

September 20, 2023

The Mathrubhumi Printing And Publishing Co. Ltd.: Ratings reaffirmed; outlook revised to Negative

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- reaffirmed; Outlook revised to Negative from Stable
Long-term Fund-based TL	47.90	8.70	[ICRA]A- reaffirmed; Outlook revised to Negative from Stable
Short-term Fund-based	15.00	20.00	[ICRA]A2+; reaffirmed
Long-term/Short-term Non-fund based	6.00	6.00	[ICRA]A- /[ICRA]A2+ reaffirmed; Outlook revised to Negative from Stable
Long-term/Short-term Unallocated	32.91	30.00	[ICRA]A- /[ICRA]A2+ reaffirmed; Outlook revised to Negative from Stable
Total	211.81	174.70	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook to Negative from Stable reflects the pressure on the credit profile of The Mathrubhumi Printing And Publishing Co. Ltd.'s (TMPPCL), in the backdrop of input cost pressure. Owing to sharp increase in newsprint prices, along with losses in the TV broadcasting as well as radio segment, the operating margins declined to 4.9% in FY2023 from 16.2% in FY2022. Despite some recovery in TMPPCL's operating performance in the current fiscal with an operating margin of ~9% in 5M FY2024, full recovery to FY2022 level is still sometime away.

The credit profile continues to favourably factor in TMPPCL's established position and stable readership base of its key publication, viz. Mathrubhumi daily, and its position as one of the most widely read Malayalam dailies in Kerala. The company has a diversified presence across media platforms including print, radio, television broadcasting and digital platforms. The revenues improved year-on-year (YoY) by 15.2% to Rs. 608.8 crore in FY2023, driven by growth in both advertisement and circulation revenues. However, the overall revenue still remains lower than the pre-Covid level of ~Rs. 642 crore (FY2020). Unlike most of its peers, TMPPCL is able to cover the newsprint costs through circulation revenue, which supported its profitability in the past. The hike in cover prices last year helped in partially mitigating the impact of elevated newsprint prices. Going forward, its ability to materially improve the operating profitability along with judicious working capital management remains the key credit monitorable.

These strengths are offset by the subdued return indicators (RoCE of -3.6% in FY2023) and working capital-intensive operations owing to elongated receivables from the state government entities. Further, the Russia-Ukraine war disrupted the supply chain last year compelling the company to maintain elevated inventory levels resulting in higher working capital borrowings. Sharp increase in newsprint prices led to weak financial performance, as reflected in net losses and weak coverage metrics in FY2023. Extended credit period from vendors along with short-term borrowings supported its liquidity during the last fiscal, though it also exposes the company to refinancing risk on account of the asset liability mismatch. While the profitability has improved in 5M FY2024, TMPPCL remains susceptible to volatility in newsprint costs and foreign exchange fluctuations (~50% exposure remains unhedged), as majority of the raw material is imported. The ratings are also constrained by the geographical concentration risk. 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.

Key rating drivers and their description

Credit strengths

Established position of The Mathrubhumi with stable readership base – As per the Audit Bureau of Circulation's average daily readership data, TMPPCL's flagship daily – The Mathrubhumi – has been ranked as the tenth most widely read daily and 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, 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. Further, turnaround in the Indian radio business is expected to support the revenue and profitability going forward.

Credit challenges

Vulnerability of operating margins to newsprint prices; structural shift towards alternative media platform – The company's revenues and profits are vulnerable to cyclicalities in advertising spends by corporates and the newsprint paper prices. With recovery in advertising demand, TMPPCL's advertisement revenues grew YoY by ~19% to Rs. 320 crore in FY2023 but remained lower than the pre-Covid levels. The operating margins declined significantly to ~5% in FY2023 from ~16% in FY2022 on account of higher newsprint paper prices. It imports over 90% of the newsprint requirement and its profitability remains susceptible to adverse fluctuations in the foreign exchange rate. Moreover, the return indicators (RoCE) continue to remain weak due to losses in the broadcasting as well as radio 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.

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.

Liquidity position: Adequate

The company's liquidity position is adequate with unencumbered cash and bank balances of Rs. 4.1 crore and unutilised fund-based facilities of Rs. 17.0 crore as on March 31, 2023, against scheduled debt repayment of ~Rs. 17.0 crore. TMPPCL's cash flows from operations of Rs. 40-50 crore in FY2024 are likely to be sufficient to service any other repayment obligations, and planned capex of Rs. 15-16 crore in the current fiscal. However, any major capex or significant increase in newsprint cost can impact the liquidity.

Rating sensitivities

Positive factor – ICRA could revise outlook to Stable in case of sustained improvement in earnings, along with improvement in liquidity.

Negative factor – Pressure on the ratings could arise if the company is unable to improve the profitability and/or 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	Rating Methodology – Media (Print) Rating Methodology - Media (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. There were no financial transactions in FY2023 for both the subsidiaries. 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 (SBL SPL), a JV (50:50) with Logical Steps Interactive Solutions Private Limited, Kochi. Limitzone is into elevator advertisements, while SBL SPL operates Silverbullet.in website, which offers online study material for engineering and medical students.

Key financial indicators (audited)

TMPPCL Consolidated	FY2022	FY2023*
Operating income	528.31	608.80
PAT	2.29	-26.68
OPBDIT/OI	16.2%	4.9%
PAT/OI	0.4%	-4.4%
Total outside liabilities/Tangible net worth (times)	1.0	1.2
Total debt/OPBDIT (times)	1.6	4.6
Interest coverage (times)	3.4	1.3

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

Status of non-cooperation with previous CRA: None

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 (Rs. crore) July 31, 2023	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Sep 20, 2023	July 29, 2022	Apr 9, 2021	-
1 Fund-based/ CC	Long-term	110.00	105.3	[ICRA]A-(Negative)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-
2 Term loan	Long-term	8.70	8.70	[ICRA]A-(Negative)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-
3 Fund-based	Short term	20.00	17.5	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-
4 Non-fund based	Long term/Short term	6.00	3.1	[ICRA]A-(Negative)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]A-(Stable)/[ICRA]A2+	-
5 Unallocated	Long term/Short term	30.00	-	[ICRA]A-(Negative)/[ICRA]A2+	[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	Very 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	Cash credit	NA	NA	NA	110.00	[ICRA]A-(Negative)
NA	Term loans	FY2015	NA	FY2025	8.70	[ICRA]A-(Negative)
NA	Short-term loans/FCNR	-	-	90 days	20.00	[ICRA]A2+
NA	Letter of credit/Bank guarantee	NA	NA	NA	6.00	[ICRA]A-(Negative)/ [ICRA]A2+
NA	Unallocated	NA	NA	NA	30.00	[ICRA]A-(Negative)/ [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
Silver Bullet Learning Solutions Pvt. Ltd	50%	Equity Method
Limitzone Micro Exhibitions Pvt. Ltd	50%	Equity Method

**The company is considered as subsidiary since the composition of the Board of Directors is controlled by the company.

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Branches



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