



Rating Rationale

03 Oct 2019

New Media Broadcasting Private Limited

Brickwork Ratings revises the rating for the Non-Convertible Debentures Issue of ₹. 300 Crores of New Media Broadcasting Private Limited

Particulars

S N	Instrument	Amount (₹ Crs)		Tenure	Rating*	
		Previous	Present		Previous Rating Aug 2019	Present Rating* Oct 2019 Downgrade
1	NCD	300.00	300.00	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR BB- (CE) Credit watch with Negative Implications
		300Cr			INR Three Hundred Crores only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION / OUTLOOK

The rating downgrade factors non-completion of strategic equity sale by the promoters of ZEEL as was announced in January 2019, and non-payment of complete debt against pledge of promoter held shares of listed companies - by 30th September 2019 from such stake sale. This arrangement was accepted by the specified investors through an agreement, and they had shown forbearance to the issuers not maintaining security cover as specified in the term sheet. While the Issuers have informed BWR that they have sought additional time from the investors for the stake sale, BWR has not received any commitments from the investors, and in view of volatility in the ZEEL's share price, realisation is dependent upon future action of the investors and the timing. As such BWR is of the view that the risk profile of the rated instruments has deteriorated, and hence the ratings are downgraded as above. Since the share price of Siti Network Limited substantially fell followed by fall in security cover, the issuer has additionally pledged share of other listed group entities named Zee Media Corporation Limited, Zee Learn Limited and Dish TV Limited as additional security.



KEY RATING DRIVERS

Credit Strength

- **Performance of underlying share company ZEEL, remains consistent:** ZEEL's financial performance is strong which can be seen from its scale of operation, profitability and debt coupled with adequate cash and cash equivalents. ZEEL's advertising revenues grew by 19.8% YoY to Rs. 5037 Cr while subscription revenues grew by 13.9% YoY to Rs. 2310.54 Cr. The growth in revenue was supported by strengthening of domestic broadcast business' market share and monetization of ZEE5's fast growing user base. In March'19, ZEE5 had 61.5 mn monthly active users (MAU).
- **NCD Structure as per the term sheet:** The above company has raised NCD to be used for general corporate purpose/refinancing. The NCD have an initial collateral cover of equity shares of 1.7 times, is secured by way of pledge of equity shares of Siti Network Limited, Zee Media Corporation Limited, Zee Learn Limited and Dish TV Limited as additional security. If at any time before the redemption, the share cover falls below 1.75 times of the outstanding amount, the borrower shall top-up in the form of additional pledge of shares so that the initial share cover is restored. If the security cover is 1.85 times or higher for a period of 10 consecutive trading days, issuer may request the trustee to release such number of shares so that security cover is restored at initial level. Issuer shall be required to deposit all amounts outstanding under the facility in the designated account 15 days prior to the Maturity Date (T-30) and on failure to comply with the above by the issuer the debenture Trustee shall enforce security created under the pledge agreement and sell the shares before the redemption due date. However, the top-up is not being maintained as specified. The structure may undergo change with respect to mandatory top up requirement and redemption date including preponement etc. depending upon agreement of the issuer and lender. However, the top up is not being maintained as specified.

Credit Risk

- **Company does not have any assured cash flows** and may have to rely on refinancing or sale of shares or promoter funding for both interest and principal repayment at maturity. The financial flexibility of the group and the ability of the promoter to support/refinance NMBPL has deteriorated materially:



- **Security cover:** Due to weak sentiment in the market and group's inability of repayment of debt within stipulated timelines, share price of underlying company has declined followed by security cover going down substantially which is not being maintained by top up as per structure in terms.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of New Media Broadcasting Private Limited along with the business linkages with its group. BWR has also considered the NCD structure which includes the pledge of shares as security. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The rating continues to be on Credit watch with Negative implications on account of uncertainties on balance stake sale and available liquidity for redemption, fluctuating and volatile share prices of the underlying shares thereby adversely impacting the market capitalisation and security cover on day today basis and deteriorating credit profile and financial flexibility of the group.

Successful completion of the balance stake sale at an appropriate price to take care of the balance outstanding dues or timely redemption of the NCD from other sources remain the key rating sensitivities.

About the Company

New Media Broadcasting Private Limited (NMBPL) is a part of Essel group belonging to Mr. Subhash Chandra and family. The company primarily act as holding company. The company has two directors on board Mr. Anil Chougule and Mr. Amish Pandya.

