Network 18 Media and Investments Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	1,000	CARE AAA; Stable / CARE A1+	Reaffirmed
Commercial paper	1,500	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities/instruments of Network18 Media & Investments Limited (Network18) principally derive strength from its strong parentage [Reliance (Mukesh Ambani) group] and strategic importance of media and entertainment business for its ultimate parent, Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/CARE A1+').

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

The entertainment subsidiary of Network18, Viacom18 Media Private Limited's (VMPL; rated 'CARE AAA; Stable/CARE A1+') foray into sports segment, including acquisition of digital media rights of Indian Premier League (IPL) and BCCI international and domestic cricket matches, is expected to drive Network18's consolidated revenue growth in the medium term. 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 strong capital structure and provides strong liquidity headroom at a consolidated level, till latest sports ventures achieve break-even.

However, ratings strengths are partially offset by its modest standalone digital and print media business, where it continues to incur net losses; despite improved revenues. Ratings also factor in regular investments required in content offerings, which have significant gestation period, and cyclicality associated with its advertisement revenue in a competitive media and entertainment industry. Timely monetisation of sizeable investments being incurred for sports media rights will be a key rating monitorable.

CARE Ratings Limited (CARE Ratings) also takes cognisance of binding agreements signed by RIL, VMPL and The Walt Disney Company (Disney) to form a Joint Venture (JV) that will combine businesses of VMPL and Star India Private Limited (SIPL). As a part of transaction, VMPL's media undertaking will merge with SIPL. RIL is also expected to invest ₹11,500 crore in the JV for its growth strategy. Post completion of this transaction, the JV will be controlled by RIL and owned 16.34% by RIL, 46.82% by VMPL and 36.84% by Disney. The transaction has received key regulatory approvals and is expected to be completed shortly.

CARE Ratings believes that the JV shall have strong market position in TV and digital streaming for entertainment and sports content in India, with combination of media assets across entertainment (e.g. Colors, StarPlus, StarGOLD), sports (e.g. Star Sports and Sports18) and digital platforms (JioCinema and Hotstar). CARE Ratings also takes cognisance of the proposed merger of Network18, e-eighteen.com (E18) and TV18 Broadcast Limited (TV18, rated CARE AAA; Stable / CARE A1+). The proposed merger shall consolidate digital news and TV news portfolio, which is currently being operated through Network 18 and TV18 respectively. This merger is also expected to be concluded shortly.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Reduction in Network18's strategic importance for RIL, thereby impacting its financial flexibility.
- Sustained cash losses on consolidated level not adequately covered by 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 group's structure, CARE Ratings has considered a consolidated analytical approach for Network18. The companies considered for consolidation are listed in **Annexure-6**. The company's strategic importance for RIL group's media and entertainment business and expected financial support from parent group, if required, has been considered.

Outlook: Stable

CARE Ratings believes that strong market position of Network18's consolidated business in various news and entertainment genres and its growing dominance in sports segment, would lead to healthy consolidated cash flows for Network18 and a strong credit profile.

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

Detailed description of key rating drivers

Key strengths

Parentage of strong and resourceful RIL group

Independent Media Trust, whose sole beneficiary is RIL, holds a majority stake (73.15%) in Network18. 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 including CNBC TV18, CNN News18, News18 India, moneycontrol.com, Firstpost, Forbes India, Colors, and Jio Cinema among others. Network18, TV18 and VMPL 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 energy and materials value chain, retail and telecom sectors.

Strategic importance of media and entertainment business to RIL group

Network18 group is one of the prominent media and entertainment conglomerates in India, with top three ranking in most key segments it operates in. Network18 group is RIL group's primary investment in media and entertainment segment and strategically important business for the group. This is evident from its partnership with BTS, where RIL (through its group companies) infused ₹10,839 crore, integration of Jio Cinema app in VMPL, and proposed strategic joint venture with Disney, with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India.

Network18, TV18 and VMPL's Board of Directors, has a director who is 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 significant importance of Network18 in RIL's overall strategy.

