# TV18 Broadcast Limited

September 27, 2022

**Ratings**

| Facilities | Amount (₹ crore) | Ratings[1] | Rating Action |
|---|---|---|---|
| Long-term/Short-term bank facilities | 750.00 | CARE AAA; Stable/CARE A1+ (Triple A; Outlook: Stable/A One Plus) | Reaffirmed |
| **Total facilities** | **750.00 (₹ Seven hundred and fifty crore only)** | | |
| Commercial paper issue | 750.00 | CARE A1+ (A One Plus) | Reaffirmed |
| **Total instruments** | **750.00 (₹ Seven hundred and fifty crore only)** | | |

Details of facilities/instruments in Annexure-1

## Detailed 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. The ratings also factor in TV18's improved consolidated revenue in FY22 (refers to the period April 1 to March 31) and Q1FY23 driven by strong growth in advertising and movie business segments, along-with its comfortable capital structure and strong liquidity. On a standalone basis also, the revenue of the TV News business continued to improve led by growth in advertising revenues across all three segments – Business, Regional and National News.

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 streaming rights for the next cycle of the popular Indian Premier League (IPL) cricket matches, is expected to drive the consolidated revenue growth over the next five years. This is likely to be funded by the planned equity infusion of ₹15,145 crore by Bodhi Tree Systems (BTS, a platform of James Murdoch's Lupa Systems and Uday Shankar) and Reliance Projects & Property Management Services Limited (RPPMSL; a wholly owned subsidiary of RIL), as well as VMPL availing debt to leverage on it. This planned equity infusion through strategic partnership with BTS is expected to restrict the moderation in TV18's consolidated leverage to some extent apart from providing it with strong liquidity headroom till its new sports ventures achieve break-even.

The above credit strengths are, however, partially offset by the requirement of regular investments in its digital platform 'VOOT' and other 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 rights to digitally stream IPL matches for the next five seasons, will be a key rating monitorable. Furthermore, the ratings take cognisance of cyclicality associated with its advertisement revenue in a com-petitive media and entertainment industry.

## Rating sensitivities

**Positive factors – Factors that could lead to positive rating action/upgrade:** Not applicable

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- 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 fresh 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.

## Detailed description of the key rating drivers

**Key rating 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 definitions 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 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 an experienced and qualified management team.

**Strategic importance of the media and entertainment business to the RIL group:** The Network18 group (of which TV18 is a part) 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, BookMyShow amongst others. The Network18 group, being RIL group's primary investment in the media and entertainment segment, is a strategically important business for the group as it is vital for further growth of the group's media and entertainment-linked businesses. This is evidenced from its recently announced strategic partnership with BTS, whereby RIL (through its wholly owned subsidiary) has planned equity infusion of ₹1,645 crore in cash apart from contributing Jio Cinema app to VMPL (subsidiary of TV18) with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India. As a part of this transaction, BTS is likely to invest ₹13,500 crore in VMPL. The transaction is subject to the requisite approvals. Moreover, Network18's as well as TV18's Board of Directors, have two directors each who are also present on the Board of RIL. RIL's media and entertainment vertical also has synergies with its significantly large telecom/digital 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 live 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 general entertainment channels (GECs) in terms of television viewership on the back of regular investments in popular fiction as well as non-fiction content. VMPL has also been a dominant player in niche segments, such as Kids, Youth and English Entertainment, with prominent brands including 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'. VMPL has also forayed into live 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 spanning football, basketball, badminton, tennis, boxing, etc. In June 2022, VMPL acquired the exclusive rights to digitally stream the hugely popular IPL cricket matches in the Indian sub-continent for the seasons from 2023 to 2027. IndiaCast Media Distribution Private Limited (IndiaCast), JV of VMPL and TV18, acts as a dedicated distribution arm of VMPL and TV18, to manage its domestic subscription and monetise content in the international markets, in the form of subscription, advertising and syndication (licensing of content rights to other broadcasters).

