New Delhi Television Limited

October 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities (Fund based)	89.14 (reduced from 98.14)	**CARE BB+ (Under Credit Watch with Negative Implications) (Double B Plus) (Under Credit Watch with Negative Implications)**	**Continues to be on Credit Watch with Negative Implications**
Short term Bank Facilities (Non fund based)	4.00	**CARE A4+ (Under Credit Watch with Negative Implications) (A Four Plus) (Under Credit Watch with Negative Implications)**	**Continues to be on Credit Watch with Negative Implications**
Total	**93.14 (Ninety Three crore and Fourteen Lakhs only)**		
Long term Bank Facilities (Term Loan)	-	-	**Withdrawn**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of New Delhi Television Limited (NDTV) continue to be on credit watch with negative implications on account of the ongoing case against the company which remains sub-judice in Supreme Court wherein Bombay High Court on September 4, 2019 has set aside the orders for the tax demand of Rs. 428.93 crore and penalty demand of Rs. 108.04 crore pertaining to transaction with Universal Studios International BV for AY 2009-10, consequent to which a Special Leave Petition has been filed by Securities Exchange Board of India (SEBI) in the Supreme Court, challenging the judgment passed by Bombay High Court. The Special Leave Petition is likely to be listed on November 6, 2020 for hearing. The continuation of watch also factors in the pending appeal in Honorable Securities Appellate Tribunal (SAT) against the stay obtained by the company on the order of SEBI against the promoters of the company barring them from holding or occupying any position as Director or key Managerial Personnel in the company. Further, the investigation by Central Bureau of Investigation (CBI) is also pending with respect to the First Information Report (FIR) filed against NDTV promoters Prannoy Roy and Radhika Roy and other officials on August 19, 2019 in a case of alleged violation of foreign direct investment rules in one of their companies under section of Indian Penal Code, 1980 and Prevention of Corruption Act, 1988.

CARE will continue to monitor the developments with respect to these and other ongoing litigations against the company and its promoters and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

CARE has withdrawn the rating assigned to the term loan of NDTV with immediate effect. The above action has been taken at the request of the company and 'No dues certificate received from the banks that have extended the facilities rated by CARE.

The ratings continue to factors in its high exposure towards group companies and high dependence on advertising revenue, which in turn exposes the company's revenue profile to business cycles of the advertisers. The rating further factors in the adequate liquidity profile marked by moderate cash and bank balances and increased creditors. The ratings are also constrained on account of uncertainty on the outcome of various legal cases pending against the company and its promoters and its impact on the operational and financial risk profile of the company.

The ratings, however, factor in the stable profitability of the company during FY20 on account of various cost optimization measures adopted by the company, its long track record of operations in the news broadcasting industry with established market position (especially of the flagship channel NDTV 24x7) and experienced promoters.

NDTV sought moratorium for the servicing of its bank facilities for the periods March 2020 to August 2020 from its lenders as a part of the COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 and May 22, 2020. The moratorium has been approved by the bankers of NDTV. CARE has not recognized this instance as a default, as the same is permitted by the RBI as part of the relief measures announced recently. The non-recognition of default in this case is as per the guidance provided by the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020.

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

Key rating Sensitivities:
Positive Sensitivities:

- Ability of the company to increase its scale of operations by 25% annually on a sustained basis going forward
- Ability of the company to improve its operational profitability on a sustained basis going forward amidst a competitive industry
- Ability of the company to manage its working capital requirements while timely realizing its receivables.

Negative Sensitivities:

- Decline in PBILDT margin of more than 5% from the current envisaged levels on a sustained basis going forward
- Any adverse outcomes of the on-going legal cases against the company and the promoters
- Substantial increase in total debt availed and further support given to group companies adversely impacting the capital structure with the total outside liabilities to net worth exceeding 2.5x on a sustained basis going forward.

Detailed description of the key rating drivers
Key Rating Weaknesses
High Exposure towards group companies
NDTV had total investments of Rs. 316.04 crore in its subsidiaries/joint ventures/associates as on March 31, 2020 (Rs. 308.01 crore as on March 31, 2019) against its tangible net worth of Rs. 247.12 crore as on March 31, 2020 (Rs. 235.68 crore as on March 31, 2019). The majority of investments of NDTV Limited are in NDTV Networks Limited, which stood at Rs. 296.54 crore as on March 31, 2020 and Rs. 15.73 crore in Delta Softpro Private Limited.
Further, the company has issued a corporate guarantee of Rs. 29 crore for term loan availed by NDTV Networks Limited (NNL) and has also pledged 29% of its shareholding in Red Pixels Ventures Limited, a subsidiary company of NDTV, to IndusInd Bank Ltd. In addition to this, NDTV along with NNL had issued a corporate guarantee of Rs. 55 crore for loan availed by NDTV Convergence Limited (NDTV Convergence).