Diversified content offerings with dominant position in business news, niche entertainment genres and growing dominance in sports segment

TV18, a 51.17% subsidiary of Network18, operates wide network of 62 channels in India spanning news and entertainment. It also caters to global Indian audience through 20 international beams. The news broadcasting business under TV18 (standalone) includes channels with market leadership position in English General News (CNN News18) and English Business News (CNBC TV18,) segments, strong number-2 position in Hindi General News (News18 India), and a growing regional news cluster of 14 channels (including JV, News18-Lokmat).

Its entertainment subsidiary, VMPL's flagship channel 'Colors' has been consistently ranked among the top Hindi GECs in terms of television viewership considering regular investments in popular fiction and non-fiction content. VMPL has been a dominant player in niche segments such as kids, youth and English entertainment with prominent brands including Nick, MTV, Vh1, and Comedy Central, among others. VMPL's content offering is expected to diversify further with growth in the regional GECs portfolio and its digital platform Jio Cinema. VMPL has also forayed into sports segment by launching three sports channels under umbrella brand Sports18. VMPL's sports portfolio consists of some popular leagues and events including BCCI rights, IPL, Women Premier League, Cricket South Africa, SA20, FIH (Federation of International Hockey), MotoGP, NBA, La Liga, Serie A, and Ligue 1 among others.

In June 2022, VMPL acquired exclusive rights to digitally stream popular IPL cricket matches in Indian sub-continent for seasons from 2023 to 2027, for a rights fee of ₹24,352 crore. VMPL also acquired digital and TV media rights for 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 witness a strong growth in the medium term

In FY24, Network18's consolidated Total Operating Income (TOI) grew by 49% y-o-y to ₹9,297 crore driven primarily considering revenue from its foray into sports segment. It reported healthy TOI of ₹3,141 crore in Q1FY25 with sizeable revenue contribution from streaming of second season of IPL. However, its consolidated profitability was adversely impacted in FY24 and Q1FY25, owing to weak advertising environment and increase in operating cost, primarily in the sports and digital segment. Going forward, CARE Ratings expects Network18's consolidated TOI to witness a strong growth upon monetisation of its media rights to stream IPL, BCCI's domestic and international cricket matches. However, Network18's consolidated profitability is expected to remain weak in FY25 due to large annual sports rights fee payout and high marketing spends against revenue from streaming of IPL and BCCI matches. Large equity infusion in VMPL is expected to provide Network18 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

Network18's consolidated overall gearing improved to 0.29x as on March 31, 2024 (1.32x as on March 31, 2023) primarily considering large equity infusion in Q1FY24. In 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. In June 2023, RIL group entities sold a 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. CARE Ratings believes Network18's consolidated overall gearing to moderate in the medium term in view of initial gestation losses and increase in debt level to fund content-related investments.

Liquidity: Strong

Network18's strong liquidity is marked by cash and liquid investments of ₹8,055 crore against consolidated debt of ₹8,156 crore as on March 31, 2024, and sizable unutilised working capital limits at group level. It belongs to a strong group (RIL group), which ensures superior financial flexibility. Its liquidity is underpinned by the parent group's stance 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, the entertainment arm of Network18 group, VMPL acquired exclusive rights to digitally stream IPL matches in the Indian sub-continent for seasons from 2023 to 2027. This apart, it won television and digital rights for three of five international territories, including major cricketing nations, for an aggregate rights fee of ₹24,352 crore payable to BCCI for five years. In August 2023, VMPL acquired digital and TV media rights for international and domestic cricket matches from BCCI, from September 2023-March 2028, for a rights fee of ₹5,963 crore. The payout to BCCI would be based on number of matches played. VMPL has a plan to monetise these rights by advertisement and subscription income, given the huge popularity of cricket in India. However, VMPL's ability to monetise sports media rights adequately and in a timely manner would be critical to improve Network18's consolidated return indicators.

Modest standalone digital and print media business

Being primarily a holding company of Network18 group and due to modest scale of its standalone digital and print media business, Network18's standalone financial risk profile remains weak, in view of net losses in its digital and print media business due to high operating cost base considering investments in the last few years to strengthen its editorial coverage and technology infrastructure. However, there has been consistent growth in revenues in view of strong market position of Network18's digital and print media business.

