

The Malayala Manorama Company Private Limited

December 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities – I	122.94 (Reduced from 164.66)	CARE AA; Stable	Reaffirmed
Short-term bank facilities	15.60	CARE A1+	Reaffirmed
Long-term bank facilities – II*	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

*The ratings assigned to Fixed deposits backed Overdraft facilities are withdrawn at the request of company and based on NOC received from the bankers.

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 its leadership position in the Indian vernacular print media industry under its flagship brand, 'Malayala Manorama'. The ratings continue to positively factor in the strong financial risk profile characterised by low leverage, strong debt coverage indicators and robust liquidity position. The ratings continue to draw strength from the company's experienced promoters and management. The ratings also factor the company's strong recovery y-o-y with revenue growth of 17% witnessed during FY23 (refers to the period April 1 to March 31) after sub-optimal performances during the previous two fiscal years on account of COVID-19 and ensuing macroeconomic headwinds. The growth has been supported largely by a resurgence in advertisement revenues and circulation revenues on account of rise in the price per copy, although market for circulation remains sluggish with muted circulation volumes.

The revenue growth of the company is expected to be steady in FY24 with traditional sectors increasing their advertising budgets and also higher contribution from government advertisement spending in view of few state assembly elections and national elections. However, the margins remained constrained on account of considerable increase in newsprint prices during FY23, which are expected to be improved in Q3FY24 with a reduction in newsprint prices. CARE Ratings Limited (CARE Ratings) notes that the newsprint prices are further expected to moderate during ensuing quarter, which will help in improving the realisations, going forward.

The above rating strengths are, however, partially tempered by profitability margins susceptible to volatility in newsprint prices and economic cycles, 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 and increasing competition from alternate media platforms resulting in gradual reduction in circulation. CARE Ratings also notes the consistent decline in number of copies in circulation during FY20 to FY23 for MMCPL and overall gradual shift in the preference of people towards for digital mode of news, thus impacting its future growth prospects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in circulation and advertisement revenue and diversifying revenue streams from digital media platform leading to substantial increase in market share/readership.
- To maintain the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 18% on a sustained basis.
- Improvement in overall gearing below 0.05x on a sustained basis.

Negative factors

- Any consistent fall in circulation below 18 lakh copies per day.
- Significant decline in the operating margins below 10%.
- Total debt to PBILDT deteriorating beyond 1.5x going forward.

Analytical approach: Consolidated, considering the fact that MMCPL holds 100% stake in MM TV Pvt Ltd, and it has also extended loans and advances as and when required.

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

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that the company will continue to derive benefits from the existence of experienced promoters and management team and a strong brand image.

Detailed description of the key rating drivers:**Key strengths****Leadership position of 'Malayala Manorama' daily among regional language dailies in the country**

Malayala Manorama (MM) daily is the largest circulated regional language daily in the country and the second-largest circulated newspaper across all languages in terms of average daily circulation. CARE Ratings notes that MM's circulation was 1.86x of its nearest regional competitor, Mathrubhumi, in Kerala during January 2022 to June 2022 period as against 1.77x during April 2023 to September 2023.

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 has a cordial relationship with its employees, with many of them being associated with the company for an extensive period.

Resurgence in operating revenue owing to increase in advertisement and circulation revenues

The revenue profile of the company comprises advertisement revenue as well as circulation revenue in almost equal share. The operating income of the company witnessed an increase of 17.6% from ₹1,030 crore in FY22 to ₹1,212 crore in FY23 owing to (1) increase in advertisement revenues resulting from gradual easing of COVID-19 crisis and overall recovery in the economic scenario and higher advertisement spends incurred by various industries, and (2) circulation revenue owing to raise in price per copy as a consequence and intent to pass on the increased raw material prices to the customers.

Financial risk profile continues to remain robust

CARE Ratings notes that MMCPL continues to maintain robust capital structure and strong coverage indicators with low reliance on debt. The capital structure of MMCPL is marked by a robust net worth base of ₹1,186 crore and overall gearing of 0.22x as on March 31, 2023 (P.Y. 0.19x). The debt coverage indicators continued to remain robust, marked by interest coverage ratio of 5.6x in FY23 (P.Y. 8.5x). MMCPL stands net debt free as on March 31, 2023.

Key weaknesses**Moderation in operating margins owing to inherent exposure to volatile raw material prices and forex risk**

Despite a healthy growth in the revenues, the PBILDT margins of the company were impacted due to increase in newsprint prices in FY23. The PBILDT margins of MMCPL in FY23 reduced by 635 bps to 11.32% from 17.67% in FY22. Newsprint constitutes key raw material accounting for around 35% of the operational cost of the company. The shortage in availability of the raw material was led by various factors, viz., rise in freight rates, rupee depreciation, and fall in supplies following the ongoing Russia-Ukraine conflict, especially since Russia is one of the key global suppliers of newsprint.

