

## PRESS RELEASE

### NEPAL REPUBLIC MEDIA LIMITED

June 2024

#### Rating

Instrument	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN B+ (Is)	Reaffirmed

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

#### Detailed Rationale

The reaffirmation of issuer rating assigned to Nepal Republic Media Limited (NRM) continues to derive strength from its experienced promoters, financial flexibility of the promoters, robust marketing and distribution network coupled with strong brand presence.

These rating strengths, however, are constrained by NRM's below-average financial profile, weak debt coverage indicators, and elevated debtor's position. The rating further takes note on the lower capacity utilization of NRM, and the fragmented and competitive nature of industry. Going forward, the ability of the company to manage growth in operations, improving profitability, and rationalization of its debt through efficient working capital management will remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

###### Experienced promoters

NRM is managed under the overall guidance of its five-member Board of Directors (BOD) with wide experience in the media industry. Mr. Binod Raj Gyawali, Managing director, has over three decades of experience in the media industry. Furthermore, 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 established marketing and distribution network

NRM is running its sixteenth year of operations with established market presence in media sector. It has its presence in 55 districts as on Mid-July 2023 (vis-à-vis 75 districts as on mid-July 2020). Since July 2011, NRM is in partnership with the International New York Times for printing and distribution. The company also shares its news digitally through two websites and one mobile app as on mid-July 2023. NRM has a strong team who provide content across various sectors mainly government, banking, corporate, and sports.

##### Key Rating Weaknesses

###### Below-average financial profile leading to weak debt coverage indicators

The financial risk profile of the company exhibited below-average indicators. The total operating income (TOI) of NRM was significantly affected by COVID-19, with a negative CAGR of ~18% over the past five years (FY19-FY23). The company earned a revenue of ~NPR 136 Mn in 9MFY24. NRM's EBITDA margin increased from ~13% in FY22 to ~18% in FY23, and ~28% in 9MFY24 due to shift in focus from circulation revenue to advertisement revenue, decrease in price of newsprint, and other cost cutting measures. However, despite increase in EBITDA, the company incurred losses in FY22, FY23, and 9MFY24 due to interest expenses. The decline in the company's profitability weakened the company's debt service indicators, with the interest coverage ratio of 0.65x in FY23, slightly improved

from 0.47x in FY22. The DSCR is also modest at 1.12x in FY23, improved from 0.47x in FY22. The gearing ratio significantly decreased to 0.73x in FY23 from 82.37x in FY22 due to improvement in its tangible net worth (public issue of shares), and in 9MFY24, the gearing ratio stood at 0.75x.

## Lower capacity utilization

The company demonstrates a historical trend of underutilizing its capacity of production, with a notable shift occurring during the COVID-19 pandemic when NRM ceased printing operations at outer valley presses, and solely operating one printing press inside valley at ~9% capacity in FY21. As on FY23, the company still operates only one printing press inside valley. Although the production has increased to ~35% in FY23 compared to ~17% in FY22, the printing capacity utilization remains low. This underutilization is primarily attributed to the diminished demand for print media.

## Elevated debtor's position

NRM's debtor position remains elevated with ~93% of receivables outstanding for over three months at the end of FY23. Also, the average collection period of the company remained elongated at 468 days in FY23 which increased from 419 days in FY22 owing to subdued debtor collection from the newspaper segment. Notably, newspaper circulation debtors constitute approximately 82% of the total debtors in FY23. Conversely, sales of advertisements, constituting around 18% of total debtors, are typically settled in a timely manner.

## Fragmented and competitive nature of industry

With the increase in internet consumption, the landscape of advertising has undergone a significant transformation from traditional to digital platforms. It has created numerous players with varieties of segment on advertisement. Presently, advertising spans across print, broadcast (TV and radio), online portals, and social media platforms. Additionally, outdoor advertising through digital theatres (digital theatre advertising - DTA) and hoarding boards constitutes substantial avenues for promotion in Nepal. In this fragmented and fiercely competitive industry, companies like NRM face challenges in wielding significant pricing power due to the diverse array of options available to advertisers.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Issuer Rating Methodology](#)

## About the Company:

Incorporated in August 2008, New Republic Media Private Limited was later converted to Nepal Republic Media Limited (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.

## Past Rating Rationale:

[Nepal Republic Media Limited: Issuer Rating Assigned](#)

## Financial Indicators (Standalone)

For the year ended* As on	FY21	FY22	FY23	9MFY24
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	172	203	223	136
EBITDA Margin (%)	6.85	12.65	18.09	28.17
Interest Coverage Ratio (x)	0.26	0.47	0.65	1.43
Total Debt/ EBITDA (x)	45.62	15.76	7.76	6.18
Current Ratio (x)	1.08	0.78	1.79	1.67
Overall Gearing Ratio (x)	Neg	82.37	0.73	0.75

\*Classification as per Infomerics Nepal standards



# Infomerics Credit Rating Nepal Limited

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## About Infomerics Credit Rating Nepal Limited:

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