Also, post expected merger of Network18, TV18 and E18, Network18 shall operate digital & print news, TV news portfolio along with moneycontrol.com, which is expected to support its standalone credit risk profile.

Regular investments in content offerings resulting in inherently working capital intensive operations

Entertainment business is inherently working capital intensive mainly considering large holding of inventory in the form of content, motion picture and streaming rights. Competition among top TV channels and extremely dynamic channel rankings, necessitate regular investments in existing and new content offerings. Network18's consolidated working capital cycle elongated further to 322 days in FY24 (276 days in FY23) primarily owing to increased investments in content inventory including sports rights. Going forward, working capital intensity of Network18's consolidated operations is expected to continue amidst expansion plans.

Volatility of advertisement revenue in the competitive media and entertainment industry

Network18's consolidated advertisement revenue constitutes over 50% of its TOI. Advertisement revenue remains vulnerable to factors such as market competition, content viewership, quality and popularity of content being broadcast, trends in media sector, regulatory changes and level of economic activity in general. In the past, significant volatility has been observed in advertisement revenue of media and entertainment entities. As VMPL adopted advertisement only mode to monetise its large investments in sports, improvement in advertisement income would be critical for VMPL, TV18 and Network18.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environment	Due to nature of its operations, Network18 doesn't have significant greenhouse gas emissions. However, the company is continuously evaluating ways to reduce electricity consumption. Sewage generated is treated in sewage treatment plants, and recycled water is used for irrigation/gardening purposes. Electronic items discarded by the company is channelled through authorised recyclers in accordance with requisite guidelines issued by Ministry of Environment, Forest and Pollution Control Board.
Social	The company has a robust mechanism to safeguard user data. The company sensitises its employees on a regular basis on cyber security issues.

Governance	Network18's senior leadership comprises of a 6-member Board with diversity in qualification, skill set, and experience, among others. Presently, the Board consists of two women directors and three independent directors. Through its committees, the Board of Directors oversees ESG initiatives and performance. The risk of non-compliance within the company is mitigated by a digitally enabled compliance management framework.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Media, entertainment & publication	Entertainment	Media & entertainment

Network18 was founded in 1996. Independent Media Trust (whose sole beneficiary is RIL) acquired 73.15% stake (directly and indirectly) in Network18 in 2014, making it a subsidiary of RIL. Network18 is media and entertainment business vertical of RIL group.

On a standalone basis, Network18 primarily acts as a holding company for its subsidiaries, which are involved in various segments of media and entertainment business. At a standalone level, Network18 is also involved in digital segment (firstpost.com and news18.com) and print segment (Forbes India, Overdrive). It is the largest shareholder in entertainment ticketing and live event platform, bookmyshow.com, with ~39% stake. Network18 has allied investments in Colosseum, Yatra, Ubona and other companies.

Network18 holds 51.17% stake in TV18, which manages business of news broadcasting. On a standalone basis, TV18 operates six news channels in general and business news category. It also operates 14 regional news channels across India (including JV, News18-Lokmat).

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. In April 2023, VMPL acquired Jio Cinema app as a part of merger of Reliance Storage Limited with itself, and it is now OTT platform of VMPL. VMPL also ventured into the sports segment in FY22 by acquiring TV and digital rights for some of the marquee sports properties globally and launched three sports channels under umbrella brand, Sports18.

TV18 holds 24.5% stake in ETPL, which operates a portfolio of 7 channels for Telugu speaking markets of Andhra/Telangana.

