

June 16, 2023

## ARG Outlier Media Private Limited : Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund based limits	45.50	40.00	[ICRA]BBB (Stable); Reaffirmed
Long-term- Fund based-Term loan	12.08	95.00	[ICRA]BBB (Stable); Reaffirmed & Assigned for enhanced limits
Long-term- non fund-based limits	18.84	5.00	[ICRA]BBB (Stable); Reaffirmed
<b>Total</b>	<b>76.42</b>	<b>140.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation factors in ARG Outlier Media News Private Limited's (ARG) continued strong market position of all its three news channels in their respective addressable segments and its comfortable financial profile, reflected in its gearing of 0.5 times, Total Debt/OPBITDA of 1.5 times, interest coverage of 7.1 times and free cash and investments of Rs. 21.2 crore as on March 31, 2023. ICRA notes that the company witnessed a YoY decline in revenues in FY2023 (provisional) owing to subdued advertisement yields. The fall in revenues and high operating leverage led to sequential moderation in profitability margins. In addition, the company undertook a share buyback of Rs. 44 crore during FY2023, which led to reduction in its free cash surplus. Despite these developments, ARG's leverage and coverage indicators remained comfortable as on March 31, 2023. Going forward, pre-election advertising demand (especially during H2 FY2024) and expected improvement in ad yields (given the market leadership position) are likely to support revenue growth in FY2024. While the company is undertaking a sizeable debt-funded capex in FY2024, expectations of healthy cash accruals from operations are likely to limit its impact on the company's debt protection metrics. The company's ability to scale-up operations and improve its yields/profitability while controlling the cost, remains a key monitorable.

Being free-to-air (FTA) channels, ARG's revenues are primarily dependent on advertisement revenues. The rating, thus, factors in the risks inherent in the media and entertainment industry in terms of vulnerability to cyclicity in advertisement spends by the corporates and the intense competition in the news broadcasting space. Further, the rating is impacted by ARG's elongated receivable cycle, primarily due to delay in realising payment from Government clients. ICRA notes that the company is exposed to key man risks, with Mr. Arnab Goswami being a major pull factor for driving the overall viewership and, thus, the advertisement revenues of the English news channel (Republic TV). Nonetheless, some comfort can be drawn from ARG's diversified advertisers' profile and the strong market position of its channels. Given the nature of the industry, the company remains exposed to lawsuits alleging defamation/misrepresentation of facts. The impact of these lawsuits on its credit profile will be assessed on a case-to-case basis.

The Stable outlook reflects ICRA's opinion that ARG will continue to maintain adequate liquidity, aided by improvement in overall advertisement revenue run rate from its news channels and the digital platform.

## Key rating drivers and their description

### Credit strengths

**Strong market position of news channels** – As per the latest viewership ratings by BARC, Republic TV has been ranked as the highest-rated English news channel with a market share of ~36%<sup>1</sup>. R. Bharat has also become market leader in the Hindi news genre with a market share of ~15%<sup>2</sup>. In the Bengali news genre, R. Bangla has been able to ramp up its viewership and now ranks 2<sup>nd</sup> with ~27%<sup>3</sup> market share. With all its channels at leadership position, the company would be able to improve advertisement yields, which will support revenue growth going forward.

**Comfortable leverage and debt coverage metrics** – ARG's coverage metrics remained comfortable as on March 31, 2023 (provisional results). Even with the large capex planned in FY2024, its leverage and coverage indicators are expected to remain at comfortable levels. As on March 31, 2023, ARG had a total debt outstanding of ~Rs. 53 crore and undrawn term loan limit of Rs. 75 crore. Its liquidity position is adequate, underpinned by unutilised working capital lines (Rs. 7.1 crore) and unencumbered cash, bank balances and liquid investments of Rs. 21.2 crore, as on March 31, 2023.

**Experienced management** – ARG's promoter and senior management have significant prior experience in TV broadcasting. The company is promoted and managed by Mr. Arnab Goswami, its Director and Editor-in-Chief, with over two decades of experience in the television news broadcasting industry.

### Credit challenges

**Elongated receivable cycle** – The company's receivable cycle remained elongated with estimated debtor days of 130 as on Mar 31, 2023, against 134 as on March 31, 2022. The debtor days have reduced but remain quite high leading to realisation risk. However, realisation risk is mitigated to an extent, as there is no substantial reliance on any single debtor. Barter debtors and delay in realising payment from Government clients lead to an overall stretch in the working capital cycle.

