

March 30, 2021

The Indian Express Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Working Capital Facilities	35.0	35.0	[ICRA]A (Stable) reaffirmed
Non-fund Based – Working Capital Facilities	60.0	60.0	[ICRA]A1; reaffirmed
Unallocated Limits	10.0	10.0	[ICRA]A (Stable) reaffirmed
Total	105.0	105.0	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation of The Indian Express Private Limited (TIEPL) takes into account the healthy brand recognition and a stable readership base of its key publications, *The Indian Express* (TIE) and *Loksatta*, as well as its strong financial risk profile, characterised by a conservative capital structure and strong liquidity profile. The rating also continues to favourably factor in the long history of operations resulting in a diverse and established advertiser base as well as the entity's experienced promoters.

In the current fiscal, the Covid-19 pandemic had a cascading impact across sectors. The print media players have witnessed a sharp contraction in earnings as advertising spends, which represents a discretionary expense for corporates, were curtailed across almost all key sectors. Also, given the nature of the pandemic, the circulation revenues were impacted as distribution of copies was constrained by the lockdowns/ restrictions (especially in Q1 FY2021) and some consumers refrained from purchase of physical copies in favour of digital media platforms. With gradual unlocking of the economy and an improvement in business activities, print media players have witnessed a sequential improvement in the advertising and circulation revenues; although they are likely to remain far from pre-Covid levels in FY2021. Nonetheless, print players, including TIEPL, timely initiated several cost control measures, which coupled with benign newsprint prices, supported their profitability margins. ICRA expects that with economic recovery in FY2022, the operating performance of the print companies (like TIEPL) is likely to rebound.

TIEPL's ratings, however, continue to remain constrained by its dependence on the print media (lack of revenue diversification) and geographical concentration of publications in the intensely competitive Delhi and Maharashtra (Mumbai and Pune) markets. While it has an event business division, the contribution of the same to overall performance remains marginal at present (~3% of total revenues in FY2020). Further, the company's operating margins remain vulnerable to global newsprint prices and foreign exchange rate fluctuations, given the high dependence on imported newsprint. With an advertisement revenue driven business model, TIEPL remains exposed to economic downturns and socio-political events. The rating also takes cognisance of the structural challenges faced by newspaper publications, especially in the English-print segment, where customer preference (primarily from metros and Tier-I cities) has been shifting towards digital media.

The Stable outlook on TIEPL's long-term rating reflects ICRA's expectation that it will continue to maintain its healthy credit risk profile, aided by the established market position of its key publications, its experienced management and a strong balance sheet with cash surplus position. The same is likely to help the company successfully navigate through the uncertainties caused by the pandemic, while maintaining a comfortable financial risk profile.

Key rating drivers and their description

Credit strengths

Healthy brand recognition with stable readership base of key publications - The company's flagship publication, *The Indian Express*, is ranked among the top read English dailies in the country (fifth as per the Indian Readership Survey, Q1 2019) and enjoys patronage from a niche reader base. Its Marathi daily, *Loksatta*, one of the highest circulated Marathi dailies (more than 3.4 lakh copies a day in FY2020), is among the top publications in the Mumbai market. The strong brand recall of these publications is attributable to their established presence (TIE has been in circulation since 1932), credible and strong quality content and experienced management.

Strong financial risk profile evidenced by healthy capital structure and cash surplus position - Despite pressures on the operating performance over the past two years with lower advertisement revenues, the credit profile of the company has remained healthy, with gearing of 0.04 time as on March 31, 2020, no long-term debt on the books, marginal working capital borrowings and strong liquidity position (unencumbered cash and bank balances of Rs. 51 crore as on December 31, 2020). In 9M FY2021, the company reported revenues of Rs. 170 crore (viz. 42% of FY2020 revenues) with break even at operating level, aided by timely cost rationalisation measures. With a healthy macro-economic recovery expectation in FY2022, the company's financial metrics are likely to remain comfortable.

Favourable industry growth drivers, although peer competition and alternative forms of media may prevent margin expansion - Vernacular and Hindi newspapers have been driving the print industry growth momentum and are likely to continue doing so over the medium term. The growth is expected to be supported by improving literacy rates, higher penetration, strong domestic consumption-driven growth in markets as well as limited competition from the digital media, among other factors. While the company's publications enjoy a stable readership base, increasing peer competition and change in reader preferences are likely to prevent significant margin expansion over the medium term.

Credit challenges

Vulnerability of advertising revenues to cyclical downturns; operating performance expected to remain subdued in the near-term due to extensive impact of Covid-19 - The newspaper publishing industry remains vulnerable to cyclical downturns in advertising spends by corporates. With the widespread impact of the pandemic across the sectors in FY2021, advertisement spend, which is a discretionary expense for businesses, is expected to be curtailed in the near term. With an advertisement revenue-driven business model, TIEPL's operating performance will be severely impacted in FY2021 with recovery to FY2019 operating levels expected beyond FY2022, and that too contingent upon the pace of macro-economic revival.

Operating margins susceptible to volatility in global newsprint prices and foreign exchange - The main cost element for a newspaper company is the newsprint cost (along with employee cost). Commodity prices are volatile, and it may not always be possible to pass on the increase to customers through an increase in cover price or higher advertisement tariff. Moreover, as TIEPL imports over 70% of its newsprint requirement, it remains susceptible to adverse fluctuations in forex rate. The same is accentuated further in the absence of any formal hedging mechanism. While healthy cash and liquid investments and lines of credit from banks provide comfort, the company's ability to expand its margins, while remaining exposed to volatile newsprint prices, remains a key rating sensitivity.

