

June 25, 2024

Associated Broadcasting Company Private Limited: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Associated Broadcasting Company Private Limited (ABCPL) considers its continued strong market position for three out of six news channels, market leadership¹ in terms of average minute audience (AMA)² for news networks in India. As per the Broadcast Audience Research Council (BARC) India data for FY2024, TV9 Kannada and TV9 Marathi channels are market leaders in viewership, and TV9 Telugu is in second position. Additionally, the TV9 news network is the largest with an AMA of 209.7 million in the week ending April 21, 2024, which will benefit the company in commanding better prices from customers in the medium term.

Further, the rating also factors in ABCPL's comfortable financial risk profile and a sustained healthy operating performance over the years. The company's revenues are estimated to rise by ~12% YoY to Rs. 700-710 crore in FY2024 and 8-10% YoY in FY2025 due to the increased revenues from new channels and the digital medium. The rating favourably factors in the strong parentage, held by promoters of Hyderabad-based My Home Constructions Private Limited and Megha Engineering & Infrastructures Limited. 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, 2024, at zero coupon and are expected to be converted into equity in medium to long term. The coverage metrics are expected to remain comfortable in the medium term with minimum reliance on external debt and the absence of debt-funded capex plans, as the company has no intention to launch any more news channels.

However, the rating is constrained by ABCPL's significant dependence on advertisement (ads) revenues for the company. ABCPL generated 90%-95% of 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). Despite the healthy growth in revenues, the operating margins are estimated to decline to 10-11% in FY2024 from 14.2% in FY2023 on account of losses from the newly launched English news app (News9 Plus). The company's ability to break-even with the newly launched channel, digital medium and News9 Plus will remain key monitorable.

Further, the company has provided Rs. 80-100 crore interest-bearing loans and advances to group companies in FY2024, resulting in liquidity moderation at the company level. The top 3 channels contributed to ~66% of revenue in 9M FY2024 (FY2023: 67%), exposing the company to channel concentration risk. However, these risks are partly mitigated by the leadership position of the news channels and growing revenues from the digital space. The news broadcasting industry is vulnerable to economic fluctuations, which affect the advertisement spends of corporates. Also, the company is exposed to intense competition in the broadcasting industry and from digital space, impacting the market share, ad pricing and ultimately ad revenues for the company.

¹ Source: BARC, ABCPL. The period refers to the week ended April 21, 2024.

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 the news broadcasting industry, the expected improvement in revenues and comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong market position for 3 out of 6 news channels and market leader in terms of AMA – ABCPL operates six FTA news channels (TV9 Bharatvarsh, TV9 Telugu, TV9 Kannada, TV9 Marathi, Tv9 Gujarathi and TV9 Bangla) under the 'TV9' brand. As per BARC India data for FY2024, TV9 Kannada and TV9 Marathi channels are market leaders in terms of viewership and TV9 Telugu is in second position. Additionally, the TV9 news network, with an AMA 209.7 million in the week ending April 21, 2024, will benefit the company by enabling it to command better prices from customers in the medium term.

Steady growth in revenues and comfortable debt coverage indicators – The company's performance remained healthy, with a comfortable financial risk profile, sustained healthy operating performance over the years and an adequate liquidity position. The company's revenues are estimated to rise by ~12% YoY to Rs. 700-710 crore in FY2024 and 8-10% YoY in FY2025 due to increased revenues from new channels and the digital medium. Given its minimum reliance on external debt and the 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.

Strong promoter groups with financial support from holding company – ABCPL is promoted by Alanda Media & Entertainment Private Limited (Alanda) which is ultimately held by promoters from the Hyderabad-based My Home Constructions Private Limited and Megha Engineering & Infrastructures Limited. ICRA notes the financial support extended by promoters in the form of OCDs amounting to Rs. 226.0 crore as on March 31, 2024, at zero coupon and are expected to be converted into equity in the medium to long term.

Credit challenges

Decline in profitability - Despite healthy growth in revenues, the operating margins are estimated to decline to 10-11% in FY2024 from 14.2% in FY2023 due to losses from the newly launched English news app (News9 Plus). The company's ability to break-even with the recently launched channel, digital medium and News9 Plus will remain key monitorable. Further, the company has provided Rs. 80-100 crore interest-bearing loans and advances to group companies in FY2024, resulting in liquidity decline at the company level.

Growth prospects highly dependent on ad revenue, which is exposed to economic slowdown, viewership trends and competition – ABCPL generated 90% - 95% of 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, affecting the advertisement spends of corporates. Also, it is exposed to intense competition in the broadcasting industry and from the digital space, impacting its market share, ad pricing and ultimately ad revenues for the company.

High revenue concentration – The top 3 channels contributed to around 66% of revenue in 9M FY2024 (FY2023: 67%), exposing the company to channel concentration risk. However, these risks are partly mitigated by the leadership position of the news channels and growing revenues from the digital space.

Liquidity position: Adequate

ABCPL's liquidity position is adequate with cash and liquid investments of Rs. 34.0 crore as on March 31, 2024. The company does not have long-term external debt and there are no plans of any debt-funded capex plans.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant increase in the revenues and achieving break-even EBITDA in the 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 company's revenues or profitability. 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 debt /EBITDA over 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology–TV Broadcasting
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ABCPL. The company has seven subsidiaries, the details of which are given in Annexure-II

About the company

Associated Broadcasting Company Private Limited (ABCPL) was incorporated in 2003 and began operations in 2004 with a 24-hour Telugu news channel in Telangana. The company owns and operates different news channels under the brand name TV9. At present, it operates one national Hindi news channel (TV9 Bharatvarsh) and five regional channels (TV9 Telugu, TV9 Kannada, TV9 Marathi, TV9 Gujarati and TV9 Bangla). In addition to news channels, the company ventured into the digital medium in FY2021 with the launch of news websites, news apps, YouTube channels and more.

Key financial indicators

Consolidated	FY2023	9M FY2024*
Operating income	630.8	532.3
PAT	-7.9	55.5
OPBDIT/OI	14.2%	10.5%
PAT/OI	-1.3%	10.4%
Total outside liabilities/Tangible net worth (times)	4.5	2.3
Total debt/OPBDIT (times)	2.6	3.0
Interest coverage (times)	278.6	972.0

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *provisional numbers

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jun 25, 2024	-	Mar 13, 2023	-
1 Fund based – Others	Long term	30.00	--	[ICRA]A- (Stable)	-	[ICRA]A- (Stable)	-
2 Non-Fund based – Others	Long term	2.00	-	[ICRA]A- (Stable)		[ICRA]A- (Stable)	
3 Unallocated	Long term	38.00	--	[ICRA]A- (Stable)	-	[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 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	Fund based – others	-	-	-	30.00	[ICRA]A- (Stable)
NA	Non-Fund based – others	-	-	-	2.00	[ICRA]A- (Stable)
NA	Unallocated	-	-	-	38.00	[ICRA]A- (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
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
TV9 Kolkata Private Limited	99.90%	Full Consolidation
Media NXT India Private Limited	100%	Full Consolidation
Pigeon Information Technology Private Limited	100%	Full Consolidation

Source: Company, ICRA Research

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