

January 16, 2017

Express Publications Madurai Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Term Loans	94.86 (revised from 30.96)	[ICRA]BB+ (Stable) / reaffirmed
Long-term – Fund Based limits	29.00	[ICRA]BB+ (Stable) / reaffirmed
Short term- Non fund based	35.00	[ICRA]A4+ / reaffirmed

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long term rating outstanding on the Rs. 94.86 crore (revised from Rs.30.96 crore) term loan facilities and the Rs.29.00 crore fund-based facilities of Express Publications Madurai Limited (“EPML” / “the Company”)¹ at [ICRA]BB+ (pronounced ICRA double B plus). The outlook on the long-term rating is stable. ICRA has also reaffirmed the short term rating outstanding on the Rs.35.00 crore non-fund based facilities of EPML at [ICRA]A4+ (pronounced ICRA A four plus).

Rationale

The reaffirmation of the ratings takes into consideration EPML’s strong performance during FY2016. During FY2016, the company’s operating profits witnessed a healthy improvement on the back of a 21% growth in the margin accretive advertisement sales, favourable newsprint prices and other cost-control initiatives employed by the company. However the net margin was affected by the higher than expected interest cost outgo. In the current fiscal, the revenue performance has remained flat while profit margins has witnessed a marginal contraction due to spike in newsprint prices; refinancing done on the high cost loans is likely to support the net margins going forward. The ratings continue to derive comfort from the wide reach of “The New Indian Express” and “Dinamani” backed by a strong editorial team and an experienced management team.

The ratings, however, remain constrained by the company’s moderate debt indicators, tight liquidity position and large debt repayment obligations. The ratings also considers the vulnerability of profit margins to the changes in global newsprint prices, any adverse movement in foreign exchange rates as the company continues to import a fair share of its newsprint requirement, and any volatility in advertisement spends with economic performance (inherent to industry). Improvement in EPML’s liquidity profile supported by sustained improvement in cash accruals will be critical in improving the debt protections metrics of the company.

Key rating drivers

Credit Strengths

- Strong performance in FY2016 on the back of healthy growth in advertisement revenues and favourable newsprint prices
- Established brand name with strong market position of the flagship newspapers - The New Indian Express and Dinamani (Tamil)
- Experienced management and editorial team ensures credibility and high quality content of its publications
- Wide geographical reach with presence in both English and vernacular segments
- Replacement of high-cost debt by low-cost debt with longer repayment tenure to aid improvement in liquidity and reduce interest expenses

¹For complete rating scale and definitions, refer ICRA’s website (www.icra.in) or other ICRA rating publications

Credit Concerns

- Financial profile marked by moderate debt indicators, tight liquidity profile and large debt repayment obligations
- Margins susceptible to global newsprint prices and foreign exchange fluctuations on account of high dependence on imported newsprint
- Advertisement revenue remains susceptible to economic downturns; mitigated to an extent by strong presence in stable government tender and notice segment

Description of key rating drivers highlighted above:

EPML publishes four newspapers and one magazine in three languages viz English, Tamil and Malayalam. The strong brand equity commanded by “The New Indian Express” in English and “Dinamani” in Tamil commands healthy circulation volumes across six states, aiding growth in circulation revenues. The revenue mix has been historically skewed towards the advertisement segment, within which Government division continues to be EPML’s mainstay accounting for over half of advertisement income followed by commercial division, classifieds and special features. EPML is supported by vast experience of the management, strong editorial team and healthy market position of its key magazines “The New Indian Express” and “Dinamani” in the regions it operates.

During FY2016, EPML registered a 7.8% YoY increase in revenues aided by a healthy 21% growth in advertisement revenues on relatively weak base in FY2015 due to union elections in April 2014, increase in DIPR rates of its news papers and favourable demand from bank notices and education segments. Operating margins witnessed a 1,420 bps expansion supported by favorable newsprint prices and cost cutting measures employed by the company. However, the growth in operating profits was offset by high interest costs on account of high unsecured loans availed by the company in the past, which limited net margins. In the current fiscal, the company has refinanced its high cost unsecured loans with loans at lower interest rates and longer repayment tenure thus boosting its liquidity profile and improvement in accruals.

EPML imports ~57% (FY2016) of its newsprint requirement, exposing its profit margins to volatility in global newsprint prices and currency exchange rates. The company derives 80% of its revenues from advertisements which are volatile and dependent on prevailing economic conditions. However, EPML is partly insulated from the said risk, since it derives ~70% of its advertisement revenues from government tenders and notices.

Analytical approach:**Links to applicable Criteria**

Corporate Credit Rating - A Note on Methodology
Rating Methodology for Media - Print

About the company:

Express Publications (Madurai) Limited was incorporated on April 11, 1959 with registered office in Chennai. The Indian Express Group was founded by Late Mr. Ramnath Goenka in 1936. Following his demise in 1991, the group was split into Indian Express (Mumbai) Limited which owns the North Indian publications and Express Publications (Madurai) Limited which owns the South Indian publications. EPML is managed by Mr. Manoj Kumar Sonthalia, the grandson of late Mr. Ramnath Goenka. The Company’s flagship newspapers are ‘The New Indian Express’ and ‘Dinamani’ (Tamil). EPML publishes newspapers and magazines from the 27 centres in Tamil Nadu, Andhra Pradesh, Telengana, Karnataka, Kerala and Orissa.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
		Type	Rated amount (Rs. Crores)	Month - year & rating			
				January 2017	Dec 2015	Jan 2015	Dec 2013
1	Term Loans	Long term	94.86	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]B+	[ICRA]B+
2	Cash credit	Long-term – Fund Based limits	29.00	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]B+	[ICRA]B+
3	Letter of credit	Short term- Non fund based	35.00	[ICRA]A4+	[ICRA]A4+	[ICRA]A4	[ICRA]A4

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-1

Details of Instruments

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term Loans	-	-	-	94.86	[ICRA]BB+(Stable)
Cash credit	-	-	-	29.00	[ICRA]BB+(Stable)
Letter of credit	-	-	-	35.00	[ICRA]A4+

Source: EPML

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