**Continuous growth in operating revenues; likely to expand significantly in the medium term:** During FY22, TV18 reported a growth of around 23% in its consolidated total operating income (TOI), primarily on account of strong improvement in the advertising revenues from the TV news and Entertainment segments as well as recovery in the movie business. The company reported improved PBILDT margin of 18.82% on account of continued cost controls. Furthermore, during Q1FY23, the revenue continued to grow by around 10% on a Y-o-Y basis even though the subscription revenue de grew slightly and ad revenues pertaining to 'Colors Rishtey' channel declined during the quarter as the same was taken off DD FreeDish [Free-to-Air (FTA) Direct-To-Home (DTH) Service]. The profitability margins, however, declined during Q1FY23 owing to higher increase in operating costs, driven by higher content as well as marketing spends in GEC, sports and digital businesses along-with increase in employee costs led by ramping-up of personnel to support the growth in operations. Going forward, CARE Ratings Limited (CARE Ratings) expects TV18's consolidated TOI to expand significantly upon monetisation of its digital rights to live stream IPL matches. The company has planned to make a unified OTT app by combining VOOT and JioCinema apps for a more convenient viewing experience for the users. It also has plans to leverage the huge subscriber base of the telecom venture of the RIL group to drive its revenue growth. However, its profitability is expected to come under pressure in the initial seasons of IPL due to large annual rights fee payout to The Board of Control for Cricket in India (BCCI) along-with high marketing spends vis-à-vis revenue from streaming of IPL matches. The planned large equity infusion in its subsidiary VMPL is expected to restrict the moderation in its leverage to some extent, apart from providing it with strong liquidity headroom to fund gestation losses in its new sports ventures.

**Comfortable capital structure; albeit likely to moderate going forward:** TV18's consolidated overall gearing stood at a very healthy level of 0.13x as on March 31, 2022, primarily due to repayment of its working capital bank borrowings through healthy operational cash flow during FY22. However, going forward, its overall gearing (on a gross debt basis) is expected to moderate in the medium term with increase in the debt level to part-fund the sizeable annual pay-outs towards digital rights of IPL, increased content-related investments as well as gestation losses of the newly launched sports channels and other initiatives.

## **Liquidity:** Strong

TV18's liquidity is strong which is underpinned by strong standalone cash accruals vis-à-vis negligible term debt repayment obligations and low average utilisation of its fund-based working capital limit at around 8% during last 12 months ended July 2022. Its unutilised bank limits are expected to be more than adequate to meet its incremental working capital requirement during FY23. It had free cash and cash equivalents of around ₹48 crore (standalone) and around ₹397 crore (consolidated) as on March 31, 2022. 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 rating weaknesses**

**Risk associated with monetisation of large-size investments for acquisition of rights to digitally stream IPL matches:** 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. VMPL will have to pay an aggregate of around ₹24,352 crore to BCCI over a period of next five years. Looking at the past trend, the latest auction was very aggressive, as BCCI realised almost 3x the value for IPL matches compared to the last auction. The payout to BCCI would be based on the number of matches played in each season.
VMPL has big plans to monetise these rights by way of advertisement and subscription income, given the huge popularity of the IPL cricket league. However, VMPL's ability to monetise the IPL 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. The competition amongst top TV channels along with extremely dynamic channel rankings necessitate regular investments in existing and new content offerings. TV18's working capital cycle, although improved, remained elongated at 188 days during FY22 primarily owing to considerably high inventory period. Moreover, with the VMPL's venture into the sports segment as well as recent acquisition of digital streaming rights for IPL, TV18's reliance on external borrowing on a consolidated basis is expected to go up in the near term leading to moderation in its leverage.

**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, its ability to successfully release the movies at box-office as well as on digital platforms within the envisaged time and cost and monetise the same in an adequate and timely manner shall be crucial to maintain TV18's overall profitability.

**Volatility of advertisement revenue in a competitive media and entertainment industry:** TV18's total income majorly comprises advertisement and subscription revenue. The advertisement revenue remains vulnerable to factors like market competition, television viewership for the channels, the quality and popularity of content being broadcast, trends in the media sector, regulatory changes and the level of economic activity in general. The ad revenues were impacted during the first quarter of FY22 due to the second wave of the COVID-19 pandemic. However, during the latter half of the year, the ad revenues surpassed pre-COVID-19 levels with TV ad volumes reaching multi-year high with digital media leading the growth. The return of high impact programming, robust consumer demand, strong fast-moving consumer goods (FMCG) spends and entry of new advertisers drove up volumes and ad-yields. However, the advertising spends were again impacted towards the end of the year due to increasing inflation, further worsened by the Russia-Ukraine conflict, impacting consumer demand. Going forward, any recessionary situation is expected to have a direct impact on the advertisement revenue in a very competitive industry.

