



Press Release
EXPRESS PUBLICATIONS MADURAI PRIVATE LIMITED
July 11, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	113.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	35.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	148.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 148 Cr bank facilities of Express Publications (Madurai) Private Limited (EPMPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account established market position and long track record of operations for more than six decades in print media business. The rating also factored in EP(M)PL's healthy brand recognition with stable readership base and improvement in scale of operations marked by improvement in revenue to Rs.247.33 Cr in FY2023(Provisional) as against Rs.208.07 Cr in FY2022 and Rs.210.70 Cr in FY2021. The improvement is supported by company's strong regional market presence and diversified revenue stream. The rating is however constrained by average financial risk profile marked by high gearing, working capital intensive nature of operations and significant dependence on advertisements revenue. Further, it also factors in the vulnerability of profitability to newsprint prices and increasing competition from digital media.

About the Company

Express Publications (Madurai) Private Limited is the flagship company of The New Indian

Express Group and is publishing newspapers and periodicals in the States of Tamil Nadu,

Andhra Pradesh, Telangana, Karnataka, Kerala, Orissa, Delhi and Union Territories of Pondicherry, Andaman and Nicobar Islands, Yanam, and Lakshadweep. The Company brings out its publication of newspapers and periodicals from 31 printing and publication centers. It also has Marketing Offices in Kolkata, Mumbai and New Delhi. The Company's publications include English Dailies viz. The New Indian Express, The New Sunday Express, The Morning Standard from New Delhi & NCR, The Sunday Standard on Sundays from New Delhi and Dinamani in Tamil. In addition, the company also brings out Samakalika Malayalam Vaarika, a weekly in Malayalam and Indulge The Morning Standard, a weekly tabloid magazine at Kolkata.

Analytical Approach

Acuite has considered standalone business and financial risk profile of EP(M)PL to arrive at the rating.

Key Rating Drivers Strengths

Established market position, long track record of operations and healthy brand recognition with stable readers.

EPMPL has more than six decades experience in print media business, the company is professionally managed by Board of Directors headed by Shri. Manoj Kumar Sonthalia as chairmen and managing director and three directors Viz., Mr. S.S Poddar, Mr. T J S George, Ms. Lakshmi Menon as CEO and director and one nominee director Mr. Sreekumar Karunakaran. The extensive experience of promoters helped company in establishing strong relationship with its suppliers. Express Publications (Madurai) Private limited is the flagship company of The New Indian Express Group and is publishing Newspapers and Periodicals in the States of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Kerala, Orissa, Delhi and Union Territories of Pondicherry. EPMPL brings out its publication of newspapers and periodicals from 31 printing and publication centres. Company has marketing centres across South India, Kolkata, Mumbai and Delhi. EPMPL publications includes The New Indian Express, The New Sunday Express, The Morning Standard from New Delhi & NCR, The Sunday Standard, in addition EPMPL also brings out Samakalika Malayalam Vaarika, a weekly in Malayalam and, The Morning Standard, weekly tabloid magazine at Kolkata. EPMPL's flagship newspapers 'The New Indian Express', 'The New Sunday Express' and 'Dinamani' has an established market position in South India and enjoys patronage from a niche reader base. Company also receives healthy share of advertisements from government and private sector. Other publications of the company The Sunday Standard, The Morning Standard and Samakalika Malayalam Vaarika also enjoys stable reader base. The revenue of the company has remained stable through last three years supported by healthy brand recognition and stable readership base. The revenue of the company slightly improved and stood at Rs.247.33 Cr in FY2023(Provisional) as against Rs.208.07 Cr in FY2022 and Rs.210.70 Cr in FY2021.

Acuite believes that company will continue to benefit from its long operational track record, brand recognition and stable readership base over the medium term.

