November 11, 2022

The Indian Express Private Limited: Ratings reaffirmed; removed from Issuer not cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Working capital facilities	35.0	20.0	[ICRA]A (Stable); reaffirmed and removed from ISSUER NOT COOPERATING category
Short-term – Non-fund-based – Working capital facilities	60.0	55.0	[ICRA]A1; reaffirmed and removed from ISSUER NOT COOPERATING category
Long-term – Unallocated limits	10.0	-	-
Long-term /Short-term – Unallocated limits	-	30.0	[ICRA]A(Stable)/ [ICRA]A1; reaffirmed and removed from ISSUER NOT COOPERATING category
Total	**105.0**	**105.0**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has reaffirmed the ratings assigned to The Indian Express Private Limited's (TIEPL) bank lines and removed it from the Issuer Not Cooperating (INC) category, owing to the company's subsequent cooperation in concluding the rating exercise.

The rating reaffirmation reflects the rebound in the company's performance in FY2022 owing to the swift recovery amid the waning impact of the pandemic. In FY2022, it has reached 84% of the pre-Covid (or FY2020) revenues, while the operating margin strengthened significantly to 14.9% from 2.3% in FY2021, driven by various cost rationalisation initiatives including reduction in pagination, pruning employee costs and other overheads. Though the profitability in H1 FY2023 was supported by recovery in advertisement revenues, TIEPL's ability to withstand the raw material cost pressures, on a sustained basis, will be a key rating monitorable.

The ratings continue to factor the healthy brand recognition and a healthy readership base of its key publications – The Indian Express (TIE) and Loksatta - as well as its strong financial risk profile, characterised by limited external debt, strong liquidity position and robust debt protection metrics - total debt/OPITDA stood at 0.1 times in FY2022. ICRA positively considers the the demonstrated track record of operations and a diverse and established advertiser base as well as the entity's experienced promoters.

The strengths are partially offset by the company's moderate scale of operations along with high dependence on the print media. Moreover, the geographical concentration of its publications remains high with presence mainly in the intensely competitive Delhi and Maharashtra (Mumbai and Pune) markets. While it has an event business division, the contribution of the same to the overall performance remains marginal at present (~5% of total revenues in FY2022). Moreover, TIEPL's operating margin remains susceptible to adverse movements in newsprint prices, which witnessed a steep uptick in the recent quarters. Further, with high dependence on imported newsprint, any adverse currency fluctuations may have a bearing on the company's profitability. ICRA notes the strong competition from other established dailies as well as digital media. The ratings also take 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 mediums.

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.

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[1] and enjoys patronage from a niche reader base. Its Marathi daily, Loksatta, is one of the highest circulated Marathi dailies 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 company's credit profile has remained healthy. TIEPL has maintained a conservative capital structure over the past years owing to a healthy net worth and low reliance on external debt. It has maintained a healthy liquidity profile, with a net cash position of Rs. 209 crore as on March 31, 2022. Despite some likely moderation in the profitability and cash accruals in the near to medium term, in view of high newsprint prices, ICRA expects its coverage indicators to remain strong.

Healthy improvement in performance in FY2022; likely to be sustained in current fiscal – The company reported a healthy revenue growth of ~37% to ~Rs. 341.1 crore in FY2022 from ~Rs. 249.2 crore in FY2021. Moreover, the operating margin improved significantly to 14.9% from 2.3% in FY2021. Consequently, the credit metrics improved with interest coverage and TOL/TNW of ~170 times and 0.2 times, respectively, in FY2022 from 8.4 times and 0.2 times, respectively, in FY2021. ICRA expects the company's financial risk profile to remain healthy on the back of continued recovery in revenues (YoY growth of 38% in H1 FY2023), no major capex and nil debt repayment obligations.

