monitorable.

Vulnerability of advertising revenues to economic cycles – The company's revenues and profits are vulnerable to the cyclicity in the advertising spends by corporates. BPPL's advertisement revenues declined to Rs. 51 crore in FY2021 from Rs. 102.2 crore in FY2019, given the pandemic-induced challenges. Although the ad revenues increased to Rs. 63.2 crore in FY2022, it still remains lower than the pre-pandemic level.

Vulnerability of accruals to increasing competition from digital media and newsprint cost – Newspaper publications are witnessing gradual slowdown in circulation and readership due to increasing penetration of the digital medium, market saturation and changing media consumption habits. Moreover, the Covid-19 crisis has accelerated the migration of readership towards the digital medium. ICRA also considers the susceptibility of the company's profitability to newsprint prices and foreign exchange rate fluctuations, given the high dependence on imported newsprint. Further, the recent surge in newsprint prices is expected to affect the profitability in FY2023, despite bulk purchases.

Liquidity position: Adequate

Despite performance pressure over the past two fiscals, BPPL's liquidity remains adequate on account of its comfortable cash flow from operations and presence of free cash and bank balances, which stood at Rs. 13.5 crore as on June 30, 2022 (provisional). Although the company has scheduled long-term debt repayment obligations over the next three years, it is expected to have sufficient cash accruals to service its debt obligations comfortably.

Rating sensitivities

Positive factors – The ratings may be upgraded in case of significant improvement in scale of operations while maintaining healthy profitability, debt protection metrics and liquidity position. Additionally, the company's ability to diversify its current product offerings and improve its market position at the national level will be a credit positive. Further, return on capital employed (RoCE) of more than 20%, on a sustained basis, may lead to a rating upgrade.

Negative factors – Pressure on the company's ratings could arise in case of lower-than-expected scale or profitability, impacting the cash accruals, debt protection metrics and liquidity position. Additionally, significant elongation of working capital cycle or any significant debt-funded capex impacting its financial risk profile or liquidity position may lead to a rating downgrade. Specific credit metric that may lead to a downgrade of BPPL's ratings is total debt/OPBDITA above 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Print Media Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BPPL; as on March 31, 2021, the company had one associate, which is enlisted in Annexure-II

Note (for analyst reference only):

About the company

Promoted by the Jabalpur-based Agarwal family, BPPL has been involved in the newspaper publishing business since 1986 and publishes *Dainik Bhaskar* (Hindi newspaper) in eight editions, namely Jabalpur, Satna, Chhatarpur, Chindwara and Singrauli in Madhya Pradesh and Nagpur, Akola and Aurangabad in Maharashtra. *Dainik Bhaskar* is published by DB Corp Limited in the remaining parts of the country. The areas were divided within the family in 1986. BPPL has also been involved in the cable television business since 2004 as one of the multiple system operators (MSOs) in Jabalpur.

Key financial indicators (audited)

BPPL Consolidated	FY2021	FY2022
Operating income	91.4	106.9
PAT	0.4	8.6^
OPBDIT/OI	13.2%	15.1%
PAT/OI	0.5%	8.0%^
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	2.1	1.7
Interest coverage (times)	4.3	7.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; ^PBT; FY2022 numbers are on a standalone provisional basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Aug 19, 2022	Jun 25, 2021	Sept 8, 2020	May 22, 2019
1 Cash Credit	Long Term	7.95	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2 Term Loan	Long Term	4.47	4.47	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
3 Unallocated	Long Term	4.38	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)

4	Bank Guarantee	Short Term	0.50	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
---	----------------	------------	------	---	-----------	-----------	-----------	-----------

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan I	Simple
Long-term fund-based – Term loan II	Simple
Long-term – Fund-based working capital/ Cash credit	Simple
Short -term – Non-fund based working capital/Bank guarantee	Very Simple
Long-term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loan I	July 2017	-	FY2024	2.88	[ICRA]A-(Stable)
-	Term loan II	2017	-	FY2023	1.59	[ICRA]A-(Stable)
-	Cash credit	-	-	-	7.95	[ICRA]A-(Stable)
-	Unallocated	-	-	-	4.38	[ICRA]A-(Stable)
-	Bank guarantee	-	-	-	0.50	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	BPPL Ownership	Consolidation Approach
Shiv Shakti Prakashan Pvt Ltd	48%	Equity method

Source: BPPL annual report FY2021

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4067 6527
rajeshwar.burla@icraindia.com

Mathew Kurian Eranat
+91 80-4332 6415
mathew.eranat@icraindia.com

Kapil Banga
+91 124-4545 391
kapil.banga@icraindia.com

Sugandha Mahajan
+91 124-4545 398
sugandha.arora@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.