



Press Release
RACHANA TELEVISION PRIVATE LIMITED
June 22, 2023
Rating Upgraded

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

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**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**'

Rationale for the rating: -

The rating upgrade takes into account the improvement in operating performance of the company marked by higher operating income, moderate operating profitability and above average financial risk profile. The operating income stood at Rs.89.91crore in FY2023 (prov) against 64.97 crore in FY2022. The operating profitability stood at 13.62 % for FY2023 (Prov). The financial risk is above average by healthy capital structure. The overall gearing of the company stood at 0.14 times as on March 31, 2023 (Prov.) as against 0.17 times as on March 31, 2022. The rating continues to be supported by the extensive experience of the management team and established market position of RTPL in Telugu News segment. The rating also draws comfort from adequate liquidity position of the company. However, these strengths are offset by working capital intensive nature of operations of RTPL.

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. RTPL has been market leader in the Telugu news channel (in Telangana and Andhra Pradesh) since March 2022 as per the BARC ratings.

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 6 years. RTPL has been market leader in the Telugu news channel (in Telangana and Andhra Pradesh) since March 2022 as per the BARC ratings. Bhakti 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.

Improvement in operating performance

The operating performance of RTPL has witnessed continuous improvement in the past two years as reflected by increase in operating income by 58.69% y-o-y in FY2022 and by 38.23% y-o-y in FY2023 (prov) i.e. from Rs.40.94 crore in FY2021 to Rs.64.97 crore and Rs.89.81 crore in FY2022 and FY2023 respectively. The growth is majorly driven by increase in the advertisement content. The absolute profits of the company improved however, deterioration in the operating margins in FY2023 (Prov) were noted. The operating margin stood at 13.62 % in FY2023 (prov) compared against 17.57% in FY2022. The deterioration is majorly led by proportionate increase in distribution charges and programme expenses. Acuite believes the company will continue to improve its operating performance in the near to medium term in view of the upcoming elections which is expected to generate higher advertisement revenues.

Moderate financial risk profile

RTPL's financial risk profile is moderate, marked by healthy capital structure and moderate debt protection metrics. RTPL reported a net worth of Rs.113.44 crore as on March 31, 2023 (prov) against Rs.106.58 crore as on March 31, 2022. RTPL's capital structure remained healthy marked by its low gearing (debt to-equity) and total outside liabilities to tangible net worth (TOL/TNW) ratio of 0.14 times and 0.25 times respectively, as on March 31, 2023 (prov) vis-à-vis 0.17 times and 0.29 times March 31, 2022. Debt protection metrics are above average as reflected in interest coverage ratio (ICR) and, Debt service coverage ratio (DSCR) of 7.27 times and 4.32 times in FY2023 (prov) as against 5.15 times and 2.79 times in FY2022. Net cash accrual to total debt ratio (NCA/TD) stood at 0.71 times for FY2023 (Prov) as against 0.51 times for FY2022.

Acuité believes that in the absence of any major debt-funded capital expenditure financial risk profile is expected to remain moderate over the medium term.

Weaknesses

Intensive Working Capital Cycle

RTPL's working capital is intensive marked by high GCA days of 380 days in FY2023 (prov) against 515 days in FY2022 owing to the high debtors and inventory days. This was largely due to high receivable days of 250 days FY2023 (prov) against 301 days in FY2022 and its inventory days stood at 82 days in FY2023 (prov) against 170 days in FY2022. Debtor days are high owing to delays in payments from local advertising agencies and customers. The inventory comprises Media Content i.e programs, films right (completed (commissioned/acquired) and under production) including content in digital form especially for Bhakthi TV and Vanitha TV. RTPL creditor's days stood at 138 days in FY2023 (prov) against 202 days in FY2022. Its bank limit remained utilised at 96 percent during last 12 months ended with March 2023. 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).

Rating Sensitivities

- Significant improvement in scale of operations while improving its operating margins.
- Elongation in working capital cycle leading to deterioration in liquidity position of the company.

Material covenants

None

Liquidity Position: Adequate

RTPL's liquidity position is adequate as reflected by sufficient net cash accruals to its maturing debt obligations. RTPL generated net cash accruals of Rs.11.08 crore in FY2023 (prov), while its

maturing debt obligations stood of Rs.0.87 crore during the same period. The cash accruals of the RTPL's are estimated to remain around Rs.11.13 -13.5 crore during 2024-26, while its repayment obligations are estimated to be around Rs.0.81 – 0.09 crore over the same period. The current ratio stood favourable with 3.41 times ended with March 31, 2023 (prov). Unencumbered cash and bank balances stood at Rs.0.67 crore as on March 31, 2023 (prov) and liquid investments stood at Rs.0.11 crore as on March 31, 2023 (prov). 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 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 margins, 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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	89.81	64.97
PAT	Rs. Cr.	6.85	4.37
PAT Margin	(%)	7.63	6.73
Total Debt/Tangible Net Worth	Times	0.14	0.17
PBDIT/Interest	Times	7.27	5.15

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Apr 2022	Cash Credit	Long Term	13.50	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.50	ACUITE BB Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE BB+ Stable Upgraded
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.50	ACUITE BB+ Stable Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.