SEPTEMBER 16, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF NEW DELHI TELEVISION LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	130.70 (reduced from 153.55)	**CARE BBB+ (Triple B Plus)**	Revised from CARE A- (Single A Minus)
Short term Bank Facilities	4.00	**CARE A2+ (A Two Plus)**	Revised from CARE A1 (A One)
Total Facilities	**134.70 (Rupees one hundred thirty four crore and seventy lakh only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of New Delhi Television Ltd (NDTV) factors in the continued deterioration in the financial risk profile of the company during FY16 (refers to the period from April 1 to March 31) and Q1FY17 (refers to the period from April 1 to June 30)marked by decline in operating income on y-o-y basis and continued losses due to the decline in advertisement and subscription revenue of the company and weak financial performance of NDTV Profit &Prime channel leading to operational losses during the period. The revision in the ratings also takes into account the delay in monetization plans of the company.

The ratings, however, continue to derive strength from the strong promoter group with long track record in the news broadcasting industry, established market position (especially of the flagship channel NDTV 24x7) with focus on news, latest technology and infrastructure to provide focused coverage of events, well-diversified advertiser base and moderate capital structure. The ratings are further supported by the strong growth exhibited in the digital media format for the NDTV group and opportunity for expected reduction in carriage costs in the medium to long term as the market matures and remaining phases of mandatory digitization are completed across the country.

The ratings remain constrained by elongated working capital cycle leading to high working capital utilization and high dependence on advertising revenue, which in turn exposes the company's revenue profile to business cycles of the advertisers.

Going forward, the ability of the company to improve its profitability, monetize its businesses including demerger of NDTV Convergence and consequent reduction of its debt and improvement of its capital structure while maintaining strong market position amidst intense competition in the news broadcasting industry will be the key rating sensitivities. Further, the outcome of the pending legal/tax cases for NDTV Ltd. shall also be critical to its credit profile.

Background

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

New Delhi Television Ltd (NDTV), promoted by Dr. Prannoy Roy in September 1988, has transformed from broadcaster and producer of news and current affairs programs to a total media organization covering news business and non-news business over the years.

NDTV started as a television content producer, developing news and current affairs programming for other broadcasters. The company entered into the television broadcasting arena in April 2003 with the launch of ‘NDTV 24X7’ and ‘NDTV India’, both 24-hour news channels providing news in English and Hindi, respectively. Later in January 2005, NDTV also launched its business news channel ‘NDTV Profit’. In March 2014, NDTV adopted a new strategy to transform NDTV profit into dual channel, catering to business news during business hours as ‘NDTV Profit’ and infotainment post the business hours as ‘NDTV Prime’. NDTV has 23 offices and studios across the country with sophisticated production and newsgathering facilities.

NDTV Group has expanded its presence beyond news and television with step-down subsidiaries viz. NDTV Lifestyle, NDTV Convergence (distribution of digital content over Internet and mobile and owns the website ndtv.com) and NDTV Worldwide which offers consultancy for setting up of local television news channels in emerging markets across the world. The group has recently also entered into e-commerce space with its websites IndiaRoots, Gadget 360, BandBaajaa, SmartCooky, Mojarto which are operated through its various subsidiaries.

During FY16, NDTV registered a total operating income of Rs.431.58crore (P.Y: Rs.428.97crore) with a net loss of Rs.21.61 crore(P.Y: Rs.25.58 crore). In Q1FY17, NDTV registered a total operating income of Rs.88.86 crore (P.Y: Rs.90.06 crore) with net loss of Rs.25.39 crore (P.Y: net loss of Rs.14.60 crore).

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