High dependence on advertising revenue
The company is highly dependent on revenues from advertisement segment and shift in advertisement source and overall slowdown in the advertisement expenditure by the corporates has led to decline in the total operating income of NDTV. NDTV has witnessed continuous decline in total operating income from Rs. 269.12 crore in FY19 to Rs. 233.49 crore in FY20 at a declining annual rate of 9.17% over the period of FY18-FY20 and declined by 13.24% in FY20 on account of downturn in TV advertisement revenue, which was further aggravated by the outbreak of COVID-19 during March 2020. In addition to this, TV advertisement revenue in India has also witnessed decrease in demand due to shift of advertisement source from TV to digital platform including websites, social media and apps. The advertisement revenue of the company declined from Rs. 178.37 crore in FY19 to Rs. 162.26 crore in FY20 on account of slowdown in the economy (as the advertisement revenue is related to the economy growth) and decline witnessed in corporate advertisement expenditure during FY20 and Q1FY21 on account of business slowdown aggravated by the COVID-19 induced lockdown during March 2020. Most of the advertisers on the company's channels are reputed business houses and financial conglomerates. The advertisement income contributes 69.49% of its total operating income in FY20 (66.28% in FY19).
NDTV reported income from operations of Rs 51.52 cr in Q1FY21 as against Rs 72.90 cr in Q1FY20. The 30% y-o-y decline in the income is majorly on the account of the subdued advertisement scenario with the slowdown in the economy, consequent to the stringent lockdown imposed to contain the spread of COVID-19. In addition to this, the effect of events like general elections, which were held from April to May 2019 and ICC World Cup from May to July 2019 etc., which led to spike in the advertisement revenues during Q1FY20, was absent in Q1FY21.

Uncertainty on the outcome of legal cases pending against the company
There are a number of ongoing litigations against the company and its promoters especially pertaining to tax demand, the outcome of which will be crucial, particularly in the matter with respect to the transaction with Universal Studios International BV (a General Electric company) wherein a tax demand of Rs.450 crore had been raised against the company for AY 2009-10 during February 2015. The Bombay High Court vide its judgment dated 4 September 2019 allowed the writ petition filed by NDTV and has set aside the tax orders of Rs. 428.93 crore and penalty demand of Rs. 108.04 crore pertaining to transaction with Universal Studios International BV for AY 2009-10. SEBI has filed a Special Leave Petition in the Supreme Court, challenging the judgment passed by the Bombay High Court. The case is still subjudice. The Special Leave Petition is likely to be listed on November 6, 2020 for hearing.
In addition to this, after being granted a stay from SAT on the order issued by SEBI in June 2019 against the promoters of the company, barring them from holding or occupying any position as Director or key Managerial Personnel in the company for two years and one year for holding any managerial personnel in any other listed company, the promoters have challenged the order in Bombay High Court in January 2020, which again referred it to SAT. The appeal is pending in SAT and was put up for hearing on August 19, 2020 but was further delayed on account of COVID-19 pandemic. Further, the investigation by CBI is also pending with respect to the FIR filed against the promoters and other officials on August

19, 2019 in a case of alleged violation of foreign direct investment rules in one of their companies under section of Indian Penal Code, 1980 and Prevention of Corruption Act, 1988. NDTV has filed writ petitions in Delhi High Court on July 6, 2017 for quashing of the FIR filed by CBI with the matter being listed for hearing on September 9, 2020, however was further delayed on account of COVID-19 pandemic to November 11, 2020.

Adequate Liquidity Profile

The liquidity profile of NDTV is adequate with unencumbered cash and bank balances of Rs. 8.48 crore as on March 31, 2020 comprising of ~Rs. 3.19 crore as cash and bank balances and ~Rs. 5.29 crore as fixed deposits. The company has cash and bank balances (including fixed deposits) of ~Rs. 9.93 crore as on June 30, 2020. The company is proactively reducing its operational cost and augmenting its liquidity with no major capex commitments in the near term. Further, NDTV has availed moratorium for the scheduled payments and interest servicing from its lenders as part of COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 and further extension on May 22, 2020 for the periods March 2020 to August 2020. NDTV has scheduled repayments of Rs. 0.65 crore vis-à-vis projected GCA of Rs. 20 crore during FY21. In addition to this, NDTV has also extended corporate guarantee towards the term loan repayments of its subsidiaries, the annual repayments of which are Rs. 11.52 crore in FY21. However, the subsidiaries, at a standalone level, have adequate cash accruals to service their own debt repayments. The operating cycle of the company remains stretched at -139 days for FY20 as against -96 days for FY19 mainly on account of increase in trade payables days. The creditor days of the company increased from 273 days in FY19 to 352 days in FY20 with extended credit period availed by the company from its vendors and pending dues to be made to the cable operators which are under settlement. The trade payables of the company increased from Rs. 181.66 crore (out of which Rs. 50.74 crore of trade payables are from related parties) as on March 31, 2019 to Rs. 213.32 crore (out of which Rs. 78.54 crore of trade payables are from related parties) as on March 31, 2020. Apart from increase in payables period, the collection period has also increased from 174 days in FY19 to 212 days in FY20 on account of extended credit period extended for the trade receivables from the related parties. The trade receivables of the company stood at Rs. 156.55 crore as on March 31, 2020 (out of which Rs. 43.64 crore of trade receivables are from related parties) as against Rs. 144.48 crore as on March 31, 2019 (with Rs. 43.11 crore from the related parties). However, the average working capital utilization of the company for the past 12 months ending August 2020 stood at ~77%, aiding its liquidity profile.