Newsprint costs to company over the years:

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	H1FY24
Total newsprint cost (in ₹ crore)	293	347	320	175	223	362	186
Newsprint cost per copy (B) (in ₹/copy)	3.28	3.99	3.76	2.31	3.10	5.32	5.6
% increase in newsprint cost	-	21%	-5.76%	-38%	34%	71%	5%

As depicted in the above table, newsprint cost per copy circulated by MMCPL has increased by around 71% in FY23 and 5% in H1FY24 over FY23 which has impacted the margins of the company. However, CARE Ratings notes that the circulation income of the company entirely covers the newsprint cost. As understood from industry trends and apprised by the management, raw material prices have stabilised in Q3FY24. However, as the company was holding high-cost inventory during H1FY24, margins during that period have impacted, and currently, the prices have stabilised as a result of which H2FY24 margins are expected to be improved.

Dependence on single publication catering to a semi-saturated Kerala market for bulk of revenues

The key publication of MMCPL is MM daily, which contributes to majority of MM's total income. Being a regional language daily, MM has a major presence in the Kerala market. Nevertheless, it also caters to the Malayalee population in all major metros of the

country as well as in the Middle East. Given high literacy levels in the state of Kerala, circulation growth in the overall market is likely to be limited in the long run.

Increasing competition from alternate media platforms resulting in gradual reduction in circulation

Owing shift to digital content, average number of copies in circulation are depicting a declining trajectory across the industry. Number of copies circulated is reducing gradually for the company in line with the industry.

Dailies	Language	January-June 2020	July-September 2021	July 2021-September 2022	January-June 2022	July-December 2022	April-March 2023	April-September 2023
MM	Malayalam	21.54	20.43	19.88	19.71	19.20	19.21	18.12

Source: Audit Bureau of Circulations, July 2021-September 2022, April-March 2023 and April-September 2023 figures provided by MMCPL.

During FY23, average copies circulated were 1,921,000, and the same has come down to 1,812,000 as on September 20, 2023. The company's significant revenue is dependent on advertisement and circulation. Owing to the shift in trend, CARE Ratings expects the revenue of the company to gradually come down over a period of time.

Liquidity: Strong

The liquidity is marked by strong accruals against repayment obligations and liquid investments to the tune of ₹422.02 crore as on September 30, 2023. The company is expected to generate cash accruals of ₹136.31 crore as against repayment obligations of ₹62.05 crore during FY24. At a consolidated level, the company has capex plan for ₹42.93 crore, with a gearing of 0.2x as on March 31, 2023. The company has sufficient gearing headroom, to raise additional debt for its capex. Average working capital utilisation stood at 60% for the last 12 months ending September 2023. Its unutilised working capital limits amounting to ₹54.00 crore are more-than-adequate to meet its incremental working capital needs over the next one year if any. Apart from meeting the debt obligations at a standalone level, the company during the current year and next year may have to support its subsidiary, i.e., MMTV. However, considering the adequate cash accruals that MMCPL is generating, although a part of accruals are utilised to support MMTV, the liquidity position of MMCPL is expected to remain comfortable.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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 and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Media, entertainment & publication	Media	Print media

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). MMCPL 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, MMCPL 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, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	910.44	1,074.62	626.38
PBILDT	152.69	110.43	68.11
PAT	41.36	15.18	-2.96
Overall gearing (times)	0.14	0.15	-
Interest coverage (times)	8.57	5.44	6.13

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash credit	-	-	-	-	55.00	CARE AA; Stable
Fund-based - LT-Term loan	-	-	-	31-July-2029	67.94	CARE AA; Stable
Non-fund-based - ST-Bank guarantee	-	-	-	-	10.00	CARE A1+
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 2023-2024	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
1	Fund-based - LT-Term loan	LT	67.94	CARE AA; Stable	-	1)CARE AA; Stable (12-Dec-22)	1)CARE AA; Stable (20-Dec-21)	1)CARE AA; Stable (29-Dec-20)
2	Fund-based - LT-Cash credit	LT	55.00	CARE AA; Stable	-	1)CARE AA; Stable (12-Dec-22)	1)CARE AA; Stable (20-Dec-21)	1)CARE AA; Stable (29-Dec-20)
3	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A1+	-	1)CARE A1+ (12-Dec-22)	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)
4	Non-fund-based - ST-Bank guarantee	ST	10.00	CARE A1+	-	1)CARE A1+ (12-Dec-22)	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)
5	Non-fund-based - ST-Credit exposure limit	ST	0.60	CARE A1+	-	1)CARE A1+ (12-Dec-22)	1)CARE A1+ (20-Dec-21)	1)CARE A1+ (29-Dec-20)
6	Fund-based - LT-Bank overdraft	LT	-	-	-	1)CARE AA; Stable (12-Dec-22)	1)CARE AA; Stable (20-Dec-21)	-

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of 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

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About us:

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