



**Press Release**  
**ASIA NET NEWS NETWORK PRIVATE LIMITED**  
**November 24, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.55.00 Cr. bank facilities of Asianet News Network Private Limited (ANNPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into account the company's established track record of operations and market position for over three decades along with strong brand recognition in Malayalam and Kannada news channel industry with stable viewership. The rating also factors in the stable scale of operations reflected by improving revenues from Rs.111.21 Cr in FY21 to Rs.147.38 Cr in FY22 and further to Rs.162.17 Cr in FY23. The growth in revenues is majorly on account of steady growth in advertisement revenue and content sale revenue during the period. Furthermore, the operating profit margin of the company also witnessed improvement from 2.55 percent in FY21 to 7.37 percent in FY22 to 12.36 percent in FY23. Further, rating also factored in the moderate financial risk profile supported by low gearing ratio and comfortable debt protection metrics. However, rating is constrained by uncertainty towards recovery of loans extended to subsidiary company KPPL, working capital intensive nature of operations and highly fragmented nature of the industry with exposed to advertisement cycle.

**About the Company**

Kerala based Asianet News Network Private Limited Incorporated in 2008, Asianet News Network Private Limited is a South India's leading News organization, company engaged in regional news channels and newsprint. The News Media business of the Company includes broadcast two FTA (free-to-air) channels named as Asianet News and Asianet Suvarna News. Asia net News is the leader in the Malayalam news industry that has been in existence around 20 years while Suvarna News serves the Kannada audience. Mr. Frank Pettakkatt Thomas and Mr. Neeraj Kohli are the director of company.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of Asianet News Network Private Limited (ANNPL)

## Key Rating Drivers

### Strengths

#### Established market position and long track record of operations

Asianet News Network Private Limited (ANNPL) is a subsidiary of Asianet News Media & Entertainment Private Limited (ANMEPL) which is owned by Jupiter Capital Private Limited (JCPL). ANNPL handles two news channels in Kannada and Malayalam namely Asianet news (Malayalam) and Asianet Suvarna News (Kannada). Company has established track record of almost three decades in news channel business, the company is managed by Mr. Frank Pettakkatt Thomas and Mr. Neeraj Kohli. The extensive experience of the directors has helped company in establishing strong relationship with its various stakeholders. The company has two subsidiaries namely Kannada Prabha publications limited (KPPL) and Asianet Media and entertainment FZ LLC (AMEFLLC). KPPL operates a news paper named Kannada Prabha. Major revenue of ANNPL is through advertisement incomes, and revenue through content sale. ANNPL is market leader in Malayalam news channel industry and one of the top three news channel in Kannada news channel industry.

Acuite believes that ANNPL will continue to benefit from its long track record of operations, extensive experience of the management and established market position in Malayalam and Kannada news channel industry.

#### Established brand recognition with stable viewership base

ANNPL handles two news channels namely Asianet news in Malayalam and Asianet Suvarna news in Kannada, company's Malayalam news channel Asianet news is a market leader with highest viewership base of around 30 percent in Malayalam news channel industry and Kannada news channel Asianet Suvarna news is also ranked among top three news channels with stable viewership base of around 12 percent in terms of television rating points. As two news channels are free to air, ANNPL derives most of its revenue through advertisement income.

#### Improving scale of operations

ANNPL's revenue has increased to Rs. 162.61 Cr in FY23 as against Rs. 147.37 Cr in FY22 and Rs. 111.21 Cr in FY21. The major source of revenue is derived from advertisement contributing nearly 78 percent of total revenue; balance revenue is contributed by sale of content and revenue from events. Most of the advertisement revenue is through advertisement agencies, which is recurring in nature and source of advertisements are fairly diversified between local ads and general advertisements. Further, company also follows differential pricing for ads telecasting at prime time, important events/occasions, and national holidays. Furthermore, the company's operating profits has improved consistently to Rs. 20.11 Cr in FY23 as against Rs. 10.85 Cr in FY22 and Rs. 2.84 Cr in FY21. The consistent growth in revenue and stable operating expenses has resulted in higher profitability margins which has improved to 12.36 percent in FY23 as against 7.37 percent in FY22 and 2.55 percent in FY21. PAT margins remained volatile in past three years, PAT margin for FY23 stood at 3.26 percent as against 5.47 percent in FY22 and (3.13) percent in FY21 due to higher interest cost and fluctuations in other income.

Acuite believes that the revenues of the company will continue its growth momentum over the medium term on account of the established market position.

