



## Rating Rationale

Sambhaav Media Ltd.

19 Mar 2021

**Brickwork Ratings reaffirms the ratings for the enhanced Bank Loan Facilities of ₹. 29.09 Crores of Sambhaav Media Ltd. ('SML' or the 'Company')**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (27Dec2019)	Present
<b>Fund Based</b>	14.28	<b>19.01</b>	<b>Long Term</b>	BWR BBB-Stable	<b>BWR BBB-Stable</b>
<b>Non-fund Based</b>	5.00	<b>10.08</b>	<b>Short Term</b>	BWR A3	<b>BWR A3</b>
<b>Total</b>	<b>19.28</b>	<b>29.09</b>	<b>₹ Twenty Nine Crores and Nine Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Details of Bank facilities are provided in Annexure-I

Brickwork Ratings has reaffirmed 'BWR BBB-/Stable/A3' rating for the enhanced bank facilities of Sambhaav Media Ltd.

### RATING ACTION / OUTLOOK

The ratings continue to draw strength from its operational track record, strong regional market presence, diversified revenue stream, experienced management having healthy relationships with customers and its comfortable financial risk profile. However, the ratings continue to be constrained by the moderate scale of operations, its significant dependence on advertisement revenue and exposure to competition in the industry. Brickwork Ratings has considered the impact of the Covid-19 pandemic and the measures taken by the Company to mitigate the impact. The pandemic has majorly affected the company's scale of operations and cashflows. The lockdown situation and muted economic activity have led to significant drop in advertising revenue. Operating performance was impacted during Q1FY21 owing to Covid19 pandemic and the resultant disruptions in operations. SML reported revenue of Rs. 6.70 Crs in Q1FY21 against revenue of Rs. 12.20 Crs reported in the corresponding period of the previous fiscal. However Q2FY21 onwards the company operations have stabilised, as reflected in Q2 & Q3 FY21 results.

The 'Stable' outlook indicates BWR's opinion that the Company will continue to benefit from its long track record of operations and the experience of its management and promoters. BWR expects that SML's business risk profile will be maintained over the medium term. The outlook change to Positive is unlikely in the near term. The outlook may be revised to Negative if the Company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker financial risk profile or liquidity position.



## KEY RATING DRIVERS

### Credit Strengths:

- **Experienced management, operational track record of the company, its strong regional market presence:** The Company is promoted by Mr. Manoj Vadodaria and Mr. Kiran Vadodaria, who have over three decades of experience in this industry. The Company has established strong relationships with reputed corporates and government agencies.
- **Diversified revenue stream, having healthy relationships with customers:** SML has developed a diversified business model. The Company is into the business of publishing of Newspapers, Journals and Periodicals and Sale of other Advertising Space or Time. Its business operations include VTV News, Abhiyaan Magazine, Sambhaav Metro (a mid-day paper), Wise TV, Vehicle Tracking System, Online Portal, Online Applications, and FM radio stations.
- **Comfortable financial risk profile:** Financial risk profile of the company is adequate marked by healthy networth of Rs. 68.92 Crs, low gearing of 0.20x and comfortable coverage indicators with ISCR of 1.77x and DSCR of 2.70x.

