

July 29, 2022

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

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]A-(Stable); reaffirmed
Long-term Fund-based TL	80.81	47.90	[ICRA]A-(Stable); reaffirmed
Short term Fund Based	15.00	15.00	[ICRA]A2+; reaffirmed
Long-term/Short-term Non fund based	6.00	6.00	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Long-term/Short-term - Unallocated	-	32.91	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Total	211.81	211.81	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation favourably factors in the established position 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. The revenues improved to Rs. 530.7 crore in FY2022 from Rs 485.3 crore in FY2021, primarily driven by growth in advertisement revenues. Further, it 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 supported its operating margins over the past years. Its operating margins declined by 200bps to 15.6% in FY2022 owing to an increase in newsprint costs. While newsprint prices continue to remain elevated, the company has recently undertaken price hikes, which along with higher advertise revenues should help in maintaining the operating profitability. This along with scheduled debt repayment and absence of any major debt-funded capital expenditure are expected to result in an improvement in debt coverage metrics over the medium term.

The ratings are, however, constrained by the geographical concentration risk, as inherent to any vernacular daily, with high revenue dependence on Kerala. The operating margins are exposed to volatility in newsprint costs and foreign exchange fluctuations, as majority of the newsprint requirement is imported. Additionally, the growing popularity of digital platforms, in line with changing media consumption habits, is likely to be a major challenge to the print media industry. This may restrict the 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 11% of revenues in FY2022. Although these divisions reported net losses in the past due to high depreciation and amortisation expenses, ICRA expects the profitability levels to improve on the back of various cost rationalisation measures undertaken by the company. However, the extent of improvement remains a key rating monitorable.

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.

Key rating drivers and their description

Credit strengths

Established position of The Mathrubhumi with stable readership base – TMPPCL's flagship daily, The Mathrubhumi, has been ranked as the tenth most widely read daily as per the Indian Readership Survey, Q4 FY2019. Also, it is 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. Further, the circulation income alone 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.

Low leverage and satisfactory debt coverage indicators – The company has a comfortable financial risk profile with a gearing of 0.5 times, interest coverage of 3.9 times and Debt/OPBDIT of 1.7 times as on March 31, 2022. Further, TMPPCL's debt coverage indicators are expected to improve over the medium term in the absence of any debt-funded capital expenditure and scheduled repayment of the existing long-term debt.

Credit challenges

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. TMPPCL's revenues and profits were adversely affected in FY2020 and FY2021 owing to severe floods in Kerala.

Vulnerability of advertising revenues to economic cycles; full recovery to pre-Covid level still sometime away – The company's revenues and profits are vulnerable to the cyclical nature in the advertising spends by corporates. TMPPCL's advertisement revenues declined to Rs. 233.8 crore in FY2021 from Rs. 328.7 crore in FY2019 with ad revenues impacted by floods in FY2019 and FY2020 and by the Covid-19 pandemic in FY2021, respectively. Although ad revenues increased to Rs. 268 crore in FY2022, it still remains lower than pre-pandemic figures. With further improvement in ad revenues, Mathrubhumi's operating performance is expected to improve over the medium term.

Operating margins susceptible to volatility in global newsprint prices and foreign exchange – Newsprint and employee cost are the company's two major expenses. Mathrubhumi imports over 90% of the newsprint requirement, and its profitability remains susceptible to adverse fluctuations in the foreign exchange rate. The same is accentuated further in absence of any formal hedging mechanism. The operating margins declined sharply to 10% in FY2019 from above 20% levels in the earlier years owing to floods. Although the margins improved to 15.6% in FY2022, the improvement is moderated by the steep increase in newsprint prices. In FY2023, the margins are expected to be on the same levels of FY2022, owing to the higher newsprint prices.

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 Malayalam daily – Mathrubhumi – 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 online edition, the revenue contribution from the same continues to be minimal (advertisement revenue from the online edition stood at Rs. 9.8 crore in FY2022).

Liquidity position: Adequate

The company's liquidity position is adequate as reflected by Rs. 19.86 crore buffer in its working capital limits as on March 31, 2022. The average utilisation of fund-based limits between March 2021 and March 2022 was at 85%. Further, it had external term loans of Rs. 47.90 crore on its books as on March 31, 2022, of which nearly Rs. 30 crore is expected to be repaid in FY2023

and the projected cash flows from operations would be sufficient to service the repayment obligations comfortably.

Rating sensitivities

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

Negative factors – Pressure on the ratings could arise if there is a significant decline in the company’s revenues or profitability margins, weakening 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 Total Debt to OPBDITA more than 2.0 times on a 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 joint ventures (JV), as enlisted in Annexure II

About the company

The Mathrubhumi Printing & Publishing Co. Ltd. (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 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 T.V 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. There were no financial transactions in FY2020 for both the subsidiaries. Further, the company 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 (SBLSP), a JV (50:50) with Logical Steps Interactive Solutions Private Limited, Kochi. Limitzone is into elevator advertisements, while SBLSP operates Silverbullet.in website, which offers online study material for engineering and medical students.

Key financial indicators

Consolidated	FY2021	FY2022*
Operating income (Rs. crore)	485.3	530.7
PAT (Rs. crore)	-12.0	2.6
OPBDIT/OI (%)	17.6%	15.6%
PAT/OI (%)	-2.5%	0.5%
Total outside liabilities/Tangible net worth (times)	1.1	1.0
Total debt/OPBDIT (times)	2.0	1.7
Interest coverage (times)	2.9	3.9

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; * provisional

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 (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) March 31, 2022	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					July 29, 2022	Apr 9, 2021	-	-
1	Fund-based/ CC	Long-term	110.00	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-
2	Term loan	Long-term	47.90	47.90	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-
3	Fund-based	Short term	15.00	-	[ICRA]A2+	[ICRA]A2+	-	-
4	Non-fund Based	Long term/ Short term	6.00	-	[ICRA]A-(Stable)/ [ICRA]A2+	[ICRA]A-(Stable)/ [ICRA]A2+	-	-
5	Unallocated	Long term/Short term	32.91	-	[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 www.icra.in

Annexure I: Instrument details

ISIN	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	Nov 2029	47.90	[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+
NA	Unallocated	NA	NA	NA	32.91	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

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
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 does not have any assets.

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Branches



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