



## Press Release

### Malayalam Communications Limited

July 04, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loans	15.26	IVR BBB/Negative (IVR Triple B with Negative Outlook)	IVR BBB/CWDI (IVR Triple B Credit watch with developing implications)	Revision in outlook	Simple
Proposed Long Term Bank Facilities	16.80	IVR BBB/Negative (IVR Triple B with Negative Outlook)	IVR BBB/CWDI (IVR Triple B Credit watch with developing implications)	Revision in outlook	Simple
Long Term Bank Facilities – Cash Credit	46.60	IVR BBB/Negative (IVR Triple B with Negative Outlook)	IVR BBB/CWDI (IVR Triple B Credit watch with developing implications)	Revision in outlook	Simple
<b>Total</b>	<b>78.66</b> (In words)				

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating reaffirmation considers the company's experienced promoters and management, channels across genres with sizeable subscribers and established presence in the regional segment. However, the rating is constrained by the range bound operating revenues, continually elongated operating cycle, capital intensive nature of business and high competition in the television broadcasting segment.

The outlook has been revised to "Negative" due to declining revenues and profitability coupled with slow recovery of receivables.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial scaling up of income levels
- Sustained improvement in profitability
- Substantial improvement in liquidity and gearing levels

#### **Downward Factors**

- Increased stress on working capital cycle due to increase in receivables
- Significant deterioration in debt protection metrics

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and management**

MCL was incorporated in 2000 and has a track record spanning more than 18 years in the television broadcasting segment. The company is promoted by Mr. P. I. Mohammed Kutty (alias Mammootty), a renowned actor in the Malayalam film industry. Mr. John Brittas, a renowned journalist with rich experience in television industry, is the Managing Director of the company. Further, the key managerial personnel of the company are also well experienced.

##### **Channels across genres and established presence in the regional segment**

The first channel of the company, Kairali TV, was aired in 2000. The company gradually entered other genres by offering a bouquet of channels. Kairali People (24\*7 news channel), Kairali WE (youth channel) and Kairali Arabia (GEC catering to the Malayali population in the Middle East) were started in 2005, 2007 and 2015 respectively. The channels of the company have strong presence in geographies having substantial Malayalam speaking population like Kerala, GCC countries, etc. The average viewership of the company's channels has been flat over the last three years. All channels of MCL are included in the "south package" offered by all major cable providers (including leading DTH providers).



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### **Key Rating Weaknesses**

#### **Declining profitability on the back of declining revenues**

The company has witnessed top line decline by 16.51% in FY21, from Rs 58.97 Crores in FY20 to Rs 49.23 Crores in FY21 on account of decline in revenues from associate sponsorships and branding arrangements in FY21 due to the impact of COVID 19. On the other hand, the Company has witnessed a surge namely in production, telecast expenses and marketing expenses, which has impacted the profitability of the company. PAT margin has declined from 2.65% in FY20 to 0.50% in FY21.

#### **Continually elongated operating cycle and slow recovery of trade receivables**

Operations of the company are working capital intensive in nature. The average receivable collection days and average creditor days stood at 199 days and 30 days respectively in FY21. The working capital cycle is elongated (170 days in FY21) on account of high debtor days. Additionally, the company had an average utilisation of ~98% in the last 12 months ended March 2022. The operating cycle of the company has been stretched largely due to a high amount of debtors; amounting to Rs 69.34 crore in FY21; the management has stated that the debtors largely include advances given to the gulf channel, the recoveries from whom has been slow.

#### **High competition in the television broadcasting segment along with the rapid advancement in smartphone technology**

The media and entertainment industry remains related to the cyclicalities in advertising spends by corporates. In addition, with increasing competition across genres and the emergence of alternative content delivery platforms such as digital media resulting in fragmentation of viewership, the ability of the company to maintain its leadership position and the resultant share in advertisement revenue will remain crucial. On a regional level the company faces competition from multiple broadcasters including Asianet (a southern media heavyweight). The ability of the company to ably fend off its competition and keep its revenues at a sustained level remains a key rating factor.

#### **Analytical Approach: Standalone**



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### Applicable Criteria:

Rating Methodology for Service sector companies

Financial Ratios & Interpretation (Financial Sector/Non- Financial Sector)

### Liquidity –Adequate

Liquidity is adequate despite a low current ratio of 0.90x in FY21, the GCA remains comfortable at Rs16.70 crore. The cash and bank balances have increased to INR 12.00 crore at the end of FY22 as against debt repayment obligation of Rs 1.25 Crores per month.

### About the Company

Malayalam Communications Limited (MCL) is an unlisted public limited company incorporated in 2000. MCL is a television broadcasting company which operates four regional channels primarily catering to the Malayali speaking population both in India and abroad. The first channel of the company, Kairali TV, was aired in the year 2000 and since then the company has gradually entered other genres by offering a bouquet of channels. MCL was promoted by Mr. P. I. Mohammed Kutty (alias Mammootty), a renowned actor in the Malayalam film industry. Mr. John Brittas is the Managing Director of the company. He is a renowned journalist with rich experience in television and broadcasting industry. The average viewership over the last three years has been over two million

### Financials (Standalone)\*:

Rs in Crores

For the year ended on/As on	31 March 2020	31 March 2021
	(Audited)	(Audited)
Total Operating Income	58.97	49.23
EBITDA	28.55	25.27
PAT	1.56	0.25
Total Debt	73.28	78.57



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Tangible Networth	107.73	108.78
EBITDA Margin (%)	48.41	51.32
PAT Margin (%)	2.65	0.50
Overall Gearing (X)	0.68	0.72

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings have moved the rating of Malayalam Communications Limited into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure as per the Press Release dated September 22, 2021.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facility – Term Loans	Long Term	32.06	IVR BBB/Negative	IVR BBB/CWDI (17 April 2021)	IVR BBB/Stable (6 March 2020)	IVR BBB/Stable (21 February 2019)
2.	Long Term Bank Facility – Cash Credit	Long Term	46.60	IVR BBB/Negative	IVR BBB/CWDI (17 April 2021)	IVR BBB/Stable (6 March 2020)	IVR BBB/Stable (21 February 2019)

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### **About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

**Annexure 1: Details of Facilities: Not Applicable**

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Malayalam-Communications-july22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**



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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

