

MM TV Limited (Revised)

December 13, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	62.77 (Increased from 48.20)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Short-term bank facilities	1.50 (Reduced from 6.00)	CARE A1 (A One)	Reaffirmed
Total bank facilities	64.27 (₹Sixty-Four Crore and Twenty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of MM TV Limited (MMTV) continue to draw strength from its strong promoter group, support extended by the parent by way of extended unsecured loans, presence of well-experienced management team, established position of the company's News & General Entertainment Channel (GEC) in the Malayalam television space and increase in advertisement revenues. The ratings also factor in the ability of MM TV to be agile and keep up with the changing trends by establishing an exclusive Malayalam OTT platform, which has gained decent subscriber base during H1FY23. The ratings are, however, constrained by the net losses incurred in the last three years (although declining), and regional concentration of operations with major income concentration from one single channel.

Rating sensitivities

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

- Consistent growth in scale of operations with lower dependence on one channel.
- Growth in PBIDLT margins above 20% on continuous basis

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

- Continuous decline in scale of operations below Rs. 100 crore
- Decline in PBILD levels below Rs. 15 crore on continuous basis

Detailed description of the key rating drivers

Key Rating Strengths

Part of Malayala Manorama group and presence of well-experienced management team

MMTV is a wholly owned subsidiary of The Malayala Manorama Company Private Limited (MMCPL rated CARE AA; Stable /CARE A1+), Kottayam. MMCPL has been operational for over a century and the group has presence in all forms of media including print, television, radio, online portals and events. The management team is well experienced in the Malayalam television sector with many of them having worked with leading television groups for over two decades.

Established position of the Mazhavil and Manorama News in the Malayalam television space

Mazhavil, though a late entrant in 2011, has over the years consistently been among the top three channels. In August 2015, the Company launched Mazhavil HD, which was the first Malayalam channel to be available in High Definition format. The Malayalam news space is competitive and Manorama News is among the top news channels.

Exclusive Malayalam OTT platform gaining traction

The company has launched Manorama MAX in Sep '19 – the first 100% Malayalam entertainment and news OTT, offering a wide variety of Malayalam content. Manorama MAX besides original shows and web series comprises of both news and non news contents contributed by Manorama News and Mazhavil Manorama. Apart from an advertisement driven free membership, the OTT has a premium membership plan without advertisements for complete accessibility of its contents and features which currently is priced at Rs. 799 per year (increased from Rs. 699 in August 2022) for Indian viewers and upto USD 29.99 per year for Overseas viewers. The company has around 58000 subscribers as on H1FY23 (H1FY22 – around 10000) for its OTT. The

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

revenue recognized from OTT platform has increased by Rs. 1 Crore in H1FY23 from the annual revenue of FY22 owing to the expanded subscriber base. The presence in multiple platforms gives MMTV wider reach and provides an opportunity to monetize content as well as the platforms by providing platform specific advertisements.

Robust FY22 and H1FY23 performance

The operating income witnessed an increase of 41% from Rs. 107 Crore in FY21 to Rs. 151 Crore in FY22 buoyed by the state elections, Vishu festival despite the second wave of COVID. Of the total revenue from operations of Rs.151 crore for FY22, Rs. 146 crore was from advertisements (PY: Rs. 105.16 crore). Mazhavil generates higher revenues during 'Special Days' such as festivals, New Year Day etc., while Manorama News generates higher revenue during Election and Budget seasons. PBILDT margin increased to 19.42% in FY22 from 12.55% in FY21 due to improvement in operating efficiency and cost optimization measures. In H1FY23, PBILDT margin further improved to 19.88%. The H1FY23 revenues increased by 27% from Rs. 68 crores to Rs. 86 crores owing to increase in advertisement revenues.

Key Rating Weaknesses

Volatility associated with production expenses of programs produced in-house

In television media industry, the income for fiction and non-fiction type programs is dependent on the ratings which are uncertain during the initial telecasting. Mazhavil telecasts both fiction and non-fiction programs. Hence, the revenue volatility risk associated with the variation in the ratings for these shows are borne by the company.

Limited presence with two channels in the regional space

MMTV has a limited portfolio of two channels compared to other competitors having multiple channels catering to various niche customer preferences including movies, music, etc. Furthermore, the total income of MMTV is highly dependent on a single channel with, Mazhavil (which also has an HD version) contributing about 50% of the total income. High concentration towards a single channel and a particular geography exposes MMTV to the dynamics of a single market.

Liquidity: Adequate

Liquidity is adequate considering the adequate cash accruals that the company is generating. The television industry mostly depends on ad revenue and the company had a collection period of 97 days in FY22 which has improved compared to previous year (PY – 125 days). The working capital cycle for the company stood at 31 days for FY22 against 45 days in FY21. The average working capital utilisation for the last twelve months ended September 2022 stood at 63.40%. The company has been sanctioned two loans to the extent of Rs.20.3 crores and Rs. 36.70 crores in FY23 which the company plans to utilize for funding the capex in FY23 and FY24. Even with the additional debt repayments (Rs. 9 crores in FY23 and Rs. 15 crore in FY24) and increased interest costs, the company's gross cash accruals of Rs. 27 and Rs. 43 crores are expected to suffice in the next two years to fund capex. Further with low leverage (debt to equity of 0.35 in FY22), and being part of the larger MM group which has extended unsecured loans during FY22 (to the extent of Rs. 6 crores) the company enjoys a fair amount of financial flexibility and the company's liquidity is expected to remain adequate.

Analytical approach:

Standalone: Factoring support from parent

Applicable criteria

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Policy on default recognition](#)

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company

Established in 2004 with its registered office in Kottayam, MMTV commenced its commercial broadcasting on August 17, 2006, with the launch of Manorama News Channel. In October 2011, the company started broadcast of its GEC called Mazhavil Manorama (Mzhavil). Both these channels are broadcasted within India. Apart from this, the company broadcasts another channel, Mazhavil International, outside India mainly to cater to the Keralite population in the Middle East countries. While

Manorama News and Mazhavil are free to air channels within India, Mazhavil International is free to air in Middle East and subscription-based pay channel for rest of the world. MMTV launched the first Malayalam OTT platform "Manorama Max" in September 2019 and it has been gaining decent amount of subscribers till date.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1 FY23 (UA)
TOI	107.03	151.34	85.90
PBILDT	13.44	29.39	17.08
PAT	-19.34	-2.49	0.28
Overall gearing (times)	0.49	0.55	NA
Interest coverage (times)	2.80	7.22	7.23

A:Audited, UA: Unaudited; NA – Not Available

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-Cash Credit		-	-	-	27.50	CARE A; Stable
Fund-based - LT-Term Loan		-	-	31-07-2029	35.27	CARE A; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	1.50	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-Cash Credit	LT	27.50	CARE A; Stable	-	1)CARE A; Stable (04-Feb-22)	1)CARE A; Stable (03-Dec-20)	1)CARE A; Stable (07-Nov-19)
2	Fund-based - LT-Term Loan	LT	35.27	CARE A; Stable	-	1)CARE A; Stable (04-Feb-22)	1)CARE A; Stable (03-Dec-20)	1)CARE A; Stable (07-Nov-19)
3	Non-fund-based - ST-Bank Guarantee	ST	1.50	CARE A1	-	1)CARE A1 (04-Feb-22)	1)CARE A1 (03-Dec-20)	1)CARE A1 (07-Nov-19)

*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-Term loan	Simple
2.	Fund-based – LT - Cash credit	Simple
3.	Non-fund-based – ST -Bank guarantee	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.

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