February 17, 2025

Ushodaya Enterprises 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	48.38	17.13	[ICRA]AA (Stable); reaffirmed
Short-term - Fund-based limits	135.00	135.00	[ICRA]A1+; reaffirmed
Short-term - Non-fund based limits	10.00	10.00	[ICRA]A1+; reaffirmed
Total	**193.38**	**162.13**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of ratings for Ushodaya Enterprises Private Limited (UEPL) factors in the established and strong market position in the Telugu newspaper publishing business in Andhra Pradesh (A.P) and Telangana, its healthy presence in food products under the Priya foods brand (A.P and Telangana) along with strong financial flexibility enjoyed by UEPL as a part of the Ramoji Group and its majority stake in Eenadu Television Private Limited (ETPL). UEPL's newspaper, Eenadu, is the leading Telugu vernacular daily in both the states. The ratings consider UEPL's strong financial risk profile, characterised by robust debt protection metrics and strong liquidity position. The company is projected to have low leverage with Total Debt/EBITDA to be less than 0.4 times in FY2025 and FY2026, and robust coverage metrics with interest coverage above 20 times in FY2025 and FY2026, and debt service coverage ratio (DSCR) at 3.5-4.0 times in FY2025 and 6.5-7.0 times in FY2026.

UEPL's operating income de-grew by 7% in FY2024 to Rs. 1,351 crore due to decline in advertisement revenues in the print division and lower demand in food products. Further, the revenues in 9M FY2025 stood at Rs. 1,015 crore and is expected to witness muted growth in FY2025 and marginal growth of 2-3% in FY2026, driven by new products introduced in the food division. The operating margins declined significantly to 8% in FY2024 (PY: 19%) due to high-cost newsprint inventory and impact of increased cost of raw material in the food division. With easing of newsprint costs, the operating margins are expected to improve to 10-12% in FY2025 and FY2026. However, the debt protection metrics are expected to remain robust in the medium term due to low external debt and absence of major debt-funded capex plans. In addition, UEPL had sizeable, cash and liquid investments of Rs. 1,320 crore as on March 31, 2024, against a total debt of Rs. 78 crore (includes lease liability of Rs. 42 crore).

The ratings, however, remain constrained by volatility in earnings as reflected in operating margins ranging between 10% and 22% during FY2020 – FY2024 and core RoCE[1] being impacted due to losses from the ETV Bharat division, high volatility in newsprint cost and advertisement revenues due to any unexpected economic downturn. The newspaper's publication remains exposed to concentration risks as the operations are limited to A.P. and Telangana. The newspaper circulation is expected to remain below pre-Covid levels in the medium term due to the increasing penetration of the digital medium and changing media consumption habits. With increase in digital penetration, the print media is witnessing a structural challenge; however, the extent of the impact remains to be seen. The ratings consider high operating losses from the ETV Bharat business division, a digital platform for news and infotainment in nine languages, which was launched in March 2019. UEPL made significant investments in this division and has reported cumulative operating losses of Rs. 310-320 crore in the last five years; it is

[1] Core RoCE = (PBIT – non operating income/expense – extraordinary gain)/Average of current year and last year (TNW + Total debt – capital work in progress – capital advances – investments and loans & advances to Group companies – cash and liquid investments)

expected to achieve EBITDA breakeven over the medium term. ICRA would continue to monitor the turnaround in operations and profitability of the loss-making business divisions.

The Stable outlook reflects ICRA's opinion that the company would continue to benefit from Eenadu's leadership position in the print division, robust debt protection metrics, and a strong liquidity position.

Key rating drivers and their description

Credit strengths

Strong market position of Eenadu newspaper in AP and Telangana – UEPL, through its Telugu newspaper Eenadu, leads the print medium in A.P and Telangana. In addition, with presence in food products across pickles, spices, instant mixes, trading in commodities and edible oil, among others, Priya Foods has healthy presence in the food products industry in A.P. and Telangana. It, however, continues to face competition from the unorganised segment in the food division.

Strong financial profile and liquidity position – UEPL's financial profile is strong, characterised by robust debt protection metrics and healthy liquidity position. The company is projected to have low leverage with Total Debt/EBITDA to be less than 0.4 times in FY2025 and FY2026, and robust coverage metrics with interest coverage at 21-22 times in FY2025 and 34-35 times in FY2026, and DSCR at 3.5-4.0 times in FY2025 and 6.5-7.0 times in FY2026. In addition, UEPL had sizeable, cash and liquid investments of Rs. 1,320 crore as on March 31, 2024, against a total debt of Rs. 78 crore (includes lease liability of Rs. 42 crore).

