



## Press Release

### Malayalam Communications Limited

September 28, 2023

#### Ratings

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action	<a href="#">Complexity Indicators</a>
1.	Fund Based Facility – Cash Credit/ COD	46.60	IVR BBB/ Negative outlook (IVR Triple B with Negative outlook)	Reaffirmed	Simple
2.	Fund Based Facility – Term Loan	12.78 (Reduced from 15.26)	IVR BBB/ Negative outlook (IVR Triple B with Negative outlook)	Reaffirmed	Simple
3.	Proposed - Fund Based Facility	19.28 (Enhanced from 16.80)	IVR BBB/ Negative outlook (IVR Triple B with Negative outlook)	Reaffirmed	Simple
	<b>Total</b>	<b>78.66</b> <b>(Rupees Seventy-Eight Crore and Sixty-Six lakh only)</b>			

#### 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, Improved 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.

The outlook has been continued to "Negative" due to modest operating income, high amount of receivables due for more than three years 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 Mammooty), 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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### **Improved profitability.**

Despite a 1.74% growth in FY23, the company's operational income continues to be relatively low. The Company has earned absolute EBIDTA of INR 22.71 Crore in FY23(P) against INR 21.46 Crore in FY22, with a EBITDA margin of 45.96% in FY23(P) against 44.19% in FY22, where the EBITDA has marginally improved which are on account of dip witnessed in major expenses like Production and telecast expenses, Marketing expenses, Employee benefit, Establishment expenses. The company registered its PAT margin at 3.59% with the value of INR 1.77 crore in FY23(P) compared to 1.62% with the value of INR 0.79 crore in FY22. The drill down impact of improved EBIDTA margin was witnessed in PAT margin of FY23.

### **Moderate Financial Risk Profile**

MCL capital structure remained moderate as on March 31, 2023(P), marked by overall gearing at 0.60x as on March 31, 2023(P) against 0.69x as on March 31, 2022 indicating low dependence on external funds from banks and financial institutions. The total indebtedness of the company as reflected by TOL/ANW decreased from 0.80x as on March 31, 2022, to 0.68x as on March 31, 2023(P). The interest coverage ratio and DSCR have been comfortable over the last three years and stood at 3.29x and 2.34x respectively in FY23(P) of improved operating profitability. The adjusted net worth of company stood at INR 112.22 Crore as on 31 March 2023(P) as against INR 110.69 Crore as on 31 March 2022.

### **Key Rating Weaknesses**

### **Modest Operating Income**

The total operating income of the company registered a growth of 1.74% in FY23. The overall income in FY23(P) stood at INR.49.41 Crore as compared to INR.48.56 Crore in FY22 due to increase in associate sponsorships and branding arrangements in FY23 which was impacted of COVID 19, this has also led to an improvement in absolute EBITDA and profitability. Despite a 1.74% growth in FY23, the company's operational income continues to be relatively low.



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### **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 194 days and 9 days respectively in FY23. The working capital cycle is elongated (185 days in FY23) on account of high debtor days. Additionally, the company had a working capital Utilisation of ~98% in the last 12 months ended July 2023. The operating cycle of the company has been stretched largely due to a high debtors; According to management, a large component of the outstanding debtors consists of payments receivables for advertisements, which normally take one year to 15 months to be realised. Furthermore, the debtors are mostly Middle Eastern media agencies, and the company remains optimistic about recovering the outstanding amounts, especially as the Gulf region progressively recovers from the recent economic downturn. The management is implementing effective strategies to reduce the prolonged outstanding receivables from the international customer base, which have remained high and overdue for over three years. The outstanding amounts due for more than one year stands at INR 36.90 crore in FY23 (FY22: INR 43.12 crore) and the same has been classified as other non-current assets. Furthermore, Debtors outstanding for more than a year was not considered for calculating the working capital cycle. However, if these receivables are considered for calculation of working cycle it results in an further elongation of working capital cycle to 493 days for FY23(P) and 365 days for FY22.

### **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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Service Sector](#)

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

[Criteria of assigning Rating Outlook](#)

### **Liquidity –Adequate**

Liquidity is adequate despite a low current ratio of 0.97x in FY23, the GCA remains comfortable at Rs15.22 crore. The cash and cash equivalent have increased to INR 13.52 crore at the end of FY23 as against debt repayment obligation. The average CC utilization for past 12 months ending in July 2023 is at 96.67%. The Operating cycle remain elongated to 185 days in FY23(P).

### **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.



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### Financials (Standalone)\*:

Rs in Crores

For the year ended on/As on	31 March 2022	31 March 2023
	(Audited)	(Provisional)
Total Operating Income	48.56	49.41
EBITDA	21.46	22.71
PAT	0.79	1.77
Total Debt	75.98	66.90
Tangible Networth	110.45	112.22
EBITDA Margin (%)	44.19	45.96
PAT Margin (%)	1.62	3.59
Overall Gearing (X)	0.69	0.60

\*Classification as per Infomerics' standards

**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 December 22, 2022 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 Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (04 July 2022)	Date(s) & Rating(s) assigned in 2021-22 (17 April 2021)	Date(s) & Rating(s) assigned in 2019-20 (6 March 2020)
1.	Long Term Bank Facility – Term Loans	Long Term	12.78	IVR BBB/ Negative	IVR BBB/ Negative	IVR BBB/CWDI	IVR BBB/ Stable
2.	Long Term Bank Facility – Cash Credit/ COD	Long Term	46.60	IVR BBB/ Negative	IVR BBB/ Negative	IVR BBB/CWDI	IVR BBB/ Stable





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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
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3	Long Term Bank Facility - Proposed	Long Term	19.28	IVR BBB/Negative	IVR BBB/Negative	--	--

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### 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 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 visit [www.infomerics.com](http://www.infomerics.com)



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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loans	--	--	2026	12.78	IVR BBB/ Negative
Long Term Bank Facility – Cash Credit/ COD	--	--	Revolving	46.60	IVR BBB/ Negative
Long Term Bank Facility - Proposed	--	--	--	19.28	IVR BBB/ Negative

**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-sep23.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](http://www.infomerics.com).