### Credit Risks:

- **Disruption in business activities due to Covid-19** - The disruption in business activities with the commencement of nationwide lockdown due to the Covid-19 pandemic from March 24, 2020 onwards is likely to have a adverse impact on Company's scale of operations and its cashflows for the near to medium term. Operating performance may remain impacted by the pandemic in the near term, and the resultant disruption in operations.
- **Moderate scale of operations:** The Company recorded total operating income of Rs. 48.69 crs in FY20 as against total operating income of Rs. 42.48 Crs in FY19. Due to slowdown in industry, reduction in ad revenue and increased operational expenses due to new FM stations initiative, profit margins for FY20 reduced. Net profit margin and operating profit margin were at 1.20% and 10.32% respectively. Q1FY21 performance was adversely affected due to COVID19 led disruption. Revenue generated from GSRTC has been lost for the entire lockdown period as GSRTC suspended operations for the entire lockdown period. However, Q2FY21 and Q3FY21 results show gradual recovery. The company recorded revenue of Rs. 11.30 Crs in Q2FY21 and Rs. 11.80 Crs in Q3FY21.
- **Significant dependence on ad revenue and exposure to competition in the industry** - Major portion of the revenue comes from advertisement through print media and television ads. Furthermore, the operating margin of media houses remains vulnerable to economic downturns as advertisement revenue is linked to economic conditions. Revival in macroeconomic environment and its impact on company's operating performance will remain a key monitorable.
- **Competition** - SML faces competition from other regional/ national news channels, FM stations and print media houses which have a healthy circulation in core regional



markets. Ability to withstand competition and drive revenue growth will remain a key monitorable.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

#### **Positive**

Upgrade in rating is unlikely in the near term. BWR may upgrade SML's rating if the company demonstrates a significant improvement in revenue along with sustained profit margins and improvement in the interest coverage ratios.

#### **Negative**

Negative pressure on the ratings could also arise if the execution is lower than expected, or there is an increase in the working capital cycle. Specific credit metrics that could result in downgrade include interest coverage below 1.70 times on a sustained basis. Pressure on the ratings could also materialise if the financial risk profile weakens due to a slowdown in the execution pace, moderation in profitability and elongation of working capital cycle leads to a significant increase in the working capital requirement and impacts the cash flows. BWR will continue to monitor the pace of revival of revenue from both advertisements and circulation and the effect of cost reduction initiatives on overall operating performance of the Company. Significant and sustained deviations from our base case expectation may adversely impact SML's credit risk profile over the medium term and, thus, will remain a key monitorable.

### **LIQUIDITY INDICATORS: Adequate**

Cash accrual is expected to be Rs 6-6.5 crs in FY21 against debt obligation of Rs. 0.50 Crs. SML has sufficient gearing headroom to contract additional debt. Average bank WC limit utilization is around 60-65% for last 12 months. Unutilised bank limit is more than adequate to meet incremental working capital needs over the medium term.

### **COMPANY PROFILE**

Sambhaav Media Ltd (SML) is a Public Limited Company incorporated in 1990, having registered office in Ahmedabad, Gujarat. On 06Feb1995, SML got listed in NSE & BSE. Mr. Kiran Vadodaria is the Chairman & Managing Director of the Company. He has more than 3 decades of experience in the industry. The Company is into the business of Publishing of Newspapers, Journals and Periodicals, and Sale of Other Advertising Space or Time. Its business operations include VTV News, Abhiyaan Magazine, Sambhaav Metro, Wise TV, Vehicle Tracking System, Online Portal, Online Application, and FM.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	42.48	48.69
EBITDA	Rs in Crs	7.83	5.03
PAT	Rs in Crs	2.43	0.58
Tangible Net worth	Rs in Crs	71.33	68.92
Total Debt/TNW	Times	0.25	0.20
Current Ratio	Times	1.07	1.73

### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction include standard covenants normally stipulated for such facilities.

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY : NA**

### RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Jan 2020`	27.12.2019	28.09.2018
	Fund Based	Long Term	<b>19.01</b>	BWR BBB-/Stable	NA	BWR BBB- (Stable)	BWR BBB- (Stable)
	Non Fund Based	Short Term	<b>10.08</b>	BWR A3		BWR A3	BWR A3
	<b>Total</b>		<b>29.09</b>	<b>₹ Twenty Nine Crores and Nine Lakhs Only</b>			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Criteria\\_ManufacturingCompanies](#)
- [Short Term Debt](#)



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**SMLa Infrastructures Ltd.**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Facilities	Type (Long Term/ Short Term)	TOTAL
A. FUND BASED-FBWC	Long Term	19.01
B. NON-FUND BASED	Short Term	10.08
Limits		29.09

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