# Network 18 Media and Investments Limited

September 28, 2021

**Ratings**

| Facilities / Instruments | Amount (Rs. 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 (Rs. Seven hundred fifty crore only)** | | |
| Commercial Paper (CP) issue | **1,500.00 (Rs. One thousand five hundred crore only)** | **CARE A1+ (A One Plus)** | **Reaffirmed** |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The ratings assigned to the bank facilities as well as commercial paper issue of Network 18 Media and Investments Limited (Network18) principally derives strength from its strong parentage [Reliance (Mukesh D. Ambani) group] and the strategic importance of its media & entertainment business for its ultimate parent, i.e., 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 of its broadcasting business, 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 Network18's improved consolidated profitability margins in FY21 (refers to the period April 1 to March 31) and Q1FY22 driven by better monetization of its entertainment content, along with its moderate capital structure and strong liquidity.*

*The above credit strengths are, however, partially offset by its modest standalone digital and print media business wherein it continues to incur losses albeit improved operating performance in FY21. The ratings also factor in the requirement of regular investments in its digital platform 'VOOT' and other content offerings which have significant gestation period and cyclicality associated with its advertisement income in a competitive media & 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 controlling stake of RIL in Network18 and its subsidiaries or reduction in strategic importance of Network18 group to the ultimate parent, i.e., RIL
- Sustained decline in return on capital employed (ROCE) below 10%; due to moderation in market share or inability to monetize content investments in its broadcasting business, in an efficient manner
- Deterioration in overall gearing above 1.5x on a sustained basis
- Any major debt-funded acquisition or significant impairment of its key investments.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Strong and resourceful promoter group***

Independent Media Trust, whose sole beneficiary is RIL, holds a majority stake (73.15%) in Network18. RIL, the flagship company of the prominent and resourceful Reliance (Mukesh D. Ambani) group, is India's largest private sector enterprise with businesses across the energy and materials value chain, along with a significant and growing presence in consumer-facing retail and telecom sectors. It is the first Indian private sector company to feature in Fortune Global 500 list of 'World's Largest Corporations' and has been consistently featuring in it for the last ten consecutive years.

***Strategic importance of the business to the RIL group***

The media and entertainment business is a key element to RIL group's approach to expand their growth in the field of telecom and digital segment. The Network18 group is one of the prominent media & entertainment conglomerates in India with top five ranking in most of the segments it operates in. It has interests in television, print & 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.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Network18 group, being its primary investment in the media & entertainment segment, is a strategically important business for the RIL group as it is vital for further growth of the group's media and entertainment linked businesses. The Network18 group has strong operational linkages with the digital services business of RIL [i.e., Reliance Jio Infocomm Limited (rated: 'CARE AAA; Stable/CARE A1+')] which is established by the fact that Network18's various channels including its OTT platform (VOOT) come bundled with RIL's digital services offerings which facilitates customer engagement as well as retention and helps in delivering content-focused services.
Moreover, Network18's key functions are overlooked by the RIL management, and amongst Network18's board of directors, there are two directors who are also present on the board of RIL. This reiterates the importance of Network18 group in the overall strategy of RIL.

***TV broadcasting business with diversified content offerings and dominant position in niche segments***
TV18 (rated: 'CARE AAA; Stable/CARE A1+'), 51.17% subsidiary of Network18, owns and operates wide network of 56 channels in India spanning news and entertainment. Also, it caters to the global Indian audience through 20 international beams. The news broadcasting business under TV18 (standalone) includes channels with market leadership position in Business News segment (CNBC TV18, CNBC Aawaz), growing General News channels, and a Regional News cluster of 14 channels (including joint venture News18-Lokmat).
TV18's subsidiary, Viacom18 Media Private Limited (rated: 'CARE AAA; Stable/CARE A1+'), is a dominant player in niche entertainment genres such as Kids, Youth and English Entertainment with prominent brands like Nick, MTV, Vh1, Comedy Central, etc. Viacom18's flagship channel 'Colors' has been consistently placed amongst top Hindi General Entertainment Channels (GECs) in terms of television viewership. Furthermore, TV18's content offerings are expected to diversify further with growth in its regional news and GEC portfolio along with its digital platform 'VOOT'.