Brief Financials of Network18 – Consolidated (₹ crore)	FY23 (A)	FY24 (Abridged)	Q1FY25 (UA)
Total operating income	6,225	9,297	3,141
PBILDT	137	-664	-148
PAT	-16	-397	-198
Overall gearing (times)	1.32	0.29	NA
Interest coverage (times)	0.66	NM	NM

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument/facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	INE870H14TA6	27-Jun-24	7.27%	26-Sep-24	100	CARE A1+
	INE870H14TB4	12-Jul-24	7.10%	27-Sep-24	100	
	INE870H14TC2	15-Jul-24	7.20%	04-Oct-24	50	
	INE870H14TF5	29-Jul-24	7.24%	28-Oct-24	100	
	INE870H14TE8	31-Jul-24	7.24%	29-Oct-24	75	
	INE870H14TD0	31-Jul-24	7.24%	30-Oct-24	75	
	INE870H14TD0	31-Jul-24	7.24%	30-Oct-24	50	
	INE870H14TG3	06-Aug-24	7.24%	05-Nov-24	125	
	INE870H14TH1	09-Aug-24	7.25%	08-Nov-24	150	
	INE870H14TI9	27-Aug-24	7.26%	26-Nov-24	125	
	INE870H14TJ7	28-Aug-24	7.26%	27-Nov-24	100	
	INE870H14TK5	29-Aug-24	7.26%	28-Nov-24	100	
	INE870H14TL3	03-Sep-24	7.27%	03-Dec-24	100	
	INE870H14TN9	06-Sep-24	7.27%	06-Dec-24	125	
	INE870H14TM1	09-Sep-24	7.27%	09-Dec-24	125	
Fund-based/Non-fund-based-LT/ST	-	-	-	-	1,000	CARE AAA; Stable / CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	1,000	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (26-Sep-23)	1)CARE AAA; Stable / CARE A1+ (27-Sep-22) 2)CARE AAA; Stable / CARE A1+ (31-May-22)	1)CARE AAA; Stable / CARE A1+ (28-Sep-21)
2	Commercial Paper-Commercial Paper (Standalone)	ST	1,500	CARE A1+	-	1)CARE A1+ (26-Sep-23)	1)CARE A1+ (27-Sep-22) 2)CARE A1+ (31-May-22)	1)CARE A1+ (28-Sep-21)

ST- Short term; LT/ST- Long term/Short term

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

Annexure-4: Complexity level of 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: Lender details

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

Annexure-6: List of entities consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	TV18 Broadcast Limited	Full	Subsidiary
2	AETN18 Media Private Limited		
3	Viacom 18 Media Private Limited		
4	Viacom 18 Media (UK) Limited		
5	Viacom 18 US Inc.		
6	Roptonal Limited		
7	Colosceum Media Private Limited		
8	e-Eighteen.com Limited		
9	Moneycontrol Dot Com India Limited		
10	Greycells18 Media Limited		
11	Network18 Media Trust		
12	Digital18 Media Limited		
13	Media18 Distribution Services Limited		
14	Web18 Digital Services Limited		
15	Infomedia Press Limited		
16	IndiaCast Media Distribution Private Limited		
17	IndiaCast UK Limited		
18	IndiaCast US Limited		
19	Eenadu Television Private Limited	Proportionate	Associate and Joint Venture
20	Big Tree Entertainment Private Limited		
21	Big Tree Entertainment Singapore PTE. Limited		
22	Bookmyshow Live Private Limited		
23	Bookmyshow Venues Management Private Limited		
24	Fantain Sports Private Limited		
25	Foodfesta Wellcare Private Limited		
26	SpaceBound Web Labs Private Limited		
27	Dyulok Technologies Private Limited		
28	Popclub Vision Tech Private Limited		
29	Big Tree Entertainment Lanka (Pvt) Limited		
30	Bookmyshow SDN. BHD.		
31	Big Tree Sport & Recreational Events Tickets Selling L.L.C		
32	PT. Big Tree Entertainment Indonesia		
33	Townscript USA, Inc.		
34	Townscript PTE. Limited		
35	TribeVibe Entertainment Private Limited		
36	NW18 HSN Holdings PLC		
37	IBN Lokmat News Private Limited		
38	Ubona Technologies Private Limited		
39	Peppo Technologies Private Limited (w.e.f. May 12, 2023)		

Note on complexity levels of 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.

Contact us

Media Contact	**Analytical Contacts**
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Name: Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91 - 22 - 6754 3453 E-mail: ranjan.sharma@careedge.in Name: Hardik Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Name: Rabin Bihani Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3592 E-mail: rabin.bihani@careedge.in

About us:

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Disclaimer:

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