

New Delhi Television Limited

September 01, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	42.14 (Reduced from 60.63)	CARE BB+ (CWD) (Double B Plus) (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Short Term Bank Facilities	4.00	CARE A4+ (CWD) (A Four Plus) (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Total Bank Facilities	46.14 (₹ Forty-Six Crore and Fourteen Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of New Delhi Television Limited (NDTV) have been placed on credit watch with developing implication following the exercise of conversion option of warrants into equity shares of promoter group company RRRPR Holding Private Limited (RRPRH) which owns 29.18% equity in NDTV by Vishvapradhan Commercial Private Limited (VCPL). VCPL is the wholly owned subsidiary of AMG Media Networks Limited (AMNL), the media arm of Adani Enterprises Limited (AEL). Further, VCPL along with AMNL and AEL have announced an open offer for acquisition of 26% from public shareholders. However, as per management, NDTV promoters were not discussed about this transaction and also restrictions are in force, under SEBI order dated November 27, 2020, in relation to the NDTV promoters buying, selling or otherwise dealing in securities, directly or indirectly for a period of 2 years for which clarity is sought from SEBI. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the acquisition on the credit risk profile of the company are clear.

The ratings continue to remain constrained by high exposure towards group companies and revenue concentration risk as company majorly generates revenue from advertisement which in turn exposes the company's revenue profile to the business cycle of the advertisers. The ratings are also constrained on account of uncertainty over ongoing litigations against the company and its promoters especially pertaining to tax demand, hence the impact of the same on operational and financial risk profile of the company is not clear.

The ratings, however, continue to derive strength from the experienced promoters with the long track record in news broadcasting industry with the established market position (especially of the flagship channel NDTV 24x7). The ratings also factor in improvement in scale of operations along with profitability during FY22 and comfortable capital structure.

Rating sensitivities

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

- Ability of the company to scale up its operations above ₹ 250 crore or more going forward and maintain its PBILDT margins above 25% or more on a sustained basis
- Any positive outcome of the major on-going legal case against the company and the promoters
- 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:

- Reduction of PBILDT margin below 12.00% on a sustained basis
- Any adverse outcomes of the on-going legal cases against the company and the promoters

Key Rating Weaknesses

High exposure towards group companies

NDTV had a total investment of Rs.335.13 crore in its subsidiaries/joint ventures/associates as on March 31, 2022 (Rs.325.03 crore as on March 31, 2021) as against its tangible networth of Rs.345.09 crore as on March 31, 2022, majority of which are in NDTV Networks Limited, having an investment of Rs. 315.70 crore as on March 31, 2022 (NDTV Networks Limited have a negative net worth of Rs.28.48 crore as on March 31, 2022).

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. Further, the company had also received demand notice from SEBI for alleged non-disclosure of tax demand dated November 22, 2019, against which the

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

company filed an appeal and matter is likely to be listed on September 12, 2022. Company also received show cause notice from Directorate of Enforcement (ED) for the alleged contraventions under Foreign Exchange Management Act, 1999 ("FEMA"). Company also received notice dated August 20, 2018, from SEBI in regard to alleged violation of Clause 36 of erstwhile Listing Agreement for non-disclosure of loan agreements entered into by Dr. Prannoy Roy, Mrs. Radhika Roy ("Promoters") and RPRR Holding Private Limited (Promoter Group Company) with Vishvapradhan Commercial Private Limited (VCPL) in 2009-10. 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. In addition to this, there are few other investigations also pending w.r.t. income tax demand. 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.

Detailed description of the key rating drivers

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, 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.

Improvement in scale of operations along with profitability

NDTV has witnessed an increase in total operating income from Rs.197.33 crore in FY21 to Rs.230.92 crore in FY22 on account of increase in TV advertisement revenue which was impacted earlier in FY21 due to outbreak of COVID-19. The PBLIDT & PAT margin improved to 26.23% & 25.63% respectively in FY22 from 10.03% & 19.25% respectively in FY21. PBILDT margin improved because cost of service availed by the company remained almost same as of FY21. PAT Margin increased mainly due to decline in finance cost by ~24% to Rs.11.76 crore in FY22 from Rs.15.52 crore in FY21. Company has reported TOI of Rs.63.24 crore and EBITDA of 19.73% in Q1FY23.

Satisfactory Capital Structure

The overall gearing of the company improved to 0.09x from 0.26x as on March 31, 2021, owing to reduction in working capital borrowings and accretion of profits to the net worth of the company. Company has outstanding equipment finance loan of Rs.5.17 crore. The working capital borrowings of the company reduced from Rs.49.73 crore as on March 31, 2021, to Rs.3.97 crore as on March 31, 2022. The debt protection metrics has also improved characterized by interest coverage and total debt / GCA ratio of 5.15x (PY: 1.28x) and 0.42 years (PY: 1.61 years) in FY22 respectively.

Liquidity: Adequate

The liquidity position of the company remains adequate. The average utilization of the working capital limits remained comfortable at ~14% for the last twelve-month period ended June 2022. There is sufficient cushion between the dept repayment obligation going forward and expected GCA over the projected period. The Company had free cash & cash equivalent of Rs.13.5 crore as on June 30, 2022.

Analytical approach: Standalone, however factoring support to group companies in terms of investment and loans & advances.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	197.33	230.92	63.24
PBILDT	19.79	60.58	12.48
PAT	37.99	59.18	12.45
Overall gearing (times)	0.26	0.09	NA
Interest coverage (times)	1.28	5.15	7.80

A: Audited, UA: Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	42.14	CARE BB+ (CWD)
Non-fund-based-Short Term		-	-	-	4.00	CARE A4+ (CWD)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	42.14	CARE BB+ (CWD)	-	1)CARE BB+; Stable (25-Oct-21)	1)CARE BB+ (CWN) (28-Oct-20)	1)CARE BB+ (CWN) (05-Sep-19) 2)CARE BB+ (CWN) (02-Apr-19)
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)
3	Non-fund-based-Short Term	ST	4.00	CARE A4+ (CWD)	-	1)CARE A4+ (25-Oct-21)	1)CARE A4+ (CWN) (28-Oct-20)	1)CARE A4+ (CWN) (05-Sep-19) 2)CARE A4+ (CWN) (02-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**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 companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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