

August 10, 2017

Bartaman Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	Revised from 8.75 to 5.75	[ICRA]A+ (Stable); Upgraded from [ICRA]A (Positive)
Non Fund-based Limits	Revised from 12.00 to 7.92	[ICRA]A1; Reaffirmed
Untied Limits	Revised from Nil to 7.08	[ICRA]A+ (Stable)/ [ICRA]A1; Upgraded/ Reaffirmed
Total	20.75	

*Instrument details are provided in Annexure-1

Rating action

ICRA has revised upward the long-term rating assigned to the Rs. 5.75-crore¹ (revised from Rs. 8.75 crore) cash-credit facilities of Bartaman Private Limited (BPL) from **[ICRA]A** (pronounced ICRA A)² to **[ICRA]A+** (pronounced ICRA A plus). ICRA has reaffirmed the short-term rating of **[ICRA]A1** (pronounced ICRA A one) assigned to the Rs. 7.92-crore (revised from Rs. 12.00 crore) non-fund based bank facilities of BPL. ICRA has also upgraded the long-term rating from **[ICRA]A** to **[ICRA]A+** and reaffirmed the short-term rating of **[ICRA]A1** to the untied limits of Rs. 7.08 crore (revised from Nil) of BPL. The outlook on the long-term rating has been revised from '**Positive**' to '**Stable**'.

Rationale

The ratings take into account the successful commissioning of the automated printing machines in Kolkata by replacing the old machines, which is likely to increase its operational efficiency, going forward. The increase in the number of pages of its newspaper post commissioning of the new machines is likely to result in higher revenue from advertisement in the medium term. ICRA also notes that the cash accruals from the business have consistently improved over the past few years due to a sharp rise in revenue generated from advertisement.

The ratings also favourably consider BPL's ability to maintain a stable readership base in a highly-competitive market for its leading publication – 'Bartaman', as the second largest newspaper in West Bengal, and limited volatility in the newsprint prices, which supported the profitability of the company over the past few years; although risk related to the same remains. In view of almost stable price of the newsprint, the price of the daily has remained constant over the last three years. ICRA also takes note of the favourable financial risk profile of the company, as reflected by healthy profitability and a conservative capital structure, leading to comfortable level of coverage indicators.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

The ratings are, however, constrained by high dependence of circulation revenue on a single publication – the daily ‘Bartaman’. Besides, BPL’s all four publications are in Bengali language, thereby limiting the company’s future growth prospects. The ratings also factor in the sensitivity of profitability to the overall economic condition in the country (since advertisement revenue, which accounts for more than 55% of BPL’s turnover, is influenced by the same) and significant investments made in the group companies, which are not value accretive till now. ICRA also notes that the company remains exposed to the risk of volatility in the foreign currency exchange rates on account of high dependence on newsprint imports.

In ICRA’s opinion, the company’s ability to sustain its growth in advertisement revenue at a healthy level, while improving profitability and debt-protection metrics would remain the key rating sensitivities. Any sharp rise in the raw material prices, which could adversely impact the profitability of the company, thereby resulting in a drop in the cash accruals from the business would remain a credit concern, going forward.

Key rating drivers

Credit strengths

- **Successful commissioning and stabilisation of the automated printing machines; steady improvement in the cash accruals from the business over the past few years:** The company has successfully commissioned three fully-automated colour printers in Kolkata, by replacing the old machines, which would not only enable it to print faster but also provide scope to increase its revenue from advertisement due to increase in the number of pages of the newspaper. With stabilisation of the same, the operational efficiency of the company has witnessed an improvement, which is also likely to continue, going forward. The company’s own press (in Kolkata) meets nearly 59% of its total printing requirement, while the rest is being met by the contractor printers. At present, BPL’s own printing facility is capable to print 1,35,000 copies of newspaper per hour of 20 pages (both-side colour pages). ICRA also notes that the cash accruals from the business have consistently improved over the past few years due to a sharp rise in revenue generated from advertisement.
- **Limited volatility in newsprint prices supported profitability in the past few years; however, risk related to the same remains:** ICRA observes that the price of newsprint remained almost stable and range bound in the past few years, which supported the profitability of the company to some extent. During FY2014, a sharp depreciation in the Indian currency led to an increase in newsprint cost. To counter the same, the price of the ‘Bartaman’ daily was raised from Rs. 3 per copy to Rs. 4 per copy in October 2013. However, in view of largely stable price of the newsprint since then, the price of the daily has remained constant over the last three years. Nevertheless, the risk related to the wide fluctuation in the price of newsprint remains, which might adversely impact the margins of the company on the back of unfavourable price movement.
- **Favourable financial risk profile, as reflected by healthy profitability and a conservative capital structure, leading to comfortable level of coverage indicators:** The operating income of BPL has increased from Rs. 168.73 crore in FY2016 to Rs. 172.41 crore in FY2017 (P), registering a marginal growth of around 2%, primarily due to an increase in circulation revenue. While the overall revenue has seen a compounded annual growth rate of 12% during the period FY2012-17, the advertisement revenue grew at a faster rate of 14% and the circulation revenue at a slower rate of 11% during the same period. The operating profit margin of the company has remained almost stable in the range of 19-20% over the past two years. The net profit margin followed suit and remained at a healthy level of 10.32% in FY2017 (P). The ROCE of the company also remained at a comfortable level during the past years. ICRA notes that the company has maintained a conservative capital structure, with a gearing of 0.05 times and TOL/TNW of 0.27 times as on March 31, 2017. On account of healthy

profitability and low gearing, the coverage indicators continued to remain at a comfortable level. The average working capital utilisation by the company has remained low during the last one year, which indicates its comfortable liquidity position.

