Outlook Publishing (India) Private Limited

April 01, 2019

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based - Cash Credit	17.50	22.50	[ICRA]BBB- (Stable); reaffirmed
Non-fund based – Letter of Credit	5.00	5.00	[ICRA]A3; reaffirmed
Total	**22.50**	**27.50**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings reaffirmation takes into account the continued financial support from Outlook Publishing (India) Private Limited's (OPIPL) promoters (the Rajan Raheja Group). Further, the ratings continue to favourably factor in 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 due to the pressure on the revenues from advertisements and circulation numbers. OPIPL witnessed a significant slowdown in advertisement revenues post demonetisation and implementation of the goods and services tax (GST) in the recent past. OPIPL also remains exposed to intense competition and substitution risks from other forms of media. The ratings also factor in the structural challenges faced by the publishing industry as advertisers have been moving to online channels and new media formats from magazines. The ratings are also constrained by the vulnerability of advertisement revenues to cyclical downturns and the susceptibility of the profitability to volatility in paper costs. The ratings, however, positively factor in the company's sustained efforts to diversify its revenue streams by organising events and offering digitally solicited content for clients. Its ability to turn around its current financial performance will remain the rating sensitivity. ICRA will also monitor the extent and timeliness of the financial support from OPIPL's promoters.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that OPIPL will continue to benefit from the extensive experience of its promoters and its established market position. 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 witnesses further deterioration in its subscription base or advertisement revenues, or if a change in financial support from the promoters, or a further stretch in working capital cycle weakens liquidity.

Key rating drivers

Credit strengths

Strong financial support from promoters as visible from regular infusion to bridge gaps in funding: The company's promoters and directors have periodically extended financial support to the company in the form of unsecured loans, which has supported its liquidity position in the past.

Strong group profile: OPIPL enjoys high financial flexibility as a part of the Rajan Raheja Group, which has strong and diverse presence in various industries like automotive batteries (Exide Industries Limited; rated [ICRA]AAA/Stable/A1+), cement (Prism Johnson Limited; rated [ICRA]A-/A1/Stable), hotels (JW Marriott, Trident Hilton), satellite cable (Hathway Cables and Datacom) among others.

Strong brand presence over long period of time: OPIPL is an established publishing house with a track record of more than two decades 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 organising events and offering digitally solicited content for clients.

Credit challenges

Average financial risk profile: OPIPL continues to have a negative net worth due to accumulated losses. Furthermore, the liquidity strain has aggravated due to further widening of the total losses, resulting in weak coverage metrics in FY2018. Though the company has been taking steps to rationalise its operating costs, the impact has only been gradual. The company remains dependent on promoters' continued support to meet debt obligations over the medium term.

Vulnerability of advertising revenues to cyclical downturns: The magazine publishing industry remains vulnerable to cyclicality in advertising spends by corporates and rising competition. In the past, externalities including demonetisation and GST, along with weaker economic conditions led to a decline in advertising as well as circulation revenues. On an average, advertisement revenues comprise over 60% of OPIPL's top line. Given the subdued performance of subscription revenues, its dependence on advertisement revenues to sustain profitability remains high.

Revenues and profitability remain exposed to alternative communication media: Over the years, consumer preference for traditional print media (magazines) has declined due to the ease of digital modes of communication and changing media consumption habits. The company's magazine subscription segment has been facing threat from alternative communication media (TV, radio etc). While there is a huge potential for growth of the digital medium, the reach and penetration of digital media in India remains weak. ICRA, however, notes OPIPL's foray into the digital platform, although the revenue generation has been minimal. Given the high proportion of fixed costs (employee expenses), and consistent requirement of refurbishment of content, revenue fluctuations will continue to impact its profitability.

Susceptibility to volatility in paper prices: In the absence of any long-term price contracts, the company's cost structure remains susceptible to volatility in paper prices. Further, it is exposed to currency-fluctuation risk, as it does not follow any hedging mechanism.

Liquidity position

The utilisation of fund-based working capital facility was on the higher side with the average utilisation of 97% for the 12-month period ending on December 2018. The liquidity was supported by the promoters' continued support in the form of unsecured loans.

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	The rating is based on standalone financial statements of the issuer

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 currently headed by Mr. Indranil Roy.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	64.6	57.77
PAT (Rs. crore)	-7.85	-10.79
OPBDIT/OI (%)	-10.16%	-15.8%
RoCE (%)	45.28%	54.54%
Total Debt/TNW (times)	-0.91	-0.89
Total Debt/OPBDITA (times)	-19.80	-15.06
Interest Coverage (times)	-2.50	-3.37

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax; RoCE: Return on Capital Employed; TNW: Tangible Net worth; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); Source: Financial statements of OPIPL; ICRA research

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years

SNo	Name of Instrument	Type	Current Rating (FY2020)			Chronology of Rating History for the Past 3 years			
			Rated amount	Amount outstanding	Month-year & Rating	Month- year and Rating in			
						FY2019	FY2018		FY2017
			(Rs. crore)		April 2019	-	Feb 19, 2018	Feb 06, 2018	January 2017
1	Fund based-Cash Credit	Long Term	22.50	-	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
2	Non-Fund based-Letter of Credit	Short Term	5.00	-	[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
-	Fund based- Cash Credit	-	-	-	22.50	[ICRA]BBB- (Stable)
-	Non-Fund based- Letter of Credit	-	-	-	5.00	[ICRA]A3

Source: OPIPL

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

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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.

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

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