Strong financial flexibility by being part of the Ramoji Group – The Ramoji Group, of which UEPL is a part, has diversified its business interests, with huge asset holdings in various companies such as the 1,700-acre land holding in Ramoji Film City. It enjoys strong financial flexibility as a part of the Group and has majority stake in ETPL, with a professional and experienced management team.

Credit challenges

Volatility of earnings due to fluctuations in newsprint prices – The profitability of the print business remains susceptible to newsprint prices and advertisement revenues. The main cost element for a newspaper company is the newsprint cost which has been volatile in the past, and it may not always be possible to pass on the increase to the customers. This, along with volatile advertisement revenues and losses from ETV Bharat division, have resulted in volatility in earnings as reflected in 10% - 22% during FY2020 – FY2024 and core RoCE being impacted. The newspaper's publication remains exposed to concentration risks as the operations are limited to A.P and Telangana.

Continued operating losses in ETV Bharat impacting overall profits – ETV Bharat, a digital platform for news and infotainment in nine languages, was launched in March 2019. The company made significant investments in this division and has reported cumulative operating losses of Rs. 310-320 crore in the last five years. It is expected to achieve EBITDA breakeven over the medium term. ICRA would continue to monitor the turnaround in operations and profitability of the loss-making business divisions.

Liquidity position: Strong

UEPL's liquidity position is strong with cash and liquid investments of Rs. 1,320 crore as on March 31, 2024. The company has fund-based working capital facilities of Rs. 135 crore with nil utilisation in the last 12 months. UEPL has a scheduled principal repayment obligation of Rs. 25 crore in FY2025 and Rs. 10.9 crore in FY2026, which can be comfortably serviced through its internal accruals. Further, the company has capex plans of Rs. 100-120 crore for the food division in FY2026 and FY2027, which will largely be funded through internal accruals.

Rating sensitivities

Positive factors – The long-term rating may be upgraded, if the company witnesses a significant increase in revenues and earnings, along with its ability to maintain the leadership position in the print division and improvement in market share in AP and Telangana. Specific credit metrics that could result in a rating upgrade include core RoCE of more than 25% on a sustained basis.

Negative factors – Pressure on UEPL's ratings may arise, if there is a significant decline in revenues, or operating margins, or a significant debt-funded capex weakens the debt coverage metrics on a sustained basis. Any substantial depletion in UEPL's liquidity will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Print Media
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial statements

About the company

Incorporated in 1974, UEPL has five divisions — Eenadu newspaper publication, Priya Foods (sale of pickles, spices, instant mixes and ready-to-eat products, commodities trading, branded edible oil trading, etc.), renewable energy (wind and solar power plants), Eenadu digital (ETV Bharat, a digital platform for news and infotainment in nine languages) and radio (four radio FM channels in Vijayawada, Rajahmundry, Tirupati and Warangal). UEPL held a majority stake of 50.94% in ETPL as on March 31, 2024.

At present, the Ramoji Group holds a 97.56% stake in UEPL, while the remaining 2.44% stake is held by the Reliance Group. The Ramoji Group consists of UEPL, Ushakiron Movies Limited (Ramoji Film City, 1,700-acre land holding), Dolphin Group of Hotels, Kalanjali (Indian arts, crafts and textiles), Margadarsi Chit Fund Limited (financial services) and Mayuri Film Distributors (film distribution).

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	1,450	1,351
PAT	205	146
OPBDIT/OI	19%	8%
PAT/OI	14%	11%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	0.5	0.7
Interest coverage (times)	23.7	11.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)		Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based term loan	Long-term	17.13	Feb 17, 2025	[ICRA]AA (Stable)	Jan 29, 2024	[ICRA]AA (Stable)	Nov 30, 2022	[ICRA]AA (Stable)	Sep 30, 2021	[ICRA]AA (Stable)
Fund-based limits	Short-term	135.00	Feb 17, 2025	[ICRA]A1+	Jan 29, 2024	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+	Sep 30, 2021	[ICRA]A1+
Non-fund based limits	Short-term	10.00	Feb 17, 2025	[ICRA]A1+	Jan 29, 2024	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+	Sep 30, 2021	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	Simple
Short-term - Fund-based limits	Simple
Short-term - Non-fund-based limits	Very Simple

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: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term Fund-based – Term loan**	Feb 2019	NA	Feb-2026	17.13	[ICRA]AA (Stable)
NA	**Short-term - Fund-based limits**	NA	NA	NA	135.00	[ICRA]A1+
NA	**Short-term - Non-fund-based limits**	NA	NA	NA	10.00	[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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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.

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