***Continuous improvement in monetization of entertainment content offerings driving group's profitability***
Network18's consolidated profitability margins continued to improve during FY21, despite adverse impact of Covid-19 pandemic on the advertisement income, driven by continuous improvement in monetization of entertainment content offerings along with cost optimization measures undertaken by the group. Network18's PBILDT margin improved from 10.80% in FY20 to 16.57% in FY21 and remained largely stable at 16.14% during Q1FY22.
Initiatives launched during FY18-FY20, which included regional news, regional general entertainment & movie channels and OTT platform (VOOT), are in gestation phase and continued to incur losses. However, losses associated with these investments have declined during FY20-FY21. Expected sustained improvement in monetization of these investments with better utilization of its digital inventory led by growing traction of its OTT platform VOOT; is expected to keep its PBILDT margin at around existing levels. Furthermore, although the management does not intend to launch any new channels in the near to medium term, it is expected to continue to invest in the already-launched initiatives to scale them up further; especially its OTT platform, VOOT, and regional GECs.

***Improvement in capital structure***
Network18's overall gearing improved to 0.68x as on March 31, 2021 (1.06x as on March 31, 2020) primarily due to repayment of bank borrowings from healthy operational cash flow amidst muted entertainment content investments during FY21 and Q1FY22 due to covid-related restrictions. Going forward, even with funding of its investments partly from external borrowings, its capital structure is expected to remain moderate on the back of expected healthy cash accruals.

***Liquidity: Strong***
Network18 had low utilization of its fund-based working capital limit at around 16% during last 12 months ended July 2021 and it has no term loan repayment obligations. Its standalone current ratio has remained below unity as its losses are being funded through short-term bank borrowings, CP issue and loans availed from TV18.
However, its liquidity derives significant comfort from its parentage of RIL which enables it to have access to bank funding as well as capital market; underpinned by its ability to regularly refinance its CP issue at competitive rates. This ensures superior financial flexibility despite its weak standalone financial risk profile. Also, at consolidated level, Network18 had free cash and cash equivalents of around Rs.329 crore as on March 31, 2021. Furthermore, its liquidity is underpinned by the stance of the parent group to extend financial support to it, if required.

**Key Rating Weaknesses**
***Modest standalone digital and print media business***
Being a holding company of Network18 group and given the modest scale of its standalone digital & print media business, Network18's standalone financial risk profile remains weak, amidst losses in its digital and print media business albeit improved operating performance in FY21. Also, impairment of around Rs.580 crore of its investment in Homeshop18 during

FY19 & FY20 had eroded its net-worth. However, Network18 exited from this investment during FY20. Further, operating losses of its digital & print media business have also declined during FY20-FY21 due to various cost rationalization measures.

***Requirement of regular investments in entertainment content offerings***

Entertainment business is working capital intensive in nature mainly on account of high holding of digital inventory in the form of content development and motion picture rights. Competition amongst top channels along with extremely dynamic channel rankings necessitate regular investments in existing and new content offerings. Network18's consolidated working capital cycle remained elongated at 191 days during FY21 primarily owing to high inventory period in its entertainment segment. However, Network18's reliance on external borrowings for its investments has reduced with improvement in its profitability.

***Volatility of advertisement revenue in a competitive media & entertainment industry***

Network18's advertisement revenue constitutes around 50%-60% of its total consolidated income. 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.

Covid-related disruptions had adversely affected TV broadcasters' advertisement revenue due to cut down of discretionary advertising spends by corporates along with decline in ad-rates due to intense competition amongst major TV broadcasters. Consequently, Network18's scale of operations marked by total operating income declined from Rs.5,323 crore during FY20 to Rs.4,686 crore during FY21. However, with gradual ramp-up in economic activity, the advertising environment, as witnessed in Q1FY22, is expected to revive going forward.

