



Press Release

Malayalam Communications Limited (MCL)

November 11, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	64.53 (Reduced from 78.66)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Negative (IVR Triple B with Negative outlook)	Reaffirmed and outlook revised	Simple
Total	64.53 (Sixty-Four Crore and Fifty-Three Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The revision of outlook to stable factor in expected improvement in revenue in FY25 due foray in digital platform along with expected gradual recovery of pending receivables.

The reaffirmation of the ratings by Infomerics Ratings to the bank facilities of Malayalam Communications Limited continues to factor in the company's experienced promoters and management, channels across genres with sizeable subscribers and established presence in the regional segment, Moderate Profitability with moderate financial risk profile.

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.

Key Rating Sensitivities:

Upward Factors

- A substantial and sustained increase in revenue and/or EBITDA margin while maintaining the debt protection metrics & capital structure
- Substantial recovery from the pending receivables.



Press Release

Downward Factors

- Significant decline in revenue and/or profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stress on working capital cycle impacting the company's liquidity position, due to increase in receivable.

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 Mammooty), a renowned actor in the Malayalam film industry. Mr. John Brittas, a renowned journalist with rich experience in the 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, 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 (However, the company has outperformed competitors in terms of live viewership, with an increase from the typical 1,000 to 2,000 viewers for regional TV channels to now reaching almost 12,000 viewers). All channels of MCL are included in the "south package" offered by all major cable providers (including leading DTH providers).



Press Release

Moderate profitability

The company has earned EBITDA of 43.17% in FY24 (audited) (refers to period April 1st, 2023, to March 31st, 2024) against 46.52% in FY23 (refers to period April 1st, 2022, to March 31st, 2023), where the EBITDA has marginally declined which are on account of increase witnessed in major expenses like Production and telecast expenses, Employee benefit, Establishment expenses. The company registered its PAT margin at 4.97% compared to 4.62% in FY23.

Healthy financial risk profile

MCL capital structure remained healthy as on March 31, 2024, marked by overall gearing at 0.63x as on March 31, 2024 against 0.64x as on March 31, 2023 indicating low dependence on external funds from banks and financial institutions. The total indebtedness of the company as reflected by TOL/ANW decreased from 0.76x as on March 31, 2023, to 0.73x as on March 31, 2024. The interest coverage ratio and DSCR have been comfortable over the last three years and stood at 2.94x and 2.16x respectively in FY24. The adjusted net worth of the company stood at Rs 105.70 crore as on 31 March 2024 as against Rs 103.26 crore as on 31 March 2023.

Key Rating Weaknesses

Modest operating income

The total operating income of the company registered a slight decline of 1.16% in FY24 which was particularly from the news segment, has been the climatic conditions in the state, which faced several major catastrophes. During such times, the company, aired content without advertisement breaks, sacrificing some portion of the revenue.

Continually elongated operating cycle and slow recovery of trade receivables

The operations of the company are working capital intensive in nature. The average receivable collection days and average creditor days stood at 490 days and 4 days respectively in FY24. The working capital cycle is elongated (486 days in FY24) on account of high debtor days. Additionally, the company had an average Utilisation of ~90% in the last 12 months ending July 2024. The operating cycle of the company has been stretched largely due to a high



Press Release

amount of debtors; amounting to Rs 65.73 crore in FY24; the management has stated that the debtors largely include advances specifically the payments owed for advertisements, often have a delay of approximately one year to 15 months before they are realized. This delay is a common practice among state governments, but it's worth emphasizing that the funds are secure despite the timing of payment. Few of the debtors are media agencies from the Middle East and the company is hopeful of realizing the outstanding amount from them as the Gulf is slowly recovering from the recent economic downturn. The management is adopting efficient measures to bring down the long-term receivables position pertaining to the overseas clientele base.

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

The media and entertainment industry remains related to the cyclical nature 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. 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

Applicable Criteria:

[Rating Methodology for Service Sector](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



Press Release

Liquidity – Adequate

The liquidity of the company remains adequate, the projected GCA remains comfortable against the upcoming repayments. Current ratio remains healthy at 1.62x in FY24. The cash and bank balances have increased to Rs 16.69 crore at the end of FY24. The average CC utilization for past 12 months ended July 2024 is at around 90%.

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 Mammooty), 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):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	51.29	50.69
EBITDA	23.86	21.88
PAT	2.37	2.52
Total Debt	66.53	66.94
Tangible Net Worth	103.88	106.47
EBITDA Margin (%)	46.52	43.17
PAT Margin (%)	4.62	4.97
Overall Gearing Ratio (x)	0.64	0.63
Interest Coverage (x)	3.56	2.94

* Classification as per Infomerics' standards.



Press Release

Status of non-cooperation with previous CRA: Brickwork Ratings has continued to classify the rating of MCL into the ISSUER NOT COOPERATING vide PR dated January 30, 2024, on account of non-availability of information and lack of cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (September 28, 2023)	Date(s) & Rating(s) assigned in 2022-23 (04 July 2022)	Date(s) & Rating(s) assigned in 2021-22 (17 April 2021)
1.	Term Loan	Long Term	7.93	IVR BBB/ Stable	IVR BBB/ Negative	IVR BBB/ Negative	IVR BBB/CWDI
2.	Cash Credit / COD	Long Term	46.60	IVR BBB/ Stable	IVR BBB/ Negative	IVR BBB/ Negative	IVR BBB/CWDI
3.	Proposed	Long Term	10.00	IVR BBB/ Stable	IVR BBB/ Negative	IVR BBB/ Negative	--
Total			64.53				

Analytical Contacts:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



Press Release

instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit 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 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: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Upto March 2029	7.93	IVR BBB/Stable
Cash Credit / COD	-	-	-	Revolving	46.60	IVR BBB/Stable
Proposed	-	-	-	-	10.00	IVR BBB/Stable

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



Press Release

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Malayalam-Communications-nov24.pdf>

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

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.

