

**Asianet News Network Pvt Ltd**

**Brickwork Ratings reaffirms the long term and short term rating for the Bank Loan Facilities of Rs.76 Crores of Asianet News Network Pvt Ltd ('ANNPL' or 'the Company')**

**Particulars:**

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2019)	Present
Fund based	76.00	76.00	Long Term	BWR BBB Stable	<b>BWR BBB Stable (Reaffirmed)</b>
	(76.00)	(76.00)			
Non Fund Based	(30.00)	(30.00)	Short Term	BWR A3	<b>BWR A3 (Reaffirmed)</b>
<b>Total</b>	<b>76.00</b>	<b>76.00</b>	<b>Rupees Seventy Six Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

**Rating action: Long Term and Short Term ratings Reaffirmed**

**RATING ACTION / OUTLOOK**

The reaffirmation in the rating factors in average financial risk profile of the Company in FY19.

The rating positively factors in the experienced management, strong market position of Asianet news and Suvarna news channels in their respective regions. Further, funding support in the form of loan/advances and Letter of comfort from promoters provides an additional comfort.

However, the rating is constrained by stagnant revenue and declining operating profitability in FY19 as against FY18. Financial support to the loss-making wholly-owned subsidiary adversely impacts ANNPL's business returns and cash accruals. The value of investment/loan to/in subsidiaries net of provision made are Rs.73.96 Crs as on 31st March 2019.

The ratings remain constrained by the risks inherent to the media and entertainment industry in terms of linkage of advertisement revenue-driven business profile to cyclicity in advertising spends by corporates.

**Outlook- Stable**

The stable outlook reflects ANNPL's business risk profile will be supported by its established position in the Malayalam and Kannada news, and media broadcasting industry.

## KEY RATING DRIVERS

### Credit Strengths:

- **ANNPL is supported by experienced promoters and management:** Jupiter Capital Pvt Ltd (JCPL) is the holding Company of ANNPL which is owned and promoted by Mr. Rajeev Chandrasekhar. The board consists of Mr. Mathevan Pillai Sivaram, and Mr. Frank P. Thomas who are well qualified and hold adequate experience in the Media and Entertainment Industry. Mr. Abhinav Khare has taken over as the Group CEO from July 2019.
- **Established market position of flagship news channel:** Asianet News Channel is the leading Malayalam News Channel as per BARC viewership ratings. Since Asianet News Channel is Free to Air (FTA), by leveraging its established position ANNPL has been able to generate higher advertisement revenue. Further Suvarna News Channel is ranked third in terms of viewership among Kannada news channels. As per management of the Company, Suvarna News channel's viewership share in Karnataka has increased to 14% in CY19 from 11% in CY18.
- **Funding Support from Promoters and average financial risk profile of ANNPL:** Jupiter Capital Pvt Ltd (BWR BBB+/Stable), major shareholder of the Company has provided Letter of Comfort to the Bank facilities sanctioned to the Company. ANNPL has also issued optionally convertible redeemable preference shares (OCRPS) of Rs. 71.48 Crs to the Asianet News Media and Entertainment Pvt Ltd which holds 35% in ANNPL. OCRPS that is being treated as debt with the introduction of IND-AS have been treated as equity, as they bear no coupon, are to be retained in the business in the medium term, and may be converted into equity on maturity.

ANNPL's financial risk profile is supported by comfortable cash accruals which are slightly affected in FY19, but it is expected to improve in FY20 on the back of higher advertising revenue during general elections in 2019. ANNPL has a comfortable capital structure with adjusted networth (As per Ind-AS but including OCRPS) of Rs.96.46 Crs and adjusted gearing of 0.46 times as on 31st March 2019. Debt protection metrics are comfortable in FY19 with ISCR and DSCR as 1.58 times and 1.82 times respectively.

- **Revenue diversification:** ANNPL's revenue from operations comprise of revenue from advertising and events. Subscription fees do not apply as regional news channels are normally free of cost for viewers. Event sales are derived from special programmes or events conducted in partnership with the advertisers. Currently, Events and activations are becoming very important sources of revenue generation for news channels. Hence as a measure of diversification, the Company has already commenced conducting events from FY18. Revenue from events contribute 3% - 4% to total operating income.

### Credit Risks:

- **Stagnant revenue and declined operating profit in FY19:** Operating profitability of ANNPL was affected in FY19 on account of lower advertisement revenue from Asianet News during Onam season due to floods in Kerala. Management also made a conscious decision to reduce advertisement inventory in Suvarna News to increase the viewership. However, fixed cost and routine cost for broadcasting the news/content continued. Hence, EBIDTA fell to Rs. 12.68 Crs in FY19 as compared to Rs.21.95 Crs in FY18.



Asanet News channels is the major contributor to the revenue with contribution of 69% in FY19. In FY19, total operating income stood at Rs. 114.69 Crs and PAT of Rs.6.35 Crs as against total operating income of Rs. 112.78 Crs and PAT of Rs. 8.35 Crs in FY18.

