Kalaignar TV Private Limited

March 27th, 2025

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	75.00	IVR BBB- (Stable) [IVR triple B minus with stable outlook]	IVR BB+ (Stable) [IVR double B plus, with stable outlook]	Upgraded	Simple
	Total	**75.00**	(Rupees Seventy-five crore only)			

Details of facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Rating Rationale

Infomerics Valuation and Rating Limited (IVR) has upgraded the long-term ratings to IVR BBB- with a stable outlook for the bank facilities of Kalaignar TV Private Limited (KTVPL).

The rating upgrade takes into consideration improvement in operating income on account of deeper penetration in the TN market along with moderate debt protection metrics. The ratings continue to draw comfort from the experienced management and ability of the team to come up with the creative contents. However, these rating strengths are partially offset by elongated collection period, high level of contingent liabilities and capital-intensive nature of business. Nonetheless there has been reduction in contingent liabilities and realisation of stuck debtors off lately. The ratings further continue to remain constrained by high competition in the television broadcasting segment along with the rapid advancement in smartphone technology. The Stable outlook indicates a low likelihood of rating change over the medium term. Infomerics Ratings believes that KTVPL will continue to benefit on account of improved financial risk profile in FY24 and expected stable performance going forward.

IVR has principally relied on the standalone audited financial results of KTVPL up to 31 March 2024 and projected financials for FY2025 (refers to period April 1st, 2024, to Mar 31, 2025) - FY2027 (refers to period April 1st, 2026, to Mar 31, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Rating Factor:

- Substantial & Sustained improvement in revenue & EBITDA margin while maintaining the debt protection metrics.
- Improvement in capital structure with net worth turning positive

Downward Rating Factor:

- Increase in working capital cycle due to increase in receivables
- Significant decline in total revenue/ profitability resulting deterioration in debt protection metrics.

Detailed Description of Key Rating Drivers

Key Rating Strengths: -

Experienced promoters and management

KTPL was incorporated in 2007 and operates in the television broadcasting segment. The company is promoted by Mr. Inban Udayanidhi and Mrs. Senthamarai Stalin. Further, the key managerial personnel of the company are also well experienced. The senior management consists of people with long experience in the industry having worked with various other TV broadcasting companies.

Creative Contents

Ability of the team to come out with creative contents has enabled Kalaignar TV Private Limited to face healthy competition from existing strong players in the industry. The company operates in 6 regional channels primary catering to Tamil speaking population in India. It has a bouquet of channels for different segments of viewers and entertainment seeker like Kalaignar TV(GEC), Isai Aruvi (Music), Murasu (Movie), Seithgal (News), Sirippoli (Comedy) and Chithiram (Kids). According to the management, the company plans to launch two HD channels namely Kalaignar HD and Isaiaruvi HD in near future. These HD channels are expected to enhance the viewing experience for the audience with high-definition content.

Increase in revenue and moderate debt protection metrics

The Total Operating Income (TOI) of Kalaignar TV Private Limited Increased Y-o-Y by 79.79% i.e., from Rs. 108.54 Crore in FY23 to Rs. 195.14 Crore in FY24. The improvement in revenue is mainly due to income generated after converting its from free channels to pay channels. Company derived major revenue of advertisement income and from pay channel revenue in FY24. EBITDA margin of the company decreased by 64 bps i.e. from 13.70% in FY23 to 13.06% in FY24. It decreased because of significant increase in program production expenses due to producing higher-quality content to attract paying subscribers and advertisement expenses for public awareness due to converting it from free channels to paid channels. The company has reported increase in PAT margin of 7.70% in FY24 as against 2.01% in FY23 in line with EBITDA margin. Gross Cash Accrual of the company increased from Rs. 9.32 Crore in FY23 to Rs. 13.36 Crore in FY24. Return on capital employed stood at 44.64% in FY24 as against 27.49% in FY23. The debt protection metrics stood moderate marked by Interest Coverage Ratio of 2.61 times in FY24 due to increase in EBITDA (1.59 times in FY23) and Debt Service Coverage Ratio of 2.37x in FY24 (2.00x in FY23).

