Press Release
Eastern Media Limited
September 20, 2023
Rating Upgraded

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

Rating Rationale

Acuité has upgraded the long term rating to **'ACUITE BBB-' (read as ACUITE t riple B minus)** from **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.85.65 Cr. bank facilities of Eastern Media Limited (EML). The outlook remains **'Stable'**. The ratings were downgraded vide our rationale dated July 25, 2023 based on information risk.

Rationale for rating upgrade

The rating upgrade takes into account the steady operations of EML supported by the strong brand recognition and the diversified revenue model. The Company has achieved revenues of Rs. 179.30 Cr in FY2023 (Provisional) as compared to revenues of Rs. 159.42 Cr in FY2022. The rating further takes into account the above average financial risk profile of the Company marked by healthy networth base and comfortable gearing. These strengths are however, offset by the working capital intensive nature of operations and susceptibility to volatility in advertisement revenue owing to economic downturns.

About the Company

Based in Bhubaneswar, Eastern Media Limited (EML) was incorporated in the year 1984 and promoted by Mr. Soumya Ranjan Patnaik and Ms. Sudatta Patnaik. It is present in the media and entertainment industry and generates revenues from several verticals, such as, print division, advertisement income and subscription from digital cable services.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced promoters coupled with st rong brand recognition

The Company's operations are supported by the extensive experience of Mr. Soumya Ranjan Patnaik and Ms. Sudatta Patnaik, who possess more than three decades of industry knowledge. With the promoter's assistance, EML has developed presence across multiple media platforms – Odia print, television news, radio, digital and mobile platforms. The Company has established a long presence of over three decades in the Odisha market. Acuité believes that the long standing operations and vintage of the promoters will continue to support EML's operations going forward.

Steadily growing scale of operations supported by the diversified business model

The Company has achieved revenues of Rs. 179.30 Cr in FY2023 (Provisional) as compared to revenues of Rs. 159.42 Cr in FY2022. The operating income of EML is supported by the revenue driven diversified business model with operations in print, TV, radio and digital cable services. Further, the Company has achieved revenues of Rs. 68.58 Cr till Aug, 2023 (Provisional).

However, the operating margin of the Company dipped slightly to 10.01 per cent as on FY2023 (Provisional) from 11.34 per cent as on FY2022 due to increase in the operative expenses. The PAT margin stood at 1.95 per cent in FY2023 (Provisional) as against 2.13 per cent in FY2022.

Acuité believes that while the 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. 111.05 Cr as on March 31, 2023 (Provisional) from Rs. 107.43 Cr as on March 31, 2022 due to accretion to reserves along with conversion of unsecured loans to the tune of Rs. 30.42 Cr. Further, the company had outstanding preference shares of Rs. 16.14 Cr which has been converted as securities premium in FY2023. Also, the promoters have extended significant financial support to the company, via unsecured loans to cover working capital and debt obligations as and when required. Acuité has considered unsecured loans of Rs. 5.35 Cr as a part of networth as it is subordinated to the bank debt. Gearing of the Company stood comfortable at 0.68 times as on March 31, 2023 (Provisional) as compared to 0.75 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.91 times as on March 31, 2023 (Provisional) as against 0.99 times as on March 31, 2022. The moderate debt coverage indicators of the Company are marked by Interest Coverage Ratio at 2.28 times as on March 31, 2023 (Provisional) and Debt Service Coverage Ratio at 1.03 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.12 times as on March 31, 2023 (Provisional).
Acuité believes that going forward, the financial risk profile of the Company will remain above average in the absence of 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 improving but high Gross Current Assets (GCA) of 318 days as on 31st March 2023 (Provisional) as compared to 365 days as on 31st March 2022. The high GCA days are primarily on account of elongated debtor cycle and high level of current assets due to significant advances given to institutions such as, Sambad Amo Odisha Charitable Trust, Odia Kukuda Farmers (P) Ltd and others. The debtor days stood high at 189 days as on 31st March 2023 (Provisional) as compared to 197 days as on 31st March 2022. The debtors are primarily the government entities. However, the inventory days improved but stood moderate at 64 days in 31st March 2023 (Provisional) as compared to 90 days in 31st March 2022 due to stocks of set top boxes and newspapers.
Acuité believes that the working capital operations of the Company will remain at similar levels as evident from the inherently high debtor period and high current assets over the medium term.

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

The media and entertainment industry remain vulnerable to cyclicality 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 nearterm 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

- Increase in the scale of operations
- Sustenance of the capital structure
- Further, elongation in the working capital cycle

All Covenants

None

Liquidity Position: Adequate

The promoters have extended significant financial support to the Company, via unsecured loans to cover working capital and debt obligations as and when required. The cash and bank balances of the Company stood at Rs. 1.04 Cr as on March 31, 2023 (Provisional). Further, the current ratio stood comfortable at 2.12 times in FY2023 (Provisional). EML's net cash accruals stood at Rs. 9.19 Cr as on March 31, 2023 (Provisional) as against long term debt repayment of Rs. 8.75 Cr over the same period. However, the fund-based limit utilisation stood high at 93 per cent over the seven months ended August, 2023, owing to intensive working capital operations. The intensive working capital cycle is marked by improving but high Gross Current Assets (GCA) of 318 days as on 31st March 2023 (Provisional) as compared to 365 days as on 31st March 2022.

Acuité believes that going forward the Company will maintain adequate liquidity position over the medium term due to steady accruals and the promoters ability to bring in financial support in the form of unsecured loans.

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, above average financial risk profile and adequate liquidity. 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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	179.30	159.42
PAT	Rs. Cr.	3.50	3.40
PAT Margin	(%)	1.95	2.13
Total Debt/Tangible Net Worth	Times	0.68	0.75
PBDIT/Interest	Times	2.28	2.26

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
• 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
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jul 2023	Proposed Long Term Loan	Long Term	13.91	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	24.84	ACUITE BB+ (Issuer not co-operating*)
	Cash Credit	Long Term	46.90	ACUITE BB+ (Issuer not co-operating*)
05 May 2022	Term Loan	Long Term	24.84	ACUITE BBB | Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	13.91	ACUITE BBB | Stable (Reaffirmed)
	Cash Credit	Long Term	46.90	ACUITE BBB | Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	46.90	ACUITE BBB- | Stable | Upgraded
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	13.91	ACUITE BBB- | Stable | Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	24.84	ACUITE BBB- | Stable | Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.