Credit challenges

Moderate scale of operations with low business diversity and high geographical concentration – Notwithstanding the improvement in revenues by 37% in FY2022, the company's scale of operations continues to be moderate at Rs. 341.4 crore. Also, its revenue base has primarily remained stagnant over the past (operating income of Rs. 448.5 crore, Rs. 463.1 crore and Rs. 404.8 crore over FY2018 to FY2020). TIEPL is a mid-sized print media company with significant revenue dependence on a single English daily. Moreover, the revenues are geographically concentrated in Delhi and Maharashtra regions, with three cities (Delhi, Mumbai, and Pune) accounting for almost 60% of the circulated volume. While it has presence in other geographies (like Chandigarh, Ahmedabad, Kolkata, Chennai, Jaipur, etc), the contribution from these remains low. In addition, other English and Marathi dailies continue to pose stiff competition to TIEPL in these markets.

Susceptibility to volatility in newsprint prices, foreign exchange fluctuations and economic cycles – Newsprint and employee cost are the company's two major expenses. ICRA considers the susceptibility of its profitability to newsprint prices and foreign exchange rate fluctuations, given the high dependence on imported newsprint. The recent surge in newsprint prices is likely to constrain the improvement in its profitability in FY2023. Furthermore, a substantial share of TIEPL's operating income is derived from advertisement revenue, which has strong linkage to economic activity and is affected by economic cycles. TIEPL's advertisement revenues declined to Rs. 182.9 crore in FY2021 from Rs. 285.4 crore in FY2019, given the pandemic-induced challenges. Although the ad revenues increased to Rs. 243.5 crore in FY2022, it still remains lower than the pre-pandemic level.

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[1] *5th as per Indian Readership Survey, Q1 CY 2019*

Competition from digital media, structural shift towards alternative media platforms – The growing popularity of digital platforms, in line with changing media consumption habits, is likely to keep impacting the growth prospects of the company's English daily – The Indian Express – the primary revenue driver. Moreover, the pandemic is expected to have further accelerated the migration of readership towards the digital medium, which may result in subdued circulation revenues in the medium term. Although the company has an event business division, the contribution of the same to the overall performance remains marginal at present (~5% of the total revenues in FY2022).

Liquidity position: Strong

The company's strong liquidity profile is reflected in the healthy cash accrual generation against nil debt repayment obligations and limited capex requirements over the medium term. The liquidity was further supported by total cash and bank balance and liquid investments of ~Rs. 130 crore as of March 2022, undrawn fund-based working capital facilities of Rs. 45 crore, in addition to its non-current investments of ~Rs. 87 crore as on the same date.

Rating sensitivities

Positive factors – ICRA could upgrade TIEPL's ratings if it is able to diversify its current product offerings and revenue streams, along with a sustainable improvement in its revenues and profitability, while maintaining comfortable leverage levels and healthy liquidity.

Negative factors – Pressure on the company's ratings could arise in case of a decline in scale or profitability, impacting the debt protection metrics and liquidity position. Additionally, significant elongation of working capital cycle or any significant debt-funded capex impacting its financial risk profile or liquidity position may lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Print Media Industry
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial statements

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, comprising dailies such as The Indian Express (English daily), Loksatta (Marathi daily), Jansatta (Hindi daily) and The Financial Express (business daily). The key markets for its publications are Delhi and Maharashtra. Besides these publications, it also publishes various magazines such as Express Computer, Food & Hospitality World, Express Travelworld, Express Pharma, etc, which comprise the company's business publication division. It also has an events business division, which organises several events like Ram Nath Goenka Excellence in Journalism Awards, India Press Photo Awards, etc.

Key financial indicators (audited)

TIEPL – Standalone	FY2021	FY2022
Operating income	249.2	341.4
PAT	-2.7	41.7
OPBDIT/OI	2.3%	14.9%
PAT/OI	-1.1%	12.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.4	0.1
Interest coverage (times)	8.4	169.5

