

New Delhi Television Limited
 September 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	100.99 (reduced from Rs. 107.00 crore)	CARE BB+ (Double B Plus); Under Credit Watch with Negative Implications	Continues to be on Credit Watch
Short term Bank Facilities	4.00	CARE A4+ (A Four Plus); Under Credit Watch with Negative Implications	Continues to be on Credit Watch
Total	104.99 (One Hundred Four crore and Ninety Nine Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continues to be under credit watch with negative implications on account of the ongoing case against the company which remains sub-judice in Delhi High Court wherein High Court on May 14, 2019 stayed 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. The continuation of watch also factors in the recent 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, the promoters however challenged the said order in appeal before the Honorable Securities Appellate Tribunal (SAT) and SAT granted a stay on the said order. The next hearing for the appeals is on September 16, 2019. Further, the Central Bureau of Investigation (CBI) has filed a FIR 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 is continuously monitoring the developments w.r.t these cases and shall review the ratings once further clarity emerges on the same.

The rating of the bank facilities of New Delhi Television Ltd (NDTV) continues 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 moderation in its liquidity profile marked by declining cash and bank balance, high working capital borrowings 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 considerable improvement in the profitability of the company during FY19 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.

Going forward, the ability of the company to scale-up its operations while maintain its profitability and any impact on the financials of the company on account of its exposure towards the group companies shall be the key rating sensitivities. Further, any adverse outcome of the ongoing legal cases against the company and its promoters will be critical for the credit profile of the company.

Detailed description of the key rating drivers**Key Rating Weakness****High Exposure towards group companies**

NDTV had a total investments of Rs. 308.51 crore in its subsidiaries/joint ventures/associates as on March 31, 2019 (Rs. 302.21 crore as on March 31, 2018) against its tangible network of Rs. 235.68 crore as on March 31, 2019 (Rs. 223.75 crore as on March 31, 2018). The majority of investments of NDTV Limited are in NDTV Networks Limited, which stood at Rs. 288.47 crore as on March 31, 2019 (NDTV Networks Limited have a negative network of Rs. 12.78 crore as on March 31, 2019) and Rs. 15.73 crore in Delta Softpro Private Limited.

Further, 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. Also, NDTV Limited along with NNL had issued a corporate guarantee of Rs. 55 crore for loan availed by NDTV Convergence Limited.

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

Moderate Liquidity Profile marked by stretched creditors, decline in cash and bank balance and high working capital utilization

Operating Cycle of the company remains at -95 days for FY19 as against -12 days for FY18 mainly on account of increase in trade payables days. The creditor days of the company increased from 106 days in FY17 to 162 days in FY18 and further to 272 days in FY19 with extended credit period availed by the company from its vendors. Trade payables of the company increased from Rs. 167 crore as on March 31, 2018 to Rs. 182 crore as on March 31, 2019 and further to Rs. 193 crore as on June 30, 2019. Apart from increase in payables period, the collection period has also increased from 148 days in FY18 to 174 days in FY19 on account of delayed payments by customers (mainly advertising agencies). Trade receivables of the company stood at Rs. 126.88 crore as on March 31, 2019 (out of which Rs. 43.11 crore of trade receivables are from related parties) as against Rs. 112.23 crore as on March 31, 2018.

The average working capital utilization for the 12 months ending June, 2019 stood at 86.65% while the current ratio of the company stood at 0.78x as on March 31, 2019 (PY: 0.72x). Total outside Liabilities to Tangible Net worth of the company improved to 1.65 times as on March 31, 2019 from 1.72 times as on March 31, 2018 majorly on account of reduced working capital borrowings and increased tangible net worth of the company. The cash and Bank balance of the company stood at Rs. 6.13 crore as on March 31, 2019 (Rs. 20.63 crore as on March 31, 2018).

NDTV also had taken loans and security deposits & advances from group companies. Company has taken security deposit of Rs. 55 crore and advance received against services of Rs. 8.00 crore from NDTV Convergence Limited. Further, NNL has given Rs 18.33 crore as security deposit (performance guarantee) to NDTV Ltd for securing the business as a sales & marketing arm of NDTV. NDTV Limited has also taken loan of Rs. 1.45 crore from NDTV Worldwide Limited (its subsidiary).

High dependence on advertising revenue

The company is highly dependent on revenues from Advertisement segment and shift in advertisement source has led to overall decrease in total operating income of NDTV limited. NDTV has witnessed decline in total operating income from Rs. 311.58 crore in FY18 to Rs. 269.94 crore in FY19 at a declining annual rate of 13.36% in FY19 primarily on account of downturn in TV advertisement revenue. TV advertisement revenue in India had witnessed decrease in demand due to shift of advertisement source from TV to digital platforms including websites, social media and apps. Advertisement Revenue of the company declined from Rs. 201.58 crore in FY18 to Rs. 178.37 crore in FY19 on account of slowdown in the economy (as the advertisement revenue is related to the economy growth) and further IPL and Cricket World Cup was a massive event in 2019 and the advertisements was diverted to channels telecasting the events. Most of the advertisers on the company's channels are reputed business houses and financial conglomerates. Advertisement income contributes 66.08% of its Total Operating Income in FY19 (64.70% in FY18).

Total Operating Income of the company stood at Rs. 72.90 crore in Q1FY20 as against Rs. 71.64 crore in Q1FY19.

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 during Feb 2014. High Court on May 14, 2019 stayed 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. The case is still subjudice.

