

The Malayala Manorama Company Private Limited (Revised)

December 12, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	80.00 (Increased from 59.80)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long-term bank facilities	164.66 (Reduced from 196.31)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short-term bank facilities	15.60	CARE A1 (A One)	Reaffirmed
Total bank facilities	260.26 (₹ Two hundred sixty crore and twenty-six lakh only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of The Malayala Manorama Company Private Limited (MMCPL) continue to derive strength from the long operational track record of MMCPL, strong editorial and management team and the leadership position of 'Malayala Manorama' daily among regional language (non-hindi, non-english) dailies in the country. The ratings also consider the comfortable financial position of MMCPL characterised by comfortable capital structure, healthy coverage indicators and profitability margins and strong liquidity position. The revenue of MMCPL improved 12% in FY22 to ₹1,018 crore from ₹912 crore due to increase in the revenue from advertisements owing to revival of the economy. The ratings, however, continue to be constrained by MMCPL's dependence on a single publication catering to a semi-saturated Kerala market for bulk of its revenues and regional nature of the operations confined largely to Kerala, exposure to volatile newsprint prices and gradual reduction in circulation.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Growth in the scale of operations through diversification in revenue stream.
- To maintain the PBILDT margin of over 20% on a sustained basis.
- Reduction in the overall gearing below 0.05x times on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any consistent fall in circulation figures or loss of market leadership position.
- Significant decline in the operating margins below 15%.
- Any significant deterioration in the performance of the subsidiaries.

Detailed description of the key rating drivers

Key rating strengths

Long operational track record of MMCPL: MM was started as a four-page weekly newspaper in 1890. The newspaper became a daily in 1928 and now has a daily circulation of over 2 million copies. Over the years, MMCPL has also launched several magazines in Malayalam, English and Hindi on various genres, such as current affairs, healthcare, automobile, travel, lifestyle, etc., catering to various segments, including kids, women, etc. MMCPL is a closely-held private limited company. The shareholders comprise members of the founder's family. The constitution of MMCPL was changed to 'Private Limited' w.e.f. November 2020.

Strong editorial and management team: The promoters are actively involved in the day-to-day operations of the newspaper. Chief Editor, Mammen Mathew, has been with this newspaper for over four decades. The management functions are looked after by professionals, who have been with MMCPL for more than two decades. MM daily, being the leading newspaper in Kerala, has been able to put together a well-qualified and experienced journalist team over the years. MMCPL's relations with the employees have been cordial and many of the employees have been associated with MMCPL for long.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Leadership position of 'Malayala Manorama' daily among regional language dailies in the country: MM daily is the largest circulated regional language daily in the country and the fourth-largest circulated newspaper across all languages in terms of average daily circulation. It is to be noted that MM's circulation is 1.86x of its nearest regional competitor, Mathrubhumi, in Kerala during Jan to June 2022 period as against 1.88x during July to December 2019.

Comfortable capital structure and coverage indicators: The capital structure of the company remained comfortable with a robust net worth base of ₹1,148 crore and overall gearing of 0.18x as on March 31, 2022 (PY: 0.20x). The improvement in gearing is owing to the repayment of existing term loans without any fresh term loan being availed. The debt coverage indicators improved marked by interest coverage ratio of 9.66x (PY: 6.8x) in FY22 and total debt to gross cash accruals (TD/GCA) of 1.28 years (PY: 1.46 years) as on March 31, 2022.

Healthy operating margins, but inherent exposure to volatile raw material prices and forex risk: The operating margins of MMCPL are mainly driven by the proportion of advertisement revenues in the total operating income (TOI), and the cost of the newsprint which is the major raw material for MMCPL. The advertisement revenues across the media industry have witnessed a drop in FY20 and FY21 due to the general economic slowdown as well as the COVID-19 outbreak. However, an improvement in the revenue per copy can be witnessed in FY22 and H1FY23 as compared to the previous years. The PBILDT margin slightly decreased from 21% in FY21 to 20% in FY22, primarily due to increase in the prices of raw materials (newsprint and printing paper).

Key rating weaknesses

Gradual decline in circulation and advertisement revenues: The advertisement revenue witnessed a drop in the last three years, mainly on account of the overall economic slowdown, Kerala floods as well as COVID-19. Though it increased 22% YoY in FY22, it is yet to reach the pre-COVID-19 levels. Furthermore, the number of copies sold has gradually declined from 89 crore in FY18 to 72 crore in FY22. This seems to be due to the industry wide trends observed wherein readers prefer to consume news through digital medium over print. Traditional newsprint companies will now have to adapt themselves to be relevant in the future. Despite intense competition from other digital media players as well as from other dailies, MMCPL still generates more than 50% of its income from advertisement revenue.

Dependence on single publication catering to a semi-saturated Kerala market for bulk of revenues: The key publication of MMCPL is the MM daily, which contributes to majority of MMCPL's total income. During last five years, MM daily contributed to about 70%-80% of the total income on a consolidated basis. While the presence in a semi-saturated market limits the prospects for any sharp growth, it also exposes MMCPL to the social-economic conditions of a regional economy.

