

## Associated Broadcasting Company Private Limited

May 09, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	25.00	<b>CARE BBB; Stable (Triple B; Outlook: Stable)</b>	Assigned
Short Term Bank Facilities	15.00	<b>CARE A3 (A Three)</b>	Assigned
<b>Total</b>	<b>40.00 (Rupees Forty Crores Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the Bank facilities of Associated Broadcasting Company Private Limited (ABCPL) derives strength from strong and experienced management team, financial strength of promoters, leading position of its channels namely TV9 Telugu, TV9 Kannada and TV9 Gujarati, recent introduction of PAN India Hindi channel "TV9 Bharatvarsh", improved operational and financial performance in FY18 (refers to period from April 01 to December 31) driven by substantial increase in advertising income and sale of content, improved profitability margins, moderate debt coverage indicators and satisfactory operating cycle. The ratings are however underpinned by the high geographical concentration of revenue and levered capital structure as on March 31, 2018 along with erosion in networth. The ability of the company to increase advertisement income, sustain profitability, reduce costs and upholding market position along with presence of stiff competition shall be crucial. Performance of its new channel "TV9 Bharatvarsh" and improvement in working capital cycle are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Strong and experienced management team with resourceful promoters:** Early FY19, Chintalapati Holdings, iLabs Venture Capital Fund and minority shareholders sold their stake to Alanda Media and Entertainment Pvt. Ltd. (AMEPL) totaling to 90.54% as on date. Alanda Media & Entertainment is a Hyderabad based company incorporated in the year 2018 for the purpose of acquiring stake in ABCPL. The company is promoted by group of individuals who are related to the Hyderabad based "My Home Group" whose group turnover is around Rs. 4000 crore and Megha Engineering and Infrastructure Limited (MEIL). Both the groups have diversified business activities with huge networth base.

ABCPL is managed by three member Board of Directors comprising of Mr. V Ravi Prakash (Whole time Director, Founder cum Chairman and Chief Executive Officer), Mr. Clifford Perera (Whole time Director) and Mr. M K V N Murthy (Whole time Director and Chief Financial Officer). The management team possess vast experience of more than two decades and are fully committed for the growth of the business thereby providing vital strength to ABCPL.

**Market leader in some regions:** ABCPL presently operates 7 free-to-air channels and hence depends upon the advertising income. ABCPL's flagship channels namely TV9 Telugu, TV9 Kannada and TV9 Gujarati holds leadership position in their respective regions and have significant contribution to the revenue.

**Expansion of operations by introducing PAN India Hindi News Channel "TV9 Bharatvarsh":** ABCPL is relatively a medium-scale player in TV broadcasting industry. It operates seven channels in different regions and PAN India. Recently during March 2019, ABCPL launched its prime PAN India Hindi news Channel "TV9 Bharatvarsh" recently. TV9 Bharatvarsh is a free to air news channel.

**Improved operational performance translating to improved financial performance:** ABCPL has recorded positive growth of 21.18% (consol.) in total operating income in FY18 as a result of substantial increase in advertisement revenue (from Rs. 164.44 crore in FY17 to Rs. 200.08 crore in FY18) and other income. This is primarily on account of Telangana and Karnataka TV9 channels gaining popularity and ability of the channels to maintain its leadership position with its effective marketing and selling strategies resulting in increased revenues. PBILDT margin also witnessed improvement during FY18 and stood at 9.91% (8.17% during FY17). The company also achieved better net profit margins during FY18 which stood at 4.60% (3.63% during FY17). At standalone level, the company registered TOI of Rs. 214.79 crore with PAT of Rs. 5.86 crore for FY18. Further, during 9MFY19, the company has recorded sales of Rs. 199.39 crore (standalone).

**Moderate debt coverage indicators:** ABCPL's debt indicators were moderate during FY18. ABCPL's TDGCA stood at 4.71x in FY18 on account of moderate debt levels and increased GCA and is expected to fall significantly as a result of infusion of

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

unsecured loans from promoters. Further, interest coverage ratio showed significant improvement and stood at 45.14x in FY18 on account of increase in PBILDT levels.

**Satisfactory operating cycle and moderate liquidity:** ABCPL improved its operating cycle marginally with improvement in collection period and creditor's payable period. The company expects the collection period to increase in future on account of delay in receivables at the back of the upcoming general elections. The working capital gap is envisaged to be met by way of bank borrowings. The liquidity position of the company is moderate with cash and bank balances of Rs. 25.59 crore as on March 31, 2018.

**Industry outlook:** India continues to be one of the fastest growing Media & Entertainment (M&E) markets globally owing to increase in device penetration, increasing digitization, lower data tariffs and demand for fresh content. The outlook of M&E industry is expected to remain stable with CAGR of approximately 13% over 2018-23, one of the highest rates globally where television advertising would be the largest revenue generator.

#### Key Rating Weaknesses

**High geographical concentration of revenue:** ABCPL faced high geographical concentration risk with majority of the revenue around 80% accounted from channels based in Telangana and Karnataka. However, ABCPL achieved positive Y-o-Y overall growth of 20.67%. Further, with introduction of TV9 Bharatvarsh, ABCPL is envisaged to lower the geographical concentration risk to a greater extent.

**Levered capital structure owing to erosion of networth:** ABCPL's capital structure continues to remain leveraged with overall gearing (standalone) at 1.96x as on March 31, 2018 and expects further weakening on account of increase in debt levels. At consolidated level, the overall gearing is not meaningful as networth of the company continues to remain fully eroded owing to high accumulated losses incurred during the previous years primarily owing to the losses of its subsidiaries.

#### Analytical approach: Consolidated

CARE in its analysis has considered the consolidated business and financial profile of Associated Broadcasting Company Private Limited and its subsidiaries as the companies are operating in similar business segment and have collectively have management, business & financial linkages. List of entities being consolidated:

Associated Broadcasting Company Private Limited and its subsidiaries

- TV9 Media Private Limited
- TV9 Karnataka Private Limited
- Gujarat TV9 Private Limited
- TV9 Media Maharashtra Private Limited
- TV9 Kolkata Private Limited

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Associated Broadcasting Company Pvt. Ltd. (ABCPL) was earlier promoted by Mr. V Ravi Prakash and Mr. Srinivasa Raju thru his investment firm iLabs Venture Capital Fund and Chintalapati Holdings. Early FY19, Mr. Srinivasa Raju and other minority shareholders sold their entire stake to Hyderabad based Alanda Media and Entertainment Pvt. Ltd. aggregating the shareholding to 90.54% as on date. ABCPL commenced its operations in 2004 with "TV9" a 24-hours Telugu news channel in Andhra Pradesh and Telangana. Currently, ABCPL operates seven channels (different languages) which are broadcasted in different regions and PAN India. The company broadcasts the channel with the brand name of TV9, New9 and TV1. Recently, ABCPL has also launched its new PAN India Hindi News channel "TV9 Bharatvarsh".

Consolidated Financials:

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	178.77	216.15
PBILDT	14.61	21.41
PAT	6.49	9.95
Overall gearing (times)	^NM	^NM
Interest coverage (times)	21.79	45.14

A: Audited, ^NM: Not Meaningful

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE BBB; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	CARE A3

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1) Withdrawn (16-Nov-18)  2) CARE BBB (Under Credit watch with Developing Implications) (30-Aug-18)	1) CARE BBB; Stable (29-Mar-18)	1) CARE BBB-; Stable (30-Mar-17)
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB; Stable	-	-	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A3	-	-	-	-

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