

ABP Private Limited

February 28, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	56.25 (Reduced from 67.75)	CARE A+; Negative	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	145.00	CARE A+; Negative / CARE A1	Revised from CARE A+; Stable / CARE A1+
Short-term bank facilities	49.00	CARE A1	Revised from CARE A1+

Details of facilities in Annexure-1.

Rationale and key rating drivers

The long-term rating assigned to the bank facilities of ABP Private Limited (ABP) continues 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.

The revision in short-term rating is on account of moderation in liquidity profile on the back of subdued operating profit in FY23 and 9MFY24 resulting in increased reliance on borrowings and decline in surplus liquidity to fund the cash deficit.

CARE Ratings Limited (CARE Ratings) takes cognizance of the significantly weaker-than-envisaged profitability margins marked by profit before interest, lease rentals, depreciation and tax (PBILDT) margins remaining below 9% in FY23 and expected to remain below 9% in FY24 as well which is an abruption due to temporary impact on its gross margins owing to reduction in advertisement spending by corporates and significant increase in newsprint (NP) prices (key raw material for print media). However, PBILDT margin is expected to improve from FY25 onwards with expected increase in marketing spends, various cost-rationalisation measures undertaken by the company and depletion of high-cost inventory amidst softening of NP prices. Further, on the back of its weaker profitability, its debt coverage indicator marked by Total debt/gross cash accruals (GCA) is expected to remain higher than 5x in FY24 and subsequently expected to improve to below 3x in FY25 with expected improvement in its profitability. ABP's ability to improve its operating profitability and debt coverage indicators would be one of the key rating monitorables.

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

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in consolidated total operating income (TOI) along with improvement in its PBILDT margin and return on capital employed (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

- Inability of the company to improve the consolidated operating profit of at least 8%
- Inability to improve its debt coverage indicators marked by total debt/ GCA of more than 3x on a sustained basis

Analytical approach: Consolidated

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 list of entities consolidated has been placed at **Annexure-6**.

Outlook: Negative

The outlook has been revised from 'Stable' to 'Negative' considering the sustained pressure on its operating profitability leading to decline in surplus liquidity and increase in borrowings to fund the cash deficit. The subdued operating performance, if continues, is expected to exert pressure on the credit risk profile of the company.

The outlook may be revised to 'Stable' upon meaningful improvement in the operating profitability given various measures taken by the company, and its consequent positive impact on the debt coverage indicators and liquidity profile.

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

Detailed description of the key rating drivers

Key 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 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 through presence on digital platforms like web-portal (ABP Live), mobile application (ABP Live) and 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 a strong position in their respective genres. 'Ananda Bazar Patrika', is the leading Bengali daily in West Bengal having a daily circulation of 8 lakh copies in FY23 (7.90 lakh copies in FY22). 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 ABP Network Pvt. Ltd. (ANPL). All these properties are strong brands in the market that they operate in. The company has also 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 like 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 over the years.

Stable industry outlook

The media and entertainment (M&E) sector, being linked to the macro-economic environment, faced headwinds during FY23 amidst high inflation and interest rates. While the demand for content continued to grow as consumers increasingly spent more time on media consumption, monetization faced challenges on both advertising and subscription front.

The M&E sector is also exposed to regulatory risk. The recent ban on betting, crypto and gaming advertisements by Advertisement Standard Council of India (ASCI) has impacted ad revenue of industry players. However, digital media will continue to be the leading driver of growth whereas print and TV are expected to grow at a low single-digit rate and will continue to lose share in the overall pie. Accordingly, ANPL has started focusing on digital platforms. Nonetheless, upcoming elections and established position of ABP's news channels in their respective genres and newspaper are expected to drive its revenue growth going forward.

Liquidity: Adequate

With the improvement in profitability witnessed in Q3FY24 and further improvement expected in Q4FY24, the company is expected to generate sufficient cash accruals of around ₹50 during FY24. The company has drawn ₹20 crore undrawn portion of bank term loan which has aided its liquidity. Also, the company has capital expenditure (capex) budget of around ₹13 crore and term debt repayment obligation of around ₹38 crore for FY24 which it has majorly spent/repaid.