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; The above financial numbers and ratios reflect analytical adjustments made by ICRA and may not be comparable with TIEPL's reported financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					November 11, 2022	June 24, 2022	-	Mar 30, 2021	Sep 16, 2019
1	Fund-based – Working capital facilities	Long-term	20.0	-	[ICRA]A (Stable)	[ICRA]A (Stable); ISSUER NOT COOPERATING	-	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Non-fund based – Working capital facilities	Short-term	55.0	-	[ICRA]A1	[ICRA]A1; ISSUER NOT COOPERATING	-	[ICRA]A1	[ICRA]A1
3	Unallocated limits	Long-term/ Short-term	30.0	-	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-
4	Unallocated limits	Long-term	-	-	-	[ICRA]A (Stable); ISSUER NOT COOPERATING	-	[ICRA]A (Stable)	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based working capital/ Cash credit	Simple
Short -term – Non-fund based working capital/Letter of credit	Very Simple
Long-term/Short – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit 1**	June 2022	-	-	10.0	[ICRA]A (Stable)
NA	**Cash credit 2**	April 2022	-	-	10.0	[ICRA]A (Stable)
NA	**Letter of credit 1**	June 2022	-	-	25.0	[ICRA]A1
NA	**Letter of credit 2**	April 2022	-	-	30.0	[ICRA]A1
NA	**Unallocated**	-	-	-	30.0	[ICRA]A (Stable)/ [ICRA]A1

Source: Company; ^date of renewal

Annexure II: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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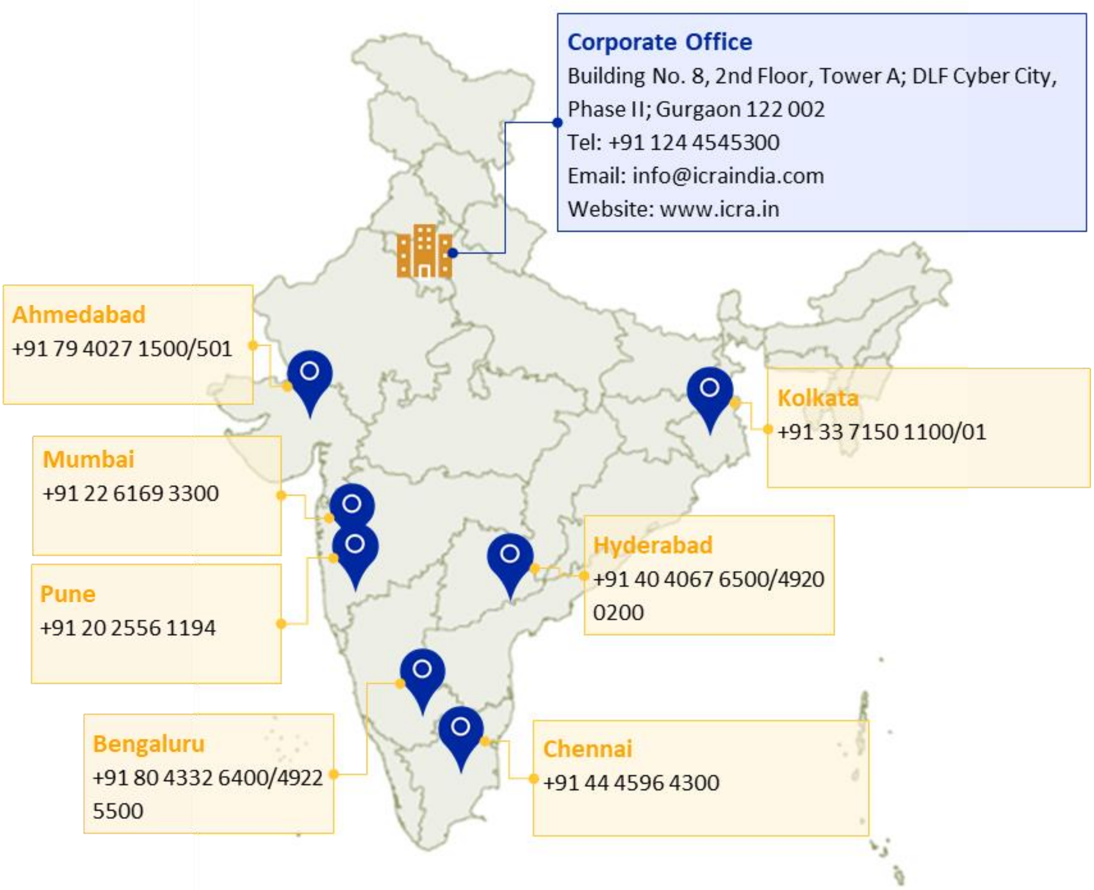

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