

June 13, 2023

Telangana Publications Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	8.00	13.00	[ICRA]BBB (Stable); reaffirmed
Long-term Fund-based – Term Loan	36.28	30.00	[ICRA]BBB (Stable); reaffirmed
Short-term Non-fund Based	12.00	12.00	[ICRA]A3+; reaffirmed
Proposed Fund-based – Long term/ Short-term	9.22	10.50	[ICRA]BBB (Stable) / [ICRA]A3+; reaffirmed
Total	65.50	65.50	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation of Telangana Publications Private Limited (TPPL) factors in its comfortable capital structure and healthy debt coverage metrics. The gearing, TD/TNW was low at 0.6x and TOL/TNW at 1.1x as on March 31, 2023. With no debt-funded capex and expected improvement in operating margins in FY2024 owing to likely decline in newsprint cost, leverage and coverage metrics are expected to remain comfortable. TPPL's operating income (OI) reported healthy improvement by 15.8% in FY2023 to Rs. 142.1 crore backed by higher advertisement revenues from Government and corporates as well as improvement in circulation revenues supported by increase in newspaper price. The revenues are expected to witness moderate growth of 2-5% in FY2024 given scheduled assembly elections prior to which moral code of conduct remains in place. The ratings also factor in TPPL's established presence in the Telugu newspaper publishing business in Telangana with its newspaper, Namaste Telangana, a leading Telugu vernacular daily also support the ratings.

The ratings are, however, constrained by TPPL's high dependence on advertising revenues and lack of geographical diversity for its newspaper publication business. Its advertisement revenues accounted for more than 80% of its total revenues during FY2023, indicating the significant exposure of its revenues to the political and economic developments in the region, publishing spends by corporates and increasing competition. Further, TPPL has a limited geographical presence, with high revenue dependence on the Telangana market. The ratings are also constrained by the vulnerability of its operating margins to fluctuations in newsprint cost and increasing competition from digital media. Due to significant increase in newsprint cost in FY2023, the operating margins declined to ~14% in FY2023 over 19.9% in FY2022. However, with the easing of newsprint prices in the last 3-4 months, the margins are expected to improve in the near term. Further, TPPL's working capital intensity was high at around 25% during FY2023, primarily due to the high receivables of around 150 days on account of the elongated receivable cycle from the Government and increase in inventory levels. Debtors greater than six months accounted for 59% (PY: 42%) of its total debtors as on March 31, 2023. With decline in operating margins and increase in working capital intensity in FY2023, the working capital requirements were funded through higher utilisation of fund-based limits and on balance sheet liquidity, which resulted in a stretched liquidity position. Any further stretch of the working capital cycle and its impact on the liquidity position will remain key monitorable.

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 – TPPL, through its Telugu newspaper, Namaste Telangana, is one of the leading Telugu dailies in the state. It also publishes an English daily, Telangana Today.

Comfortable capital structure – The company's capital structure is comfortable with TD/TNW at 0.6 time and TOL/TNW at 1.1 times as on March 31, 2023. With no debt-funded capex plans and expected improvement in operating margins in FY2024 owing to decrease in newsprint cost, leverage and coverage metrics are expected to remain comfortable.

Credit challenges

High dependence on advertisement revenues; lack of geographic diversity for its newspaper publication business – TPPL remains dependent on advertisement revenues, which accounted for more than 80% of the total revenues during FY2023. This results in significant exposure of its revenues to the political and economic developments in the region, publishing spends by corporates, and increasing competition. Further, TPPL has limited geographical presence, with high revenue dependence on the Telangana market.

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 their significant increase in FY2023, the operating margins declined to ~14% in FY2023 over 19.9% in FY2022. However, with the easing of newsprint prices in the last 3-4 months, the margins are expected to improve in the near term. 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. TPPL's circulation stood at 1.7 lakh copies per day in FY2023 compared to ~3.0 lakh copies in FY2019. As digital penetration increases, the circulation volumes of newspapers may undergo significant changes. However, the extent of such digital impact remains to be seen. ICRA notes TPPL's foray into the digital business, which will diversify its revenue stream in the long term.

Working capital intensive operations and deterioration in liquidity position – TPPL's working capital intensity was high at around 25% during FY2023 primarily due to the high receivables of around 150 days on account of elongated receivable cycle from the Government and increase in inventory levels. Debtors greater than six months accounted for 59% (PY: 42%) of its total debtors as on March 31, 2023. With decline in operating margins and increase in working capital intensity in FY2023, the working capital requirements were funded through higher utilisation of fund-based limits and on balance sheet liquidity resulting in stretched liquidity position. Any further stretch of the working capital cycle and its impact on liquidity position will remain key monitorable.

Liquidity position: Stretched

The liquidity position of the company is stretched with low, free cash balance of Rs. 0.45 crore as on March 31, 2023. Though the debt repayment obligations of around Rs. 3.3 crore for FY2024 can be serviced through estimated cash flow from operations, any stretch in working capital cycle will further impact the liquidity position given its high average working capital utilisation at around 91% for the last six months ending May 2023. TPPL does not have any major capex plans in the medium term.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company witnesses a significant increase in revenues and earnings resulting in an improvement in credit metrics on a consistent basis. Further, an improvement in the working capital cycle strengthening the liquidity position, on a sustained basis, could result in a rating upgrade.

Negative factors – Negative pressure on TPPL’s ratings may arise if there is a considerable decline in revenues and profitability or a significant debt-funded capex resulting in weakening of the debt coverage metrics or elongation of working capital cycle leading to weakening of liquidity position on a prolonged basis. Specific credit metrics that could lead to a rating downgrade include Total Debt/OPBDITA exceeding 2.5x on a sustained basis.

Analytical approach

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

About the company

TPPL was established on 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

	FY2022	FY2023*
	Audited	Provisional
Operating income	122.6	142.1
PAT	10.0	6.2
OPBDIT/OI	19.9%	14.1%
PAT/OI	8.1%	4.3%
Total outside liabilities/Tangible net worth (times)	1.1	1.1
Total debt/OPBDIT (times)	1.9	2.36
Interest coverage (times)	7.5	3.9

Source: Company Data; ICRA Research

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: BWR B +/Stable / BWR A4 continues to be in Issuer Not Cooperating category/Downgraded.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jun 13, 2023	Jun 01, 2022	-	-
1 Fund based - Cash Credit	Long term	13.00	11.24	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-
2 Fund based - Term Loan	Long term	30.00	30.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-
3 Non-Fund-Based	short term	12.00	-	[ICRA]A3+	[ICRA]A3+	-	-
4 Proposed-Fund based	Long term and short term	10.50	-	[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

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