- **Ability to maintain a stable readership base in a highly-competitive market:** Over the years, the company has been able to maintain a stable readership base of its newspaper in a highly-competitive market comprising several dailies in Bengali, Hindi and English. Moreover, the average daily circulation of ‘Bartaman’ has consistently increased from 5.34 lakh during the period July-December 2012 to 6.70 lakh (provisional) during the period January-June 2017, on the back of increase in geographical coverage of the circulation of its newspaper across the state, primarily in suburban/ rural areas over the past few years. ‘Bartaman’ is the second most widely read Bengali daily based on the circulation base of various newspapers in West Bengal. However, it is a distant second compared to the market leader ‘Anandabazar Patrika’.

Credit weaknesses

- **Significant concentration of revenues on a single publication, the Bengali daily – ‘Bartaman’:** BPL is a Kolkata-based company, having five publications, all in Bengali language including a daily newspaper – ‘Bartaman’, which is the second most widely read Bengali daily based on the circulation base of various newspapers in West Bengal. The other four publications of the company include ‘Saptahik Bartaman’ (weekly magazine), ‘Sukhi Grihokon’ (monthly magazine), ‘Sharir-o-Shasthya’ (monthly magazine) and ‘Sharodiya Bartaman’ (yearly magazine). The largest and most well known of BPL’s publication is ‘Bartaman’, which contributes to around 90% of its circulation revenue, thereby increasing BPL’s dependence on a single publication.
- **Exposed to the risk of volatility in foreign currency exchange rates due to high dependence on newsprint imports:** Newsprint cost is the single largest operating cost element for BPL, and accounts for almost 90% of the total raw material consumption. Although BPL’s printing press is capable of handling both domestic and imported newsprint, the company primarily depends on imported ones because of higher strength, lower dust content, better print quality, appropriate paper density, etc. Around 45% of BPL’s newsprint is sourced from domestic suppliers like Emami Paper Mills Limited, Odisha and Balaji Paper & Newsprint Private Limited, Kolkata, whereas 55% is sourced from overseas suppliers namely Mayar (HK) Limited, Hong Kong; Jeonju Paper Corporation (PTE Limited), South Korea; UPM Qumin, Finland and BD White Birch Paper Investment LLC, Canada. ICRA notes that with the company remaining un-hedged against its import payables, it remains exposed to foreign currency fluctuation risk.
- **Sensitivity of profitability to the overall economic condition in the country since advertisement revenue is influenced by the same:** Revenue from advertisement accounted for more than 55% of the company’s turnover during the past few years. The profitability of a publication house, including BPL, depends on the quantum of advertisement revenue, which is influenced by the macro-economic scenario of the country. Scrap and waste sales comprise a small share of the total revenue. ICRA expects the company to be benefitted from the increase in the number of pages of its newspaper as it would be able to generate higher revenue from advertisement in the medium term, thereby positively impacting the profits and cash accruals from the business.
- **Significant investments made in the group companies, which are not value accretive till now:** During FY2015, Mrs. Shakti Dasgupta (one of the promoters of the group) had resigned from the services of the group due to poor health. Accordingly, the company has paid off all her dues and acquired all the shares (in all the group companies held by her) from her. Over the last three fiscals, BPL has paid around Rs. 26 crore to Mrs. Shakti Dasgupta as full-and-final settlement against

acquisition of the entire stake. ICRA notes that such investments in equity/ preference share capital in group companies are not value accretive till now.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria

Corporate Credit Rating Methodology

Print Media Industry

About the company:

Bartaman Private Limited (BPL) is a Kolkata-based company and has five Bengali language publications, including a daily newspaper called 'Bartaman'. BPL serves the entire West Bengal market from its own press in Kolkata and contract printers located in Burdwan, Midnapore and Siliguri. The other four publications include 'Saptahik Bartaman' (weekly magazine), 'Sukhi Grihokon' (monthly magazine), 'Sharir-o-Shasthya' (monthly magazine) and 'Sharodiya Bartaman' (yearly magazine). 'Bartaman' is the second most-widely read Bengali daily in West Bengal, as per the circulation base of various newspapers.

The company reported a net profit of Rs. 17.80 crore (provisional) on an operating income of Rs. 172.41 crore (provisional) in FY2017 compared to a net profit of Rs. 18.05 crore on an operating income of Rs. 168.73 crore in FY2016.

Key Financial Indicators

	FY2016	FY2017
	Audited	Provisional
Operating Income (Rs. Crore)	168.73	172.41
PAT (Rs. Crore)	18.05	17.80
OPBDIT/OI (%)	19.60%	18.89%
RoCE (%)	30.82%	22.96%
Total Debt/ TNW (times)	0.05	0.05
Total Debt/OPBDIT (times)	0.16	0.17
Interest Coverage (times)	58.80	126.85
NWC/OI (%)	7%	11%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No	Instrument	Current Rating				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Amount Outstanding (Rs. Crore)	Month-Year & Rating	Month-Year & Rating in FY2017	Month-Year & Rating in FY2016	Month-Year & Rating in FY2015
				August 2017	August 2017	July 2016	August 2015	July 2014
1	Cash Credit	Long Term	5.75	5.50	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A- (Stable)
2	Letter of Credit/ Bank Guarantee	Short Term	7.92	Nil	[ICRA]A1	[ICRA]A1	[ICRA]A1	-
3	Untied Limits	Long term/ Short Term	7.08	Not Applicable	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	-

Source: BPL

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No.	Instrument	Date of issuance/ sanction	Coupon rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
-	Cash Credit	-	-	-	5.75	[ICRA]A+ (Stable)
-	Letter of Credit/ Bank Guarantee	-	-	-	7.92	[ICRA]A1
-	Untied Limits	-	-	-	7.08	[ICRA]A+ (Stable)/ [ICRA]A1

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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.

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