September 23, 2024

The Mathrubhumi Printing and Publishing Co. Ltd.: Ratings downgraded to [ICRA]BBB+(Stable)/[ICRA]A2; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based/ CC	110.00	110.00	[ICRA]BBB+(Stable); downgraded from [ICRA]A-(Negative) and outlook revised to Stable from Negative
Long-term Fund-based TL	8.70	15.00	[ICRA]BBB+(Stable); downgraded from [ICRA]A-(Negative) and outlook revised to Stable from Negative
Short-term Fund-based	20.00	20.00	[ICRA]A2; downgraded from [ICRA]A2+
Long-term/Short-term Non-fund based	6.00	6.00	[ICRA]BBB+(Stable)/[ICRA]A2; downgraded from [ICRA]A- (Negative)/[ICRA]A2+ and outlook revised to Stable from Negative
Long-term/ Short-term - Unallocated	30.00	20.00	[ICRA]BBB+(Stable)/[ICRA]A2; downgraded from [ICRA]A- (Negative)/[ICRA]A2+ and outlook revised to Stable from Negative
Total	**174.70**	**171.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating downgrade for The Mathrubhumi Printing and Publishing Co. Ltd. (TMPPCL) factors in the sustained pressure on its debt protection metrics owing to elongated working capital cycle, primarily driven by stretched debtors, and higher-than-expected debt-funded capex. The receivable position remains stretched, with sizeable payments due for more than three months from the state government departments/authorities. Contrary to expectation of reduction in debt levels, there has been an increase in debt owing to capex towards replacement of machinery as well as decrease in creditor outstanding. The debt levels are unlikely to decline materially in the near to medium term. ICRA notes that moderation in circulation and advertisement revenue is also expected to exert pressure on its revenue growth and profitability in the current fiscal, as reflected in almost 10% YoY decline in turnover in 4M FY2025. TMPPCL continues to make losses in the digital segment, television segment and overseas FM business in FY2024.

The ratings are constrained by the vulnerability of TMPPCL's operating margins to fluctuations in newsprint paper prices and foreign exchange fluctuations, as majority (~86% in FY2024) of the raw material is imported. The company faces stiff competition from digital media resulting in declining readership base and sustained pressure on circulation revenue. In FY2024, the average circulation copies per issue for Mathrubhumi daily fell by ~10%. ICRA notes that the circulation revenue moderated by 4% in FY2024, leading to modest revenue growth of 1.5% in FY2024, despite healthy 6.6% YoY growth in advertisement revenues. Additionally, geographical concentration risk, as inherent to any vernacular daily, constrains the ratings. Its high dependence on Kerala market exposes its revenues to significant political and economic developments in the region and publishing spends by corporates.

The ratings factor in TMPPCL's established position in the Malayalam newspaper publishing business with its newspaper, Mathrubhumi daily, as the second most widely read Malayalam daily in Kerala. Further, it has a diversified presence across media platforms, including print, radio, television broadcasting and digital platforms. ICRA takes note of improved operating margin in FY2024, driven by moderation in newsprint prices as well as reduced losses in radio segments. However, the operating margins remain much lower than 13-16% level witnessed during FY2020-2022 period. ICRA expects the debt protection metrics to remain at satisfactory levels, led by expected hike in selling price, no major scheduled debt repayment and absence of any major debt-funded capital expenditure over the medium term.

The Stable outlook reflects ICRA's opinion that the credit profile of TMPPCL will be supported by its presence in newspaper publishing business in Kerala. Its debt protection metrics are expected to remain at similar levels, led by reduction in debt levels.

Key rating drivers and their description

Credit strengths

Established position of The Mathrubhumi in Malayalam newspaper publishing business – TMPPCL's flagship daily – The Mathrubhumi – enjoys healthy market position in Kerala and has been ranked as the second most widely read Malayalam daily based on the circulation base of various newspapers in Kerala. Over the years, the company has been able to maintain a stable readership base owing to strong brand recall, long presence with circulation since 1923 and experienced management. However, in FY2024, the circulation volumes declined by 10%. The management is putting efforts on the ground to recall the existing subscribers who have discontinued subscription due to shift to other newspapers. Hence, no major decline is expected in circulation volumes. Further, unlike most of its peers, the circulation income adequately covers the newsprint cost supporting its profitability margins.

