

Press Release

Rachana Television Private Limited

April 08, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	16.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.16.00 Cr bank facilities of Rachana Television Private Limited (RTPL). The outlook is '**Stable**'.

The rating reaffirmation takes in to the note of the experienced promoters and management in the television (TV) broadcasting space, the rating continues to positively note the strong position of its news channel as per the recent viewership ratings released by Broadcast Audience Research Council (BARC) on March 17, 2022, wherein NTV TV, has been ranked as the highest rated telugu news channel over the past 16 weeks. Further the company's Capital structure has remained strong as evinced by a gearing of 0.17 times, TOL/TNW of 0.29 times as on March 31, 2021. The rating strengths are offset by RTPL's elongated receivable cycle, risks inherent in the media and entertainment industry in terms of vulnerability to cyclicalities in advertisement spends by the corporates and the rising competition with an increase in the total number of channels in the TV broadcasting space.

About the Company

Incorporated in 2006, Rachana Television Private Limited (RTPL) is a Hyderabad (Telangana) based company, promoted by T. Narendra Choudary. The company broadcasts 3 television channels; NTV, which is a 24-hour Telugu News Channel; Bhakthi TV, a devotional channel, and Vanitha TV, which is a 24-hour women's entertainment channel. The company has its own studio with an area of 10,000 sqft located in Jubilee Hills Hyderabad. RTPL has 2 studios at Hyderabad, 1 studio in Bangalore and 1 studio at Delhi for Art Production and Post Production facilities.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of RTPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of the management team and established market position in Telugu News segment

RTPL, incorporated in 2006 is promoted by Mr. T. Narendra Choudary, who has nearly 2 decades of experience media broad cast industry. NTV is the RTPL's flagship channel, was among the first few 24-hour Telugu news channels to be launched and has been among the top 3 Telugu news channels, in terms of viewership, in Andhra Pradesh and Telangana region over the past 4 years. As on 18th March 2022, NTV continued to be the 1st most watched channel (as per BARC Ratings) among more than 15 Telugu News channels in the region. Bhakthi TV has remained one of the top devotional channels in South India over the years. Acuité believes the established market position of NTV will continue to support the business risk profile over the medium term.

Above average financial risk profile

RTPL's financial risk profile is above average, marked by healthy capital structure and moderate debt protection metrics. RTPL reported a net worth of Rs.102.21 Cr as on March 31, 2021 against Rs.123.20 Cr as on March 31, 2020. The decline was on account of the net loss of ~Rs. 21.19 Cr in FY2021. RTPL's capital structure remained healthy marked by its gearing (debt-to-equity) and total outside liabilities to tangible network (TOL/TNW) ratio of 0.17 times and 0.29 times respectively, as on March 31, 2021 vis-à-vis 0.15 times and 0.24 times March 31, 2020. Debt protection metrics are moderate, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of -5.33 times and -0.91 times, respectively, in FY2021 vis-à-vis 3.10 times and 0.35 times for FY2020. Acuité believes that in the absence of any major debt-funded capital expenditure in the near term; financial risk profile is expected to be above average over the medium term.

Weaknesses

Continued decline in revenues and in profitability

RTPL's revenues declined by 20% and 28% in FY2020 and FY2021, respectively, and stood at Rs. 57.14 Cr and Rs. 40.94 Cr. RTPL reported an EBITDA loss of Rs. 11.20 Cr and PAT loss at Rs. 21.19 Cr in FY2021. RTPL's operating performance has deteriorated over the past two years owing to a subdued macro-economic environment impacting advertisement volumes; further, RTPL's performance was significantly impacted in FY2021 due to the Covid-19 pandemic. Due to the extensive impact of the pandemic across the sectors, ad-spends, which is a discretionary expense for businesses, are expected to remain contracted in the near term. With an advertisement revenue driven business model, RTPL's operating performance may continue to be impacted, with recovery contingent upon the pace of macro-economic revival.

Working Capital Cycle marked by high GCA days

RTPL's working capital is marked by high GCA days about 715 days in FY21 (FY20: 569 days) owing to the high debtors and inventory days. This was largely due to an increase in its receivable days to 422 in FY21 (FY20: 314) and its inventory days to 179 in FY21 (FY20: 263). Debtor days are high owing to delays in payments from local advertising agencies and customers. The inventory comprises of in-house recorded programmes or content purchased from other providers, especially for Bhakthi TV and Vanitha TV for years together running around 2 lacks videos. Its creditor's days stood at 227 days in FY21 (FY20: 351 days). Its bank lines remained utilised at 96 percent during last 11 months ended with February 2022. Acuité expects RTPL's operations to remain working capital intensive over the medium term on account of high debtors and high inventory (typical nature of business).

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Significant improvement in scale of operations while improving its profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity

Material covenants

None

Liquidity Position: stretched

The Company has stretched liquidity marked by healthy net cash accruals to its maturing debt obligations; albeit constrained by highly utilized bank lines. RTPL generated cash accruals of Rs.-16.18 to 7.21 Cr during the last three years through 2019-21, while its maturing debt obligations were in the range of Rs.1.60-1.80 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.5-6 Cr during 2021- 24 while their repayment obligations are estimated to be around Rs.1-2 Cr during the same period. RTPL's working capital is elongated reflected by its high GCA days about 715 days in FY21 owing to the high debtors and inventory days. Its bank lines at 96 percent over 11 months through February 2022. The Company maintained cash and bank balances of Rs. 0.86 Cr as on 31 March 2021. The current ratio stands moderate at 3.02 times as on 31 March 2021. Acuité believes that the liquidity of the RTPL is likely to remain adequate over the medium term on account of adequate cash accruals against its moderate repayment obligations.

Outlook: Stable

Acuité believes that RTPL will maintain a 'Stable' outlook over the medium term on the back of its leadership in television market and experienced management. The outlook may be revised to 'Positive' in case, the company registers higher-than-expected growth in its revenues and profitability, while maintaining its liquidity position and improving its receivable cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant deterioration in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	40.94	57.14
PAT	Rs. Cr.	(21.19)	1.51
PAT Margin	(%)	(51.75)	2.64
Total Debt/Tangible Net Worth	Times	0.17	0.15
PBDIT/Interest	Times	(5.33)	3.10

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Jan 2021	Standby Line of Credit	Long Term	2.50	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE BB Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.50	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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