New Delhi Television Limited

October 25, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	60.63 (Reduced from 89.14)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed and removed from Credit watch with Negative Implications; Stable outlook assigned
Short Term Bank Facilities	4.00	CARE A4+ (A Four Plus)	Reaffirmed and removed from Credit watch with Negative Implications
Total Bank Facilities	**64.63 (Rs. Sixty-Four Crore and Sixty-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the rating assigned to the bank facilities of New Delhi Television Limited (NDTV) and removed it from 'Credit Watch with Negative Implications'. The ratings were earlier placed on credit watch on account of the ongoing legal cases against the company and its promoters. While the cases are still ongoing, there has not been any material adverse impact of the same on the operational and financial profile of NDTV. Nevertheless, CARE Ratings will continue to monitor any developments on these cases and probable impact of the same on the operations and financials of NDTV.

The ratings continue to remain constrained by the company's 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 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, continue to derive strength from the experienced promoters with long track record of operations in the news broadcasting industry with established market position (especially of the flagship channel NDTV 24x7). The ratings take cognizance of the improvement in profitability of the company during FY21 (refer to period April 01 to March 31) and Q1FY22 (refer to period April 01 to June 30) on account of various cost optimization measures adopted by the company.

<u>Rating Sensitivities</u>

Positive Factors - Factors that could lead to positive rating action/upgrade:

- 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 with EBIDTA margin of above 22% going forward on a sustained basis
- Ability of the company to manage its working capital requirements while timely realizing its receivables and reducing its creditors levels.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any adverse developments in relation to the ongoing legal cases having a material impact on the operational or financial risk profile of the company.
- Decline in PBILDT margin by more than 5% from the current levels on a sustained basis going forward
- 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 Weakness

High Exposure towards group companies

NDTV had total investments of Rs. 325.03 crore in its subsidiaries/joint ventures/associates as on March 31, 2021 (Rs. 316.04 crore as on March 31, 2020) against its tangible net worth of Rs. 285.01 crore as on March 31, 2021 (Rs. 247.12 crore as on March 31, 2020). The majority of investments of NDTV Limited are in NDTV Networks Limited, which stood at Rs. 305.54 crore as on March 31, 2021 and Rs. 15.73 crore in Delta Softpro Private Limited.

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

High dependence on advertising revenue
The company is highly dependent on revenue 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 sustained decline in total operating income over the past 3 years to Rs.221.55 crore in FY21 (PY Rs. 235.96 crore) on account of downturn in TV advertisement revenue, which was further aggravated by the outbreak of COVID-19. 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 moderated from Rs. 162.26 crore in FY20 to Rs. 152.82 crore in FY21 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 FY21 on account of business slowdown aggravated by the COVID-19 induced lockdown. Most of the advertisers on the company's channels are reputed business houses and financial conglomerates. The advertisement income contributes 63.48% of its total operating income in FY21 (69.49% in FY20).
NDTV reported increase in income from operations of Rs 63.77 cr in Q1FY22 as against Rs. 51.52 cr in Q1FY21 on account of opening up of economy after Covid-19 pandemic which has led to increase in advertisement revenue.

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 demand was stayed by the Delhi High Court and the matter was put in the regular list. The Bombay High Court vide its judgment dated 4 September 2019 allowed the writ petition filed by NDTV and has set aside the orders passed earlier. SEBI has filed a Special Leave Petition in the Supreme Court, challenging the judgment passed by the Bombay High Court, which is still pending. In addition to this, a stay was granted 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 appeal is pending in SAT and there is no further new development. Further, the investigation by CBI is also pending with respect to the FIR registered against the company, 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. Also, a FIR was registered by CBI on June 2, 2017 against the Company, Promoters wherein the Company and the Promoter Group Company filed writ petitions in the Delhi High Court on July 6, 2017 asking for the FIR to be quashed. The matter is pending before the Delhi High Court. Any adverse developments in relation to these ongoing legal cases having a material impact on the operational or financial risk profile of the company shall remain negative from the credit perspective.

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 three decades, has been a leading content provider and subsequently it also 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.

Moderate financial risk profile
The overall gearing of the company improved to 0.26 times as on March 31, 2021 as compared to 0.39 times as on March 31, 2020 owing to reduction in working capital borrowings and accretions of profits into the net worth of the company. The working capital borrowings of the company reduced from Rs. 79.00 crore as on March 31, 2020 to Rs. 49.73 crore as on March 31, 2021 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 2.84x (PY: 2.09x) and 1.61 years (PY: 4.51 years) respectively in FY21. Further, the

company continued to undertake several measures to rationalize its costs during FY21 (as during FY20) 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.

Liquidity: Adequate
The liquidity profile of NDTV is adequate with unencumbered cash and bank balances of Rs. 8.57 cr as on March 31, 2021. NDTV has scheduled repayments of Rs. 2.04 cr vis-à-vis projected GCA of around Rs. 45 cr during FY22. The average working capital utilization of the company for the past 12 months ending August 2021 stood at ~67%, aiding its liquidity profile.

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

Applicable Criteria
CARE's Policy on Default Recognition
Rating Methodology: Notching by factoring linkages in Ratings
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Criteria for Short Term Instruments
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

About the Company
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)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	235.96	221.55
PBILDT	34.18	44.02
PAT	13.03	37.99
Overall gearing (times)	0.39	0.26
Interest coverage (times)	2.09	2.84

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	ISIN	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	-	-	-	-	60.63	CARE BB+; Stable
Non-fund-based-Short Term	-	-	-	-	4.00	CARE A4+

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Working Capital Limits	LT	60.63	CARE BB+; Stable	-	1)CARE BB+ (CWN) (28-Oct-20)	1)CARE BB+ (CWN) (05-Sep-19)2)CARE BB+ (CWN) (02-Apr-19)	1)CARE BB+ (CWN) (08-Jun-18)
2	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (28-Oct-20)	1)CARE BB+ (CWN) (05-Sep-19)2)CARE BB+ (CWN) (02-Apr-19)	1)CARE BB+ (CWN) (08-Jun-18)
3	Non-fund-based-Short Term	ST	4.00	CARE A4+	-	1)CARE A4+ (CWN) (28-Oct-20)	1)CARE A4+ (CWN) (05-Sep-19)2)CARE A4+ (CWN) (02-Apr-19)	1)CARE A4+ (CWN) (08-Jun-18)

** Long Term / Short Term; CWN: Credit watch with negative implications*

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 favouring group concerns shall not be issued.

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based-Short Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. 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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