CARE Ratings
Professional Risk Opinion

TV Vision Limited

April 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities – Term Loan	24.39	**CARE BBB-(SO); Outlook:Stable [Triple B Minus (Structured Obligation); Outlook: Stable]**	**Revised from CARE BBB(SO) [Triple B (Structured Obligation)]**
Total Facilities	**24.39 (Rupees Twenty Four crore and Thirty nine lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities of TV Vision Limited (TVVL) is not a standalone rating and is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Sri Adhikari Brothers Television Network Ltd (SABTNL). The rating of SABTNL has been revised from CARE BBB to CARE BBB-; Stable during April 2017.

The revision in the rating assigned to the bank facilities of Sri Adhikari Brothers Television Network Ltd (SABTNL) takes into consideration the deterioration in the capital structure of the group (SABTNL and TV Vision Ltd together referred to as group). CARE notes that the group has taken new debt of Rs.160 crore towards content acquisition and new channel funding in 2016. The group is developing two new Regional General Entertainment Channels (R-GECs) for Punjab and West Bengal and the channels are expected to be launched in CY17. The new channels require some time to breakeven while the debt repayments will start in FY18 (refers to the period April 1 to March 31). This is expected to deteriorate the liquidity position of the group in medium term.

The rating of SABTNL continues to derive strength from the established track record of the promoters in the Media & entertainment (M&E) industry, sustained profitability from content syndication business, and improvement in profitability margins of broadcasting business with reduction in carriage fee and increased monetization opportunity with arrangement of programming content on R-GECs within the group.

The above strengths continue to be partially offset by moderate scale of operations, recurring investment required with respect to content creation/acquisition, vulnerability of advertisement revenue to various factors including the level of economic activity/corporate advertisement budget etc. Furthermore, the ratings are also constrained by intense competition in the music channel genre/regional general entertainment channel space, long receivables cycle and sizeable debt repayment in the near term.

Ability of company to further scale up operations, maintain its capital structure and achieve timely breakeven of new channels to be launched constitute the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record of the promoters: The promoters, Sri Adhikari Brothers – considered amongst the pioneers in India’s television-based entertainment industry, have an experience of more than 30 years in media and entertainment industry (M&E). Sri Adhikari Brothers are involved in the strategic and business development for SABTNL and launched five channels over the period FY10-FY15. Besides, the promoters are supported by a management team, possessing an experience of more than a decade in the M&E industry.

Stable PBILDT margin from content segment: SAB Group reported Rs.107.91 crore of revenue from content distribution business in FY16 vis-à-vis Rs.103.46 crore in FY15. The PBILDT margin improved to 34.21% in FY16 from 28.93% in FY15. Over the years, the company has produced/acquired a library of more than 3,000 hours for over 50 television programmes.

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

Stable profitability in the broadcasting segment: In the broadcasting segment, the group has launched music channel “Mastiii” and R-GECs such as “Dabangg”, “Dhamaal”, “Maiboli” and “Dillagi” over the period FY10-FY15. Revenue from channel Mastiii contributes 50-55% of the revenue of broadcasting business. The proportion of carriage fees as percentage to broadcasting revenue was 27.65% in FY16 vis-à-vis 26% in FY15, the PBILDT margin remained stable at 27.34% in FY16 in comparison to 28.83% in FY15.

Key Rating Weaknesses

Capital structure expected to deteriorate moderately due to recurrent content investment/acquisition: SAB Group invests regularly towards content acquisition. The group had availed term loan of Rs.20 crore in FY16 for content acquisition. Further in FY17, the group has availed term of Rs.160 crore for content acquisition and funding of new R-GECs channels. Thus overall gearing is expected to deteriorate in FY17 with the additional debt. Any new channel will require some time to break even and this is expected to negatively impact the cash accruals of the group in the next couple of years. The group needs to invest in content on a recurring basis, any significant deterioration in the capital structure with debt availed for content acquisition would remain the key rating monitorable.

Cyclicality of advertisement revenue: The overall broadcasting revenue (approximately 55-60% of the group revenue) primarily comprises advertisement revenue for SAB Group. Advertisement revenue remains vulnerable to various factors like corporate advertisement budgets, market competition, television viewership for the channels, the quality and popularity of content being broadcast, trends in the media sector, regulatory changes and the level of economic activity in general. SAB Group’s operational performance remains vulnerable to the trend in overall industry wide ad-rate movements and is a key rating moniterable.

Moderate liquidity profile due to long receivables period and sizable debt repayments: The group has long receivables period of around 90 days. This along with substantial debt repayments till FY17 on account of its skewed repayment profile has resulted into moderate liquidity position. The ability of the company to manage its incremental working capital requirement is one of the key rating sensitivity.

Analytical approach: For arriving at the ratings, CARE has combined the business and financial risk profiles of both the group companies SABTNL and TVVL. Post amalgamation, though the businesses has been consolidated (broadcasting business under TVVL, content production and distribution business under SABTNL and publication business under SAB Events), they would remain under common promoters. Furthermore, the corporate guarantee provided by SABTNL to TVVL continues for the existing debt, therefore combined financials has been considered for analysis.

Applicable Criteria
Criteria on assigning outlook to credit ratings
CARE’s policy on default recognition
Criteria for short-term instruments
Financial Ratios: Non Financial Sectors
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology: Service Sector Companies

About the Company
TV Vision Ltd (TVVL; earlier a wholly owned subsidiary of SABTNL) is engaged in the business of broadcasting. The company has channels like Mastiii, Dabangg, Maiboli, Dhamaal and Dillagi.
Mastiii is music channel for pan India. Dabangg and Dhamaal are R-GECs catering to the Hindi speaking belt of Bihar, Uttar Pradesh and Jharkhand and Gujarat respectively. Maiboli is a regional Marathi channel for Maharashtra while Dillagi is a dedicated TV channel for small towns and villages of India. The company is developing two new R GECs for Punjab and West Bengal and the channels are expected to be launched in CY17.

About the Guarantor (SABTNL)

SABTNL, incorporated in 1994, promoted by Mr Gautam Adhikari and Mr Markand Adhikari (Sri Adhikari Brothers) is engaged in the business of content production and syndication in India since 1990s. At present, SABTNL along with group

company TV Vision Ltd referred to as SAB Group operates in two segments i e (i) content production and distribution/syndication and (ii) broadcasting.
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During FY16 on a combined basis (refers to the period April 01 to March 31), the group reported a PAT of Rs.5.54 crore (PY: Rs.9.29 crore on a consolidated basis) on a total operating income of Rs.244.51 crore (PY: 248.90 crore on a consolidated basis).

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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****For detailed Rationale Report and subscription information, please contact us at www.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.

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-Term Loan	-	-	FY20	24.39	CARE BBB- (SO); Stable

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-Term Loan	LT	24.39	CARE BBB- (SO); Stable	-	1)CARE BBB (SO) (25-Apr-16)	1)CARE BBB (SO) (10-Apr-15)	1)CARE BBB- (SO) (12-May-14)

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