## **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- 4**. 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.

## Applicable criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-financial sector entities
Rating Methodology - Consolidation
Rating Methodology- Notching by factoring linkages in Ratings
Financial ratios-Non- Financial Sector
Rating Methodology – Service Sector Companies
Criteria for Short Term Instruments

## About the company

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 51% 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. VMPL has also developed an in-house app called "VOOT" which is a digital platform for streaming all TV contents as well as digital-exclusive shows and movies.
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 the umbrella brand, 'Sports18'. In June 2022, VMPL acquired rights to digitally stream IPL matches for the next five seasons.

| Brief Financials of TV18 – Consolidated (₹ crore) | FY21 (A) | FY22 (A) | Q1FY23 (Prov.) |
|---|---|---|---|
| TOI | 4,497.62 | 5,526.18 | 1,265.05 |
| PBILDT | 808.02 | 1040.17 | 57.75 |
| PAT | 745.71 | 926.24 | 60.02 |
| Overall gearing (times) | 0.19 | 0.13 | NA |
| Interest coverage (times) | 9.21 | 27.31 | 5.38 |

A: Audited; Prov.: Provisional; NA – Not 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 instruments/facilities:** NA

**Complexity level of various instruments rated for this company:** Annexure-4

**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 |
|---|---|---|---|---|---|---|
| Fund-based/Non-fund-based-LT/ST | - | - | - | - | 750.00 | CARE AAA; Stable / CARE A1+ |
| Commercial paper-Commercial paper (Standalone) | INE886H14HL4 | August 05, 2022 | 5.78% | October 28, 2022 | 50.00 | CARE A1+ |
| | INE886H14HM2 | August 11, 2022 | 5.76% | October 27, 2022 | 100.00 | |
| | INE886H14HO8 | August 11, 2022 | 5.97% | November 07, 2022 | 50.00 | |
| | INE886H14HO8 | August 12, 2022 | 5.97% | November 07, 2022 | 25.00 | |
| | INE886H14HN0 | August 12, 2022 | 5.97% | November 11, 2022 | 50.00 | |
| | INE886H14HQ3 | August 30, 2022 | 5.98% | November 24, 2022 | 50.00 | |
| | INE886H14HP5 | August 29, 2022 | 5.98% | November 28, 2022 | 25.00 | |
| | INE886H14GZ6 | February 04, 2022 | 4.87% | November 30, 2022 | 50.00 | |
| | INE886H14HR1 | September 15, 2022 | 6.18% | December 09, 2022 | 50.00 | |
| | INE886H14HF6 | March 07, 2022 | 5.21% | March 06, 2023 | 75.00 | |
| | INE886H14HG4 | March 11, 2022 | 5.21% | March 07, 2023 | 25.00 | |
| | Proposed | - | - | 7-364 days | 200.00 | |

**Annexure-2: Rating history of 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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Commercial paper-Commercial paper (Standalone) | ST | 750.00 | CARE A1+ | - | 1)CARE A1+ (28-Sep-21) | 1)CARE A1+ (01-Oct-20) | 1)CARE A1+ (30-Sep-19) |
| 2 | Fund-based/Non-fund-based-LT/ST | LT/ST* | 750.00 | CARE AAA; Stable / CARE A1+ | - | 1)CARE AAA; Stable / CARE A1+ (28-Sep-21) | 1)CARE AAA; Stable / CARE A1+ (01-Oct-20) | 1)CARE AAA; Stable / CARE A1+ (30-Sep-19) |

* Long term/Short term

**Annexure-3: Complexity level of various instruments rated for this company**

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

**Annexure-4: List of companies getting consolidated in TV18 (As on March 31, 2022)**

| Name of Companies/ Entities | Relation | % of holding |
|---|---|---|
| AETN18 Media Private Limited | Subsidiary | 51% |
| Viacom 18 Media Private Limited (Viacom18) | Subsidiary | 51% |
| Viacom 18 Media (UK) Limited | Subsidiary of Viacom 18 | 51% |
| Viacom 18 US Inc. | | |
| Roptonal Limited | | |

| Name of Companies/ Entities | Relation | % of holding |
|---|---|---|
| IndiaCast Media Distribution Private Limited[#] (IndiaCast Media) | Subsidiary | 75.50% |
| IndiaCast UK Limited | Subsidiary of IndiaCast Media | |
| IndiaCast US Limited | | |
| Eenadu Television Private Limited | Associate | 24.50% |
| IBN Lokmat News Private Limited | Joint Venture | 50% |

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

## Annexure-5: Bank lender details for this company

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

**Note on complexity levels of the rated instruments:** CARE Ratings Ltd. 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 CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.



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