

## VRL Media Private Limited

May 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	74.60	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of VRL Media Private Limited (VRLM) considers expected improvement in operating profitability margins and debt coverage indicators of the company following sale of its loss-making TV division in FY24 and no plans for film production in the near-to-medium term. The rating factors in recovery in readership and circulation of VRLM's Kannada daily newspaper 'Vijayavani' after it was impacted in COVID-19 supported by its established presence and brand name in the Kannada print media segment. The rating also positively factors in strong promoter support and their long track experience in diverse business segments.

However, rating strengths are partially offset by continued loss from its TV segment in the past, which resulted in moderating capital structure of the company. The company's ability to sustain its newspaper segment profitability margins backed by maintaining its circulation of 'Vijayavani' would be key to its credit profile. The rating is also constrained by profitability margins susceptible to newsprint prices, forex fluctuations, high dependence on advertisement revenues, competitive print media industry and increasing penetration of alternate media.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Total operating income (TOI) above ₹200 crore and sustainability of operating profitability margins above 25%.
- Improving capital structure with overall gearing below 1.0x.

#### Negative factors

- Total debt to profit before depreciation, interest and taxation (TD/PBDIT) of more than 5x or interest coverage ratio (ICR) below 2.5x.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that VRLM will continue to sustain its performance aided by strong brand image of 'Vijayavani' backed by healthy circulation and readership in Karnataka.

### Detailed description of key rating drivers:

#### Key strengths

##### Strong promoter support and long track experience of promoter group

VRLM was promoted by the promoter of India's largest logistic firm VRL group, Vijay Sankeshwar till 2022 and is now being managed by the next generation promoters Anand Sankeshwar and Shiva Sankeshwar. VRLM under leadership of Vijay Sankeshwar has established itself as one of the prominent print media players in Karnataka. Vijayavani is the leading Kannada newspaper and has highest readership and circulation in Karnataka. Promoters of the company have been infusing funds as and when required in form of equity and unsecured loans to support business operations. In FY24, promoters have infused equity of ₹ five crore and unsecured loan of ₹12 crore.

##### Strong presence of brand 'Vijayavani' in Karnataka with dominant position in regional newsprint media

Vijayavani has a strong brand presence in Karnataka and is one of the most widely read Kannada newspapers in the state since a decade. The credit profile continues to favourably factor in VRLM's established position in the vernacular media segment. VRLM has developed strong readership over just 12 years and is anticipated to maintain its leadership position in the future also.

#### Expected improvement in debt coverage indicators

Owing to high competition in the TV channel segment in industry, the company incurred huge losses from its TV channel 'DIGHVIJAY 24\*7 News'. The company reported EBIDTA in the range of negative ₹10-22 crore, which impacted the overall company's profitability resulting in decline in net worth. However, in FY24 VRLM sold the division and witnessed improvement in profitability and capital structure. Total operating liability to total net worth (TOL/TNW) improved to 4.94x as on March 31, 2024 (March 31, 2023: 8.95x). Since the company has now sold off its TV segment and does not have plans of film production in future, therefore VRLM's profitability is expected to improve in projected years aided by healthy EBIDTA from 'Vijayavani'. With scheduled

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

debt repayments and expected improvement in operating cashflows, capital structure and debt coverage indicators are expected to improve significantly in the near-to-medium term.

## Key weaknesses

### Moderate scale of operations due to its limited presence in the highly competitive Karnataka market

Since its incorporation, VRLM has focused only in Karnataka, which has restricted its scale to a moderate level and exposes it to risk associated with change in readership/ advertisement trends or economic condition in one single region. However, VRLM has developed strong readership over years of operation. VRLM used to generate income of around ₹80 crore from sales of newspaper in 2018-2019 that is in pre-COVID period. However, sales were impacted in COVID and since then income from sales of newspaper is steady around ₹56-57 crore. The company majorly generates income from advertisement, which is always above ₹100 crore expect in the peak COVID period. On an average, EBIDTA from Newspaper segment is around ₹25 crore for the last four years. With expectation of rise in ad spend by corporates and by the government considering 2024 Lok Sabha elections, advertisement revenue is expected to grow in current fiscal, however, the circulation and readership movement of 'Vijayvani' in future will be a key monitorable.

### High competition from digital and TV media platforms

The newspaper industry impacted significantly in COVID, and the physical print business is yet to revert to the pre-COVID levels impacted by structural factors such as shift of preference among readers to read news in electronic/digital form through mobile applications or website has resulted in some decline in circulation. Growing popularity of digital platforms, in line with changing media consumption habits, is likely to be a major challenge to the print media industry. Demand for more real-time, personalised news content in agile formats is increasing rapidly, advertisers also prefer digital platforms for getting targeted campaigns and real-time data on reach, as low cost of production of digital content (as no RM or distribution costs) makes it more profit accretive for publishers.

### Profitability susceptible to newsprint price volatility and foreign exchange fluctuations

The major raw material cost for the company is newsprint (NP), which accounts for around 30% of the TOI. VRLM remains susceptible to newsprint cost volatility and foreign exchange fluctuations as majority of the raw material is imported. From FY21, costs of newsprint started increasing steeply in the wake of depressed demand for print media in the pandemic. Again, owing to geopolitical factors newsprint prices witnessed hike in FY23, which resulted in high import price in FY23. However, since Q4FY23 prices started correcting and in FY24 newspaper prices declined significantly. Impact of fluctuation of newsprint prices on the company's profitability margins is a monitorable factor.

### Cyclicality associated with advertisement revenue

VRLM's presence in only one state, Karnataka, restricts its revenue growth and the revenue generated from newspaper publication usually covers only certain part of the cost of newsprint consumed in publication. VRLM heavily depends on advertisement revenues to drive growth and profitability, constituting around 66%-69% of VRLM's TOI. VRLM over a track record of more than a decade of operation has built very broad customer base and does not depend on few customers for its advertisement income which safeguards company's revenue from customer concentration risk.

### Liquidity: Adequate

Liquidity of the company is adequate considering healthy circulation of 'Vijayvani' in Karnataka which is anticipated to generate sufficient cash flow against scheduled repayment obligations of ₹10 crore in FY25, thus translating into satisfactory DSCR. Company has cash and bank balance of ₹14.58 crore as on March 31, 2024. Per banker feedback, working capital utilisation is low and in the range of 55-60%.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

## About the company and industry

### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Media, entertainment and publication	Media	Print media

VRLM is into printing and publishing Kannada Daily Newspaper in the name and style of "Vijayvani". VRLM is current managed by Anand Sankeshwar, and Shiva Sankeshwar. Vijayvani is a leading Daily Kannada newspaper in Karnataka. Vijayvani was

launched in April 2012 and presently has 10 city editions in Karnataka including Bengaluru, Mangaluru, Hubballi, Mysuru, Belagavi, Vijayapura, Gangavathi, Chitradurga, Shivamogga, and Kalaburgi.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	212.00	170.79
PBILDT	-8.01	18.83
PAT	-37.36	4.54
Overall gearing (times)	7.35	4.12
Interest coverage (times)	NM	2.75

A: Audited UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	7.25	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	41.45	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	November 2028	25.90	CARE BBB-; Stable

#### Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	25.90	CARE BBB-; Stable	-	-	-	-
2	Fund-based - LT-Bank Overdraft	LT	7.25	CARE BBB-; Stable	-	-	-	-
3	Fund-based - LT-Cash Credit	LT	41.45	CARE BBB-; Stable	-	-	-	-

LT: Long term.

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

#### Annexure-4: Complexity level of 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

## Annexure-5: Lender details

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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