

April 10, 2024^(Revised)

Telangana Publications Private Limited: Rating downgraded to [ICRA]BBB- (Stable)/[ICRA]A3

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash credit	13.00	13.00	[ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable)
Long-term Fund-based – Term loan	30.00	30.00	
Short-term Non-fund based	12.00	12.00	[ICRA]A3; downgraded from [ICRA]A3+
Proposed – Fund-based – Long term/Short term	10.50	10.50	[ICRA]BBB- (Stable)/[ICRA]A3; downgraded from [ICRA]BBB (Stable)/[ICRA]A3+;
Total	65.50	65.50	

*Instrument details are provided in Annexure-I

Rationale

The ratings downgrade for Telangana Publications Private Limited (TPPL) factors in the elongation in working capital cycle due to delay in payments from government orders, which is expected to continue and estimated decline in revenues by 20-25% YoY in FY2025 (Rs. 135-140 crore estimated revenues in FY2024) due to lower advertisement orders from the Government of Telangana post change in ruling party in the state. This is expected to result in a reduction in profitability, stretched liquidity position and moderation in debt protection metrics. TPPL's ability to ramp-up advertisement revenues from commercial players and improve its working capital cycle will remain important.

The ratings factor in TPPL's established presence in the Telugu newspaper publishing business in Telangana with its newspaper, Namaste Telangana, being among the top three Telugu vernacular dailies. Further, the company's capital structure remain comfortable and its debt protection metrics are expected to remain adequate with total debt/EBITDA of 2.7-2.8 times in FY2025 (PY: estimated at 1.9 times), interest coverage of 1.7-1.8 times (PY: estimated at 3.2 times) and DSCR of 3.0-3.1 times (PY: estimated at 5.5 times).

The ratings are, however, constrained by the vulnerability of TPPL's operating margins to fluctuations in newsprint cost and increasing competition from digital media. Due to substantial rise in newsprint cost in FY2023, the operating margins declined to 13.2% in FY2023 from 19.9% in FY2022. However, with easing of newsprint prices in the FY2024, the margins are expected to improve to around ~18% in FY2024. Further, the ratings are constrained by the lack of geographical diversity for its newspaper publication business. Its high dependence on Telangana market exposes its revenues to significant political and economic developments in the region, publishing spends by corporates and increasing competition.

Newspaper publications are witnessing a gradual slowdown in circulation and readership due to the increasing penetration of digital media, market saturation and changing media consumption habits. As digital penetration increases, the circulation volumes of newspapers may undergo significant changes. However, the extent of such digital impact remains to be seen.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that TPPL's credit profile will be supported by its established presence in the newspaper publishing business in Telangana.

Key rating drivers and their description

Credit strengths

Established presence in Telugu newspaper publishing business in Telangana – Namaste Telangana, TPPL’s flagship publication newspaper, enjoys healthy market position in Telangana and is among the top three Telugu vernacular dailies. Since its inception in 2010, the company has been able to increase its readership base in Telangana owing to its experienced management. It also publishes an English daily, Telangana Today.

Comfortable capital structure and adequate debt protection metrics – The company’s capital structure is expected to remain comfortable with TD/TNW likely to be at 0.4-0.5 times (PY: estimated at 0.5 times) and TOL/TNW estimated at 0.7-0.8 times (PY: estimated at 0.9 times) in FY2025. Its debt protection metrics are expected to remain adequate in FY2025 with total debt/EBITDA of 2.7-2.8 times (PY: projected at 1.9 times) and interest coverage and DSCR of 1.7-1.8 times (PY: estimated at 3.2 times) and 3.0-3.1 times (PY: estimated at 5.5 times) respectively.

Credit challenges

Elongation in working capital cycle and estimated decline in revenues – TPPL’s working capital intensity (NWC/OI) is expected to remain above 30% in FY2025 primarily due to elongated receivables from the government and higher inventory levels. Receivables from government accounted for 69.5% of its total debtors as on February 29, 2024, which are expected to be recovered slowly. Further, TPPL’s revenues are projected to decline by 20-25% YoY in FY2025 (Rs. 135-140 crore estimated revenues in FY2024) due to lower advertisement orders from the Government of Telangana post change in ruling party in the state, which will lead to lower profitability and stretched liquidity position.