**Analytical Approach: Consolidated**

Based on similar line of business and the structure of the group, CARE Ratings has taken a consolidated analytical approach for Network18. 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.

**Applicable Criteria**

**Criteria on assigning Outlook and Credit Watch to Credit Ratings**
**CARE's Policy of Default Recognition**
**Rating Methodology – Service Sector Companies**
**Rating Methodology – Consolidation**
**Financial Ratios – Non-Financial Sector**
**Liquidity Analysis of Non-Financial Sector Entities**
**Rating Methodology – Notching by factoring linkages in Ratings**
**Criteria for Short Term Instruments**

**About the Company**

Network18 was founded in 1996. Independent Media Trust {whose sole beneficiary is Reliance Industries Ltd (*rated 'CARE AAA; Stable/CARE A1+'*)} acquired 73.15% stake (directly and indirectly) in Network18 in 2014, thus making it a subsidiary of RIL. Network18 is a media & entertainment business vertical of the RIL group.

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

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

TV18, through its 51% subsidiary Viacom18 Media Private Limited (VMPL), operates General Entertainment Channels (GECs) as well as movie, music, kids and English entertainment channels. VMPL has presence in movie production and distribution business under 'Viacom 18 Motion Pictures' and has a digital platform 'Voot'. VMPL has an alliance with Paramount Pictures, the leading Hollywood studio, to market and distribute its films in the Indian subcontinent. AETN18, JV of TV18 and AETN networks, operates info-entertainment and lifestyle channels. VMPL and TV18 are joint venture partners in IndiaCast Media Distribution Pvt Ltd (IndiaCast) to consolidate distribution functions and drive monetization of content for channels of TV18, VMPL and AETN18.

Earlier in February 2020, Network18 had intimated to the stock exchanges regarding a scheme of amalgamation and arrangement amongst NW18, TV18, DEN Networks Ltd. (DEN) and Hathway Cable & Datacom Ltd. (Hathway). However, subsequently in April 2021, it decided not to proceed with the scheme as envisaged.

| Brief Consolidated Financials (Rs. crore) | FY20 (A) | FY21 (A) |
|---|---|---|
| Total operating income | 5,323.25 | 4,685.70 |
| PBILDT | 574.86 | 776.56 |
| PAT | 56.14 | 546.59 |
| Overall gearing (times) | 1.06 | 0.68 |
| Interest coverage (times) | 2.44 | 4.94 |

*A: Audited; classified as per CARE Standards*

As per the published consolidated results for Q1FY22, Network18 reported TOI of Rs.1,230.82 crore (Q1FY21: Rs.815.90 crore) with a PAT of Rs.121.51 crore (Q1FY21: Net loss of Rs.60.60 crore).

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

**Covenants of rated facility**: Please refer Annexure-3

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

**Annexure-1: Details of Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. 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) | - | - | 7-364 days | 1500.00 | CARE A1+ |

**Annexure-2: Rating History (Last three years)**

| Sr. No. | Name of the Instrument/ Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1. | Fund-based/Non-fund-based-LT/ST | LT/ST | 750.00 | CARE AAA; Stable / CARE A1+ | - | 1)CARE AAA; Stable / CARE A1+ (01-Oct-20) | 1)CARE AAA; Stable / CARE A1+ (09-Oct-19) | 1)CARE AAA; Stable / CARE A1+ (30-Jan-19) |
| 2. | Commercial Paper-Commercial Paper (Standalone) | ST | 1500.00 | CARE A1+ | - | 1)CARE A1+ (01-Oct-20) | 1)CARE A1+ (09-Oct-19) | 1)CARE A1+ (30-Jan-19) |
| 3. | Fund-based/Non-fund-based-LT/ST | LT/ST | - | - | - | - | 1)Withdrawn (09-Oct-19) | 1)CARE AAA; Stable / CARE A1+ (30-Jan-19) |
| 4. | Debentures-Non Convertible Debentures | LT | - | - | - | - | 1)Withdrawn (09-Oct-19) | 1)CARE AAA; Stable (30-Jan-19) |