**High dependence on volatile advertisement revenues** – With FTA channels in its bouquet, ARG's revenue profile is dominated by advertisement revenues, which accounted for ~88% and ~91% of its FY2022 and FY2023 revenues, respectively. It faces inherent risks in the TV broadcasting industry in terms of vulnerability to cyclicalities in advertisement spends by the corporates and rising competition, with an increase in the total number of channels in the TV broadcasting space. Nonetheless, some comfort can be drawn from ARG's diversified advertiser profile and the strong market position of its news channels in their respective addressable segments. Given the shifting consumer preference towards digital platform, the company is also focussing on the digital segment; however, its ability to aid the broadcasting segment and generate sustainable revenue remains to be seen.

**Exposed to key man risks** – The company is exposed to key man risks, with Mr. Arnab Goswami being a major pull factor driving the overall viewership and, thus, the advertisement revenues. The market position of the channel and hence, its revenues may fall, in case of any decline in the popularity of Mr. Goswami. However, ARG recognises the risk and has been taking steps to reduce it.

### Liquidity position: Adequate

The company's liquidity position is adequate, with healthy cash flows from operations and supported by unencumbered cash and bank balances and liquid investments of Rs. 21.2 crore (at consolidated level) and unutilised fund-based facilities of Rs. 7.1 crore as of March 31, 2023. Against this, it has annual scheduled long-term debt repayments of Rs. 2.25 crore in FY2024. While

<sup>1</sup> Source: BARC | WK 14'23 - WK 19'23 | India | NCCS All 15+

<sup>2</sup> Source: BARC | WK 14'23 - WK 19'23 | HSM (U+R) | NCCS AB M 22+ Individuals

<sup>3</sup> Source: BARC | WK 14'23 - WK 19'23 | WB | NCCS M 22+

it is expected to incur a sizeable capex of ~Rs. 150.0 crore over FY2024 and FY2025, towards construction of new studio and corporate office in Noida, the capex will be funded almost equitably by debt and internal accruals. Debt has already been tied up for the capex.

## Rating sensitivities

**Positive factors** – The rating could be upgraded, if the company is able to demonstrate a steady expansion in its scale of operations along with increase in profitability on a sustained basis, while maintaining comfortable debt protection metrics.

**Negative factors** – ARG’s rating may be downgraded, if there is any weakening in the company’s liquidity position and debt protection metrics due to deterioration of operating performance and/or working capital cycle or any large debt-funded capex/ investments. Any adverse impact of lawsuits/litigations on the company’s debt protection metrics will also be a key rating sensitivity.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Media Broadcasting Entities</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of ARG and its parent company – SARG Media Holding Pvt Ltd. The list of entities consolidated for analysis are enlisted in Annexure-2.

## About the company

ARG, incorporated in August 2016, operates three free-to-air (FTA) news channels- Republic TV, R Bharat, and R Bangla. While Republic TV is an English news channel, operational since May 6, 2017, R Bharat is a Hindi news channel (launched on February 3, 2019) and R Bangla is Bengali news channel (launched on March 07, 2021). All the three channels have strong market positions in their respective news genres. The company also has one wholly-owned subsidiary, SARG Global Digital Private Limited, which runs and operates the website [www.republicworld.com](http://www.republicworld.com) and mobile application R.

## Key financial indicators (audited)

ARG Consolidated	FY2021	FY2022
Operating income	290.5	371.7
PAT	-9.5	54.2
OPBDIT/OI	3.4%	21.7%
PAT/OI	-3.3%	14.6%
Total outside liabilities/Tangible net worth (times)	1.3	0.8
Total debt/OPBDIT (times)	3.4	0.7
Interest coverage (times)	2.1	15.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jun 16, 2023	-	Mar 28, 2022	Feb 01, 2021
1 Fund-based Limits	Long term	40.00	32.90	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)
2 Term Loan	Long term	95.00	19.99	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)
3 Non-fund Based Limits	Long term	5.00	-	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)
4 Unallocated	Long term	-	-	-	-	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based Limits	Simple
Term loan	Simple
Non-fund based limits	Very Simple

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 are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	<b>Fund based Limits</b>	NA	NA	NA	40.0	[ICRA]BBB (Stable)
NA	<b>Term loan</b>	Dec 30, 2022 & Feb 02, 2023	NA	FY2029	95.0	[ICRA]BBB (Stable)
NA	<b>Non-fund based limits</b>	NA	NA	NA	5.0	[ICRA]BBB (Stable)

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
<b>SARG Global Digital Private Limited</b>	100.00%	Full Consolidation
<b>SARG Media Holding Company Private Limited</b>	-	Limited Consolidation

Source: ARG, SARG Media Holding Company Private Limited and SARG Global Digital Private Limited's annual report FY2022 and ICRA Research

Note: ICRA has taken a consolidated view of the parent and subsidiary of ARG while assigning the ratings

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