Background of Siti Network Limited (SNL) whose shares are pledged

Siti Network Limited (formerly known as Siti Cable Network Limited) is one of India's largest Multi System operators (MSO). With 40 analogue and 18 digital head ends and a network of more than 16,000 kms of Optical Fibre and coaxial cable, it provides its cable services in India's ~ 250 cities and the adjoining areas, reaching out to over 12.20 million viewers. Siti Network deploys State-of-the-art technology for delivering multiple TV signals to enhance consumer viewing experience. Its product range includes Digital & Analogue Cable Television, Broadband and Local Television Channels. Siti Network has been providing services in analogue and digital mode, armed with technical capability to provide features like Video on Demand, Pay per view,



Electronic Programming Guide (EPG) and Gaming through a Set Top Box (STB). All products are marketed under SITI Brand name.

Company Financial Performance

Key Financial indicators of issuer New Media Broadcasting Private Limited as below:

Particulars (Amt in Rs Cr)	2017	2018
	Audited	Audited
Total Operating Income	0.22	0.01
OPBDIT	(0.29)	(0.12)
PAT	(42.75)	(42.62)
Tangible Net Worth	(45.34)	(87.97)
Total debt: TNW	(7.38)	(3.80)

Key Financial indicators of Siti Network Limited

Particulars (Amt in Rs Cr)	2017	2018	FY19
	Audited	Audited	BSE Published
Net sales	1194.92	1410.40	1442.13
OPBDIT	203.00	308.55	323.61
PAT	(179.23)	(169.90)	(264.28)
Tangible Net Worth	303.65	137.49	9.73
Total debt: TNW	5.36	6.93	NM*
Current Ratio	0.56	0.48	0.54

*Not Meaningful

Key Financial indicators of Zee Media Corporation Limited

Particulars (Amt in Rs Cr)	2017	2018	2019	Q1FY20	Q1FY19
	Audited	Audited	BSE Published	BSE Published	BSE Published
Net sales	449.83	573.48	686.92	200.66	154.69
OPBDIT	96.91	107.21	91.45	68.65	37.73
PAT	22.87	27.84	(6.32)	26.07	35.89
Net worth	642.36	677.98	622.74	-	-
Current Ratio	1.09	0.97	1.33	-	-

Key Financial indicators of Zee Learn Limited

Particulars (Amt in Rs Cr)	2017	2018	2019
	Audited	Audited	Audited
Net sales	179.87	268.51	517.25
OPBDIT	59.13	102.51	157.72
PAT	33.51	49.28	83.39
Tangible Net Worth	183.44	247.60	167.66
Total debt: TNW	1.42	1.04	2.26
Current Ratio	0.90	0.79	0.72

Key Financial indicators of Dish TV Limited

Particulars (Amt in Rs Cr)	2017	2018	2019	1Q FY20
	Audited	Audited	Audited	BSE Published
Net sales	3,014.39	4634.16	6218.20	930.93
OPBDIT	978.60	1316.02	2096.40	540.68
PAT	109.28	-84.90	-1163*	-34.96
Tangible Net Worth	490.59	6754.13	-1425.63	-
Total debt: TNW	1.19	0.33	-1.39	-
Current Ratio	0.43	0.30	0.27	-

*The PAT loss of Rs.1163 crs in FY19 is mainly due to impairment assessment carried out by the company. The impairment is mainly on goodwill.

Rating History for the last three years

S n	Instru- ment	ISIN	Current Rating (2019)			Rating History							
			Type	Amount (₹ Crs)	Sep 19	19.08.19	13.06.19	23.05.19	18.02.19	31.01.19	31.03.18	31.03.17	02.03.16
1	NCD	INE343U07011	Long Term	300	BWR BB-(CE) Credit watch with negative implication	BWR BBB-(CE) Credit watch with negative implications	BWR BBB (SO) Credit watch with negative implications	BWR BBB (SO) Credit watch with developing implications	BWR BBB (SO) Credit watch with developing implications	BWR BBB+ (SO) Credit watch with developing implications	BWR BBB+ (SO)	BWR BBB+ (SO)	BWR BBB+ (SO)
Total				300				₹ Three Hundred Crores Only					



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Structured Obligations \(SO\) Instruments](#)
- [Approach to Financial Ratios](#)

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ANNEXURE I

NCD DETAILS

Instrument	Issue Date	Amount in ₹ Cr.	Coupon Rate %	Maturity Date	ISIN Particulars
NCD	19/2/16	300.00	5% payable Quarterly	18/2/21	INE343U07011

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