TV18 Broadcast Limited

September 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	750.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Commercial paper	750.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities/instruments of TV18 Broadcast Limited (TV18) principally derive strength from its strong parentage [Reliance (Mukesh D. Ambani) group] and the strategic importance of the media & entertainment business for its parent through close integration with the Network18 group, with ultimate ownership by Reliance Industries Limited (RIL; rated 'CARE AAA; Stable / CARE A1+').

The ratings further continue to derive strength from the diversified news and entertainment content offerings in various genres, healthy performance of its flagship channels with their consistent presence amongst top channels in their respective genre in terms of television viewership, which has led to consistent growth in its consolidated scale of operations.

On a standalone basis, the revenue of the TV news business was largely stagnant during FY23 amidst subdued advertising income. However, during Q1FY24, standalone revenue registered growth of 27% y-o-y amidst strong growth in advertising revenue aided by viewership gains of TV18 news network which aided in pricing improvement of certain channels.

The entertainment subsidiary of TV18, Viacom18 Media Private Limited's (VMPL; rated 'CARE AAA; Stable/CARE A1+') foray into the sports segment, including the acquisition of digital media rights of Indian Premier League (IPL) as well as BCCI international and domestic cricket matches, is expected to drive TV18's consolidated revenue growth over the next five years. VMPL's strategic partnership with Bodhi Tree Systems (BTS; a platform of James Murdoch's Lupa Systems and Uday Shankar) and consequent fund infusion of ₹15,145 crore in VMPL resulted in healthy capital structure and strong liquidity headroom at a consolidated level, till latest sports ventures achieve break-even.

The above credit strengths are, however, partially offset by the requirement of regular investments in content offerings which have significant gestation period; along with inherent volatility associated with its film production and distribution division. The timely monetisation of sizeable investments being incurred for the recently acquired sports media rights will be a key rating monitorable. Furthermore, the ratings take cognizance of cyclicality associated with its advertisement revenue in a competitive media and entertainment industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Reduction in the controlling stake of RIL in TV18, thereby impacting its financial flexibility.
- Sustained cash losses on consolidated level not adequately covered by the equity capital infusion due to its inability to efficiently monetise its various content rights, and its consequent adverse impact on its leverage and debt coverage indicators.

Analytical approach: Consolidated

Based on similar line of business and the structure of the group, CARE Ratings has taken a consolidated analytical approach for TV18. The companies considered in its consolidation are as per **Annexure-5**. Furthermore, the strategic importance of the company for the RIL group's media business as well as expected financial support from the parent group, if required, has been taken into consideration.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that strong market position of TV18's consolidated business in various entertainment genres and its growing dominance in sports segment backed by support from its strong parent (RIL group) would lead to healthy consolidated cash flows for TV18 and thereby a strong credit profile.

Detailed description of the key rating drivers:

Key strengths

Parentage of the strong and resourceful RIL group: TV18 is a 51.17% subsidiary of Network18 Media & Investments Limited (Network18; rated 'CARE AAA; Stable/CARE A1+'), which in turn is held primarily (73.15%) by Independent Media Trust (IMT). RIL is the sole beneficiary of IMT.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The Network18 group is one of the prominent media and entertainment conglomerates in India with interests in television, print and digital media, OTT platform, movie production and allied businesses, consisting of brands like CNBC TV18, CNN News18, News18, moneycontrol.com, Firstpost, Forbes India, Colors, VOOT, Jio Cinema amongst others. Network18 and TV18 are part of the prominent and resourceful Reliance (Mukesh D. Ambani) group whose flagship company - RIL is India's largest private sector enterprise with businesses across the energy and materials value chain, along with a significant and growing presence in the retail and telecom sectors. The promoter group is well supported by a qualified and experienced management team.

Strategic importance of the media and entertainment business to the RIL group: The Network18 group is one of the prominent media and entertainment conglomerates in India, with top three ranking in most of the key segments it operates in. It has interests in television, print and digital media, OTT platform, movie production and allied businesses, consisting of brands like CNBC TV18, CNN News18, News18, moneycontrol.com, Firstpost, Forbes India, Colors, Voot, Jio Cinema, BookMyShow amongst others. The Network18 group is RIL group's primary investment in the media and entertainment segment and strategically important business for the group. This is evidenced from its recent strategic partnership with BTS, whereby RIL (through its group companies) infused ₹10,839 crore along with integration of Jio Cinema app into VMPL as a part of transaction, with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India.
Moreover, Network18, TV18 and VMPL's Board of Directors, has two directors each who are also present on the Board of RIL. RIL's media and entertainment vertical also has synergies with its market leading telecom business. These factors reiterate the significant importance of TV18 (part of the Network18 group) in the overall strategy of RIL.

