

March 13, 2023

Associated Broadcasting Company Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based	30.00	[ICRA]A- (Stable); assigned
Long Term – Non-Fund based	2.00	[ICRA]A- (Stable); assigned
Long-term Unallocated	38.00	[ICRA]A- (Stable); assigned
Total	70.00	

Rationale

The rating assigned for Associated Broadcasting Company Private Limited (ABCPL) factors in the strong market position for five out of six news channels, market leadership¹ in terms of average minute audience (AMA)² for news network in India, healthy growth in scale of operations in last three years and strong parentage - ultimately held by promoters of Hyderabad based My Home Constructions Private Limited and Megha Engineering & Infrastructures Limited.

The company operates six 24-hour free to air (FTA) news channels under “TV9” brand – five in regional languages and one national Hindi news channel. As per BARC (Broadcast Audience Research Council) India data for H1 FY2023, TV9 Kannada, TV9 Marathi & TV9 Gujarathi channels are market leaders in terms of viewership and TV9 Bharatvarsh & TV9 Telugu are at second position. The rating considers the healthy growth in operating income (OI) at a CAGR of 45% during FY2020-FY2022 and expected to report OI of Rs. 650-670 crore in FY2023 primarily driven by increase in advertisement revenues on the back of expected improvement in ad rates and digital platforms. Also, in terms of AMA, the TV9 news network is the largest with 191.4 million AMA in week ending February 4, 2023 followed by News 18 network (16 channels) with 151.8 million AMA and ABP network (6 channels) with 97.8 million AMA which will benefit the company in commanding better price from customers in medium term. ABCPL reported operating profit of Rs. 76 crore in FY2022 as against losses in FY2020 due to launch of new channels (TV9 Bharatvarsh). Going forward, the revenues and operating profits are expected to improve on the back of increased advertisement revenues from recently launched channels and digital platforms. ICRA takes note of the financial support extended by promoters in the form of optionally convertible debentures (OCDs) amounting to Rs. 226.0 crore as on March 31, 2022 at zero coupon and are expected to be converted into equity in medium to long term. Given low external debt and absence of debt-funded capex plans as it does not intend to launch any more news channels, the coverage metrics are expected to remain comfortable in medium term.

The rating, is, however constrained by significant dependence on advertisement (ads) revenues for the company. ABCPL generated 90% - 95% revenue from ads in the last five years and going forward, the dependence on ad revenues is expected to be at similar levels as all the channels are free-to-air (FTA). The news broadcasting industry is vulnerable to economic fluctuations which in turn affects the advertisement spends by corporates. Also, it is exposed to intense competition in broadcasting industry and from digital space which in turn impacts the market share, ad pricing and ultimately ad revenues for the company. The company reported operating losses from the newly launched channels and digital initiatives during FY2020-FY2022. However, with ramp-up of revenues, the same are expected to achieve break-even in the next one-two years. The top 3 channels contributed to around 68% revenue in H1 FY2023 and 71% revenue in FY2022 exposing the company to channel concentration risk. However, these risks are partly mitigated by the leadership position of the news channels, expected ramp-up of the new channels and growing revenues from digital space.

¹ Source: BARC, ABCPL. The period refers to the week ended February 04, 2023

² Average Minute Audience is defined as the number of individuals of a target audience who viewed an "Event", averaged across minutes.

The Stable outlook on ABCPL's rating reflects ICRA's opinion that the company will continue to benefit from its established position in news broadcasting industry, the expected improvement in revenues and operating profits and comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong market position for 5 out of 6 news channels and market leader in terms of AMA – ABCPL operates six free-to-air news channels (TV9 Bharatvarsh, TV9 Telugu, TV9 Kannada, TV9 Marathi, Tv9 Gujarathi and TV9 Bangla) under 'TV9' brand . As per BARC India data for H1 FY2023, TV9 Kannada, TV9 Marathi & TV9 Gujarathi channels are market leaders in terms of viewership and TV9 Bharatvarsh & TV9 Telugu are at second position. Also, in terms of AMA, the TV9 news network is the largest with 191.4 million AMA in week ending February 4, 2023 followed by News 18 network (16 channels) with 151.8 million AMA and ABP network (6 channels) with 97.8 million AMA which will benefit the company in commanding better price from customers in medium term.

Healthy growth in revenues and comfortable debt coverage indicators – The OI of the company grew at a CAGR of 45% during FY2020-FY2022 and expected to report OI of Rs. 650-670 crore in FY2023 primarily driven by increase in advertisement revenues on the back of expected improvement in ad rates and digital platforms. ABCPL reported operating profit of Rs. 76 crore in FY2022 as against losses in FY2020 due to launch of new channels (TV9 Bharatvarsh). Going forward, the revenues and operating profits are expected to improve on the back of increased advertisement revenues from recently launched channels and digital platforms. Given low external debt, interest free OCDs and absence of debt-funded capex plan, the coverage metrics are expected to remain comfortable in medium term.