**Annexure-3: Detailed explanation of covenants of the rated facilities**

| Covenants | Detailed explanation |
|---|---|
| **Non-financial covenants** | Majority ownership and management control of Network18 shall remain with Mukesh Dhirubhai Ambani group directly or indirectly. |

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

| 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 (As on March 31, 2021)**

| Name of Companies/ Entities | Relation | % of holding |
|---|---|---|
| TV18 Broadcast Limited | Subsidiary | 51.17% |
| AETN18 Media Private Limited | Subsidiary of TV18 | 51% |
| Viacom 18 Media Private Limited | Subsidiary of TV18 | 51% |
| Eenadu Television Private Limited | Associate of TV18 | 24.50% |
| Viacom 18 Media (UK) Limited | Subsidiary of Viacom 18 | 100% |
| Viacom 18 US Inc. | | |
| Roptonal Limited | | |
| Colosceum Media Private Limited | Subsidiary | 100% |
| e-Eighteen.com Limited | Subsidiary | 91.95% |
| Moneycontrol Dot Com India Limited | Subsidiary of e-Eighteen.com Limited | 100% |
| Greycells18 Media Limited | Subsidiary | 89.69% |
| Network 18 Media Trust | Subsidiary | 100% |
| Digital18 Media Limited | Subsidiary | 100% |
| Media18 Distribution Services Limited | Subsidiary | 100% |
| Web18 Digital Services Limited | Subsidiary | 100% |
| Infomedia Press Limited | Subsidiary | 50.69% |
| IndiaCast Media Distribution Private Limited # | Subsidiary of TV18 | 100% |
| IndiaCast UK Limited | Subsidiary of IndiaCast Media | |
| IndiaCast US Limited | | |
| Big Tree Entertainment Private Limited | Associate | 39.29% |
| Big Tree Entertainment Singapore PTE. Limited | Subsidiaries of Big Tree Entertainment Private Limited | 74.57% |
| Bookmyshow Live Private Limited | | 100% |
| Bookmyshow Venues Management Private Limited | | |
| Fantain Sports Private Limited | | 75.89% |
| Foodfesta Wellcare Private Limited | | 100% |
| SpaceBound Web Labs Private Limited | | |
| Big Tree Entertainment DMCC | Subsidiaries of Big Tree Entertainment Singapore PTE. Limited | 100% |
| Big Tree Entertainment Lanka (Pvt) Limited | | |
| Bookmyshow SDN. BHD. | | |
| Big Tree Sport & Recreational Events Tickets Selling L.L.C | | 49% |
| Dyulok Technologies Private Limited | | 77.60% |
| PT. Big Tree Entertainment Indonesia | | 100% |
| Townscript USA, Inc. | Subsidiaries of Dyulok Technologies Private Limited | 100% |
| Townscript PTE. Limited | | |
| TribeVibe Entertainment Private Limited (w.e.f. 12th June, 2019) | Subsidiary of Bookmyshow Live Private Limited | 100% |
| NW18 HSN Holdings PLC | Associate | 40.69% |
| IBN Lokmat News Private Limited | Joint Venture of TV18 | 50% |
| Ubona Technologies Private Limited | Joint Venture | 50% |

*# TV18 Broadcast Limited holds 50% of the shareholding through Viacom 18 Media Private Limited and 50% directly.*

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

## Contact us

**Media Contact**
Name: Mradul Mishra
Contact No.: +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

**Analyst Contact 1**
Name: Hardik Shah
Contact No.: +91-79-4026 5620
Email ID – hardik.shah@careratings.com

**Analyst Contact 2**
Name: Ranjan Sharma
Contact No.: +91-79-4026 5617
Email ID – ranjan.sharma@careratings.com

**Relationship Contact**
Name: Saikat Roy
Contact No.: +91-22-6754 3404
Email ID – saikat.roy@careratings.com

**About CARE Ratings:**
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**