

Outlook Publishing India Private Limited

February 06, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based/CC	12.50	12.50	[ICRA]BBB- (Stable); reaffirmed
Short Term – Non-fund Based	5.0	5.0	[ICRA]A3 reaffirmed
Total	17.50	17.50	

Rating action:

ICRA has reaffirmed the long-term rating at [ICRA]BBB- (pronounced ICRA triple B minus) on the Rs 12.50 crore fund based bank facilities of Outlook Publishing India Private Limited (OPIPL). ICRA has also reaffirmed the short-term rating at [ICRA]A3 (pronounced ICRA A three) for the Rs 5.00 crore non fund based bank facilities of OPIPL. The outlook on the long-term rating is Stable.

Rationale:

The ratings reaffirmation continues to factor in the financial support from the company's promoters (the Rajan Raheja Group). The ratings also reflect the company's established track record in the Indian publishing space and the strong market presence of its brand 'Outlook'. The ratings, however, are constrained by OPIPL's weak financial profile as is evident from the continued cash losses. OPIPL witnessed a significant slowdown in advertisement revenue post demonetisation. Further, in the current year, the implementation of GST on advertisement and event sales as well as rising paper prices have kept the operating environment challenging for the company. OPIPL also remains exposed to intense competition and substitution risks from other forms of media in the absence any major diversification.

The ratings, however, positively factor in the additional working-capital support from the promoters in the current year. The company's ability to turn around its current financial performance will remain the rating sensitivity. ICRA will also monitor the extent and timeliness of financial support from OPIPL's promoters.

Outlook: Stable

ICRA notes that the extensive experience of the promoters with a strong brand presence of 'Outlook' will continue to provide comfort. The outlook may be revised to Positive if OPIPL achieves significant turnaround in profitability and coverage metrics. The outlook may be revised to Negative if the company faces further deterioration in subscription base or advertisement revenue or its liquidity position deteriorates.

Key rating drivers:

Credit strengths

Regular support from promoters: The promoters have infused Rs. 169 crore in the company on a cumulative basis till March 31, 2017. Further, they have provided additional working capital lines since Q3 FY2018 to manage cash flow mismatches. The company has also received the bank limit enhancement at a better rate of interest, which has supported its funding position.

Strong group profile: The company is a part of the Rajan Raheja Group, which has interests in automotive batteries (Exide Industries), cement (Prism Cement), hotels (JW Marriott, Trident Hilton), satellite cable (Hathway Cables and Datacom) and others.

Strong brand presence over long period of time: OPIPL is an established publishing house with a track record of more than 15 years in the Indian magazine market. Its flagship magazine 'Outlook' also enjoys a good reputation. ICRA notes that the company is making efforts to diversify its revenue base by organizing events and digitally solicited content for clients.

Credit challenges

Weak performance with year-on-year losses: In FY2017 demonetisation and weak operating environment for luxury products, a key advertisement segment for OPIPL, have resulted in subdued advertisement revenue. ICRA also notes that the company incurred higher barter expenditure¹ in FY2017, which contributed to losses on books. Further, growth in the current year has been slow post GST implementation as the company's advertisement and event sale are now subject to GST. Higher customs duty on imported paper prices has led to further deterioration in the company's cost structure. It has continued to implement cost-cutting measures such as organisational restructuring and discontinuation of a luxury magazine in FY2018. The promoters too continue to support the company's funding position. OPIPL has reported a 2.7 times advertisement-to-circulation revenue in 9M FY2018 compared with 3.4 times in FY2017, owing to lesser contribution of advertisements.

Stiff competition from multiple forms of media: The company remains exposed to intense competition from other forms of media like the Internet, radio and TV. The company has forayed into digital platforms and events, and generated Rs 5.5 crore of revenues in FY2017.

Susceptibility to volatility in paper prices: About 52.9% of the company's cost is towards paper. In the absence of any long-term price contracts, the company's cost structure remains susceptible to volatility in paper prices. Further, the company is exposed to currency-fluctuation risk, as it does not follow any hedging mechanism. This apart, with implementation of 12% custom duty on paper import in July 2017, around 90% of the company's paper cost was affected.

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

¹ The company enters into barter deals for placing advertisements with other entity's medium in lieu of accepting advertisements of the entity in Outlook's magazines. The usage of the agreed volumes is reflected in the revenue and expenditure of the company

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Print Media Industry](#)

About the company:

OPIPL publishes magazines and its publication portfolio includes Outlook English, Outlook Money, Outlook Business, Outlook Traveller, Outlook Hindi and Outlook Splurge series. The company is a part of the Rajan Raheja Group, which has interests in diverse sectors including real estate and construction, automotive batteries, cement, ceramic tiles, mutual funds, hospitality, media and entertainment. The company started operations in 1995 as a division of Hathway Investments Private Limited, with the launch of 'Outlook', a general-interest news magazine. In 2003, the division was demerged into a separate entity called OPIPL. The company is professionally managed and at present headed by Mr. Indranil Roy.

In FY2017, the company reported a net loss of Rs. 7.8 crore on an operating income (OI) of Rs. 64.6 crore compared with a net loss of Rs. 9.4 crore on an OI of Rs. 60.2 crore in the previous year.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	60.2	64.6
PAT (Rs. crore)	-9.4	-7.8
OPBDIT/OI (%)	-9.8%	-10.2%
RoCE (%)	73.2%	45.3%
Total Debt/TNW (times)	-0.9	-0.9
Total Debt/OPBDIT (times)	-21.3	-19.8
Interest Coverage (times)	-2.0	-2.5
NWC/OI (%)	-25.5%	-31.5%

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015	
				February 2018	January 2017	January 2016	January 2015	
1 Cash Credit	Long Term	12.5	12.5	[ICRA]BBB- (Stable)	[ICRA]BBB - (Stable)	[ICRA]BBB - (Stable)	[ICRA]BB B- (Stable)	
2 Packing Credit	Short Term	5.0	5.0	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3	

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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Cash Credit	NA	-	NA	12.5	[ICRA]BBB- (Stable)
-	Packing Credit	NA	-	NA	5.0	[ICRA]A3

Source: Outlook

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