

Press Release

Visalaandhra Vignana Samithi

July 01, 2020

Rating Reaffirmed



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

Acuite has reaffirmed its 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

Acuite 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. Acuite believes that Visalandhra will enjoy the benefit of long track record of operations, good brand presence of the newspaper and stable readership base is expected to boost the business risk profile over the medium term.

• Moderate financial risk profile

Visalandhra's financial risk profile is moderate, marked by a moderate network, moderate gearing and above average debt protection metrics. Visalandhra's network is moderate estimated at around Rs.8.50 crores as on March 31, 2020 (provisional) as against Rs.8.10 crores March 31, 2019, improved due to accretion to reserves during the same period.

The society has followed a moderately aggressive financial policy in the past, the same is reflected through its gearing and total outside liabilities to tangible network (TOL/TNW) levels of 1.33 times and 3.60 respectively as on March 31, 2020 (provisional) as against 1.40 times and 3.11 times respectively as on March 31, 2019. The Visalandhra generated cash accruals of Rs.1.00 to 1.35 crore during the last three years through 2018-FY20 (provisional), while its maturing debt obligations were in the range of Rs.0.75-0.90 crore over the same period. The cash accruals of the group are estimated to remain around Rs.1.00-1.20 crore during 2021-23 while their repayment obligations are estimated to be around Rs. 0.80 Crore. The Visalandhra's debt protection metrics are moderate as Interest Coverage Ratio (ICR) stood at 1.84 times and Net Cash Accruals to Total Debt (NCA/TD) at 0.09 times for FY2020 (provisional) as against as Interest Coverage Ratio (ICR) stood at 1.94 times and Net Cash Accruals to Total Debt (NCA/TD) at 0.10 times for FY2019. Acuite believes that the financial profile of the society is expected to similar levels over the medium term in the absence of significant debt-funded capex plans over the medium term.

Weaknesses

• Working capital intensive nature of operations

Visalandhra's operations are working capital oriented as reflected in its high Gross Current Asset (GCA) days of 226 as on FY2020 (provisional) as against 204 days in FY2019. The high GCA is mainly attributed to high debtor days of about 170 and inventory days of 39 for FY2020 (provisional) vis-à-vis debtor 141 days and inventory 46 days for FY2019. Also, creditors stood at 90 days in FY2020 (provisional) as against 321 days in FY2019. High GCA lead to high utilisation of its working capital limits at about 99 percent over six months through April 2020. Acuite believes that operations are likely to remain working capital intensive.

• 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 and remained stagnant at Rs 34-37 crore during the 3 fiscals through 2020 (provisional). The total revenue comprises of sale of newspaper (4 percent), sale of books (54 percent), advertisement (33 percent), and other printing charges (10 percent) in FY2020 (provisional). 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.

Newspaper publications are witnessing gradual slowdown in circulation and readership due to the increasing penetration of digital medium, market saturation and changing media consumption habits. As digital penetration increases, the circulation volumes of newspapers may undergo significant changes; however, the extent of such digital impact remains to be seen. The newspaper publishing industry remain vulnerable to cyclicity in advertising spends by corporates and the rising competitive intensity, which challenges the company's ability to retain market share and by implication, its advertisement revenue share. The newsprint prices have been volatile and it may not always be possible to pass on the increase to the customers through an increase in cover price or higher advertisement tariff.

Rating Sensitivities

- Improvement in the scale of operations while maintaining profitability levels
- Reduction in the receivables from its key client, i.e. Govt of AP
- Large, debt-funded capital expenditure, weakening the financial risk profile.
- Improvement in the working capital cycle and capital structure

Material covenants

None

Liquidity Position: Stretched

Visalandhra has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The Visalandhra generated cash accruals of Rs.1.00 to 1.35 crore during the last three years through 2018-FY20 (provisional), while its maturing debt obligations were in the range of Rs.0.75-0.90 crore over the same period. The cash accruals of the group are estimated to remain around Rs.1.00 – 1.20 crore during 2021-23 while their repayment obligations are estimated to be around Rs. 0.80 crore. The Visalandhra's operations are high working capital intensive as marked by increased gross current asset (GCA) days of 226 in FY 2020 (provisional). This has led to higher reliance on working capital borrowings, the bank limit has remained extensively utilised at 99 percent on an average over the 6 months ending April 2020. The current ratio stands weak at 0.90 times as on March 31, 2020 (provisional). Acuite believes that the liquidity of the Visalandhra is likely to remain stretch over the medium term.

Outlook: Stable

Acuite 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	37.15	33.23
PAT	Rs. Cr.	0.40	0.40
PAT Margin	(%)	1.08	1.22
Total Debt/Tangible Net Worth	Times	1.33	1.40
PBDIT/Interest	Times	1.84	1.94

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-May-2019	Secured Overdraft	Long Term	6.50	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.73	ACUITE BB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.57	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.20	ACUITE A4 (Assigned)

*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	8.50 (Enhanced from Rs. 6.50 Cr)	ACUITE BB- / Stable (Reaffirmed)
Mortgage loan facility	15-02-2018	Not Applicable	15-01-2023	2.70 (Reduced from Rs.4.00 Cr)	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.73	ACUITE BB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-4929 4041 aditya.gupta@acuite.in</p> <p>Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavanisankar.oruganti@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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