Also, in June 2019, SEBI had issued Order against promoters of the company, barring Dr. Prannoy Roy and Ms. Radhika Roy, promoters of NDTV, 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. However the promoters challenged the SEBI order in appeal before the Honorable Securities Appellate Tribunal on June 17, 2019 and the Securities appellate tribunal observed in the hearing on June 18, 2019 that the restraint imposed on Dr Pranoy Roy and Mrs Radhika Roy from occupying the position of director or any key managerial personnel in NDTV for 2 years is not in the best of interests of shareholders or investors in NDTV, and granted a stay on the operation and effect of the said order. The next hearing for the appeals is on September 16, 2019. Also, The CBI has filed a FIR on August 19, 2019 against NDTV promoters Prannoy and Radhika Roy and other officials 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.

Key Rating Strength**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. NDTV has step-down subsidiaries: NDTV Convergence (to use the synergies between television, Internet and mobile and owns the website ndtv.com) and NDTV Worldwide offering high end consultancy for setting up of local television news channels in emerging markets across the world. NDTV Convergence the digital media business controls all NDTV websites, including NDTV.com. NDTV Worldwide offers a range of services from setting up and managing channels to broadcast training, channel branding and technology consultancy.

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 programmes 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 programmes on offering an exciting and interesting blend of Gadgets, Automobiles, Education, Careers, Property, Entertainment, Art, Comedy etc.

Moderate Financial Risk Profile with Improved profitability

NDTV doesn't have any long term debt as on March 31, 2019 as against Term loan of Rs. 0.71 crore as on March 31, 2018. The overall gearing of the company also improved from 0.54x as on March 31, 2018 to 0.40x as on March 31, 2019 owing to reduction in working capital borrowings and accretions of profits into the networth of the company. Working Capital borrowings of the company reduced from Rs. 116.74 crore as on March 31, 2018 to Rs. 93.76 crore as on March 31, 2019 with reduced cost of operations due to several initiatives taken by the management. Debt Coverage Indicators of the company, Interest Coverage Ratio improved from -1.36 times in FY18 to 2.38 times in FY19. Total outside Liabilities to Tangible Net worth of the company improved to 1.65 times as on March 31, 2019 from 1.72 times as on March 31, 2018 majorly on account of reduced working capital borrowings and increased tangible net worth of the company.

Further, the company had took several measures to rationalize its costs 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), camera costs (replacing camera with mobiles for reporting news content, etc.) and other facility related cost (reduced employees, rationalizing other costs, etc). The Employee cost of the company has declined from Rs. 129 crore in FY18 (around 41% of its total operating income in FY18) to Rs. 75 crore in FY19 (around 28% of its total operating income in FY19). Operating & Administrative Expenses have also declined from Rs. 92 crore in FY18 (around 30% of its total operating income in FY18) to Rs. 68 crore in FY19 (around 25% of its total operating income in FY19). Operating & Administrative Expenses had declined from Rs. 92 crore in FY18 to Rs. 68 crore in FY19.

Apart from adopting cost cutting measures, management has also decided to exit from all non-core / loss making businesses. As a result, PBILDT Margin of the company improved to 14.73% in FY19 from -6.56% in FY18. PAT of the company stood at Rs. 13.32 crore for FY19 as against loss of Rs. 61.44 crore for FY18.

PBILDT Margin of the company further improved from 10.13% in Q1FY19 to 21.03% in Q1FY20. Employee expenses of the company reduced from Rs. 21.70 crore in Q1FY19 to Rs. 17.25 crore in Q1FY20. PAT of the company stood at Rs. 8.99 crore in Q1FY20 as against Rs. 0.87 crore in Q1FY19.

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](#)

[Criteria for Short-term Instruments](#)

[Rating Methodology - Service Sector Companies](#)

[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 1988 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 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. In Q1FY18, 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 Limited).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	311.58	269.94
PBILDT	-20.45	39.77
PAT	-61.44	13.32
Overall gearing (times)	0.54	0.40
Interest coverage (times)	NM	2.38

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

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	-	-	-	98.14	CARE BB+ (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	-	2.85@	CARE BB+ (Under Credit watch with Negative Implications)
Non-fund-based-Short Term	-	-	-	4.00	CARE A4+ (Under Credit watch with Negative Implications)

@The company has fully repaid its term loan but NOC from the banker has not been received.

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	98.14	CARE BB+ (Under Credit watch with Negative Implications)	1)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)	1)CARE BBB+ (16-Sep-16) 2)CARE A- (09-May-16)
2.	Term Loan-Long	LT	2.85@	CARE BB+	1)CARE BB+	1)CARE BB+	1)CARE BBB-	1)CARE

	Term			(Under Credit watch with Negative Implications)	(Under Credit watch with Negative Implications) (02-Apr-19)	(Under Credit watch with Negative Implications) (08-Jun-18)	(Under Credit watch with Negative Implications) (10-Aug-17)	BBB+ (16-Sep-16) 2)CARE A- (09-May-16)
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) (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)	1)CARE A2+ (16-Sep-16) 2)CARE A1 (09-May-16)

[@]The company has fully repaid its term loan but NOC from the banker has not been received.

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.

Contact us

Media Contact

Name: Mradul Mishra
 Contact no: +91-22-6837 4424
 Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Mr Gaurav Dixit
 Contact no: 011 - 4533 3235
 Email ID: gaurav.dixit@careratings.com

Business Development Contact

Name: Swati Agrawal
 Contact no: +91-11-4533 3200
 Email ID: swati.agrawal@careratings.com

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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