Independent News Service Private Limited

December 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	18.00	CARE A+; Stable	Reaffirmed
Short Term Bank Facilities	1.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the proposed bank facilities of Independent News Service Private Limited (INSPL) continues to derive strength from strong position of "India TV" in the Hindi news channel genre with an established brand image coupled with large viewership base and experienced promoters & management team. The ratings further factor in comfortable capital structure marked by no debt except miniscule lease liability and strong liquidity. The above strengths are, however partially offset by moderation in operating performance in FY23 (refers to the period from April 01, 2022 to March 31, 2023) and H1FY24 (refers to the period from April 01, 2023 to September 30, 2023) marked by decline in scale of operations and profitability margins due to high dependence on advertisement revenue entailing revenue fluctuation risk linked to the movement in corporate advertising budgets, concentration on HSM (Hindi Speaking Market), competitive industry in the news broadcasting space and highly regulated industry environment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the TOI of the company by more than 25% on a sustained basis by leveraging its brand position or any successful acquisition without having any adverse impact on its capital structure.
- Ability of the company to improve its operational profitability on a sustained basis going forward amidst intense competition.

Negative factors

- Any major debt funded capex or acquisition resulting in moderation of the capital structure with overall gearing of more than 0.50x coupled with substantial reduction in liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain its strong financial risk profile over the medium term on back of its strong liquidity profile. CARE also believes that improvement in cash accruals of the company over medium term shall further support its liquidity profile.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters & management team: INSPL has been promoted by Mr. Rajat Sharma and his wife Mrs. Ritu Dhawan, who have been associated with media industry for over two decades. Mr. Rajat Sharma was a publication editor before joining Zee TV in 1992 with the iconic 'Aap Ki Adalat' and India's first private news bulletin. In 1997, Mr. Rajat Sharma set up his own production house – 'Independent Media Private Limited', to make programs for Star TV. Ms. Ritu Dhawan started television career in 1989. She has been trained in news production at the British Sky Broadcasting headquarters in London and holds a diploma in Television and Advertising. She has produced and directed many prime-time programs including 'Janata Ki Adalat', 'Aaj Ki Awaaz' on Star Plus, event oriented current affairs programs which include live telecasts of Indian Prime Minister's public address, election debates and pre-budget analysis and other non-current affairs programs. The promoters are supported by a team of qualified and experienced managers having substantial industry experience.

Strong market position in Hindi News genre: Maintaining high Television Rating Points (TRP) is positively correlated with achieving higher revenues (mainly from advertisement), as high TRP improves advertisement slot rates and leads to increase in revenue for the company. A high TRP is mainly dependent on quality of its programs, time spent per viewer, coverage in Hindi speaking regions and presence in limited bandwidth for which channel needs to pay carriage fees to Multi-Service Operators (MSOs). India TV has consistently been able to maintain a strong position in Hindi News genre driven by its focused strategy,

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

distinctive style of delivering to a niche audience despite intense competition in Hindi news channel genre. The company has consistently occupied second/third rank in terms of market share (derived through TRP) among National Hindi News Channels.

Established brand name and well diversified advertiser base: Since its inception in 2004, India TV has established itself as a reputed brand in the Indian media industry. With Mr. Rajat Sharma as the face of the brand, India TV enjoys a dedicated audience base. Further, India TV has established relationships with various advertisers both directly and through media agencies. Top 5 clients contributed nearly 11% of the total advertising revenue for FY23 (PY: 18%), which also depicts a lower level of customer concentration risk.

Comfortable financial risk profile: The capital structure of the company continues to remain healthy characterized by Nil debt as on March 31, 2023, except miniscule amount of lease liability. Company has surrendered its working capital limits with bank. There was no debt outstanding as on balance sheet date for last 3 financial years. The total debt of company only includes lease liabilities only. The other debt coverage indicators were also healthy in FY23. The total debt to GCA & Interest coverage ratio stood at 0.03x and 281.00x respectively for FY23. With no major debt funded capex envisaged, and company managing its working capital requirements using internal accruals, financial risk profile of the company is expected to be comfortable in short to medium term.

