

April 09, 2021

The Mathrubhumi Printing And Publishing Co. Ltd.: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based/ CC	110.00	[ICRA]A-(Stable); Assigned
Long-term Fund-based TL	80.81	[ICRA]A-(Stable); Assigned
Short-term Fund-based	15.00	[ICRA]A2+; Assigned
Long-term/Short-term Non fund based	6.00	[ICRA]A-(Stable)/[ICRA]A2+; Assigned
Total	211.81	

*Instrument details are provided in Annexure-1

Rationale

The assigned ratings favourably factor in the established position, strong brand recognition and stable readership base of The Mathrubhumi Printing And Publishing Co. Ltd. (TMPPCL)'s key publication viz. Mathrubhumi daily, and its position as the second most widely read Malayalam daily in Kerala. Further, TMPPCL has a diversified presence across media platforms, including print, radio, television broadcasting and digital platforms. Unlike most of its peers, TMPPCL is able to cover the newsprint costs through circulation revenue, which has supported its operating margins during the past five years. The ratings factor in the expected improvement in its debt coverage metrics from FY2022 on the back of improvement in operating profits largely benefiting through use of low-cost newsprint inventory, reduction in debt levels and absence of any major debt-funded capital expenditure. In FY2022, the company is likely to report an improvement in operating margin by more than 600 bps compared to FY2020 while Total Debt/OPBDIT is expected to decline to less than 1.3 times.

The ratings are, however, constrained by the company's concentrated geographical presence, as inherent to any vernacular daily, with high dependence on Kerala for its revenues. The revenues declined to Rs. 648 crore in FY2020 from Rs. 722 crore in FY2018 mainly owing to reduction in advertisement revenues. The same is further expected to decrease by 25% in FY2021 owing to the adverse impact of the pandemic on newspaper operations. The operating margins dipped to 13.1% in FY2020 and 9M FY2021 from the earlier levels of more than 20% in FY2018 owing to decline in advertisement revenues, steep increase in newsprint cost in FY2019 and severe floods in FY2019 and FY2020. The operating margins are exposed to volatility in newsprint costs and foreign exchange fluctuations as most of the newsprint requirement is imported. Additionally, the growing popularity of digital platforms, in line with changing media consumption habits, is likely to be major challenge to the print media industry, restricting revenue growth prospects of its Malayalam daily- Mathrubhumi – the primary revenue driver. TMPPCL also operates seven FM radio stations and two TV broadcasting channels, which together accounted for 10% of revenues in FY2020. Although these divisions reported net losses in the past due to high depreciation and amortisation expenses, ICRA notes the profitability levels to improve on the back of various cost rationalisation measures undertaken by the company in these divisions.

The Stable outlook on the long-term rating reflects ICRA's belief that TMPPCL will benefit from its established market position and healthy brand reputation in Kerala market.

Key rating drivers and their description

Credit strengths

Established market position in the Kerala market – TMPPCL's flagship daily, Mathrubhumi, has been ranked as the tenth most widely read daily in the Indian Readership Survey, Q4 2019¹ and has a daily circulation of over one million copies. It is the

¹ Media Research Users Council (MRUC) -Indian Readership Survey 2019 Q4 – Top 10 by Average Issue Readership

second most widely read Malayalam daily in Kerala. The Mathrubhumi newspaper has a strong brand recall, long presence with circulation since 1923 and an experienced management, which supported its operations over the years.

Diversified presence across media platforms – TMPPCL has presence across media platforms including print, publication, online platform, radio, TV broadcasting and event management segments. With a common advertisement revenue-driven business model, the diverse operating segments provide strong operational synergies by way of leveraging the Mathrubhumi brand. Unlike its peers, the company was able to recover the newsprint cost through circulation revenue during the past five years and was also able to pass on the increase in newsprint prices to its customer in the past.

Expected improvement in debt coverage metrics from FY2022 – The company's financial risk profile is moderate with interest coverage of 2.1 times and Debt/OPBDIT of 3.0 times in 9M FY2021. However, the debt coverage metrics are expected to improve from FY2022 onwards on the back of improvement in operating profits largely benefiting through use of low-cost newsprint inventory, reduction in debt levels, and absence of any major debt-funded capital expenditure. In FY2022, the company is likely to report an improvement in operating margin by more than 600 bps compared to FY2020 while Total Debt/OPBDIT is expected to decline to less than 1.3 times.

Credit challenges

High geographical concentration – TMPPCL has limited geographical presence, inherent to any vernacular daily, with high dependence on Kerala market for its revenues. Due to same, the revenues and profits were adversely affected in FY2019 and FY2020 due to severe floods in Kerala.

Operating margins susceptible to volatility in advertisement revenues, global newsprint prices and foreign exchange fluctuations – The company's revenues and profits remain vulnerable to cyclicity in the advertising spends by corporates. TMPPCL derives ~50% of its revenues from advertisement, which is exposed to cyclicity in the advertising spends by corporates. Its advertisement revenues decreased over the years to Rs. 152.3 crore in 9M FY2021 from Rs. 390.4 crore in FY2018, as the ad revenues were impacted by floods in FY2019, FY2020 and by the pandemic in FY2021. Further, TMPPCL imports over 90% of the newsprint requirement. Its profit margins remain susceptible to adverse fluctuations in global newsprint prices and foreign exchange rates in absence of any formal hedging mechanism. The operating margin ranged between 22% and 26% during FY2016-FY2018. However, its operating profits declined sharply in FY2019 to 10.6% with increase in the international newsprint prices and reduction in ad revenues. Despite the recurrence of floods in FY2020, moderation in raw material prices supported the improvement in operating profitability to 13.1% in FY2020.