Low business diversity, high geographical concentration, and competition from digital media - TIEPL continues to remain primarily a print media company with significant revenue dependence on a single English daily. This exposes it to volatility in advertisement revenues caused by the growing popularity of digital platforms, in line with changing media consumption habits. Moreover, the pandemic is expected to have further accelerated the migration of readership towards the digital medium in FY2021, which may result in subdued circulation revenues in the medium term. The company's revenues are geographically concentrated in Delhi and Maharashtra regions, with three cities (Delhi, Mumbai, and Pune) accounting for over 60% of circulated volume. While it has presence in other geographies like Chandigarh, Ahmedabad, Kolkata, Chennai, Jaipur, etc, their contribution remains weak. The switch to digital platforms is happening rapidly in metros and tier-I cities (core markets for

TIE), led by the English-speaking, higher socio-economic segment. This is likely to keep impacting the growth prospects of the company's English daily, *TIE*, the primary revenue driver.

Liquidity position: Strong

TIEPL's liquidity position remains **strong**, supported by free cash and bank balance, and liquid investments of ~Rs. 51 crore as on December 31, 2020, undrawn fund-based working capital facilities of Rs. 45 crore in addition to its non-current investments (in MFs and FMPs) of ~Rs. 58 crore. The company does not have any long-term debt and neither does it plan to raise any in the near-term. The company mainly utilises non-fund working capital for purchasing newsprint. It does not have any major capex plans. While FY2021 is expected to be a challenging year for the company on the back of steep reduction in advertisement revenues, ICRA expects its liquidity to remain strong and be more than enough to cover any operational cash flow gaps and maintenance capex requirements.

Rating sensitivities

Positive factors – ICRA could upgrade TIEPL's rating if the company is able to sustainably increase its scale of operations and improve its profitability indicators. Furthermore, strengthening its business risk profile with a sustained and profitable diversification into alternative media channels could also be an upgrade trigger.

Negative factors – Negative pressure on the company rating could arise for reasons including sustained pressure on profitability owing to subdued advertising revenues impacting its liquidity profile, and/or any significant debt-funded capex impacting its capital structure. Also, any sustained issues in the working capital cycle that adversely impact the company's liquidity profile may be a trigger for a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for print media entities
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the entity.

About the company

Incorporated in 2003, The Indian Express Private Limited (TIEPL) is a privately held print media company with a well-diversified publication profile of dailies such as *The Indian Express* (English daily), *Loksatta* (Marathi daily), *Jansatta* (Hindi daily) and *The Financial Express* (business daily). The key markets for the company's publications are Delhi and Maharashtra. Besides these publications, it also publishes various magazines, such as *Express Computer*, *Food & Hospitality World*, *Express Travelworld*, and *Express Pharma*, which comprise the business publication division of the company. Besides the print business, which drives almost 90% of its revenues, the company also has an events business division (6% revenue contribution in FY2020). This division organises several events like Ram Nath Goenka Excellence in Journalism Awards, India Press Photo Awards and other marketing events like Technology Senate (symposium to debate technology issues), Technology Sabha (e-governance seminar), Food Hospitality World (trade show organized by subsidiary – Global Fairs & Media Pvt Ltd.), etc, to increase brand visibility, engage with existing customers and bring in new readers.

The Indian Express Group was founded by the print media baron late Mr. Ramnath Goenka in 1932. Following his demise in 1991, the group was split into two companies - Indian Express Newspapers (Mumbai) Limited (IENML engaged in printing and publishing business and renting/leasing of office space) and Express Publications (Madurai) Limited. In 2009, pursuant to the order of Ho'nable Mumbai High Court, IENML was de-merged, and its print business was transferred to TIEPL. The company

is currently managed by Mr. Viveck Goenka (grandson of Late Mr. Ramnath Goenka) who has more than 30 years of experience in the print media industry and holds ~40% stake in TIEPL, together with his son, Mr. Anant Goenka.

Key financial indicators (audited)

	FY2019	FY2020	9M FY2021*
Operating Income (Rs. crore)	463.1	404.8	170.0
PAT (Rs. crore)	19.2	-1.1	-13.9
OPBDIT/OI (%)	10.5%	4.0%	-0.5%
RoCE (%)	8.2%	0.6%	--
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.2	--
Total Debt/OPBDIT (times)	0.5	1.0	--
Interest Coverage (times)	33.8	10.8	--
DSCR (times)	31.1	13.1	--

Source: Company results; ICRA research ; * Provisional Results

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 28, 2021 (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in	
				Mar 30, 2021	Sep 16, 2019	Apr 6, 2018	-	
1 Fund Based Facilities (Cash Credit)	Long-term	35.0	--	[ICRA]A(stable)	[ICRA]A(stable)	[ICRA]A(Positive)	-	
2 Non-fund Based Facilities	Short-term	60.0	--	[ICRA]A1	[ICRA]A1	[ICRA]A1	-	
3 Unallocated	Long-term	10.0	--	[ICRA]A (stable)	[ICRA]A (stable)	[ICRA]A (Positive)	-	

*An update on reason for delay in surveillance was published on July 26, 2019 and December 21, 2020

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund Based Facilities (Cash Credit)	-	-	-	35.0	[ICRA]A (Stable)
NA	Non-fund Based Facilities	-	-	-	60.0	[ICRA]A1
NA	Unallocated	-	-	-	10.0	[ICRA]A (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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