Key Rating Strengths

Experienced promoters

NDTV is headed by a well-qualified management team with a long experience in the media and entertainment industry. The board includes personalities in the Indian television news Industry like Dr Prannoy Roy (Executive Co-Chairperson) and Ms Radhika Roy (Executive Co-Chairperson). Dr. Roy has a doctorate in Economics from the Delhi School of Economics and is a Qualified Chartered Accountant from London and has also served as Economic Advisor with the Ministry of Finance, Government of India. Further, the board is supported by a team of professionals heading various departments of finance, operations, marketing and sales have been associated with the company for a span of more than 10 years.

Long track record of operations

NDTV, for more than the last 30 years, has been a leading content provider and subsequently it entered news broadcasting in 2003 with the launch of its first channel in India. This enabled the company to develop editorial skills, build a brand name and increase viewer-ship base over the years. Over the years, NDTV, through its subsidiaries, has expanded its brand portfolio to seize opportunities in the beyond news and television into digital content, e-commerce, etc. One of the prominent subsidiaries of the company is NDTV Convergence Limited (NDTV Convergence), which is set up to use the synergies between television, Internet and mobile. NDTV Convergence owns the digital media business of the group and controls all NDTV websites, including NDTV.com, one of the popular portals in India. Further, in order to focus entirely on its core business of production and broadcasting premium content, the company transferred its marketing and sales team NNL. NNL earns 10% commission on top line sales of NDTV in lieu of their sales support services. NNL has given Rs. 18 crore as security deposit (performance guarantee) to NDTV for securing the business as a sales & marketing arm of NDTV.

Established Market Position

NDTV has been rated India's Most Trusted TV Media Brand in the TRA Trust Brand Report, India Study 2016. NDTV's flagship channel, NDTV 24X7, the English news channel, has a team of renowned journalists and commands a significant audience base. It broadcast its programs to over 100 countries (including UK, USA, Canada, South Africa, Middle East, Australia, New Zealand, Mauritius and most of the SAARC Countries).

NDTV India is a Hindi news channel broadcasted in India and various other countries. NDTV India is free to air channel with a wide coverage of audience. NDTV Profit/Prime, dual channel of group, which caters to English business news and infotainment. NDTV Profit's trading hours business programming has been transferred from Profit and will now feature as regular business and finance segments on NDTV 24x7, while Prime will continue as a channel offering programs on offering an exciting and interesting blend of Gadgets, Automobiles, Education, Careers, Property, Entertainment, Art, Comedy etc.

