Press Release
Eastern Media Limited
October 01, 2024
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Total Withdrawn Quantum (Rs.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

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

Rationale for Rating
The rating reaffirmation is driven by the steady scale of operations of the company supported by the strong brand recognition and the diversified revenue model. Though the company has improved PAT and EBITDA margins along with reduction in their outstanding debt, they have achieved revenues of Rs. 168.69 Cr. in FY2024 (Provisional) as compared to revenues of Rs. 180.11 Cr. in FY2023. The rating further considers the improving financial risk profile of the company marked by healthy net worth base, comfortable gearing, higher retention of profits and growth in cash and bank balance. These strengths are, however, offset by the working capital-intensive nature of operations and the exposure to volatility in ad revenue along with short term loans and long term advances that the company provides to its employees , affecting its liquidity and financial risk profile.

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 and advertisement income.

Unsupported Rating
Not Applicable

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 strong 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.

Steady scale of operations supported by the diversified business model

The company has achieved revenues of Rs. 168.69 Cr. in FY2024 (Provisional) as compared to revenues of Rs. 180.11 Cr. in FY2023. The operating income of EML is supported by the revenue driven diversified business model with operations in print, TV and radio . Further, the company has achieved revenues of Rs. 62.20 Cr. till July 2024 (Provisional). The operating margin of the company increased to 11.06 per cent as on FY2024 (Provisional) from 9.25 per cent as on FY2023 due to fall in operating expenses. The PAT margin stood at 3.39 per cent as on FY2024 (Provisional) as against 2.09 per cent as on FY2023. Since EML has discontinued cable services due to low consumer demand, it has been able to reduce costs which have improved margins although reducing the operating income. EML has discontinued one of its two opera units which was operational till June 2024.

Improving financial risk profile

The company's healthy financial risk profile is marked by increased net worth base, comfortable gearing and moderate debt protection metrics. The management has introduced Optional Convertible Preferential Shares (OCPS) in FY2024 and though not reflected in their provisional financial statements, Acuité has adjusted the financials for the same. As a result, the adjusted tangible net worth of the company improved to Rs. 118.38 Cr. as on March 31, 2024 (Provisional) from Rs 102.68 Cr. as on March 31, 2023. 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. Adjusted Gearing of the company stood at 0.43 as on March 31, 2024 (Provisional) as compared to 0.80 as on March 31, 2023, indicating lower debt on its books. The company has pre-paid its term debt obligations to reduce its interest cost burden. The Adjusted Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.67 times as on March 31, 2024 (Provisional) as against 1.12 times as on March 31, 2023, indicating an increase in the company net worth compared to liabilities, via prudent use of current assets. The debt coverage indicators of the company are marked by Interest Coverage Ratio at 2.52 times and Debt Service Coverage Ratio at 1.21 times as on March 31, 2024 (Provisional). Since EML wanted to reduce their long-term liabilities they pre-paid loans due to which their annual debt service cost had risen during FY23 and FY22, leading to the DSCR falling below unity to 0.97. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.20 times as on March 31, 2024 (provisional). Acuité believes that going forward, the financial risk profile of the company will remain above average 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 high Gross Current Assets (GCA) of 349 days as on 31st March 2024 (Provisional) as compared to 339 days as on 31st March 2023. The high GCA days are primarily on account of elongated debtor cycle and high level of current assets due to significant advances given to suppliers and employees.The debtor days stood high at 191 days as on 31st March 2024 (Provisional) as compared to 190 days as on 31st March 2023. The debtors are primarily the state government entities. However, the inventory days improved but stood moderate at 73 days on 31st March 2024 (Provisional) as compared to 75 days on 31st March 2023 .

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. 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
- Working capital cycle
- Further exposure of loans and advances to employees

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.9 Cr as on March 31, 2024 (Provisional). Further, the current ratio stood comfortable at 2.19 times in FY2024 (Provisional). EML's net cash accruals stood at Rs. 9.95 Cr as on March 31, 2024 (Provisional) as against Rs. 3.02 Cr long term debt repayment over the same period. However, the fund-based limit utilisation stood at 90 per cent over the seven months ended July 2024, owing to intensive working capital operations. The working capital intensive nature of operations of the company is marked by improving but high Gross Current Assets (GCA) of 349 days as on 31st March 2023 (Provisional) as compared to 339 days as on 31st March 2022.Also exposure to employees in the form of loans and advances also affects the liquidity of the company. Acuité believes that going forward the company will maintain adequate liquidity position over the medium term due to steady accruals, absence of capex plans and heathy current ratio .

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 advances given to employees hampering their liquidity position or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	168.69	180.11
PAT	Rs. Cr.	5.71	3.76
PAT Margin	(%)	3.39	2.09
Total Debt/Tangible Net Worth	Times	0.43	0.80
PBDIT/Interest	Times	2.52	2.17

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
20 Sep 2023	Term Loan	Long Term	24.84	ACUITE BBB- | Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Loan	Long Term	13.91	ACUITE BBB- | Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	46.90	ACUITE BBB- | Stable (Upgraded from ACUITE BB+)
25 Jul 2023	Term Loan	Long Term	24.84	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB | Stable)
	Proposed Long Term Loan	Long Term	13.91	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB | Stable)
	Cash Credit	Long Term	46.90	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB | Stable)
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	Term Loan	Long Term	38.75	ACUITE BBB | Stable (Assigned)
	Cash Credit	Long Term	46.90	ACUITE BBB | Stable (Reaffirmed)
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.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	46.90	Simple	ACUITE BBB- | Stable | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.73	Simple	ACUITE BBB- | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	22 Dec 2028	0.02	Simple	ACUITE BBB- | Stable | Reaffirmed

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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.