Diversified presence across media platforms – TMPPCL has presence across media platforms. This includes print, publication, online, radio and TV broadcasting segments. With a common advertisement revenue-driven business model, the diverse operating segments provide strong operational synergies by way of leveraging the Mathrubhumi brand. The improvement in the Indian radio business, apart from print business, has supported the revenue and profitability for FY2024.

Credit challenges

Sustained pressure on debt protection metrics; elongated working capital cycle – In FY2024, TMPPCL's debt protection metrics remained under pressure owing to elongated working capital cycle, primarily driven by stretched debtors and higher-than-expected debt-funded capex. The receivable position remains stretched, with sizeable payments due for more than three months from the state government departments/authorities. Contrary to expectation of reduction in debt levels, there has been an increase in debt owing to capex towards replacement of machinery as well as decline in creditor outstanding. The debt levels are unlikely to decrease materially in the near to medium term. However, with the expected hike in selling price, no major scheduled debt repayment and absence of any major debt-funded capital expenditure, ICRA expects the debt protection metrics to remain at satisfactory levels over the medium term.

High geographical concentration – The company's revenues are geographically concentrated with Kerala accounting for a major share of the circulation revenues. While it has presence in other geographies – like New Delhi, Mumbai, Bengaluru, Chennai, Dubai, and Doha, etc, the contribution from these remains low. Its high dependence on the Kerala market exposes its revenues to significant political and economic developments in the region and publishing spends by corporates.

Vulnerability of operating margins to newsprint prices; competition from digital media, structural shift towards alternative media platform – The company's revenues and profits are vulnerable to the cyclicality in advertising spends by corporates and the newsprint paper prices. Supported by general election, TMPPCL's advertisement revenues grew YoY by 6.6% to ~Rs. 341 crore in FY2024. The operating margins improved expectedly to 10% in FY2024 from ~5% in FY2023 on account of continued moderation in newsprint paper prices. The moderation in circulation and advertisement revenue is expected to exert pressure on revenue growth and profitability in the current fiscal, as reflected in almost 10% YoY decline in turnover in 4M FY2025. TMPPCL imports ~85% of the newsprint requirement and its profitability remains susceptible to adverse fluctuations in the foreign exchange rates. Moreover, the RoCE remains weak due to losses in the broadcasting as well as digital segment. The growing popularity of digital platforms, in line with changing media consumption habits, is likely to impact the growth prospects of the print media companies.

Liquidity position: Adequate

The company's liquidity position is adequate with unencumbered cash and bank balances of ~Rs. 5 crore and unutilised fund-based facilities of ~Rs. 10 crore as on July 31, 2024, against scheduled debt repayment of ~Rs. 5 crore. The projected cash flows from operations are likely to be sufficient to service any other repayment obligations and expected capex of Rs. 18-20 crore for FY2025. However, any major capex or significant increase in newsprint cost can impact the liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade ratings if scale up in revenues, along with sustained increase in profit margins, leads to a consistent improvement in debt coverage indicators while maintaining a comfortable liquidity position.

Negative factors – Pressure on the ratings could arise if there is a significant decline in the company's revenues or profitability margins or weakening of its debt coverage metrics. Any major debt-funded capex or increase in working capital intensity adversely impacting the liquidity position will also be a negative factor. Specific credit metric for a rating downgrade would be TD/OPBITDA more than 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology – Print Media Rating Methodology – TV Broadcasting Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TMPPCL. This includes its subsidiaries and joint ventures (JV), as enlisted in Annexure II

About the company

TMPPCL, incorporated in 1922, has presence across print media, radio, television broadcasting, online portals and event management. The company's flagship and popular Malayalam daily Mathrubhumi is among the top 10 dailies in India. It is printed across 16 locations in India (10 in Kerala, four outside Kerala (New Delhi, Mumbai, Bengaluru, Chennai) and two overseas location – Dubai and Doha). The other publications include periodicals such as Mathrubhumi Weekly, Grihalakshmi, Star & Style, Thozhil Vartha, Mathrubhumi Sports Masika, Balabhumi, Arogya Masika, etc. The company operates seven FM radio station under the brand Club FM, six in Kerala (Thrissur, Kannur, Trivandrum, Kochi, Calicut, Alappuzha) and one in Dubai. Further, it operates Mathrubhumi News TV Channel and Kappa TV (music channel). It also has presence in the publishing business, and operated an events division – Red Mic.