Operating margins vulnerable to newsprint prices and increasing competition from digital media – TPPL’s operating margins are vulnerable to fluctuation in newsprint cost. Due to substantial rise in newsprint cost in FY2023, the operating margins declined to 13.2% in FY2023 over 19.9% in FY2022. However, with easing of newsprint prices in FY2024, the margins are expected to improve to 16-18% in FY2024. In addition, newspaper publications are witnessing a gradual slowdown in circulation and readership due to the increasing penetration of digital media, market saturation and changing media consumption habits. As digital penetration increases, the circulation volumes of newspapers may undergo considerable changes. However, the extent of such digital impact remains to be seen. TPPL remains dependent on Telangana market, which exposes its revenues to significant political and economic developments in the region, publishing spends by corporates and increasing competition from digital media.

Liquidity position: Stretched

The company’s liquidity position is stretched with high working capital utilisation of around 78% for 12 months ending December 2023 and ~99% as on March 21, 2024. It avails secured overdraft against fixed deposits, which is fully utilised. TPPL has free cash balance of Rs. 5 crore as on March 21, 2024. It has debt repayment obligations of Rs. 3.6 crore in FY2025 and Rs. 2.8 crore in FY2026, which can be serviced through its estimated cash flow from operations. However, any significant elongation in the working capital cycle will further impact its liquidity position and remains key monitorable. TPPL does not have any major capex plans in the medium term.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a significant improvement in working capital cycle strengthening the liquidity position. In addition, the ratings will be upgraded if the company witnesses a considerable increase in revenues and earnings, while maintaining adequate debt protection metrics on a sustained basis.

Negative factors – Negative pressure on TPPL’s ratings may arise if there is a material decline in revenues and profitability or elongation of working capital cycle leading to weakening of liquidity position or a significant debt-funded capex resulting in weakening of the debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Print Media
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

TPPL was established in 2010 by Sri D. Damodar Rao, Sri K. Chandrasekhar Rao and their families, to publish and print the Telugu daily newspaper, “Namasthe Telangana”. Later, in 2016, the company started an English daily, “Telangana Today”. TPPL is based out of Hyderabad.

Key financial indicators (audited)

	FY2022	FY2023	9M FY2024*
Operating income	122.6	142.1	123.1
PAT	10.0	5.1	13.9
OPBDIT/OI	19.9%	13.2%	18.7%
PAT/OI	8.1%	3.6%	11.3%
Total outside liabilities/Tangible net worth (times)	1.1	1.1	1.0
Total debt/OPBDIT (times)	1.9	2.52	1.42
Interest coverage (times)	7.5	4.1	8.5

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

CRA	Ratings	Date of PR
Brickworks	BWR B+/Stable; Continues to be in ISSUER NOT COOPERATING category/Downgraded/BWR A4; Continues to be in ISSUER NOT COOPERATING category/Reaffirmed	April 12, 2023

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				April 10, 2024	Jun 13, 2023	Jun 01, 2022	-
1 Cash credit	Long term	13.00	-	[ICRA]BBB-(Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
2 Term loan	Long term	30.00	29.1	[ICRA]BBB-(Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
3 Non-fund based	Short term	12.00	-	[ICRA]A3	[ICRA]A3+	[ICRA]A3+	-
4 Proposed-Fund-based	Long term/Short term	10.50	--	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Fund-based – Term loan	Simple
Short-term – Non-fund based	Very Simple
Proposed – Fund-based – Long-term/Short-term	Simple

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	Long-term Fund-based - Cash credit	NA	NA	NA	13.00	[ICRA]BBB- (Stable)
NA	Long-term Fund-based – Term loan	2022	NA	2037	30.00	[ICRA]BBB- (Stable)
NA	Short-term – Non-fund based	NA	NA	NA	12.00	[ICRA]A3
NA	Proposed – Fund-based - Long-term/Short term	NA	NA	NA	10.50	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

Rationale dated April 10, 2024, has been revised with update of Key Financial Indicators.

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