Key Rating Weaknesses

Elongated collection period

The Operating Cycle of the company is moderate. The cash conversion cycle in FY24 is 43 days (FY23: 58 days). The average creditors period is of 34 days in FY24 (FY23: 44 days). The average collection period is of 77 days in FY24 (FY23: 102 days).

High level of contingent liabilities

The contingent liability for the entity remains high at Rs. 70.99 crore as on March 31, 2024. It has decreased from Rs. 82.35 crore as on March 31, 2023, to Rs. 70.99 crore as on March 31, 2024. The High Court annulled the case related to the demand raised by the Income Tax Department for Assessment Year 2011-12, amounting to Rs. 99.20 crore, according to the order dated July 18, 2022, and the verdict was in favour of the Kalaignar TV. Decision on the balance amount of Rs. 70.99 Crore is yet to be given by the Hon`ble Court

Capital intensive nature of business

The segment in which the company operates is highly capital intensive due to the need for procurement of various network rights & licenses along with requirement of infrastructure and equipment. Further, the company also invests significantly in content creation (producing television soaps etc.) in order to attract more viewership. The company has a negative net worth as on March 31, 2024, due to accumulated losses over the last few years due to amortization of films rights.

High competition in the television broadcasting segment along with the rapid advancement in smartphone technology.

The media and entertainment industry remains related to the cyclicality in advertising spends by corporates. In addition, with increasing competition across genres and the emergence of alternative content delivery platforms such as digital media resulting in fragmentation of viewership, the ability of the company to maintain its leadership position and the resultant share in advertisement revenue will remain crucial. On a regional level the company faces competition from multiple broadcasters.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 0,84x as of March 31, 2024. The Unencumbered cash and bank balance of company stood at Rs. 0.01 Crores as on 31st March 2024. The average utilisation of fund-based limits stands moderate at 76.60%, during the past 12 months ended Feb'25. The Operating Cycle of the company is moderate. The cash conversion cycle in FY24 is 43 days (FY23: 58 days). The average creditors period is of 34 days in FY24 (FY23: 44 days). The average collection period is of 77 days in FY24 (FY23: 102 days).

About the Company

Incorporated in 06.06.2007, Kalaignar TV Private Limited is a television broadcasting company which operates in 6 regional channels primary catering to Tamil speaking population in India. The company has a bouquet of channels for different segments of viewers and entertainment seekers like Kalaignar TV (General Entertainment Channel), Isai Aruvi (Music Channel), Murasu (Movie Channel), Seithgal (News), Sirippoli (Comedy) and Chithiram (Kids). Presently the company is managed by Mr. P. Amirtham who has a very rich experience in the entertainment area along with another Director Mr. T.K.S. Elangovan.

The company has its own production and postproduction centre with total infrastructure for programs of high quality at Chennai. Kalaignar TV Private Limited has 5 studios equipped with the latest digital hardware in video and audio and all facilities of transmission from the studio premises itself.

Financials (Standalone): - **(In Rs. Crore)**

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	108.54	195.14
EBITDA	14.87	25.48
PAT	2.29	15.11
Total Debt	68.21	61.88
Tangible Net Worth	-34.16	-20.84
EBITDA Margin (%)	13.70	13.06
PAT Margin (%)	2.01	7.70
Overall Gearing Ratio (x)	-2.00	-2.97
Interest Coverage (x)	1.59	2.61

**Classification as per Infomerics' standards*

Details of non-co-operation with any other CRA: None

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years			
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				(March 29, 2024)	(January 05, 2024)	(November 23, 2022)	(November 26, 2021)
Fund based limits – Cash Credit	Long Term	68.7	IVR BBB- / Stable	IVR BB+/Stable	IVR BB (Negative) / INC	IVR BB+/Stable	IVR BB+/Stable

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities **(Rs. Crore)**

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Cash Credit	-	-	-	75.00	IVR BBB- / Stable

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-KTVPL-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com .