Key weaknesses

Moderation in operating performance in FY23 and H1FY24: The total operating income of the company declined by ~15% to Rs.284.41 crore in FY23 (PY: Rs.335.61 crore) owing to budget cuts for advertising spends by corporates. Although still high, the PBILDT margin of the company declined to 16.16% in FY23 (PY: 32.86%) primarily on account of increase in fixed overheads such as employee salary and wages, and marketing, distribution, & advertisement expenses as a percentage of total operating income owing to decline in scale of operations. Consequently, the PAT margin of the company declined to 15.01% in FY23 (PY: 26.93%). The total operating income of the company declined marginally by ~4% to Rs.132.63 crore in H1FY24 (PY: Rs.138.62 crore). However, the PBILDT margin of the company declined substantially to 2.97% in H1FY24 (PY: 15.92%) owing to under-absorption of fixed overheads. Going forward, the PBILDT margin of the company is expected to improve and remain in the range of ~16%-20% driven by pickup in advertising revenue owing to general elections scheduled in May, 2024.

Competition in news broadcasting space: Indian news broadcasting space is reflected by high degree of competitive intensity. With number of channels competing for both viewership as well as limited corporate advertisement budget, there is huge focus on exclusive coverage of events, news collection from remote corners of the country and retention of journalistic talent. With the launch of multiple new channels in all the segments there is significant competition for viewership leading to increase in carriage fee. The carriage fee pay-out gets influenced by other existing/new channels which may have deep pockets. With digitalisation, multi-system operator (MSO) and other cable operators will be able to carry more channels leading to reduction of carriage fee. This will help in improving the profitability margins of various broadcasters including INSPL.

Significant dependence on advertisement revenue: INSPL is a free to air channel and therefore the company is dependent on advertisement revenue which contributes more than 94-95% of the total operating income of INSPL. INSPL is exposed to fluctuation in the income owing to decrease in advertisement rates, no. of advertisers amid intense competition or downfall in the expenditure of the major corporates in advertisement revenue or change in their preferences from TV advertisement to digital/ printing media. Further, INSPL is only present in Hindi Speaking News Market as India TV in limited geographies; therefore, any change in preference of advertisers to any other market can significantly impact the revenue of the company.

Liquidity: Strong: The liquidity of the company remains strong with free cash and bank balance of Rs. 362.89 crore (primarily held as bank fixed deposits) and mutual fund investments (quoted at market value) to the tune of Rs.25.00 crore as on March 31, 2023. Company is managing working capital requirements using own funds and does not have any working capital limits from any financial institution. The operating cycle of the company stood at 79 days in FY23 (PY: 70 days). The company is planning to incur regular maintenance capex of ~Rs.10.00 crore annually which shall be funded from internal accruals.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

About the company and industry

Independent News Service Private Limited (INSPL), promoted by Mr. Rajat Sharma and his wife Mrs. Ritu Dhawan, was incorporated in June 1997 for the purpose of carrying on the business of TV news, direct telecast of news clippings and short films, develop and establish News and feature agency utilizing satellites or other media. Initially, the company was engaged in

the production of television programs (such as 'Aap Ki Adalat' on Zee TV and 'Janata Ki Adalat' on Star TV) for various television channels. The company's forte is news and current affairs. The company started its business with the program '30 minutes with Rajat Sharma', which was termed as a comprehensive election program. Thereafter it went on to produce several programs that achieved the best television viewership ratings in the news & current affairs genre including most successful programme- Aap Ki Adalat & Aaj Ki Baat. The company started its own 24-hour Hindi News & Current Affairs Channel – INDIA TV in May 2004. This channel is a free-to-air channel with revenues being generated from advertisements only. In short span of time, INDIA TV has established itself among the top 2 national Hindi News channels and competing with Aaj Tak.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Entertainment	TV Broadcasting & Software Production

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	335.61	284.41	132.63
PBILDT	110.29	45.97	3.94
PAT	90.39	42.70	8.47
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	1,983.57	281.00	6.79

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	18.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.00	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	18.00	CARE A+; Stable	-	1)CARE A+; Stable (02-Jan-23)	1)CARE A+; Stable (06-Jan-22)	1)CARE A+; Stable (17-Dec-20)
2	Non-fund-based - ST-BG/LC	ST	1.00	CARE A1+	-	1)CARE A1+ (02-Jan-23)	1)CARE A1+ (06-Jan-22)	1)CARE A1+ (17-Dec-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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