

New Delhi Television Limited

August 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	127.85 (reduced from Rs.130.70 crore)	CARE BBB- (Triple B Minus) Under Credit Watch with Negative Implication#	Revised from CARE BBB+ (Triple B Plus) and put under credit watch
Short term Bank Facilities	4.00	CARE A3 (A Three) Under Credit Watch with Negative Implication#	Revised from CARE A2+ (A Two Plus) and put under credit watch
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 negative watch with developing implication on account of the recent 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 continued deterioration in the financial risk profile of the company during FY17 (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 operating losses. 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.

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 FY17 and Q1FY18

NDTV has witnessed degrowth of 11% in total operating income in FY17 owing to fall in advertisement revenue (from Rs.312 crore in FY16 to Rs.270 crore in FY17) and income from organizing events (FY17: Rs.25.59 crore; PY: Rs.33.53 crore) which was largely impact of demonetization as the marketing budgets of various clients were reduced. The reduction in operating revenue and high production and personnel expenses resulted in operating loss of Rs.17.83 crore in FY17 against PBILDT of Rs.12.91 crore in FY16. With the company incurring cash losses of Rs.37.31 crore (PY: Rs.3.16 crore), coverage indicators remain weak. In order to improve profitability, the company has transferred the programming of NDTV Profit/Prime to regular business and finance segments of NDTV 24X7.

The company witnessed 20% decline in revenues to Rs.72.64 crore in Q1FY18 mainly owing to lower advertisement income. High fixed expenses led to PBILDT loss of 11.95% (PY: loss 9.71%).

The capital structure remained comfortable, with overall gearing of 0.46x as on March 31, 2017 (PY: 0.42x) on account of repayment of term debt which were made out of security deposits received from subsidiary company, realization of advances made to group companies as well as utilization of available cash balance.

Furthermore, liquidity profile has also deteriorated in FY17 with increase in trade receivables to Rs.155.81 crore as on 31-Mar-17 (PY: Rs.141.99 crore) on account of delayed payments by customers post-demonetization; debtor days increased to 141 days in FY17 (PY: 128 days). The creditor days also increased with extended credit period availed by the company from its vendors.

On a consolidated basis, NDTV witnessed yoy decline of 8% in operating income in FY17 to Rs.528.40 crore, mainly owing to 14% dip in advertisement revenue. It incurred operating loss of Rs.20.21 crore (PY: loss of Rs.26.93 crore); resulting cash losses. Overall gearing at consolidated level deteriorated further to 1.35x as on March 31, 2017 (PY: 0.79x).

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

High dependence on advertising revenue albeit diversified client base

Income from advertisement continues to remain the major source of income contributing 70% of income in FY17 (PY: 72%) followed by subscription revenue (FY17: 11%; PY: 10%). The advertisement rates declined during FY17 by 8% and 12% in NDTV 24x7 and NDTV PROFIT+PRIME respectively owing to demonetization; NDTV INDIA enjoyed 7% rise in ad rates in FY17.

Most of the advertisers on the company's channels are reputed business houses and financial conglomerates. The client base is diversified with top ten advertisers contributing 25% of total ad revenue in FY17 (PY: 21%).

Pending litigations against the company

The outcome of ongoing litigations against the company, 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 has appealed against the order in Honorable Delhi High Court. The matter is still subjudice.

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.

Industry Outlook

Television industry in India stands at estimated size of Rs.5,880 crore in CY2016, a growth of 8.5% over CY2015 and is envisaged to register a CAGR of 14.7% to reach Rs.11,660 crore by CY2021, with advertisement revenue expected to grow at healthy CAGR of 14.4%. Further the share of subscription income has remained low due to slack regulation and non-disclosure of actual number of subscribers resulting in leakage of income. The digitalization is expected to be completed in a phased manner. However, slow monetisation in Phase-I and II markets despite completion of digitisation and delay in Phase III and IV markets has dented the expectations of benefits from the digitization process. The Broadcasters were negatively impacted by demonization, as with cash drying up, the consumption across industries saw a steep decline resulting in major sectors cutting down on advertisement spends.

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)	FY16 (A)	FY17 (A)
Total operating income	433.18	384.20
PBILDT	12.91	(17.83)

PAT	(21.61)	(53.34)
Overall gearing (times)	0.42	0.46
Interest coverage (times)	0.78	(1.17)

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:

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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 BBB- (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	Q1FY19	2.85	CARE BBB- (Under Credit watch with Negative Implications)
Non-fund-based-Short Term	-	-	-	4.00	CARE A3 (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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	125.00	CARE BBB- (Under Credit watch with Negative Implications)	-	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 BBB- (Under Credit watch with Negative Implications)	-	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 A3 (Under Credit watch with Negative Implications)	-	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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