Diversified content offerings with dominant position in business news as well as niche entertainment genres and recent foray into sports segment: TV18 owns and operates wide network of 60 channels in India spanning news and entertainment. It also caters to the global Indian audience through 20 international beams. The news broadcasting business under TV18 (standalone) includes channels with market leadership position in Hindi (News18 India), English General News (CNN News18) and English Business News (CNBC TV18,) segments and a growing regional news cluster of 14 channels (including joint venture [JV] News18-Lokmat).
Its entertainment subsidiary, i.e., VMPL's flagship channel 'Colors' has been consistently ranked amongst the top Hindi GECs in terms of television viewership on the back of regular investments in popular fiction as well as non-fiction content. VMPL has been a dominant player in niche segments such as Kids, Youth and English Entertainment with prominent brands like Nick, MTV, Vh1, Comedy Central, etc. VMPL's content offerings are expected to diversify further with growth in regional GEC's portfolio and its digital platform 'VOOT' and 'Jio Cinema'. VMPL has also forayed into sports segment by launching three sports channels under the umbrella brand 'Sports18'. VMPL's sports portfolio consists of some of the most popular leagues and events including BCCI rights, IPL, Women Premier League, Cricket South Africa, Olympics 2024, SA20, FIH (Federation of International Hockey), MotoGP, NBA, La Liga, Serie A, Ligue 1 etc.
In June 2022, VMPL acquired the exclusive rights to digitally stream the popular IPL cricket matches in the Indian sub-continent for the seasons from 2023 to 2027, for a rights fee of ₹24,352 crore. Further, VMPL acquired digital and TV media rights for the international and domestic cricket matches of Indian cricket team from Board of Control for Cricket in India (BCCI), for September 2023-March 2028 period, for a rights fee of ₹5,963 crore.

Continuous growth in operating income; likely to expand significantly in the medium term: During FY23, TV18 reported consolidated Total Operating Income (TOI) of ₹5,914 crore with a y-o-y growth of 7% primarily on account of healthy contribution from movie business along with revenue from its foray into sports segments. Furthermore, it reported healthy TOI of ₹3,176 crore in Q1FY24 on account of sizeable revenue contribution from streaming of IPL season 1. However, as envisaged earlier, TV18's consolidated profitability was adversely impacted during FY23 and Q1FY24, owing to weak advertising environment and increase in operating cost, primarily driven by sports and digital segment. Going forward, CARE Ratings Limited (CARE Ratings) expects TV18's consolidated TOI to expand significantly upon monetisation of its media rights to stream IPL, domestic & international cricket matches. VMPL is also unifying its OTT apps i.e. VOOT and Jio Cinema for a more convenient viewing experience for the users. Network18 group also has plans to leverage the huge subscriber base of the telecom venture of the RIL group to drive its revenue growth. However, TV18's consolidated profitability is expected to remain under pressure in the initial seasons of IPL due to large annual rights fee payout to BCCI along-with high marketing spends vis-à-vis revenue from streaming of IPL matches. The large equity infusion in VMPL is expected to provide TV18 with strong liquidity headroom to fund gestation losses in its sports ventures, restricting the moderation in its leverage to some extent, at a consolidated level.

Improved capital structure on the back of large equity infusion in Q1FY24: TV18's consolidated overall gearing deteriorated to 0.71x as on March 31, 2023 (0.13x as on March 31, 2022) primarily on account of availment of working capital bank borrowings for IPL rights fee payout in Q4FY23.

During April 2023, Bodhi Tree Systems and RIL group entities infused funds in VMPL of ₹4,306 crore (equity and compulsorily convertible preference share capital) and ₹10,839 crore (compulsorily convertible preference share capital) respectively, resulting in equity stake of 0.011% for Bodhi Tree Systems in VMPL. During June 2023, RIL group entities sold, portion of compulsorily convertible preference share capital holding in VMPL, to Bodhi Tree Systems. Consequently, on a fully diluted basis, RIL group entities holds 57.47% stake; TV18 – 13.54%; Bodhi Tree Systems – 15.97%; and Paramount Global - 13.01% in VMPL. Bodhi Tree Systems is an investment venture promoted by Uday Shankar and James Murdoch wherein Qatar Investment Authority, the sovereign wealth fund of the State of Qatar, is a major investor.
Post equity infusion in Q1FY24, VMPL has repaid large portion of its working capital bank borrowings leading to substantial improvement in TV18's consolidated capital structure. However, CARE Ratings expects going forward, TV18's consolidated overall gearing should moderate in the medium term with increase in debt level due to increased content-related investments.