Moderate Financial Risk Profile
The overall gearing of the company improved marginally to 0.39 times as on March 31, 2020 as compared to 0.40 times as on March 31, 2019 owing to reduction in working capital borrowings and accretions of profits into the net worth of the company. During FY20, the company availed equipment finance loan of Rs. 2.47 crore from Hewlett Packard Financial Services (India) Private Limited as against nil term debt as on March 31, 2019. The working capital borrowings of the company reduced from Rs. 93.76 crore as on March 31, 2019 to Rs. 79.00 crore as on March 31, 2020 with reduced cost of operations due to several initiatives taken by the management and also owing to the scheduled reduction in the sanctioned limit of such borrowings. The debt protection metrics are characterized by interest coverage and total debt / GCA ratio of 1.94x (PY: 2.38x) and 4.51 years (PY: 4.18 years) in FY20 respectively.
Further, the company continued to undertake several measures to rationalize its costs during FY20 (as during FY19) including reduction in employee cost, re-negotiating with vendors on extended credit terms, divestment of non-core businesses and reduction in various other overheads including office rent (the company has moved from bigger office space to smaller space, re-negotiate the rental contracts especially in view of COVID-19 impact, whereby employees are adopting to work from home), and other facility related cost. The employee cost of the company had declined from Rs. 75.09 crore in FY19 (around 28% of its total operating income in FY19) to Rs. 63.61 crore in FY20 (around 27% of its total operating income in FY20). Further, the operating & administrative expenses had also declined from Rs. 68.15 crore in FY19 to Rs. 60.79 crore in FY20.
Apart from adopting cost cutting measures, the management has also exited from certain non-core / loss making businesses. The company (along with NDTV Convergence) sold 100% stake in Fifth Gear Venture Limited (Carandbike.com) during FY20 to Mahindra and Mahindra and it ceased to be subsidiary of the company with effect from January 27, 2020. Thus, the PBILDT margin of the company moderated slightly to 13.58% as compared to 14.76% in FY19 despite 13% fall witnessed in the operating income during FY20. The PAT margin of the company improved to 5.58% during FY20 as against 4.95% during FY19. Further, the PBILDT margin of the company stood at 20.13% in Q1FY21 as against 21.03% in Q1FY20 with PAT margin at 8.58% during Q1FY21 as compared to 12.33% during Q1FY20. The employee expenses of the company reduced from Rs. 17.25 crore in Q1FY20 to Rs. 12.18 crore in Q1FY21.

Analytical approach: Standalone; CARE has however taken into consideration its operational and financial linkages with its group companies.

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial Ratios - Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Analysis
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Criteria for Short-term Instruments
Rating Methodology - Service Sector Companies
Policy on Withdrawal of Ratings

About the Company
New Delhi Television Limited (NDTV) was promoted by Dr. Prannoy Roy and Ms Radhika Roy in September 1988 and is into business of broadcasting of news and other contents on TV. The company currently operates three channels namely NDTV 24X7, NDTV India, NDTV Prime. After starting off as TV content producer, developing news & current affairs programming for other broadcasters, the company entered into TV broadcasting arena in April 2003 with launch of its own 24-hour news channels namely 'NDTV 24X7' and 'NDTV India' providing news in English & Hindi respectively. In January 2005, NDTV launched its business news channel 'NDTV Profit' & in 2007 'NDTV Good Times', an up-market lifestyle channel. In FY18, NDTV transferred the programming of NDTV Profit + Prime channel to the regular business and finance segments of NDTV 24X7. Prime shall continue as a lifestyle channel.
NDTV, through its subsidiaries, has expanded its presence beyond news and television into digital content, e-commerce, etc. NDTV is now primarily an internet company with the flagship website - ndtv.com (owned and operated by its step down subsidiary NDTV Convergence).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	269.12	233.49
PBILDT	39.73	31.71
PAT	13.32	13.03
Overall gearing (times)	0.40	0.39
Interest coverage (times)	2.38	1.94

A: Audited

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 for this company: Annexure 4

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-Working Capital Limits	-	-	-	89.14	CARE BB+ (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Non-fund-based-Short Term	-	-	-	4.00	CARE A4+ (Under Credit watch with Negative Implications)

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Working Capital Limits	LT	89.14	CARE BB+ (Under Credit watch with Negative Implications)	-	1)CARE BB+ (Under Credit watch with Negative Implications) (05-Sep-19) 2)CARE BB+ (Under Credit watch with Negative Implications) (02-Apr-19)	1)CARE BB+ (Under Credit watch with Negative Implications) (08-Jun-18)	1)CARE BBB- (Under Credit watch with Negative Implications) (10-Aug-17)
2.	Term Loan-Long Term	LT	-	-	-	1)CARE BB+ (Under Credit watch with Negative Implications) (05-Sep-19) 2)CARE BB+ (Under Credit watch with Negative Implications) (02-Apr-19)	1)CARE BB+ (Under Credit watch with Negative Implications) (08-Jun-18)	1)CARE BBB- (Under Credit watch with Negative Implications) (10-Aug-17)
3.	Non-fund-based-Short Term	ST	4.00	CARE A4+ (Under Credit watch with Negative Implications)	-	1)CARE A4+ (Under Credit watch with Negative Implications) (05-Sep-19) 2)CARE A4+ (Under Credit watch with Negative Implications) (02-Apr-19)	1)CARE A4+ (Under Credit watch with Negative Implications) (08-Jun-18)	1)CARE A3 (Under Credit watch with Negative Implications) (10-Aug-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
Fund-based limits	The overdraft limit of the company shall be reduced by Rs. 1.50 cr per month. CC limit shall be reduced by Rs. 0.75 cr per quarter.
B. Non-financial covenants	
Non-fund based limits	The letter of credit favoring group concerns shall not be issued.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Working Capital Limits	Simple
2.	Non-fund-based-Short Term	Simple
3.	Term Loan-Long Term	Simple

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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