

Press Release
Eastern Media Limited

March 22, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.46.90 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** on the Rs. 46.90 Cr bank facilities of Eastern Media Limited. The outlook is **'Stable'**.

The rating on EML takes into account the diversified revenue model of the company. The rating is supported by the experienced management, long track record of operations and above average financial risk profile. These strengths are, however, partly offset by the working capital intensive nature of operations and the stagnant revenue levels.

About the company

Incorporated in 1984, Eastern Media Ltd (EML) is a Bhubaneswar based company, which is present in the media and entertainment industry. EML has several verticals, namely, Sambad as print division, Radio Choklate as FM division, Kanak TV as TV division and Eastern Media Entertainment as Entertainment division. The company is promoted by Mr. Soumya Ranjan Patnaik, Ms. Sudatta Patnaik and Mr. Dipti Ranjan Patnaik, who have more than three decades of experience in the industry. Currently, EML is headed by Ms. Monica Nayar Patnaik, Tallina Patnaik, Sudatta Patnaik, Soumya Ranjan Patnaik, Dipti Ranjan Patnaik and Tanaya Patnaik. The company accounts for around 55 per cent of the total revenue of Odisha's print media industry, and its newspaper, Sambad, enjoys a market share of about 40 per cent in the overall regional newspaper market.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Long track record of operations and experienced management**

Established in 1984, Eastern Media Ltd (EML) has a long operational track record of thirty six years in the media and entertainment industry. Acuité believes the long track record has helped EML to capture the market dynamics of the state. The promoter directors, Mr. Soumya Ranjan Patnaik, Ms. Sudatta Patnaik and Mr. Dipti Ranjan Patnaik, have more than three decades of experience in the media and entertainment industry. Acuité derives comfort from the long experience of the directors.

• **Wide segmental diversity**

EML has a presence across sectors such as newspaper printing, news channel, entertainment channel, radio channel, production house, opera house and digital cable service. The rating draws comfort from their segmental diversification thus partly negating any concentration risk.

• **Above average financial risk profile**

The company's above average financial risk profile is marked by healthy network, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.98.23 Cr as on March 31, 2020 from Rs.92.40 Cr as on March 31, 2019. Acuité has considered unsecured loans of Rs.36.26 Cr as on March 31, 2020, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood below unity at 0.66 times as on March 31, 2020 as against 0.60 times as on March 31, 2019. The debt of Rs.64.91 Cr consists of working capital from the bank of Rs.45.87 Cr, term loan of Rs.11.12 Cr, current maturity of term loan of Rs.4.98 Cr and unsecured loan of Rs.2.94 Cr as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 0.88 times as

on March 31, 2020 as against 0.84 times as on March 31, 2019. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 2.76 times as on March 31, 2020 and Debt Service Coverage Ratio (DSCR) at 1.74 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.16 times as on March 31, 2020. Acuite believes that going forward, the financial risk profile of the company will improve through steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 253 days as on 31st March 2020 as compared to 234 days in the previous year. The increased GCA days are on account of high level of current assets due to advances given to actors by the production house for movies and opera house. The debtor days are also high at 165 days as on 31st March 2020 as compared to 143 days as on 31st March 2019. The debtors are primarily government entities. Acuite believes that the working capital operations of the firm will remain almost at the same levels over the medium term.

- **Flatfish revenue level**

EML has achieved revenues of Rs.184.20 Cr in FY2020 as compared to revenues of Rs.190.03 Cr in FY2019 thus reflecting about a 3 percent decline y-o-y. The company has achieved revenues of around Rs.101.99 Cr till 31st December 2020 (provisional). The decline in top line is on account of decrease in advertisement due to the global pandemic; as a lot of companies have cut down their promotional cost in terms of advertisement. However, Acuite believes that revenue level is expected to improve as the rates are picking up pace going forward, this improvement would aid the business risk profile over the medium term.

Rating Sensitivity

- Significant ramp up in scale of operations while maintaining profitability margin
- Improvement in working capital management

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.10.48 Cr as on March 31, 2020 as against Rs.3.03 Cr long term debt repayment over the same period. The current ratio stood comfortable at 1.83 as on 31st March 2020. The cash and bank balances of the company stood at Rs.6.01 Cr as on March 31, 2020 as compared to Rs.12.79 Cr as on March 31, 2019. However, the fund based limit remains utilised at 93 per cent over the six months ended December, 2020. The company has availed loan moratorium and applied for additional covid loan of Rs.4 Cr. In addition to this, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 253 days as on 31st March 2020 as compared to 234 days as on 31st March 2019. Acuite believes that going forward, the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the outlook on Eastern Media Limited will remain 'Stable' over the medium term on account of long track record of operations, experienced management, segmental diversity and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	184.20	190.03
PAT	Rs. Cr.	5.65	5.04
PAT Margin	(%)	3.07	2.65

Total Debt/Tangible Net Worth	Times	0.66	0.60
PBDIT/Interest	Times	2.76	3.10

Status of non-cooperation with previous CRA

India Ratings and Research, vide its press release dated February 05, 2021 had denoted the rating of Eastern Media Limited as 'BBB- 'ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	46.90	ACUITE BBB/Stable (Assigned)

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About Acuité Ratings & Research

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