It is an unlisted closely-held company with majority of equity stake held by two families, headed by Mr. M. V. Shreyams Kumar (Managing Director) and Mr. P. V. Chandran (Chairman). TMPPCL has two foreign subsidiaries viz. MPP Media FZ LLC, in Fujairah, UAE and MB Media FZ LLC in Abu Dhabi, UAE. Further, it has two JVs – Limitzone Micro Exhibitions Private Limited, a JV (50:50) with Markone Global Networks Private Limited, and Silver Bullet Learning Solutions Private Limited (SBLSPL), a JV (50:50) with Logical Steps Interactive Solutions Private Limited, Kochi. Limitzone is into elevator advertisements, while SBLSPL operates Silverbullet.in website, which offers online study material for engineering and medical students.

Key financial indicators (audited)

TMPPCL Consolidated	FY2023	FY2024
Operating income	608.8	618.2
PAT	-26.7	4.4
OPBDIT/OI	4.9%	10.0%
PAT/OI	-4.4%	0.7%
Total outside liabilities/Tangible net worth (times)	1.2	1.1
Total debt/OPBDIT (times)	4.6	2.3
Interest coverage (times)	1.3	2.6

Source: Company, ICRA Research; 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: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years					
					FY2024		FY2023		FY2022	
		Type	Amount Rated (Rs. crore)	Sep 23, 2024	Date	Rating	Date	Rating	Date	Rating
1	**Fund-based/ CC**	Long-term	110.00	[ICRA]BBB+ (Stable)	20-Sep-23	[ICRA]A- (Negative)	29-Jul-22	[ICRA]A- (Stable)	9-Apr-21	[ICRA]A- (Stable)
2	**Term loan**	Long-term	15.00	[ICRA]BBB+ (Stable)	20-Sep-23	[ICRA]A- (Negative)	29-Jul-22	[ICRA]A- (Stable)	9-Apr-21	[ICRA]A- (Stable)
3	**Fund-based**	Short term	20.00	[ICRA]A2	20-Sep-23	[ICRA]A2+	29-Jul-22	[ICRA]A2+	9-Apr-21	[ICRA]A2+
4	**Non-fund based**	Long term/ Short term	6.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	20-Sep-23	[ICRA]A- (Negative)/ [ICRA]A2+	29-Jul-22	[ICRA]A- (Stable)/ [ICRA]A2+	9-Apr-21	[ICRA]A- (Stable)/ [ICRA]A2+
5	**Unallocated**	Long term/ Short term	20.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	20-Sep-23	[ICRA]A- (Negative)/ [ICRA]A2+	29-Jul-22	[ICRA]A- (Stable)/ [ICRA]A2+		-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based/ CC	Simple
Long-term - Fund-based TL	Simple
Short-term – Fund-based	Simple
Long-term/Short-term – Non-fund based	Very Simple
Long-term/ Short-term - 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	NA	NA	NA	110.00	[ICRA]BBB+ (Stable)
NA	Term loans	FY2015	NA	FY2025	15.00	[ICRA]BBB+ (Stable)
NA	Short-term loans/FCNR	-	-	90 days	20.00	[ICRA]A2
NA	Letter of credit/Bank guarantee	NA	NA	NA	6.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Unallocated	NA	NA	NA	20.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	TMPPCL Ownership	Consolidation Approach
The Mathrubhumi Printing And Publishing Co. Ltd.	100.00% (rated entity)	Full Consolidation
MB Media FZ LLC	100%	Full Consolidation
MPP Media FZ LLC*	49%**	Full Consolidation
Limitzone Micro Exhibitions Pvt. Ltd	50%	Equity Method

**The company has not commenced its operations; **The company is considered as subsidiary since the composition of the Board of Directors is controlled by the company.*

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About ICRA Limited:

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