Press Release

VISALAANDHRA VIGNANA SAMITHI

D-U-N-S® Number: 86-040-8070

May 21, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' **(read as ACUITE double B minus)** and short term rating of **'ACUITE A4' (read as ACUITE A four)** to the Rs. 13.00 crore bank facilities of VISALAANDHRA VIGNANA SAMITHI (Visalandhra). The outlook is **'Stable'**.

Visalandhra is a Vijayawada (Andhra Pradesh) based society established in 1956. Visalandhra is engaged in the circulation of Telugu daily newspaper under the name of 'Visalandhra' with circulation majorly in the state of Andhra Pradesh, and minor presence in Telangana. It is also engaged in sale of books and printing services for Government bodies and private publishers. Mr. P. Harinatha Reddy is the General Manager who looks after day to day operations of the society.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Visalandhra to arrive at the rating.

Key Rating Drivers

Strengths

- **Strong regional presence**

  Visalandhra Society is established in 1956 and it has established position in the Andhra Pradesh Market. Visalandhra is one of the widely read newspapers in Andhra Pradesh with circulation copies of around 36 thousand copies per day. Acuité believes that Visalandhra is expected to enjoy the benefit of long track record of operations, good brand presence of the newspaper and stable readership base in maintaining its business risk profile over the medium term going forward.

- **Moderate financial risk profile**

  The financial risk profile of the firm is moderate marked by comfortable gearing (debt-to-equity) and debt protection metrics and moderate total outside liabilities to total net worth (TOL/TNW). The gearing is comfortable at 0.95 times in FY2018, deteriorated from 0.53 times in FY2017. The net worth stood modest at Rs.9.60 crore in FY2018 against Rs.8.93 crore in FY2017. TOL/TNW is moderate at 2.00 times in FY2018 as against 2.33 times in FY2017. The firm has reported cash accruals of about Rs.1.34 crore in FY2018 against minimal repayment obligation at about Rs.0.80 crore over the medium term. The firm's debt protection metrics are comfortable as Interest Coverage Ratio (ICR) stood at 3.15 times and Net Cash Accruals to Total Debt (NCA/TD) at 0.15 times as on March 31, 2018. Acuité believes that the financial profile of the society is expected to improve marginally over the medium term in the absence of significant debt-funded capex plans over the medium term.

Weaknesses

- **Intensely competitive industry and limited geographical diversity**

  The business model for newspaper publishers is susceptible to advertisers' preference based on the consumption cycles of the populace. This in turn is impacted by socio-economic and political factors/events. The scale of operations of the society is modest as indicated by revenue of around Rs.34.55 crore in FY2018. The total revenue comprises of sale of newspaper (4 percent), sale of books

(47 percent), advertisement (43 percent), other printing charges(6 percent) in FY2018. Further, Visalandhra newspaper's presence is limited to Andhra Pradesh state and to that extent, Visalandhra's overall business prospects would be constrained in the near future and the risk to revenues could be partially mitigated by a well-diversified end-user client profile.

- **Working capital intensive nature of operations**
  Visalandhra's operations are working capital oriented as reflected in its high Gross Current Asset (GCA) days of 163 as on March 31, 2018. The high GCA is mainly attributed to high debtor days of about 84 and high inventory days of 52 for FY2018. High GCA lead to high utilisation of its working capital limits of Rs.6.50 crore of cash credit at about 88 percent over six months through November 2018, with expected increase in the revenues at about 10-15 percent over the medium term. The operations will continue be working capital intensive.

Liquidity Position:
Visalandhra has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The Visalandhra generated cash accruals of Rs.1.19 to 1.34 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.60 to 0.80 crore over the same period. The cash accruals of the group are estimated to remain around Rs.1.35 – 1.60 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 0.80 – 1.00 Crore. The Visalandhra's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 163 in FY 2018. This has led to moderate reliance on woring capital borrowings, the working capital limit in the Visalandhra remains utilized at 88 percent during the last 6 months period ended November 2018. The Visalandhra maintains unencumbered cash and bank balances of Rs.11 crore as on March 31, 2018. The current ratio of the Visalandhra stands at 0.94 times as on March 31, 2018. Acuité believes that the liquidity of the Visalandhra is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable
Acuité believes that Visalandhra will maintain 'Stable' outlook and continue to benefit in the medium term from its strong regional presence and long vintage of operations of the society in the print industry. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while maintaining the profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of higher than expected debt-funded capital expenditure or any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.55	28.68	28.71
EBITDA	Rs. Cr.	2.04	2.24	1.82
PAT	Rs. Cr.	0.56	0.50	0.49
EBITDA Margin	(%)	5.91	7.81	6.35
PAT Margin	(%)	1.62	1.73	1.70
ROCE	(%)	9.76	11.02	21.00
Total Debt/Tangible Net Worth	Times	0.95	0.53	0.51
PBDIT/Interest	Times	3.15	3.45	3.11
Total Debt/PBDIT	Times	3.88	2.10	1.98
Gross Current Assets (Days)	Days	163	190	133

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm

• Entities In Services Sector - https://www.acuite.in/view-rating-criteria-8.htm
• Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB- / Stable
Mortgage loan facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.73	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.57	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A4

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