- **Investment in subsidiary (either low yielding/loss making):** Financial support to the low yielding/loss-making subsidiaries adversely impacts ANNPL's business returns and cash accruals. The value of investment/loan to/in subsidiaries net of provision made are Rs.73.96 Crs as on 31st March 2019.
- **High quantum of contingent liabilities:** The Company has received legal notices of claims/lawsuits filed against it relating to editorial matters broadcast, objectionable contents and defamation suits in relation to the programmes produced by it. The aggregating claim is Rs.140.39 Crs, any crystallization of contingent liability will impact significant cash outflow. However, in the opinion of the management, no material liability is likely to arise on account of such claims / lawsuits.
- **Susceptibility of operating margin to volatility in advertisement prices and economic cycles:** The ratings remain constrained by the risks inherent to the media and entertainment industry in terms of linkage of advertisement revenue-driven business profile to cyclicality in advertising spends by corporates.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has essentially relied upon the audited financials from FY17 to FY19, and the information/clarification provided by the Company and the information available in the public domain. Optionally convertible redeemable preference shares (OCRPS) have been treated as equity, as they bear no coupon, are to be retained in the business in the medium term, and may be converted into equity on maturity.

#### **RATING SENSITIVITIES**

Going forward, the company's ability to achieve the revenue and profitability as envisaged would be key rating sensitivity.

**Positive:** Growth in the revenues, improved profitability margins and efficient working capital management will be positive for rating.

**Negative:** Continued decline in operating profitability, and weakening of market position of channels

#### **LIQUIDITY POSITION: Adequate**

The Liquidity position of the Company is adequate with a current ratio of 1.76 times and cash and cash equivalents of Rs. 6.73 Crs as on 31st March 2019. The cash accruals of Rs.12.40 Crs is sufficient against CPLTD of Rs.3.18 Crs in FY19. Average cash credit utilisation for the last six months ending January 2020 is ~85%.

#### **COMPANY PROFILE**

ANNPL was incorporated in the year 2008. It is South India's leading News organisation with interest in regional news channels, digital news publishing, and news print through its subsidiaries. The Company has two subsidiaries named as Kannada Prabha Publications Ltd and Asianet Media & Entertainment Fz LLC. The Company is a member of Indian Broadcasting Foundation and News Broadcasters Association.



News Media business of the Company includes broadcasting two FTA (free-to-air) channels named as Asianet News and Suvarna News. Asianet News is the leader in the Malayalam news industry that has been in existence around 20 years while Suvarna News serves the Kannada audience.

ANNPL is currently undertaking CAPEX to upgrade its transmission chain to High Definition (HD). Suvarna News channels upgrade is already completed in FY19 and Asianet News transmission upgrading to HD is under planning stage.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	112.78	114.69
OPBDIT	Rs in Crs	21.95	12.68
PAT	Rs in Crs	8.35	6.35
PAT (post OCI- employee benefit)	Rs in Crs	7.58	6.08
Operating Profit Margin	%	19.46	11.05
ISCR	Times	2.98	1.58

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA**

**RATING HISTORY**

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	Dec 2018	Dec 2017	Oct 2016
Fund Based	Long Term	76.00	BWR BBB Stable (Reaffirmed)	BWR BBB Stable	BWR BBB Stable	BWR BBB-Stable
		(76.00)				
Non Fund Based	Short Term	(30.00)	BWR A3 (Reaffirmed)	BWR A3	-	-
<b>Total</b>		<b>76.00</b>	<b>Rupees Seventy Six Crores Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

Analytical Contacts	Investor and Media Relations
<p>Vidya Shankar Senior Director - Ratings B :+91 80 4040 9940 <a href="mailto:vidyashankar@brickworkratings.com">vidyashankar@brickworkratings.com</a></p> <p>Megha S Biradar Ratings Analyst D : +91 22 6745 6651 B :+91 22 2831 1426, +91 22 2831 1439 <a href="mailto:megha.b@brickworkratings.com">megha.b@brickworkratings.com</a></p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

**Asianet News Network Pvt Ltd  
ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Bank Name	Facility	Tenure	Previous Amt (Rs in Crs)	Present Amt (Rs in Crs)
Yes Bank	<b>Fund Based</b> Cash Credit	Long Term	18.00	18.00
	<b>Fund Based</b> Sub Limit of CC_Foreign Currency Working Capital		(18.00)	(18.00)
	<b>Fund Based</b> Term loan#		58.00	58.00
	<b>Fund Based</b> Sub Limit of CC_Foreign Currency Working Capital Term loan		(58.00)	(58.00)
	<b>Non Fund Based</b> Sub Limit of TL_LC (Import/Inland)	Short Term	(25.00)	(25.00)
	<b>Non Fund Based</b> Sub Limit of CC_Bank Guarantee		(5.00)	(5.00)
<b>Total</b>			<b>76.00</b>	<b>76.00</b>

**Total Rupees Seventy Six Crores Only**



**# Total disbursed amount is Rs.44 Crs. As per the sanction letter last date to avail the full disbursement was 30th June 2019**

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**About Brickwork Ratings** :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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