

New Delhi Television Limited

June 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	127.85	CARE BB+ (Double B Plus); Under Credit Watch with Negative Implications#	Revised from CARE BBB- (Triple B Minus) Under Credit Watch with Negative Implications
Short term Bank Facilities	4.00	CARE A4+ (A Four Plus); Under Credit Watch with Negative Implications#	Revised from CARE A3 (A Three); Under Credit Watch with Negative Implications
Total	131.85 (One Hundred Thirty One crore and Eighty Five lacs only)		

Details of instruments/facilities in Annexure-1

The ratings have been placed under credit watch with negative implications on account of the order of Income Tax Appellate Tribunal (ITAT) in July 2017 wherein the ITAT has upheld the demand of Rs.450 crore raised by the Income Tax Department. The company has appealed against the order in Honourable Delhi High Court and case is still subjudice. CARE shall review the ratings once the final decision on the case is taken.

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of New Delhi Television Ltd (NDTV) factors in the deterioration in the financial risk profile of the company during FY18 (refers to the period from April 1 to March 31) marked by decline in operating income on y-o-y basis and continued operating losses. The company has incurred cash losses of Rs 48.66 cr in FY18. Furthermore the ratings remain constrained by exposure to group companies, 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.

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, well-diversified advertiser base and comfortable capital structure.

Going forward, the ability of the company to profitably scale-up its operations and timely monetization of loss-making ventures as well as outcome of the pending litigations shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Moderation in financial risk profile in FY18

NDTV has witnessed degrowth of 20% in total operating income in FY18 which was Rs.308.04 crore owing to fall in advertisement revenue (from Rs.270 crore in FY17 to Rs.202 crore in FY18) and subscription revenue (from Rs.42 crore in FY17 to Rs.40 crore in FY18). The reduction in operating revenue and high production and personnel expenses resulted in operating loss of Rs.26.14 crore in FY18 against PBILDT of Rs.17.83 crore in FY17. With the company incurring cash losses of Rs.48.66 crore (PY: Rs.37.31 crore), coverage indicators remain weak. The cash loss has been funded primarily through stretched creditors to Rs 166.66 crore in FY18 (PY:Rs 132.85 crore). In order to improve profitability, the company has transferred programming of NDTV Profit/Prime to regular business and finance segments of NDTV 24X7. Furthermore, the company has been taking measures to reduce its operating costs including reduction of manpower by 25%, renegotiating rates with vendors, etc. In Q4 FY18, The operating expenses of the company decreased by Rs 15 crore as

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

against Q3 FY18 (Excluding onetime expenses of Rs 18 crore). EBIDTA for Q4-FY18 is Rs 11.51 crore before onetime expenses of Rs 18 crore.

The capital structure remained comfortable, with overall gearing of 0.54x as on March 31, 2018 (PY: 0.46x) on account of repayment of term debt.

Furthermore, liquidity profile has also deteriorated in FY18 with increase in debtor days to 159 days in FY18 (PY: 141 days). The creditor days also increased to 165 days in FY18 (PY: 107 days) with extended credit period availed by the company from its vendors.

On a consolidated basis, NDTV witnessed yoy decline of 18% in operating income in FY17 to Rs.436.56 crore, mainly owing to 25% dip in advertisement revenue. It incurred operating loss of Rs.28.42 crore (PY: loss of Rs.21.25 crore); resulting cash losses of Rs.57.96 crore (PY: Rs.51.33 crore). Overall gearing at consolidated level deteriorated further to 4.53x as on March 31, 2017 (PY: 1.35x).

High dependence on advertising revenue albeit diversified client base

Income from advertisement continues to remain the major source of income contributing 68% of income in FY18 (PY: 70%) followed by subscription revenue (FY18: 13%; PY: 11%). Most of the advertisers on the company's channels are reputed business houses and financial conglomerates.

Uncertainty on the outcome of legal cases pending against the company

There are a number of ongoing litigations against the company especially pertaining to tax demand, the outcome of which will be crucial, particularly in the matter pertaining to 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. On July 14, 2017, the ITAT has upheld the tax demand of Rs.450 crore. The Company had filed a Writ Petition before the Honorable Delhi High Court against the above said order. In this regard, on May 21, 2018, the Honorable High Court of Delhi has admitted the appeals filed by the company and framed question of law. The Honorable High Court has also directed that the stay granted on tax demand and stay in connection with the prosecution notice relating to assessment year 2009-10 shall continue till the next date of hearing which is September 10, 2018.

Key Rating Strengths

Strong promoter group

NDTV is headed by a well-qualified management team with a long experience in the media and entertainment industry. The board includes eminent personalities in the Indian television news industry like Dr Prannoy Roy (Executive Co-Chairperson) and Ms Radhika Roy (Executive Co-Chairperson).

Long track record of operations

NDTV, for more than the last 25 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. NDTV's flagship channel, NDTV 24X7, the English news channel, has a team of renowned journalists and commands a significant audience base.

Established market position

NDTV has for the third year running been rated India's Most Trusted TV Media Brand in the TRA Trust Brand Report Study 2016. NDTV 24X7 is also present in the international market like UK, USA, Canada, South Africa, the Middle East, Australia, New Zealand, Mauritius and most of the SAARC countries. The Broadcasters' Audience Research Board (BARB) is the official source of television viewing figures in the UK and as per BARB official data NDTV 24x7 is consistently the most viewed Indian news channel in the UK.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short-term Instruments](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

About the Company

New Delhi Television Ltd (NDTV) was promoted by Dr. Prannoy Roy and Ms Radhika Roy in Sep'88 and is into business of broadcasting of news and other contents on TV. The company currently operates three channels viz. NDTV 24X7, NDTV India, NDTV Profit+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 viz. '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.

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 world.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	384.20	308.04
PBILDT	(17.83)	(26.14)
PAT	(53.34)	(61.43)
Overall gearing (times)	0.46	0.54
Interest coverage (times)	(1.17)	(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

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	125.00	CARE BB+ (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	Q1-FY19	2.85	CARE BB+ (Under Credit watch with Negative Implications)
Non-fund-based-Short Term	-	-	-	4.00	CARE A4+ (Under Credit watch with Developing 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	125.00	CARE BB+ (Under Credit watch with Negative Implications)	-	1)CARE BBB- (Under Credit watch with Negative Implications) (10-Aug-17)	1)CARE BBB+ (16-Sep-16) 2)CARE A- (09-May-16)	1)CARE A- (29-Oct-15) 2)CARE A- (08-May-15)
2.	Term Loan-Long Term	LT	2.85	CARE BB+ (Under Credit watch with Negative Implications)	-	1)CARE BBB- (Under Credit watch with Negative Implications) (10-Aug-17)	1)CARE BBB+ (16-Sep-16) 2)CARE A- (09-May-16)	1)CARE A- (29-Oct-15) 2)CARE A- (08-May-15)
3.	Non-fund-based-Short Term	ST	4.00	CARE A4+ (Under Credit watch with Developing Implications)	-	1)CARE A3 (Under Credit watch with Negative Implications) (10-Aug-17)	1)CARE A2+ (16-Sep-16) 2)CARE A1 (09-May-16)	1)CARE A1 (29-Oct-15) 2)CARE A1 (08-May-15)

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