Liquidity position witnessed moderation marked by subdued profit in FY23 and 9MFY24 resulting in increased reliance on working capital borrowings, utilisation of available liquidity and significant moderation in its total debt/ GCA. Cash and bank balance reduced from ₹67 crore as on Mar.31, 2022 to ₹21 crore as on Mar.31, 2023. Working capital borrowing increased from ₹70 crore as on March 31, 2022 to ₹125 crore as on March 31, 2023 and further to ₹214 crore as on December 31, 2023. The average fund-based working capital limit utilisation (standalone) stood at 80% during the trailing 12-month period ended December 2023. Further, the inventory levels which had increased to around ₹110 crore as on March 31, 2023 (₹76 crore as on March 31, 2022) owing to high-cost inventory on books is expected to reduce to around ₹65 crore as on March 31, 2024, providing cushion in terms of liquidity.

Key weaknesses

Dip in TOI and significant moderation in profitability during FY23 albeit improvement witnessed during 9MFY24

The revenue from print media increased by 12% on y-o-y basis while revenue from electronic media decreased by 19% on y-o-y basis in FY23 thus leading to dip in consolidated TOI of ABP by 7% on y-o-y basis to around ₹1,040 crore. The moderation in revenue from electronic media was owing to decline in advertisement revenue on the back of reduction in advertisement spends by corporates and ban on certain categories of advertisement which led to the segment reporting profit before interest and tax (PBIT) loss of ₹66.67 crore in FY23.

On the other hand, although revenue from print media increased, the PBIT from the segment decreased significantly from ₹43.35 crore in FY22 to ₹9.14 crore in FY23 mainly owing to high NP prices i.e., i.e., its key raw material, which could not be fully passed on to customers.

Further, during H1FY24, there was no major improvement in performance. However, during Q3FY24, the company earned revenue of around ₹247 crore with PBILDT of around ₹34 crore and the same is further expected to improve with expected pick up in volume of ads on the back of upcoming general elections and gradual depletion of high-cost inventory. Accordingly on a consolidated basis, the company earned total revenue of ₹761.70 crore and PBILDT of ₹43.80 crore during 9MFY24. Also, the company has taken various cost-rationalisation measures including rationalisation in employee cost, distribution expense along with cutting down on traveling expenses by conducting meetings virtually and optimizing use of high-cost imported inventory with low-cost indigenous inventory.

Improvement in financial performance on the back of expected surge in advertisement revenue from upcoming elections, benefit from various cost-saving measures and gradual depletion of high-cost inventory shall remain key rating monitorable.

Moderation in capital structure and debt protection metrics during FY23

During FY23, capital structure of the company (consolidated) moderated marked by an overall gearing of 0.90x as on March 31, 2023 as against 0.67x as on March 31, 2022 on the back of increase in total debt mainly led by increase in working capital borrowings coupled with net losses incurred during FY23. The total working capital borrowings increased from around ₹70 crore as on March 31, 2022 to around ₹135 crore as on March 31, 2023 to fund the shortfall in accruals. Its debt coverage indicators witnessed significant moderation upon cash losses incurred during FY23.

CARE Ratings expects company to incur net losses albeit generate GCA of around ₹50 crore during FY24 leading to overall gearing of around 1x as on March 31, 2024.

Going forward debt is expected to reduce due to scheduled repayments and low reliance on working capital borrowings with expected improvement in the revenue and profitability.

