

ABP Private Limited (Revised)

January 06, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	67.75 (Reduced from 88.00)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Long-term / Short-term bank facilities	145.00	CARE A+; Stable / CARE A1+ (Single A Plus; Outlook: Stable/ A One Plus)	Reaffirmed
Short-term bank facilities	49.00	CARE A1+ (A One Plus)	Reaffirmed
Total bank facilities	261.75 (₹ Two hundred sixty one crore and seventy five lakh only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of ABP Private Limited (ABP) continue to derive strength from the long track record and experience of its promoters, diversified portfolio of newspapers, magazines and news channels and established position in the print and electronic media, albeit concentration of print media in eastern India and its comfortable capital structure.

The ratings take note of the moderation in profitability of ABP and its wholly owned subsidiary, ABP Network Private Limited (ANPL, rated CARE A+; Stable) in H1FY23 (refers to the period April 1 to September 30) after witnessing improvement in FY22 (refers to the period April 1 to March 31). The standalone profitability of ABP, which is mainly present in print media, has been impacted due to the significant increase in newsprint prices, while the profitability of ANPL has been impacted on account of the reduction in advertisement revenue during the period.

While the overall profitability is expected to remain impacted in FY23, it is expected to improve going forward with increase in corporate spends on advertisement, stabilization of raw material costs and rationalisation of overheads.

The ratings, however, continue to remain constrained by the company's dependence on the inherent cyclical nature of its advertisement revenue, susceptibility of profitability to volatility in newsprint prices which has witnessed significant increase in the recent past, exposure to its group companies and forex fluctuation risk.

Rating Sensitivities
Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in consolidated TOI along with improvement in its PBILDT margin and ROCE beyond 15% on a sustained basis aided by robust performance of its key business segments
- Improvement in overall gearing and TD/GCA below 0.5x and 1.5x respectively on a sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant decline in TOI and PBILDT margin with Total Debt/GCA going above 3x on a sustained basis.
- Increase in funded exposure towards group companies exceeding 25% of consolidated net worth
- Any major debt funded capex leading to deterioration in leverage and debt coverage indicators

Detailed description of the key rating drivers
Key Rating Strengths

Experienced promoters with established track record of ABP group: ABP has been in the business of publishing newspapers and magazines since 1922. Over a century, the group has evolved into a media conglomerate with various premier publications, electronic media ventures, book publishing and mobile based information services. The group is managed by a team of veteran professionals.

Diversified portfolio of newspapers, magazines and news channels: With a strong legacy and reaching out to millions of viewers and readers, the ABP group today has evolved into a media conglomerate that has nine premier publications, one national news channel and several regional news channels. The company is also disseminating news in different languages

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

through presence on digital platforms like web-portal (ABP Live), mobile application (ABP Live) & social media. Furthermore, subsidiary ABP Creations Private Limited which is engaged in the business of content creation for the digital platforms under the brand name of "ABP Studios" was launched in FY21 to diversify the revenue stream.

Strong position in the print and electronic media segment albeit concentration of print media in Eastern India:

The newspapers and news channels enjoy strong position in their respective genres. 'Ananda Bazar Patrika', is the leading Bengali daily in West Bengal having a daily circulation of around 8 lakh copies in FY22 (7.6 lakh copies in FY21). However, the print media presence is mostly concentrated in Eastern India.

In electronic media, ABP News (Hindi), ABP Ganga (UP & Uttarakhand), ABP Ananda (Bengali), ABP Ashmita (Gujrati) and ABP Majha (Marathi) are some of the news channels run by ANPL. All these properties are strong brands in the market that they operate in. The company has also recently launched ABP Desam and ABP Nadu on digital media.

ANPL's digital arm has web portals (ABP News, ABP Ananda, ABP Majha, ABP Asmita, ABP Sanjha, ABP Ganga, ABP Live, ABP Network, ABP Nadu, ABP Desam) in multiple regional languages Hindi, English, Marathi, Gujarati, Bengali, Punjabi, Tamil and Telugu. For news-on-the-go, the company has a mobile application (ABP Live TV News) integrating all language sites. The company also broadcasts ABP News in UK, USA and Canada and earns subscription revenue from the international market. On account of its established position, the company is able to garner healthy advertisement revenue from a reputed client base.