Liquidity: Strong

TV18's strong liquidity is underpinned by low average utilization of its fund-based working capital limit at around 11% during last 12 months ended July 2023 and no term debt repayment obligations. It has sufficient gearing headroom to raise additional debt for working capital requirements, if required. Furthermore, post fund infusion during April 2023, TV18's liquidity profile has improved significantly.
Moreover, it belongs to a strong group (RIL group), which ensures superior financial flexibility. Furthermore, its liquidity is underpinned by the stance of the parent group to extend financial support to it, if required.

Key weaknesses

Risk associated with monetisation of large-size investments for acquisition of sports media rights: In June 2022, VMPL acquired the exclusive rights to digitally stream IPL matches live in the Indian sub-continent for the seasons from 2023 to 2027. This apart, it won television as well as digital rights for three out of five international territories, including major cricketing nations, for an aggregate rights fee of ₹24,352 crore payable to BCCI over a period of five years. Further, in August 2023, VMPL acquired digital and TV media rights for the international and domestic cricket matches from BCCI, for September 2023-March 2028 period, for a rights fee of ₹5,963 crore. The payout to BCCI would be based on the number of matches played.
VMPL has big plans to monetise these rights by way of advertisement and subscription income, given the huge popularity of the cricket in India. However, VMPL's ability to monetise the sports media rights adequately and in a timely manner would be critical to improve TV18's consolidated return indicators going forward.

Regular investments in content offerings resulting in inherent working capital intensive operations: Entertainment business is inherently working capital intensive mainly on account of large holding of inventory in the form of content, motion picture as well as streaming rights. Competition amongst top TV channels along with extremely dynamic channel rankings necessitate regular investments in existing and new content offerings. TV18's consolidated working capital cycle elongated further to 292 days during FY23 (177 days during FY22) primarily owing to increased investments in content inventory including sports rights. Going forward, working capital intensity of TV18's consolidated operations is expected to continue, amidst its expansion plans.

Volatility of advertisement revenue in a competitive media and entertainment industry: TV18's consolidated advertisement revenue constitutes more than 50% of its TOI. The advertisement revenue remains vulnerable to factors like market competition, content viewership, the quality and popularity of content being broadcast, trends in the media sector, regulatory changes and the level of economic activity in general. During FY23, the advertising spends were impacted due to higher inflation which impacted consumer demand. During Q1FY24, advertisement demand improved in some segments of media & entertainment industry, however, advertising spends by start-ups remained weak. Going forward, any recessionary situation is expected to have a direct impact on the advertisement revenue in a very competitive industry. As VMPL has adopted advertisement only mode to monetize its large investments in sports, improvement in advertisement income would be critical for VMPL & TV18.

Dependence on the vagaries of box office performance for motion picture division: A significant portion of the motion picture revenue is secured by pre-selling of satellite, music and digital rights. Due to the inherent nature of motion picture business, the profitability of this division carries the risk of extent of acceptance of the content by its viewers. VMPL has expanded its footprint into three major south Indian movie markets – Telugu, Malayalam and Tamil, in addition to Punjab in north India. Going forward, VMPL's ability to successfully release the movies at box-office as well as on digital platforms within the envisaged time & cost and monetise the same in an adequate and timely manner shall be crucial to maintain TV18's consolidated profitability.

Environment, social, and governance (ESG) risks

Environment	Due to the nature of its operations, TV18 doesn't have any significant greenhouse gas emissions. However, the company is continuously evaluating ways to reduce electricity consumption. The company has shifted from regular 300-Watt bulbs to cost-effective and energy-efficient 60-Watt bulbs in studio lights. Sewage generated is treated in the sewage treatment plants, and the recycled water is used for irrigation/gardening purposes. Any electronic item discarded by the company is channelled through authorised recyclers in accordance with the requisite guidelines issued by the Ministry of Environment, Forest and Pollution Control Board.
Social	The company has a robust mechanism to safeguard user data. Also, the company sensitises its employees on a regular basis on various cyber security issues.
Governance	TV18's senior leadership comprises of a 6-member Board with diversity in qualification, skill-set, experience, etc. Presently, the Board consists of two women directors and three independent directors. The Board of Directors, through its committees, oversee the ESG initiatives and performance. The risk of non-compliance within the company is mitigated by a digitally enabled compliance management framework.