Susceptibility of profitability to volatility in newsprint prices

The major raw material for ABP is NP, constituting more than 90% of the total raw material cost. ABP procures more than 75% of the NP from international suppliers with the balance from domestic suppliers. The NP prices increased by 37% on y-o-y basis to USD 780/MT during FY23 (FY22: USD 570/MT) which could not be passed on to customers fully. Several factors which led to rise in NP prices includes, rise in freight rates, rupee depreciation, fall in supplies following the ongoing Russia-Ukraine conflict, especially since Russia is one of the key global suppliers of NP. To ensure price affordability amidst readership base and competitive cover pricing across the industry, ABP was constrained to undertake any significant hikes in cover prices to pass on the corresponding NP price rise.

The company had low-cost inventory at the beginning of FY23 which led to lower consumption cost of NP during H1FY23. However, post which company had to procure NP at higher price to build up stock for upcoming months. Currently, the price of NP has decreased to around USD 550-600/MT as indicated by the company's management. However, as the company already has high-cost inventory on its books it is not expected to receive benefit of lower newsprint prices in FY24. The reduction in NP prices will reduce the raw material cost for ABP which in turn is expected to lead to improvement in its profitability in FY25.

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 ₹2.97 crore in FY23 against forex loss of ₹1.09 crore in FY22.

Inherent high dependence on cyclical advertisement revenue

The growth in the revenue and profitability of the ABP group are dependent on the advertisement revenue which formed 83% of the total revenue (70% in print media & 99% in digital media) in FY23.

Advertisement revenue is directly linked to the growth of the economy and is inherently cyclical in nature. Furthermore, advertising spend on a particular channel/newspaper depends on its market reach and popularity it enjoys among the consumers. ABP has a 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 digitalisation remain. Nonetheless, CARE Ratings expects that additional contribution from increase in government advertisement spending in view of upcoming election may support the overall advertisement income in FY24.

Exposure to group companies

ABP has exposure to group companies in the form of loans and advances which constituted around 24% of the consolidated net-worth of the company as on March 31, 2023, increasing from 21% as on March 31, 202 largely owing to net losses incurred during FY23. The advances mainly pertain to advances extended for printing in normal course of business. Any further increase in the exposure to group entities and its impact on the credit profile of ABP remains a key rating monitorable.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Media, Entertainment & Publication	Media	Print media

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)	FY22 (A)	FY23 (A)	9MFY24 (UA)
TOI	1114.51	1039.69	761.70
PBILDT	122.09	4.80	43.80
PAT	38.20	-69.49	NA
Overall gearing (times)	0.67	0.90	NA
Interest coverage (times)	5.34	0.16	NA

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history of last three years: Please refer to Annexure-2

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

Complexity level of the various instruments rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 31, 2028	56.25	CARE A+; Negative
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	145.00	CARE A+; Negative / 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 2023-2024	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
1	Non-fund-based-Short Term	ST	49.00	CARE A1	-	1)CARE A1+ (06-Jan-23)	1)CARE A1+ (07-Jan-22)	1)CARE A1+ (07-Jan-21)
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST*	145.00	CARE A+; Negative / CARE A1	-	1)CARE A+; Stable / CARE A1+ (06-Jan-23)	1)CARE A+; Stable / CARE A1+ (07-Jan-22)	1)CARE A+; Stable / CARE A1+ (07-Jan-21)
3	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	-	1)Withdrawn (31-Dec-21)	1)CARE A1+ (07-Jan-21)
4	Fund-based - LT-Term Loan	LT	56.25	CARE A+; Negative	-	1)CARE A+; Stable (06-Jan-23)	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 facilities: Not applicable**Annexure-4: Complexity level of various instruments rated:**

Sr. No.	Name of the 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: Lender detailsTo view the lender-wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: 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.

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ABP Network Private Limited	Full	100% subsidiary
2	ABP Eventures Private Limited	Full	100% subsidiary
3	Swarnakshar Prakasani Private Limited	Full	100% subsidiary
4	Windsor Software Private Limited	Full	100% subsidiary
5	ABP Creations Private Limited	Full	100% subsidiary of ABP Network Private Limited
6	ABP Eventures Bangladesh Private Limited	Full	100% subsidiary of ABP Eventures Private Limited

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About us:

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