Exposure to volatile raw material prices and forex risk: Newsprint is the main cost component for the print industry. The raw material prices are dependent on the global demand-supply scenarios. Newsprint prices have significant impact on the profitability of the players in the industry. The newsprint cost per copy sold increased 34% YoY in FY22 from ₹2.31 to ₹3.1 due to Russia-Ukraine war and shutting down of European mills. The fluctuation in forex further aggravates the volatility in the prices. MMCPL is able to cover the newsprint cost with its circulation revenue alone. The company tweaks the number of pages and supplements from time-to-time depending on the newsprint prices to ensure that the newsprint costs are covered by circulation revenues.

Liquidity: Strong

The company has strong liquidity characterised by sufficient cushion in accruals of ₹160-170 crore vis-à-vis term debt repayment obligations of around ₹50 crore in FY22. The company extends a 40-50 days payment period to the advertisement agencies. Almost 100% of the newsprint requirements are imported and the company gets a credit period of 45-50 days. The company's overall leverage has come down owing to the repayment of term loans. With a healthy capital and sufficient funds to fund the working capital, the company had a comfortable average working capital utilisation of 22% for the 12 months ended September 2022. The company has cash and liquid investments to the tune of ₹530 crore as on September 30, 2022.

Analytical approach: Consolidated, the analytical approach is changed from standalone to consolidated considering the fact that The Malayala Manorama Company Pvt Ltd holds 100% stake in MM TV Pvt Ltd, and it has also extended loans and advances as and when required.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

MMCPL is engaged in printing and publication of news daily and other magazines. MMCPL's main daily, Malayala Manorama, is the most widely circulated regional daily in India. MMCPL was founded by Kandathil Varghese Mappillai in 1888, with the first issue of the newspaper appearing on March 22, 1890. The daily is currently being printed and published from 16 centres – 11 in Kerala, one each in Mumbai, Delhi, Bangalore, Chennai and Dubai (UAE). MM as a group publishes more than 45 magazines, periodicals and books in the print medium to cater to different age groups, tastes and needs. Some of the popular publications include 'The Week', 'Manorama Year Book', etc. In 2008, MM also launched Radio Mango (under this company), which has five FM radio stations in Kerala. The company has started expanding its matrimonial website M4marry to Tamil, Kannada and Telugu besides Malayalam and also relaunched its educational platform, 'Horizon'. The digital initiative ManoramaMax, which is the first Malayalam OTT platform, has generated good subscriber's base.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1 FY23 (UA)
TOI	941.44	1055.08	640.40
PBILDT	199.62	206.75	111.28
PAT	14.46	39.43	33.77
Overall gearing (times)	0.20	0.18	NA
Interest coverage (times)	6.81	9.67	11.82

A - Audited; UA - Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank overdraft	-	-	-	-	80.00	CARE AA; Stable
Fund-based - LT-Cash credit	-	-	-	-	55.00	CARE AA; Stable
Fund-based - LT-Term loan	-	-	-	31-07-2029	109.66	CARE AA; Stable
Non-fund-based - ST-Bank guarantee	-	-	-	-	10.00	CARE A1+

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - ST-Credit exposure limit	-	-	-	-	0.60	CARE A1+
Non-fund-based - ST-Letter of credit	-	-	-	-	5.00	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term loan	LT	109.66	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-21)	1)CARE AA; Stable (29-Dec-20)	1)CARE AA; Stable (17-Jan-20) 2)CARE AA; Stable (19-Dec-19)
2	Fund-based - LT-Cash credit	LT	55.00	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-21)	1)CARE AA; Stable (29-Dec-20)	1)CARE AA; Stable (17-Jan-20) 2)CARE AA; Stable (19-Dec-19)
3	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A1+	-	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)	1)CARE A1+ (17-Jan-20) 2)CARE A1+ (19-Dec-19)
4	Non-fund-based - ST-Bank guarantee	ST	10.00	CARE A1+	-	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)	1)CARE A1+ (17-Jan-20) 2)CARE A1+ (19-Dec-19)
5	Non-fund-based - ST-Credit exposure limit	ST	0.60	CARE A1+	-	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)	1)CARE A1+ (17-Jan-20)
6	Fund-based - LT-Bank overdraft	LT	80.00	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1.	Fund-based - LT-Bank overdraft	Simple
2.	Fund-based – LT - Cash credit	Simple
3.	Fund-based - LT-Term loan	Simple
4.	Non-fund-based – ST -Bank guarantee	Simple

5.	Non-fund-based – ST -Credit exposure limit	Simple
6.	Fund-based – ST – Letter of credit	Simple

Annexure-5: Bank lender details for this company

To view the lender-wise details of the bank facilities, please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Naveen Kumar Dhondy

Phone: +91-88860 97382

E-mail: dnaveen.kumar@careedge.in

Relationship contact

Name: Ramesh Bob Asineparthi

Phone: +91 90520 00521

E-mail: ramesh.bob@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**