Comfortable capital structure, albeit moderation expected in the near term: The capital structure of the company (consolidated) remained comfortable with an overall gearing of 0.67x as on March 31, 2022 vis-à-vis 0.56x as on March 31, 2021. Total debt increased as on March 31, 2022, mainly on account of increase in term loan for capex along with increase in working capital borrowings. Despite increase in total debt, TD/adjusted GCA witnessed an improvement from 3.50x as on March 31, 2021 to 2.97x as on March 31, 2022 mainly on account of significant increase in adjusted GCA (adjusted for lease liabilities). Interest coverage ratio also witnessed an improvement from 3.73x in FY21 to 5.34x in FY22.

Going forward, consolidated debt is expected to increase due to proposed avilment of debt for capex already incurred and for improving the printing infrastructure.

Liquidity: Adequate

Liquidity of ABP is adequate marked by sufficient cash accruals expected to be earned vis-à-vis term debt repayment obligation of ₹35 crore in FY23. The company had free cash and cash equivalents (consolidated) of ₹68 crore as on March 31, 2022. Given the comfortable capital structure, the company has the headroom available to raise debt to fund its capex plans in the medium term. The operating cycle stood comfortable at 43 days in FY22. The average fund-based working capital limit utilisation (standalone) stood at 70% during the trailing 12-month period ended November 2022.

Key Rating weaknesses

Moderation in profitability in H1FY23, though improvement witnessed in FY22: The consolidated total operating income (TOI) witnessed a y-o-y growth of 17.5% in FY22 compared with FY21 mainly on account of increase in advertisement revenue from both print media as well as digital media.

With increase in revenue leading to better absorption of fixed costs, the operating margin also witnessed an improvement from 9.34% in FY21 to 10.95% in FY22. Despite increase in average cost of consumption of newsprint (which is the major raw material for print media) which could not be passed on fully, the operating margin improved mainly on account of the various cost rationalisation measures taken by the company in the form of reducing its manpower expenses and administrative costs.

The average circulation revenue/unit of *Anandabazar Patrika* remained stable in FY22. While the circulation has increased, it is yet to reach the pre-pandemic level.

In H1FY23, the TOI of ABP on a standalone basis witnessed a significant growth of 25% y-o-y compared with H1FY22 on account of increased revenue from advertisements and higher circulation of newspapers. Despite increase in revenue, operating margins witnessed a decline on account of continued increase in newsprint price during H1FY23 which the company could not pass through fully. With decline in PBILDT along with increase in capital costs, the company incurred loss before tax of ₹4.32 crore in H1FY23 compared with PBT of ₹9.25 crore in H1FY22. Going forward, the circulation of newspapers along with advertisement spends by corporates are expected to increase. Also, newsprint prices are expected to stabilise and reduce going forward, which is expected to result in improvement in profitability.

In H1FY23, TOI and profitability of ANPL was also impacted largely on account of reduction in advertisement spending by corporates. With expected improvement in marketing spends by corporates in the remaining part of the year and cost rationalization measures undertaken by the company, the profitability in H2FY23 is expected to be better and improve further from FY24 onwards.

Susceptibility of profitability to volatility in newsprint prices: The major raw material for ABP is newsprint, constituting

more than 90% of the total raw material cost. ABP procures more than 75% of the newsprint from international suppliers with the balance from domestic suppliers. The newsprint prices increased significantly during Q4FY22 and Q1FY23. While the prices have started stabilising, the company is exposed to high-cost inventory of newsprint. The reduction in newsprint prices going forward should reduce the raw material cost for ABP which in turn is expected to lead to improvement in its profitability in FY24.

ABP is also subjected to forex fluctuation risk on newsprint imports. However, the forex risk is partially mitigated as the company hedges its exposure at an opportune time. ABP, on a consolidated level, incurred forex loss of ₹1.09 crore in FY22 against no forex loss in FY21.