Competition from digital media, structural shift towards alternative media platforms to impact – The growing popularity of digital platforms, in line with the changing media consumption habits is likely to constrain the growth prospects of company's daily, Mathrubhumi. However, TMPPCL has online presence through its website, though the revenue contribution for same continues to be minimal at less than 2%.

Liquidity position: Adequate

The company's liquidity position is **adequate** with cushion in working capital limits. TMPPCL reported Rs. 15-crore buffer in working capital limits as on February 28, 2021. The average utilisation of fund-based limits between September 2020 and February 2021 is high at 92.5%. Further, the company had free cash balance of Rs. 11.3 crore as on February 28, 2021. Of the Rs. 80.8-crore term loans outstanding as on December 31, 2020, major portion is to be repaid over the next two financial years i.e. Rs. 35 crore in FY2022 and Rs. 27 crore in FY2023. The estimated cash flow from operations would be sufficient to service the repayment obligations comfortably. Besides, absence of any major medium-term debt-funded capital expenditure would support the liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade ratings if scale up in revenues, along with improvement in profit margins, leads to sustained improvement in debt coverage indicators and liquidity. Specific credit metrics for an upgrade include interest coverage greater than 6 times on a sustained basis.

Negative factors – Downward pressure on the ratings could arise if significant decline in revenues or profitability margins results in weakening of 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 metrics for a downgrade would be Total Debt to OPBDITA lower than 2.0 times on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Print Media Industry Rating Methodology Television Broadcasting Entities Consolidation and Rating Approach
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 JV, as enlisted in Annexure-2.

About the company

TMPPCL, incorporated in 1922, has presence across print media, radio, television broadcasting, online portals, publications and event management. The company's flagship and popular Malayalam daily Mathrubhumi is among top 10 dailies in India. It is printed across 15 locations in India (10 in Kerala, four outside Kerala (New Delhi, Mumbai, Bengaluru, Chennai) and one overseas locations – Dubai. The other publications include periodicals such as Mathrubhumi Weekly, Grihalakshmi, Star & Style, Thozhil Vartha, Mathrubhumi Sports Masika, Balabhumi, Arogya Masika, Yathra 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 T.V Channel and Kappa TV (music channel). It also has presence in the publishing business and operates an events division – Red Mic.

It is an unlisted closely-held company with a predominant share of the equity held by two families, headed by Mr. M. V. Shreyams Kumar (Managing director of TMPPCL) and Mr. P. V. Chandran (Chairman TMPPCL). The company has two foreign subsidiaries viz. MPP Media FZ LLC, in Fujairah, UAE and MB Media FZ LLC in Abu Dhabi, UAE. There were no financial transactions in FY2020 for both the subsidiaries. Further, it has two joint venture (JV) companies – Limitzone Micro Exhibitions Private Limited, a JV (50:50) with Markone Global Networks Private Limited, and Silver Bullet Learning Solutions Private Limited (SBSLPL), a JV (50:50) with Logical Steps Interactive Solutions Private Limited, Kochi. Limitzone is into elevator advertisements, while SBSLPL operates Silverbullet.in website, which offers online study material for engineering and medical students.

Key financial indicators

Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	672.8	648.1
PAT (Rs. crore)	4.5	4.7
OPBDIT/OI (%)	10.6%	13.1%
PAT/OI (%)	0.7%	0.7%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	1.3
Total Debt/OPBDIT (times)	3.7	2.5
Interest Coverage (times)	3.0	3.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

Note: Amount in Rs. crore; All calculations are as per ICRA research

Source: Company data, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) Dec 31, 2020	Date & Rating	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
				Apr 9, 2021	-	-	-
1 Fund-based/ CC	Long-term	110.00	--	[ICRA]A-(Stable)	-	-	-
2 Term loan	Long-term	80.81	80.81	[ICRA]A-(Stable)	-	-	-
3 Fund Based	Short term	15.00	2.00	[ICRA]A2+			
4 Non Fund Based	Long term/ Short term	6.00	-	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-

Amount in Rs. crore;

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 [click here](#)

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	Cash Credit	NA	NA	NA	110.00	[ICRA]A-(Stable)
NA	Term Loans	Mar 2015	NA	Aug 2024	80.81	[ICRA]A-(Stable)
NA	Short-term Term loans/FCNR	-	-	90 days	15.00	[ICRA]A2+
NA	Letter of Credit/Bank Guarantee	NA	NA	NA	6.00	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

Annexure-2: 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
Silver Bullet Learning Solutions Pvt. Ltd	50%	Equity Method
Limitzone Micro Exhibitions Pvt. Ltd	50%	Equity Method

** MPP Media FZ LLC, which is incorporated in UAE and TMPPCL holds 49% equity shares but has 100% control of the Company by the constitution of Board of Directors. As on March 31, 2020, the Subsidiary has not commenced its operations and doesn't have any assets.

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Branches



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