Applicable criteria

Policy on Default Recognition
Rating Outlook and Credit Watch
Service Sector Companies
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial Sector Entities
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Entertainment	TV Broadcasting & Software Production

TV18 is a 51.17% subsidiary of Network18 which in turn is held primarily (73.15%) by Independent Media Trust (IMT). RIL is the sole beneficiary of IMT. On a standalone basis, TV18 operates six news channels in the general news and business news categories. It also operates 14 regional news channels across India.

TV18, through its 50.994% subsidiary, VMPL, operates GECs such as 'Colors', 'Rishtey', 'Comedy Central' (English), music channels, such as 'MTV' and 'VH1', entertainment channels for kids, such as 'Sonic', 'Nick' and 'Nick Jr.' VMPL also has presence in movie production and distribution business under Viacom18 Motion Pictures. VMPL has an alliance with Paramount Pictures, the leading Hollywood studio, to market and distribute its films in the Indian sub-continent. VMPL and TV18 are joint venture partners in IndiaCast to consolidate the distribution functions and drive monetisation of content for channels of TV18 and VMPL. During April 2023, VMPL acquired "Jio Cinema" app as a part of merger of Reliance Storage Limited with itself, and it is now the OTT platform of VMPL. VMPL also ventured into the live sports segment in FY22 by acquiring TV and digital rights for some of the marquee sports properties globally and launched three sports channels under the umbrella brand, 'Sports18'.

Brief Financials of TV18 – Consolidated (₹ crore)	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	5,528.16	5,913.57	3,176.03
PBILDT	1,040.17	194.12	(54.40)
PAT	926.24	127.77	91.20
Overall gearing (times)	0.13	0.71	NA
Interest coverage (times)	27.31	1.67	NM

A: Audited; UA: Unaudited; NA: Not Available; NM: Not Meaningful; Note: 'the above results are latest financial results available'
Financials classified as per CARE Ratings' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-6

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE886H14IQ1	7-Jul-23	6.91%	27-Sep-23	50	CARE A1+
	INE886H14IR9	28-Jul-2023	7.04%	26-Oct-2023	100	
	INE886H14IS7	31-Jul-2023	7.04%	30-Oct-2023	25	
	INE886H14IS7	31-Jul-2023	7.04%	30-Oct-2023	50	
	INE886H14IT5	1-Sep-2023	7.13%	1-Dec-2023	100	
	INE886H14IU3	5-Sep-2023	7.13%	5-Dec-2023	50	
	INE886H14IV1	8-Sep-2023	7.09%	8-Dec-2023	50	
	INE886H14IW9	11-Sep-2023	7.09%	11-Dec-2023	75	
	Proposed	-	-	-	250	
Fund-based/Non-fund-based-LT/ST	-	-	-	-	750	CARE AAA; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Commercial Paper-Commercial Paper (Standalone)	ST	750.00	CARE A1+	-	1)CARE A1+ (27-Sep-22)	1)CARE A1+ (28-Sep-21)	1)CARE A1+ (01-Oct-20)
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	750.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (27-Sep-22)	1)CARE AAA; Stable / CARE A1+ (28-Sep-21)	1)CARE AAA; Stable / CARE A1+ (01-Oct-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: List of companies getting consolidated in TV18 (As on March 31, 2023)

<table>
<tr><th>Name of Companies/ Entities</th><th>Relation</th><th>Proportion of Ownership Interest</th></tr>
<tr><td>AETN18 Media Private Limited</td><td>Subsidiary</td><td>51%</td></tr>
<tr><td>Viacom 18 Media Private Limited (Viacom18)</td><td>Subsidiary</td><td>51%</td></tr>
<tr><td>Viacom 18 Media (UK) Limited</td><td rowspan="3">Subsidiary of Viacom 18</td><td rowspan="3">51%</td></tr>
<tr><td>Viacom 18 US Inc.</td></tr>
<tr><td>Roptonal Limited</td></tr>
<tr><td>IndiaCast Media Distribution Private Limited# (IndiaCast Media)</td><td>Subsidiary</td><td rowspan="3">75.50%</td></tr>
<tr><td>IndiaCast UK Limited</td><td rowspan="2">Subsidiary of IndiaCast Media</td></tr>
<tr><td>IndiaCast US Limited</td></tr>
<tr><td>Eenadu Television Private Limited</td><td>Associate</td><td>24.50%</td></tr>
<tr><td>IBN Lokmat News Private Limited</td><td>Joint Venture</td><td>50%</td></tr>
</table>

#The company holds 50% of the shareholding through Viacom 18 Media Private Limited and 50% directly.

Annexure-6: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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