

Bartaman Private Limited

January 11, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits – Term Loan	Nil	40.00	[ICRA]A+ (Stable); Reaffirmed
Fund-based Limits – Working Capital Facilities	5.75	5.75	[ICRA]A+ (Stable); Reaffirmed
Non-Fund based Limits – Working Capital Facilities	7.92	8.72	[ICRA]A1; Reaffirmed
Untied Limits	7.08	Nil	-
Total	20.75	54.47	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings favourably considers Bartaman Private Limited's (BPL) ability to maintain a stable readership base in an intensely competitive market for its leading publication, 'Bartaman', as the second largest newspaper in West Bengal, and steady improvement in cash accruals from the business over the past few years, primarily aided by increasing advertisement revenue. The ratings also consider 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. However, ICRA notes that the company's profitability is likely to be impacted to an extent in the current fiscal in view of significant rise in the prices of newsprint both in the domestic as well as international markets along with a sharp depreciation in the INR against the USD.

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, 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 around 60% of BPL's turnover, is influenced by the same) and significant investments made in 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.

ICRA notes that BPL has embarked upon a project for modernisation of its printing facilities in Kolkata. While the same is likely to increase its operational efficiency, post commencement of operations, the company would face project-related risks, including risks associated with timely commissioning of the printers within budgeted costs and it would achieve desired operating parameters, post commissioning of the project.

Outlook: Stable

ICRA believes that BPL will continue to benefit from its established market position (second most widely read Bengali daily) in West Bengal and favourable growth outlook of the domestic print media industry. The outlook may be revised to Positive if substantial growth in top-line and profitability strengthen the financial risk profile. The outlook may be revised to Negative if there is an increase in the working capital intensity of operations and/ or lower-than-estimated cash accruals from the business, which may adversely impact the company's liquidity position.

Key rating drivers

Credit strengths

Steady improvement in cash accruals from the business over the past few years, primarily aided by increasing advertisement revenue – The operating income of BPL has increased from Rs. 96.20 crore in FY2012 to Rs. 188.30 crore in FY2018. While the overall revenue has seen a compounded annual growth rate of 12% during the period FY2012-18, the advertisement revenue grew at a faster rate of 14% and the circulation revenue at a slower rate of 9% during the same period. ICRA notes that cash accruals from the business have consistently improved over the past few years, primarily due to a rise in revenue generated from advertisement.

Ability to maintain a stable readership base in an intensely competitive market – Over the years, the company has been able to maintain a stable readership base of its newspaper in an intensely competitive market comprising several dailies in Bengali, Hindi and English. ‘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’.

Favourable financial risk profile, as reflected by healthy profitability and a conservative capital structure, leading to comfortable level of coverage indicators – 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. The operating margin of the company has remained almost stable in the range of 19-21% over the past three years. The ROCE of the company also remained at a comfortable level during the past years. The company has maintained a conservative capital structure with a gearing of 0.04 times and TOL/TNW of 0.40 times as on March 31, 2018. The coverage indicators continued to remain at a comfortable level on account of healthy profitability and low gearing. However, since Q4 FY2018, the price of newsprint started moving up both in the domestic as well as international markets on the back of short supply from China. This coupled with a sharp depreciation in the INR in the current fiscal led to an increase in the landed cost of newsprint, which in turn is likely to impact the profitability of the company in FY2019. This along with increase in bank borrowings, on the back of predominantly debt-funded planned capital expenditure being undertaken by the company, is likely to adversely impact the coverage indicators of the company to an extent, in the near to medium term. Nevertheless, the capital structure and coverage indicators would continue to remain at a comfortable level.

Credit challenges

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 various weekly/ monthly/ yearly magazines. 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.

Sensitivity of profitability to the overall economic condition in the country since advertisement revenue is influenced by the same – Revenue from advertisement accounted for around 60% 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.

Exposure to project related risks – ICRA notes that BPL has embarked upon a project for modernising its printing facilities in Kolkata. While the same is likely to increase its operational efficiency, post commencement of operations, the company would face project-related risks, including risks associated with timely commissioning of the printers within budgeted costs and achievement of desired operating parameters.

Significant investments made in the group companies, which are not value accretive till now – In 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. 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 investments in equity/ preference share capital in Group companies are not value accretive till now, thereby adversely impacting the return indicator.

Liquidity Position

The company has generated positive fund flow from operations (FFO) during the past few years on account of healthy cash accruals from the business, coupled with low working capital intensity of operations. Even after a sizeable capex incurred by BPL, ICRA notes that the free cash flows remained positive in FY2018. The average working capital utilisation by the company continues to remain low in the past few years, which indicates its comfortable liquidity position. Moreover, the same is also aided by the availability of surplus cash and healthy cash accruals from the business.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Print Media Industry
Parent/ Group Support	Not Applicable
Consolidation/ Standalone	Standalone financial statement

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.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	173.59	188.76
PAT (Rs. crore)	16.87	21.08
OPBDIT/ OI (%)	18.98%	21.01%
RoCE (%)	23.29%	24.15%
Total Debt/ TNW (times)	0.05	0.04
Total Debt/ OPBDIT (times)	0.17	0.13
Interest coverage (times)	106.18	168.39

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
			March 31, 2018	January 2019	August 2017	July 2016	August 2015
1 Term Loan	Long Term	40.00	Nil	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)
2 Cash Credit	Long Term	5.75	5.29	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)
3 Letter of Credit	Short Term	7.12	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
4 Bank Guarantee	Short Term	0.80	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
5 CEL	Short Term	0.80	-	[ICRA]A1	-	-	-
6 Untied Limits	Long Term/ Short Term	Nil	NA	-	[ICRA]A+ (Stable)/ [ICRA]A1	-	-

Source: Bartaman Private Limited

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
NA	Term Loan 1	May 2018	-	September 2023	30.00	[ICRA]A+ (Stable)
NA	Term Loan 2	May 2018	-	June 2023	10.00	[ICRA]A+ (Stable)
NA	Cash Credit 1	-	-	-	3.50	[ICRA]A+ (Stable)
NA	Cash Credit 2	-	-	-	2.25	[ICRA]A+ (Stable)
NA	Letter of Credit 1	-	-	-	4.00	[ICRA]A1
NA	Letter of Credit 2	-	-	-	3.12	[ICRA]A1
NA	Bank Guarantee	-	-	-	0.80	[ICRA]A1
NA	CEL	-	-	-	0.80	[ICRA]A1
NA	Untied Limits	-	-	-	-	-

Source: Bartaman Private Limited

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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