PRESS RELEASE

NEPAL REPUBLIC MEDIA LIMITED
October 2022

Rating

Instrument	Amount (NPR. Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN B+ (Is)	Assigned

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN B+ (Is) [Single B Plus (Issuer)]. Issuers with this rating are considered to have the high risk of default regarding timely servicing of financial obligations.

Detailed Rationale
The issuer rating assigned to Nepal Republic Media Limited (NRM) derive strength from experienced promoters with strong execution skill, financial flexibility of the promoters, robust marketing and distribution network coupled with strong brand presence. These rating strengths are partially offset by exposure to intense competition directly and indirectly. Aftermath of COVID has led to global multibillion dollar company as their new competitors. In addition to this, rating also note NRM's financial risk profile marked by leveraged capital structure, elevated debtor position and interest rate volatility risk. Going forward, the ability of the company to sustain its operations while improving the profitability indicators and rationalization of its debt through efficient working capital management will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters with strong execution skill
NRM is managed under the overall guidance of its seven-member Board of Directors (BoD) including one institutional investor and six individual investors with wide experience in the media industry. Mr. Binod Raj Gyawali, Managing Director, has over three decades of experience in media industry. Further, BoD is supported by qualified and experienced management team in the related field. NRM's team include qualified and experienced article writers, reporters and photographers.

Strong brand presence with robust marketing and distribution network
NRM is in business for more than a decade with established market presence in media sector. It has its presence in 55 districts as of mid-July 2022 (vis-à-vis 75 districts as of mid-July 2020) through its various publications in both Nepali as well as English language. Since July 2011, NRM is in partnership with the International New York Times for printing and distribution. Also, NRM with its group companies was able to diversify its operation from traditional to digital way of sharing news. The group of companies have three portals as of mid-July 2022, one being mobile app and other two radio frequencies, providing content across genres, such as news, politics, economy, sports and lifestyle. Further, NRM is supported by a qualified marketing team leading to a strong clientele base.

Key Rating Weaknesses

Below-average financial risk profile marked by leveraged capital structure
The financial risk profile of the company remains weak as reflected in the Tangible Net worth as of mid- July 2022, on account of losses incurred in the past few years. Nonetheless, the company was able to improve its long term solvency ratio to some extent, with the infusion of additional capital through its promoters. Also,

total outstanding loan stands less than 13% of total certified net worth of the promoters as of mid-July 2022 which remains positive to NRM. Overall gearing ratio remained negative for last three years ended FY22. The company has shown some improvement in the revenue as reflected in TOI of NPR 203 Mn in FY22 compared to NPR 172 Mn in FY21. This improvement was mainly attributed to the sinking effect of global pandemic coupled with increase in number of advertisement in recent years. Also, with the improvement in TOI, the EBIDTA margin of the company showed an improvement to 12.59% in FY22 from 6.85% in FY21. Though the EBITDA margin remained healthy, it still remains impacted by the ongoing Russia-Ukraine conflict, as Russia is one of the major global supplier of paper.

Revenue and Marketing Stream

NRM's revenue dropped down by ~43% during FY20 vis-à-vis FY19 and remained on the lower side reported in FY21 vis-à-vis FY20 dropping further by ~40%. This was due to pandemic-induced restrictions where the company's biggest revenue source i.e. the advertisement market had taken a plunge and marked the lowest advertisement supply in the past 2 decades according to AAN (Advertisement Association Nepal). Nonetheless, this has increased in FY22, despite the strong financial and economic effect post-COVID on all industries whose main source of advertisement is in print.

Fragmented and competitive nature of industry

With the increase in the number of internet users, Media companies are now sharing revenue with global companies with deep pockets such as Facebook and Google. With internet accessibility, the benchmark to create better content across media has increased hence a sharp rise in the highly skilled workforce is in demand. Considering the fragmented and competitive nature of the industry, a local company like NRM with local resources has to now compete globally for market share giving it a lower pricing power which remains a concern.

Elevated debtors' position

NRM's debtor position remain elevated with ~80% of the receivables outstanding for more than six months. This is on account of revolving nature of business where the regular collections from debtors are based on the regular supply of newspaper, which was severely impacted by the global pandemic leading to high debtor balance.

Analytical Approach: Standalone

Applicable Criteria:

Corporate Credit Rating Methodology

About the Company:

Incorporated in August 2008, New Republic Media Private Ltd was later converted to Nepal Republic Media Ltd (NRM) in June 2021. The principle objective of the company is to disseminate news through its various publications. The company was founded by Mr. Binod Raj Gyawali.

Financial Indicators (Standalone)

For the year ended* As on	FY20	FY21	FY22
	Audited	Audited	Unaudited
Total Operating Income (in NPR Mn.)	293	172	203
EBITDA Margin (%)	3.82	6.85	12.59
Interest Coverage Ratio (x)	0.24	0.26	0.47
Current Ratio (x)	0.77	0.74	0.73
Overall Gearing Ratio (x)	Neg	Neg	Neg

**Classification as per Infomerics Nepal standards*

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