Press Release

Kalaignar TV Private Limited

March 29, 2024

Ratings

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Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	75.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB (Negative)/ ISSUER NOT COOPERATING * (IVR Double B with Negative Outlook/ Issuer Not Cooperating)	Upgraded and removed from Issuer Not Cooperating Category	Simple
	Total	**75.00**	**Rupees seventy-five crore only**			

* Issuer not cooperating; Based on best available information

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics Valuation and Rating Private Limited (IVR) had moved the ratings assigned to the bank facilities of Kalaignar TV Private Limited (KTVPL) into Issuer Not Cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review and Infomerics has Upgraded the long-term ratings & removed the long-term ratings from 'ISSUER NOT COOPERATING' category.

The rating upgrade continues to draw comfort from the experienced management and ability of the team to come up with the creative contents. Further, the rating continues to draw comfort from increase in total operating income with moderate debt protection metrics. However, these rating strengths are partially offset by elongated collection period, high level of contingent liabilities and capital-intensive nature of business. 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. IVR believes KTVPL's business risk profile will be maintained over the medium term.

IVR has principally relied on the standalone audited financial results of KTVPL upto 31st March 2023, and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial & Sustained improvement in revenue & EBITDA margin while maintaining the debt protection metrics.
- Sustained improvement in gearing

Downward Factors

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management

KTVPL was incorporated in 2007 and operates in the television broadcasting segment. The current promoters of the company are 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

The ability of the team to come out with creative content has enabled KTVPL 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 Operating income with moderate debt protection metrics

The Total Operating Income of KTVPL increased Y-o-Y by 77.38% i.e. from Rs. 61.19 Crore in FY22 to Rs. 108.54 Crore in FY23. The improvement in revenue is mainly due to the income generated after converting it from free channels to paid channels. Company derived major revenue of 50.19% from advertisement income and 33.42% from pay channel revenue in FY23, as against 83.61% of revenue from advertisement income and 12.68% from broadcast fees in FY22. EBITDA margin of the company decreased by 1353 bps i.e. from 27.23% in FY22 to 13.70% in FY23 due to significant increase in program production expenses as a result of producing higher-quality content to attract paying subscribers and advertisement expenses for public awareness due to converting it from free channels to paid channels. PAT margin stood at 2.01% in FY23 as against PAT margin of 7.28% in FY22 due to higher amount of deferred tax charged despite PBT margin of 7.52% in FY23. Gross Cash Accrual of the company increased from Rs. 8.69 Crore in FY22 to Rs. 9.32 Crore in FY23. The debt protection metrics stood moderate marked by Interest Coverage Ratio of 1.64 times in FY23 due to decline in EBITDA and increase in interest expenses (FY22: 1.85 times) and Debt Service Coverage Ratio of 2.03x in FY23 (FY22: 1.92x). Total Debt to GCA marginally improved in FY23 and is at 7.32 years in FY23 as against 7.80 years in FY22. Going forward the company does not expect any major debt funded capital expenditure.

B. Key Rating Weaknesses

Elongated collection period

The operations of KTVPL are working capital intensive on account of stretched receivable days. As on 31st March 2023, overall debtor days stood at 102 days (FY22: 143 days). The outstanding debtors for more than 6 months as on 31-Mar-2023 is Rs. 6.08 Crore. Creditor days as on 31st March 2023 stood at 44 days (FY22: 81 days) and overall cash operating cycle as on 31st March 2023 at 58 days (FY22: 62 days).

High level of contingent liabilities

The contingent liability for the company remains high at Rs. 82.35 crore as on March 31, 2023. It decreased considerably from Rs. 191.87 crore as of March 31, 2022, to Rs. 82.35 crore as on March 31, 2023. 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. 82.35 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, 2023, due to accumulated losses over the last 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 Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Instrument/Facility wise Default Recognition & Post-Default Curing Period

Criteria of assigning rating outlook

Liquidity – Adequate

Liquidity is adequate despite a low current ratio of 0.66x in FY23, the GCA remains comfortable at Rs. 9.32 crore against nil long term debt obligations. The working capital utilisation on average stood at 88.62% for the past 12 months period ending February 2024. The unencumbered cash and bank balance as on March 22, 2024, is Rs. 11.14 Crore.

About the Company

Kalaignar TV Private Limited (KTVPL), incorporated on June 06, 2007, is a television broadcasting company that operates six regional channels primarily 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 long experience in the entertainment area along with another Director Mr. T.K.S. Elangovan.

Financials (Standalone):

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	61.19	108.54
EBITDA	16.66	14.87
PAT	4.55	2.29
Total Debt	67.80	68.21
Tangible Net Worth	-39.10	-34.16
Ratios		
EBITDA Margin (%)	27.23	13.70
PAT Margin (%)	7.28	2.01
Overall Gearing Ratio (x)	-1.73	-2.00

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024 (January 05, 2024)	Date(s) & Rating(s) assigned in 2022-2023 (November 23, 2022)	Date(s) & Rating(s) assigned in 2021-2022 (November 26, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Facilities	Long Term	75.00	IVR BB+/Stable	IVR BB (Negative) / INC	IVR BB+/Stable	IVR BB+/Stable	-

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About Infomerics:

Infomerics Valuation and Rating Private 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Cash Credit	-	-	-	75.00	IVR BB+/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Kalaignar-mar24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.