#### Above average financial risk profile

The financial risk profile of ANNPL is moderate marked by moderate networth, low leverage ratio and comfortable debt protection metrics. The tangible networth of the company stood at Rs. 115.46 Cr as on March 31st 2023 as against Rs. 104.35 Cr as on March 31st 2022 and Rs. 104.35 Cr as on March 31st 2021. The increase in net worth is majorly due to accretion of profits to reserves. ANNPL has issued optionally convertible preference shares (OCRPS) with an option to convert into equity shares on the date of conversion, company has also passed an resolution to convert the preference shares to equity share capital during FY24, therefore Acuite has recognised OCRPS as quasi equity. The total debt of Rs. 116.76 Cr as on March 2023 consists of short term debt of Rs. 15.25 Cr, term loan of 24.12 Cr, current portion of long term debt of Rs. 10.78 Cr and liability component of optionally convertible preference share

capital of Rs.66.60 Cr. Gearing ratio stood low at 0.43 times as on March 31st 2023 as against 0.57 times as on March 31st 2022 and 0.64 times as on March 31st 2021. Further, debt-EBITDA remained moderate at 1.78 times as on March 31st 2023 as against 2.06 times as on March 31st 2022 and 2.98 times as on March 31st 2021. The debt protection metrics of interest coverage ratio and debt service coverage ratio stood at 1.98 times and 1.49 times respectively as on March 31st 2023 as against 2.37 times and 2.03 times respectively as on March 31st 2022 and 1.34 times and 1.38 times respectively as on March 31st 2021.

## **Weaknesses**

### **High exposure towards investments in group companies**

ANNPL has extended financial support to its subsidiary company KPPL and its holding company ANMEPL in the form of inter corporate deposits (ICDs) of Rs.104.09 Cr (net of provision) as March 31st 2023. Considering the weak financial position of KPPL, company has made provision of Rs.13.45 Cr on the ICDs extended to KPPL and interest income from KPPL ICDs is also recognised on cash basis. ANNPL has collected interest worth Rs.4 Cr in FY23 and another Rs.4 Cr till Nov 2023 and expected to collect another Rs.2 Cr by March 2024. With respect to the principal portion of ICDs, ANNPL is planning to extend the term of loan agreement for another five years.

Acuite believes that the timely recovery of ICDs extended to group companies would remain key rating monitorable going ahead.

### **Working capital intensive nature of operations**

The company's operations are working capital intensive as reflected by its Gross current asset (GCA) days of 357 days in FY23 as against 368 days in FY22 and 462 days in FY21. The debtor days of company stood at 96 days in FY23 as against 88 days in FY22 and 122 days in FY21. Working capital intensive nature of operations has led to moderate utilisation of bank limits at 32.65 percent for 12 months ending September'23.

Acuite believes that working capital management of the company will remain the key rating sensitivity.

### **Exposed to Advertising Cycles**

ANNPL's high dependence on advertisement revenue exposes the company to the advertisement cycles, increasing the volatility in its revenue. Economic downturns affecting advertising revenues of channels may adversely impact its business and financial condition. TV broadcasting industry faces inherent risk of cyclical nature in advertisement spends by corporates and rising competitions, with an increase in the total number of channels in the TV broadcasting space. However, ANNPL's strong market position can be leveraged for increasing the advertisement income. Given the shifting consumer preferences towards digital platforms, company's ability to sustain its leadership position will remain important as parameter.

## **Rating Sensitivities**

- Improvement in financial risk profile
- Significant deterioration in working capital cycle

### **All Covenants**

Not applicable

### **Liquidity Position: Adequate**

The liquidity position of the company is adequate marked by net cash accruals of Rs.15.01 Cr in FY2023 repayment obligation of Rs.5.41 Cr during the same period. Its cash accruals are expected to be in range of Rs.15 Cr to Rs. 27 Cr against its repayment obligation of Rs.10.78 Cr to Rs.8.18 Cr during the same period. ANNPL's current ratio stood at 2.53 times and has a cash and bank balance of Rs. 1.09 Cr as on 31st March 2023. However, the operations of the

company are working capital intensive in nature marked by company's high GCA days ranging around 357 to 462 days.

Acuite believes that liquidity of the company will continue to remain adequate over the medium term on account of adequate net cash accruals against its debt repayment obligations.

### **Outlook: Stable**

Acuite believes that ANNPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, strong market position, and strong brand recognition. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	162.71	147.38
PAT	Rs. Cr.	5.30	8.06
PAT Margin	(%)	3.26	5.47
Total Debt/Tangible Net Worth	Times	0.43	0.57
PBDIT/Interest	Times	1.98	2.37

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

None

### Any other information

None

### 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, Acuite 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](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB-   Stable   Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.00	ACUITE BBB-   Stable   Assigned

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### 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.

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