Weaknesses

Average financial risk profile

The financial risk profile of the company is average marked by moderate net worth, high leverage ratios and moderate debt protection metrics. The company's net worth stood at Rs.34.26 Cr as on March 31st 2023(Prov) as against Rs.22.74 Cr as on March 31st 2022 and Rs 56.26 Cr as on March 31 st 2021. The increase in net worth in FY 2023 (Prov) is majorly due to accretion of profits to the reserves. However, the net worth has eroded in FY 2022 due to losses reported by the company. The total debt of Rs. 213.76 Cr as on March 31st 2023(Prov) consists of Rs.69.22 Cr of term loans, Rs.102.92 Cr of unsecured loan, Rs.42.73 Cr of short term debt and Rs. 16.88 Cr of current maturity of long term debt. The company follows an aggressive financial policy reflected through its peak gearing of 10.23 times as on March 31 st 2022. The gearing (debt/equity) of the company remain high at 6.77 times as on March 31st 2023(Prov) as against 10.23 times as on March 31st 2022. Furthermore, the debt to EBITDA of the company also remains high at 4.42 times as on March 31st 2023(Prov) as against 16.86 times as on March 31st 2022. Debt protection metrics of interest coverage ratio stood at 1.43 times as on 31st March 2023(Prov) as against 0.32 as on 31st March 2022 and debt service coverage ratio(DSCR) stood at 1.43 times as on 31st March 2023(Prov) as against 0.29 times as on 31st March 2022. The total outside liabilities to tangible net worth stood at 9.39 times as on March 31st 2023(Prov) as against 14.47 times as on March 31st 2022.

Acuite believes that the improvement in financial risk profile of the company going ahead will remain a key rating sensitivity.

Working capital intensive operations

The company's operations are working capital intensive as reflected by its Gross current asset (GCA) days of 194 days for FY2023(Prov) as against 216 days for FY2022. The inventory days ranged between 13 to 16 days and debtors days ranged between 110 to 112 days during last three years ending FY2023(Prov). To support the working capital company stretches its creditors to 306 to 357 days during the last three years ended FY2023. Further, company has been fully utilising its working capital limits during the past 12 months ended March 2023.

Acuite believes that working capital management of the company will remain a key rating sensitivity over the medium term.

Profitability remains vulnerable to newsprint prices, increasing competition from digital media and significant dependence on advertisement revenue. The main cost element for a newspaper company is the newsprint cost. Newsprint prices have been volatile, and it may not always be possible to pass on the increase to the customers through an increase in cover price or higher advertisement tariff. The newspaper publications are witnessing gradual slowdown in circulation and readership due to the increasing penetration of the digital medium, market saturation and changing media consumption habits. As digital penetration increases, the circulation volumes of newspapers may undergo significant changes. Major portion of the revenue comes from advertisement through print media. Furthermore, the operating margin of media houses remains vulnerable to economic downturns as advertisement revenue is linked to economic conditions.

Rating Sensitivities

- Improvement in financial risk profile
- Significant deterioration in working capital cycle
- Sustainable improvement in Profitability, Leverage and Solvency position of the group.

Material covenants

None

Liquidity Position: Poor

The liquidity position of the company remains poor marked by moderate cash accruals to debt obligations and high working capital limit utilization. The net cash accruals of the company stood at Rs.15.88 Cr as against matured debt obligation of Rs. 16.88 Cr during the same period. The cash accruals of the company are estimated to be in the range of Rs.15 Cr to 23 Cr during FY2024-25 period while its repayment obligations are estimated to be around of Rs.18 Cr to Rs.19 Cr during the same period. The current ratio of the company stood at 0.98 times as on March 31st 2023(Prov) and cash and bank balance stood at Rs. 6.02 Cr as on March 31st 2023(Prov). The liquidity is further stretched by high reliance on bank borrowings marked with full utilisation of its working capital limits during the last 12 months ending March 2023.

Acuite believes that liquidity of the company will continue to remain poor over the medium term on account of moderate cash accruals against its debt repayment obligations.

Outlook: Stable

Acuité believes that EPMPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	247.63	208.07
PAT	Rs. Cr.	11.52	(33.52)
PAT Margin	(%)	4.65	(16.11)
Total Debt/Tangible Net Worth	Times	6.77	10.23
PBDIT/Interest	Times	1.43	0.32

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Re
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	As

Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	As
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.31	As
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	31.37	As
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.96	As
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	29.36	As

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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