

Press Release

Eastern Media Limited

May 05, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	85.65	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	85.65	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.85.65 Cr bank facilities of Eastern Media Limited. The outlook remains '**Stable**'.

The rating reaffirmation takes into account the strong brand recognition of Eastern Media Limited (EML)'s key publication – Sambad, its strong market position in Odisha as well as EML's presence across multiple media platforms, including radio and digital platforms. The rating also draws comfort from the adequate liquidity and above average financial position with support of the promoters in the form of unsecured loans. These strengths are however, partly constrained by the working capital intensive nature of operations, muted revenue growth and susceptibility to volatility in ad revenue owing to economic downturns.

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 and Manjari (GEC) Channel as Entertainment division. The company is promoted by Mr. Soumya Ranjan Patnaik, Ms. Sudatta Patnaik and Mr. Dipti Ranjan Patnaik. Currently, EML is headed by Ms. Monica Nayyar Patnaik, Ms. Saroj Kumar Panda, Mr. Ashok Kumar Parija, Tallina Patnaik, Sudatta Patnaik, Soumya Ranjan Patnaik, Satya Smruti Mohanty, Dipti Ranjan Patnaik and Tanaya Patnaik.

Analytical Approach

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

Key Rating Drivers

Strengths

Strong brand recognition of the company's key publication supported by extensive experience of the promoters

Sambad, is ranked among Odisha's leading publications in the Odia daily newspaper segment with an average daily circulation of about ~3 lakh copies in FY21. The long track

record of more than three decades has helped EML to capture the Odisha market. The extensive experience of the promoter directors, Mr. Soumya Ranjan Patnaik, Ms. Sudatta Patnaik and Mr. Dipti Ranjan Patnaik led to EML's presence across multiple media platforms – Odia print, television news, radio, digital and mobile platforms. Acuité believes that the stability of circulation even during the pandemic proves the wide acceptability of the newspaper in the state of Odisha.

Improved operating margins

The operating margin of the company stood improved to 11.67 per cent in FY2021 as against 9.70 per cent in FY2020 mainly due to various cost-rationalisation measures like restructuring of print operations, reduction in employee costs and other fixed costs. But, the PAT margin stood at 2.29 per cent as on FY2021 as against 3.07 per cent as on FY2020. The Return on Capital Employed (ROCE) of the company stood comfortable at 6.79 per cent in FY2021 as against 9.63 per cent in FY2020. Acuité believes that while the company's performance is expected to improve sequentially in FY2023, full recovery is still some time away.

The revenue declined to Rs. 134.43 Cr in FY2021 as compared to revenues of Rs184.20 Cr in FY2020. With an advertisement revenue driven business model, EML's operating performance was impacted, owing subdued macro-economic growth during the pandemic. Furthermore, due to Covid-19 outbreak, distribution constraints and consumer psyche towards physical copy resulted in lower subscriptions. However, the company could regain its growth trajectory with revenues of Rs ~159.48 Cr till March 2022(Provisional), as the economy rebounded in the second half of FY 2022 and the ad volume also recovered. Acuité believes while presence across media platforms moderates the risk for EML to an extent, the company's ability to withstand competition from alternative media platforms and changing consumption habits for content remains a key monitorable.

Above average financial risk profile

The company's above average financial risk profile is marked by healthy networth base, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.100.99 crore as on March 31, 2021 from Rs. 98.23 crore as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.35.94 Cr as on March 31, 2021 as part of networth as these loans are subordinated to bank debt. Gearing of the company stood below unity at 0.80 as on March 31, 2021 as compared to 0.66 as on March 31, 2020. The promoters have extended significant financial support to the company, via unsecured loans to cover working capital and debt obligations. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.01 times as on March 31, 2021 as against 0.88 times as on March 31, 2020. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 2.42 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.33 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times as on March 31, 2021. Acuité believes that going forward, the financial risk profile of the company will remain healthy with no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 435 days as on 31st March 2021 as compared to 253 days as on 31st March 2020. The increased GCA days are primarily on account of high level of current assets due to significant advances given against acquisition of a property. The company has acquired a management college near Cuttack to use it as a training centre and imparting vocational courses to its workforce. The debtor days are also high at 284 days as on 31st March 2021 as compared to 165 days as on 31st March 2020. The debtors are primarily the state government entities. However, the receivables have improved in the current year FY22 with 188 days (Prov). Moreover, there is significant increase in the inventory days to 62 days in 31st March 2021 as compared to 9 days in 31st March 2020 due to significant amount of TV content

development owing to the prolonged closure of shoot activities and lower production activities due to the Covid-19 pandemic. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from the inherently high debtor period over the medium term.

Vulnerability of advertisement revenues to economic slowdown, viewership trends and competition

The media and entertainment industry remains vulnerable to cyclical in advertisement spends by corporates and the rising competitive intensity with an increase in the total number of channels in the mass content and niche segment. The above factors challenge the company's ability to retain market share and by implication, its advertisement revenue share. While the near-term subscription revenue growth is expected to remain modest, the continued recovery in macro-economic prospects post the pandemic will be critical to drive overall industry as well as EML's advertisement revenue growth. Furthermore, any dramatic shift towards the digital medium away from the print medium is a key overhang for the sector, especially if its own digital platform, is not able to garner higher market share.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.8.97 Cr as on March 31, 2021 as against Rs.4.98 Cr long term debt repayment over the same period. The current ratio stood comfortable at 2.08 as on 31st March 2021. Further, the cash and bank balances of the company stood at Rs.12.31Cr as on March 31, 2021, of this Rs. 10.32 Cr is retained as current account balance and remaining as unencumbered cash. However, the fund based limit remains utilised at 97 per cent over the six months ended March, 2022, owing to high inventory holding and increasing receivable cycle. The company has availed loan moratorium and applied for additional covid loan. In addition to this, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 435 days as on 31st March 2021 as compared to 253 days as on 31st March 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	134.43	184.20
PAT	Rs. Cr.	3.08	5.65
PAT Margin	(%)	2.29	3.07
Total Debt/Tangible Net Worth	Times	0.80	0.66
PBDIT/Interest	Times	2.42	2.76

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 May 2021	Cash Credit	Long Term	46.90	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	38.75	ACUITE BBB Stable (Assigned)
22 Mar 2021	Cash Credit	Long Term	46.90	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	46.90	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	13.91	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	24.84	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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