Dependence over advertisement revenue which in turn is linked to the growth of the economy and thus depicts cyclicity: The growth in the revenue and profitability of ABP group are dependent on the advertisement revenue which formed 88% of the total revenue (71% in print media & 99% in digital media) in FY22.

Advertisement revenue is directly linked to the growth of the economy and is inherently cyclical in nature. Furthermore, ad spend on a particular channel/newspaper depends on its market reach and popularity it enjoys among the consumers. ABP has strong regional focus which helps it to compete effectively with its much larger competitors having national presence. Strong market position and large client base, from all the sectors, are also expected to contribute to its revenue growth going forward. Increasing literacy levels is helping to widen and extend the country's readership base; albeit challenges from growing digitalization remains.

Exposure to group companies: ABP has exposure to group companies in the form of loans and advances which constituted around 21% of the consolidated networth of the company as on March 31, 2022, increasing from 15% as on March 31, 2021. Any further increase in the exposure to group entities and its impact on the credit profile of ABP remains a key rating monitorable.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a consolidated view of ABP and its wholly owned subsidiaries as they operate in similar industry and have financial and managerial linkages. Further, CARE Ratings also factors in the support provided by ABP to its group entities. The details of entities being consolidated in ABP as on March 31, 2022, is placed as **Annexure-6**.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

About the company

ABP, one of the leading print media companies in Eastern India, was formed in 1922 with the launch of its four pages Bengali daily - 'Ananda Bazar Patrika'. Currently, ABP's publication portfolio includes 'Ananda Bazar Patrika' (Bengali daily), 'The Telegraph' (English daily), TTIS and other Bengali periodicals. ABP has state-of-the-art printing infrastructure under its group entity Ananda Offset Pvt Ltd in Kolkata and Barasat, both in West Bengal (WB). Besides this, it has printing facilities in two other towns in WB – Barjora and Berhampur. ABP also has tie-ups with printers in Siliguri who execute printing orders as per ABP's requirement. Besides print media, ABP also has presence in electronic media via its fully owned subsidiary ANPL, which owns multiple news channels among which 'ABP News' & 'ABP Ananda' are the flagship channels.

Brief Consolidated Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23 (UA)*
TOI	948.21	1114.51	252.48
PBILDT	88.60	122.09	19.95
PAT	1.97	38.20	-4.32#
Overall gearing (times)	0.56	0.67	NA
Interest coverage (times)	3.73	5.34	3.25

A: Audited; UA: Unaudited; NA: Not available

*Standalone financials of ABP; #PBT

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	November 2025	67.75	CARE A+; Stable
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	145.00	CARE A+; Stable / CARE A1+
Non-fund-based-Short Term		-	-	-	49.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based-Short Term	ST	49.00	CARE A1+	-	1)CARE A1+ (07-Jan-22)	1)CARE A1+ (07-Jan-21)	1)CARE A1+ (09-Oct-19)
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST*	145.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (07-Jan-22)	1)CARE A+; Stable / CARE A1+ (07-Jan-21)	1)CARE A+; Stable / CARE A1+ (09-Oct-19)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (09-Oct-19)
4	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	1)Withdrawn (31-Dec-21)	1)CARE A1+ (07-Jan-21)	1)CARE A1+ (09-Oct-19)
5	Fund-based - LT-Term Loan	LT	67.75	CARE A+; Stable	-	1)CARE A+; Stable (07-Jan-22)	1)CARE A+; Stable (07-Jan-21)	-

*Long-term/ short-term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-CC/Packing Credit	Simple
3	Non-fund-based-Short Term	Simple

Annexure-5: Bank Lender Details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities being consolidated in ABP:

Name of the Subsidiary	Name of the Holding Company	% holding as on March 31, 2022
ABP Network Private Limited	ABP Pvt Ltd	100%
ABP Eventures Private Limited	ABP Pvt Ltd	100%
Swarnakshar Prakasani Private Limited	ABP Pvt Ltd	100%
Windsor Software Private Limited	ABP Pvt Ltd	100%
ABP Creations Private Limited	ABP Network Pvt Ltd	100%

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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