Strong promoter groups with financial support from holding company – ABCPL is promoted by Alanda Media & Entertainment Private Limited which is ultimately held by promoters from Hyderabad based My Home Constructions Private Limited and Megha Engineering & Infrastructures Limited. The parent company Alanda extended financial support in the form of interest free OCDs which are outstanding at Rs. 226.0 crore as on March 31, 2022. These are expected to be converted into equity in medium to long term and if required, the support from holding company is expected to be present in the future.

Credit challenges

Revenue growth prospects highly dependent on ad revenue, which is exposed to economic slowdown, viewership trends and competition – ABCPL generated 90% - 95% revenue from ads in the last five years and going forward, the dependence on ad revenues is expected to be at similar levels as all the channels are free-to-air (FTA). The news broadcasting industry is vulnerable to economic fluctuations which in turn affects the advertisement spends by corporates. Also, it is exposed to intense competition in broadcasting industry and from digital space which in turn impacts the market share, ad pricing and ultimately ad revenues for the company. The digital space is currently generating ~10% revenue to the company, and the contribution from digital medium is expected to improve in medium term.

Operating losses for new channels launched in FY2020 and FY2021 and digital initiatives – ABCPL launched TV9 Bharatvarsh in FY2020 and TV9 Bangla in FY2021. Also, it ventured into digital medium in FY2021 with the launch of news websites, apps, YouTube channels etc. As majority of the costs are fixed in nature for the company, the company incurred high expenses for setting up of these channels and digital applications resulting in operating losses. This has impacted the overall profitability and coverage indicators of the company in FY2020 and FY2021. However, with ramp-up of revenues, the same are expected to achieve break-even in the next one-two years.

High revenue concentration – The top 3 channels contributed to around 68% revenue in H1 FY2023 and 71% revenue in FY2022 exposing the company to channel concentration risk. However, these risks are partly mitigated by the leadership position of the news channels, expected ramp-up of the new channels and growing revenues from digital space.

Liquidity position: Adequate

ABCPL's liquidity position remains adequate with unencumbered cash balance of Rs.15.4 crore and liquid investments of Rs. 43.5 crore as on March 31, 2022. The company has minimal debt repayments of less than Rs. 1.0 crore in FY2024 which can be comfortably serviced through its estimated cash flow from operations. The company does not have any major debt-funded capex plans in medium term.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant increase in the revenues and achieving breakeven EBITDA in recently launched channels and digital medium resulting in improvement in profitability, debt coverage metrics and liquidity position on a sustained basis.

Negative factors – The rating could witness a downward revision in case of any material decline in the revenues or profitability of the company. Further, any sizeable deb-funded capex or dividend outflow leading to an adverse impact on the coverage metrics or liquidity position will be a credit negative. A specific credit metric for a downgrade includes net debt³/EBITDA higher than 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for Media Industry (Broadcasting)
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ABCPL. The company has four subsidiaries, the details of which are given in Annexure-II.

About the company

Associated Broadcasting Company Private Limited (ABCPL) was incorporated in the year 2003 and started its operations in 2004 with a 24-hour Telugu news channel in Telangana. The company owns & operates different news channels under the brand name "TV9". It currently operates 1 national Hindi news channel (TV9 Bharatvarsh) and 5 regional channels (TV9 Telugu, TV9 Kannada, TV9 Marathi, TV9 Gujarati and TV9 Bangla). In addition to news channels, the company ventured into digital medium in FY2021 with the launch of news websites, news apps, Youtube channels etc.

Key financial indicators (audited)

ABCPL Consolidated	FY2021	FY2022
Operating income	363.1	544.0
PAT	2.6	49.8
OPBDIT/OI	4.3%	14.0%
PAT/OI	0.7%	9.2%
Total outside liabilities/Tangible net worth (times)	10.1	3.9
Total debt/OPBDIT (times)	14.5	3.1
Interest coverage (times)	9.1	103.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company; ICRA Research

³ Net Debt = Total debt – free cash balances

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of December 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Mar 13, 2023	-	-	-
1 Fund based – others	Long-term	30.00	-	[ICRA]A-(Stable)	-	-	-
2 Non-Fund based – others	Long-term	2.00	-	[ICRA]A-(Stable)	-	-	-
3 Unallocated	Long-term	38.00	-	[ICRA]A-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based	Simple
Long Term – Non-Fund based	Very Simple
Long-term Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – others	NA	NA	NA	30.00	[ICRA]A- (Stable)
NA	Non-Fund based – others	NA	NA	NA	2.00	[ICRA]A- (Stable)
NA	Unallocated	NA	NA	NA	38.00	[ICRA]A- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
TV9 Karnataka Private Limited	100%	Full Consolidation
Gujarat TV9 Private Limited	99%	Full Consolidation
TV9 Media Maharashtra Private Limited	99%	Full Consolidation
Affiliated Media Company Private Limited	98%	Full Consolidation

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