Press Release

CMYK Printech Limited

June 16, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs.9.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' **(read as ACUITE B)** on the Rs.9.00 crore bank facilities of CMYK Printech Limited (CMYKPL). The outlook is **'Stable'**.

Delhi-based, CMYKPL was incorporated in 1998 by Mr. Chandan Mitra, Mrs. Tanushree Mitra and Mr. Kushan Mitra. The company is engaged in the business of publishing of newspapers and magazines under the Brand name of "The Pioneer" with their newspapers sold in 8 regions of the country viz. Bhopal, Ranchi, Chandigarh, Dehradun, Raipur, Bhubaneshwar, Lucknow and Delhi. CMYKPL sells around 5 lakh newspapers per day across the aforementioned regions.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**
  Delhi-based, CMYKPL was incorporated in 1998; thus, the company has an operational track record of over two decades in the print media industry. Mr. Chandan Mitra, Director, has over 30 years of experience in the print media industry with around 25 years particularly in the newspaper industry through industry giants such as Times of India and Hindustan Times. Other directors are Tanushree Mitra and Kushan Mitra who have also worked in the industry as journalists. The long track record of operations, strong brand presence and experience of the management have helped the company develop healthy relationships with its reader's base and suppliers. Acuité believes that CMYKPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Strong brand presence**
  The company publishes under the brand name of the pioneer which is the second oldest daily English newspaper in India being circulated in major cities of India viz. Bhopal, Ranchi, Chandigarh, Dehradun, Raipur, Bhubaneshwar, Lucknow and Delhi. Further the company sells its magazine "Exotica" to premium hotel chains like Hyatt, Leela group and Mansingh to name a few.

Weaknesses

- **Average financial risk profile**
  CMYKPL has average financial risk profile marked by average net worth, average debt protection metrics and moderate gearing. The net worth of the company stood at Rs.24.38 crore as on 31 March, 2020 (Provisional) as against Rs. 20.47 crores in the previous year. The gearing level (debt-equity) stood low at 0.45 times as on 31 March, 2020 (Provisional) and the total debt of Rs.10.91 crore as on 31 March, 2020 (Provisional) consists of long term debt of Rs.0.53 crore and working capital borrowings of Rs.10.38 crore. The interest coverage ratio (ICR) stood low at 1.32 times in FY2020 (Provisional) and (0.14) times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.05 times in FY2020 (Provisional) and (0.27) times in FY2019 whereas Debt to EBITDA stood at 3.65 times in FY2020

(Provisional).

- **Working capital intensive nature of operations**
The company has intensive working capital operations marked by Gross Current Assets (GCA) of 308 days for FY2020 (Provisional) as against 286 days for FY2019. The debtors stood high at 231 days for FY2020 (Provisional) as against 232 days for FY2019. The inventory level stood at 27 days for FY2020 (Provisional) as against 36 days for FY2019. Further, the average bank limit utilization stood at ~100 percent for past six months ended May 2020. Moreover there is an elongation of creditor days to 294 for FY2020 (Provisional). Acuité believes that the company's ability to improve its working capital efficiently will remain a key to maintain stable credit profile.

- **Competitive and fragmented nature of industry**
Publishing and advertising Industry is a highly competitive industry due to presence of multiple players which results in intense competition from both the organised as well as unorganised players in the industry.

Liquidity Position:
CMYKPL has stretched liquidity marked by average net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. (3.20) crore for FY2019 against debt obligations of Rs. 0.30 crore for the same period. Further the cash accruals of the company stood at Rs. 0.57 crores in FY2020 (Provisional) against repayment obligations of Rs. 0.27 crores. The cash accruals of the company are estimated to remain in the range of around Rs. 0.31 crore to Rs. 0.50 crore during FY 2021-23. The company's working capital operations are intensive marked by gross current asset (GCA) days of 308 days for FY2020 (Provisional) against 286 days in the previous year. CMYKPL maintains cash and bank balances of Rs. 3.13 crore as on 31 March 2020 (Provisional). The current ratio stood at 1.28 times as on 31 March 2020(Provisional). Further the company nearly fully utilized its working capital limits in the last 6 months ended 31st May 2020. Acuite believes that the liquidity of the company is expected to be stretched over the medium term on account of below average cash accruals over the medium term.

Outlook: Stable
Acuité believes that the outlook on CMYKPL's facilities will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	47.12	48.38
PAT	Rs. Cr.	(3.43)	1.07
PAT Margin	(%)	(7.28)	2.21
Total Debt/Tangible Net Worth	Times	0.57	0.65
PBDIT/Interest	Times	(0.14)	1.86

Any other information
Not Applicable

Applicable Criteria
- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Service Sector Entities - https://www.acuite.in/view-rating-criteria-50.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Up to 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	9.00	ACUITE B/ Stable (Assigned)

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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.