

Press Release

Writers And Publishers Private Limited

December 11, 2019

Rating Withdrawn



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 60.00 Cr. |
| Long Term Rating | ACUITE A (CE) (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE A (CE)**' (read as **ACUITE A Credit Enhancement**) to the Rs. 60.00 crore bank facilities of WRITERS AND PUBLISHER PRIVATE LIMITED (WPPL).

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

WPPL was incorporated in 1981 as a Private Limited Company and was subsequently converted in the public limited company in 1987. Later on, in March 2009, the company was again converted into a Private Limited company. WPPL was initially engaged in printing and publishing of Hindi Daily Newspaper 'Dainik Bhaskar' and Gujarati Daily Newspaper 'Divya Bhaskar' upto December 2006. Currently the company is engaged in the trading of Denim Fabric and leasing of its immovable properties.

WPPL is promoted by the promoters of Dainik Bhaskar (DB) Group. The DB group operates through its flagship entity DB Corp. Limited (DBCL). DBCL is listed on BSE and NSE has started its operations in 1995. DBCL is one of the leading print media group amongst national dailies in terms of readership with a total readership of ~58.80 million readers across. DBCL's flagship newspaper 'Dainik Bhaskar' is the most widely read Hindi newspaper in India. Apart from the management support, WPPL has also been receiving financial support from the promoters and its group companies. The rating is supported by the demonstrated financial support of the promoter group as well as investments in companies belonging to the group.

Standalone (Unsupported) Rating: ACUITE B+

Analytical Approach

Acuité has considered the standalone business and financial risk profile of WPPL and also factored in support of credit enhancement in the form of structured payment mechanism, pledge of shares of DB Corp Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Rating driven by pledge of shares of DB Corp Limited

The bank facilities of WPPL are secured by the pledge of fully paid up unencumbered shares of DBCL held by Stitex Global Limited (SGL), which is promoted by Mr. Sudhir Agarwal, Mr. Pawan Agarwal and Mr. Girish Agarwal. SGL has also extended a corporate guarantee towards the borrowing of WPPL. The pledge of shares shall provide a security cover of 1.50 times during the entire tenor of the facility. The sanction terms requires SGL to top-up the pledged shares in case of fall in share prices resulting in decline of cover below 1.50 times.

Further, the rating also factors in support extended by the group to the company in the form of unsecured loans. Since, the operational cash flows of WPPL are currently inadequate to service its debt obligation; the continuous support from DB group will be a key rating sensitivity factor. The rating also factors in the adherence to the security cover against pledge of shares to be maintained at all times.

• Long track record and established position of DB Corp Limited

DB group, promoted by Mr. Sudhir Agarwal, Mr. Girish Agarwal and Mr. Pawan Agarwal operates through its flagship company DBCL, one of the largest print media company in India. Currently, the promoter and promoter group owns ~71.60 per cent stake in DBCL. Out of the total promoter shareholding ~61.52 per cent of the shareholding is unencumbered as on September 30, 2019.

DBCL reported net profit of Rs. 273.93 crore against operating income of Rs. 2565.50 crore in FY2019. The tangible net worth of DBCL stood at Rs. 1733.93 crore and debt-to-equity at 0.03 times as on March 31, 2019. The total market capitalization of DBCL stood at Rs. 2335.54 crores as on December 11, 2019. Acuite believes that DB group will continue to benefit from its established leadership position and strong brand presence in the industry.

Weaknesses

• Risk arising from adverse movement in stock prices

The rating is based on the structured payment mechanism and pledge of shares of DBCL. As per the sanctioned terms the borrower has to maintain minimum share coverage of 1.50 times of the facility amount. The ability of the promoters to maintain the share pledge asset coverage is critical to the rating. Since the stock market is prone to volatility, occurrence of events such as slowdown in FII flows, sharp depreciation in domestic currency, political events, and other such macroeconomic events, can cause decline in stock prices. Additionally, company specific factors can also influence movements in stock prices. Any sharp and continuous decline in share prices could potentially lead to challenges in adhering to the covenants.

Liquidity Profile: Adequate

WPPL is supported by the promoter's ability for repayment of debt has been reflected from refinancing of maturing debt through fresh issuances. The company is also supported by the unsecured loans of Rs. 945.95 crore through promoter and promoter group companies.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|---------------------------------|-----------|---------------|---------------|
| Operating Income | Rs. Crore | 70.72 | 132.49 |
| Profit after tax (PAT) | Rs. Crore | -0.66 | 5.22 |
| PAT margin | % | -0.93 | 3.94 |
| Total debt / Tangible Net worth | Times | 3.12 | 3.56 |
| PBDIT / Interest | Times | 1.44 | 2.75 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Criteria for Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|----------------------------------|
| 13-Mar-2019 | Term Loans | Long Term | 60.00 | ACUITE A (SO)/ Stable (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 |
|------------------------|------------------|----------------|---------------|-----------------------------|---------------------------|
| Term Loans | Oct, 2018 | Not Applicable | Oct, 2019 | 60.00 | ACUITE A (CE) (Withdrawn) |

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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