

Network18 Media & Investments Limited

October 09, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term/Short term Bank Facilities	500.00 (reduced from 1,000)	CARE AAA; Stable/ CARE A1+ (Triple A; Outlook: Stable/A One Plus)	Reaffirmed
Total Facilities	500.00 (Rupees Five hundred crore only)		
Commercial Paper Issue	1,500.00 (Rupees One thousand and five hundred crore only)	CARE A1+ (A One Plus)	Reaffirmed
Proposed Non-Convertible Debenture Issue*	-	-	Withdrawn

Details of instruments/facilities in Annexure-1

*The rating assigned to the proposed Non-Convertible Debenture issue was withdrawn at the request of the client since there is no outstanding on the same

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and instruments of Network18 Media & Investments Ltd (Network18) continue to take into consideration the strong parentage of the company with Independent Media Trust [whose sole beneficiary is Reliance Industries Ltd (RIL; rated CARE AAA; Stable/A1+)] holding majority stake in the company. The ratings also take into consideration the strong portfolio of the Network18 Group (includes Network18 and its subsidiaries, including TV18 Broadcast Ltd and Viacom18 Media Private Limited). The well-diversified portfolio of properties and leadership positions in various segments of broadcast and digital media are complemented by a comfortable capital structure. The group has made sustained investments into new TV channels and ramped-up its offerings in digital content, and invested in digital commerce properties. The earnings profile of the company still remains weak as a result of losses from the above.

A strong parentage and the company's ability to achieve sustainable profitability while maintaining its leadership position as well as a robust capital structure, remain the key rating sensitivities. Further, the ratings are also sensitive to the operating performance of the broadcasting business which constitutes a major part of the consolidated total income in FY19.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful and financially strong promoters: Network18 is controlled by Independent Media Trust, the sole beneficiary of which is RIL. RIL, the flagship company of 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 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.

Increased focus on telecom/digital business to be future growth driver for company: The telecom sector is increasingly moving from voice and text content to data and video content; and content consumption has already moved beyond television to mobile phones and handheld devices. Network18 comprises leading television channels, digital and mobile properties and publications in key media genres. It is one of the leaders in the Indian Media & Entertainment industry with top five ranking in most of the segments it operates in. Network18 represents the RIL group's major investment in digital/broadcasting content, which reiterates the importance of the company amidst a growing focus on telecom/digital businesses. Moreover, the Network18 group has strong operational linkages with the digital services business of RIL (i.e. Reliance Jio Infocomm Limited) which is established by the fact that TV18's (subsidiary of Network18) various channels and its key digital properties come bundled with RIL's digital services offerings which facilitates customer engagement as well as retention and helps in delivering content focused services.

Comfortable capital structure: Network18's consolidated overall gearing increased yet stood comfortable at 0.94x as on March 31, 2019 as compared to 0.64x as on March 31, 2018. The company is expected to maintain the debt at similar levels in the near to medium term.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Weaknesses

Profitability remains low: The profitability continued to remain low with net losses in FY19 owing to increase in marketing and distribution expenses, continued investments in VOOT and new initiatives in the digital space and was also dragged due to new tariff regime for TV channels. However, the PBIDT margin improved substantially during Q1FY20 led by continued reduction in regional news gestation losses and cost controls. The net losses in FY19 as well as Q1FY20 were mainly due to continued gestation losses of the standalone business of Network18 which includes its digital properties, as also the result of impairment of investments relating to TV shopping platform HomeShop18, which the group exited in Q1FY20.

High dependence on broadcasting business: The company derives a major portion of its total income from broadcasting business under subsidiary TV18 which is sensitive to ad rates, which in turn are influenced by broader economic cycle. During FY19, TV18 consolidated revenue grew by 3% despite the drag from TRAI order hurting Q4FY19. This was led by reviving ad-industry environment and 11% growth in subscription income, which were partly offset by major events in FY18 (movie 'Padmaavat', some live shows, and union budget) which were absent in FY19. Due to inherent risk in media and entertainment sector, this business will remain 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. However, the implementation of new TRAI tariff order has resulted in subscription income for the broadcast portfolio rising by 48% YoY in Q1FY20; which is a major positive given its more annuity-style nature.

Adequate Liquidity

The company, on a consolidated basis, had cash and cash equivalents of around Rs.224 crore as on March 31, 2019. The losses are being funded through debt and since the company belongs to RIL group, it enjoys superior financial flexibility and can easily access capital markets. On a standalone basis, the company has no scheduled repayment as well as it has low utilization of its bank limits, which provides an adequate liquidity. Further, CARE believes that the parent group would extend financial support to the company, if required.

Analytical approach: Consolidated

Based on similar line of business and the structure of the group, CARE has taken a consolidated analytical approach and has included TV18 Broadcast Limited (51.17% subsidiary of Network18), Viacom18 Media Private Limited (51% subsidiary of TV18), IndiaCast Media Distribution Private Limited and AETN18 Media Private Limited (51% subsidiary). Further, 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](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Policy on Withdrawal of ratings](#)

About the Company

Network18 Media & Investments Limited (Network18) was founded in 1996. Independent Media Trust (whose sole beneficiary is Reliance Industries Ltd (RIL; rated CARE AAA; Stable/A1+) acquired 73.16% stake (directly and indirectly) in July 2014. Network18 is a media and entertainment conglomerate with interests in television, internet, filmed entertainment, digital business, magazines, mobile content and allied businesses. Network18 manages various digital businesses including portals such as moneycontrol.com, News18.com and firstpost.com. It is the largest shareholder in entertainment ticketing and live event platform bookmyshow.com, with ~39% stake. Further, Network18 has allied investments in Colosseum, Toppers, Yatra, Ubona and other companies. Through its subsidiary, TV18 Broadcast Limited (TV18: 51.17% holding), the group operates news channels. TV18 through its 51% subsidiary (Viacom18 Media Pvt Ltd) offers various Hindi/Regional/English General Entertainment Channels and Kids/Music/Youth channels as well. TV18 also has a 51% subsidiary (AETN18 with the joint venture partner A+E Networks) for factual entertainment and lifestyle channels - History TV18 and FYI TV18 respectively. In addition, Network18 also has presence in the publishing segment through specialized magazines Forbes India, Overdrive, Better Interiors and Better Photography.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	1845.15	5076.04
PBIDT	-30.88	162.92
PAT	-173.33	-177.60
Overall gearing (times)	0.64	0.94
Interest coverage (times)	NM	0.82

NM: Not Meaningful

A: Audited

Classified as per CARE standards

Note: FY19 and FY18 financial numbers are not comparable as Viacom18 and Indiacast became subsidiaries of Network18 from March 01, 2018.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/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	-	-	-	500.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures	-	-	-	0.00	Withdrawn
Commercial Paper	-	-	7-364 days	1500.00	CARE A1+

Annexure-2: Rating History of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	500.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Jan-19)	1)CARE AAA; Stable / CARE A1+ (30-Jan-18)	1)CARE AAA; Stable / CARE A1+ (06-Feb-17)
2.	Commercial Paper	ST	1500.00	CARE A1+	-	1)CARE A1+ (30-Jan-19)	1)CARE A1+ (30-Jan-18)	1)CARE A1+ (06-Feb-17)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)CARE AAA; Stable / CARE A1+ (30-Jan-19)	1)CARE AAA; Stable / CARE A1+ (30-Jan-18)	1)CARE AAA; Stable / CARE A1+ (06-Feb-17)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AAA; Stable (30-Jan-19)	-	-

Annexure-3: List of subsidiaries, associates and joint ventures of Network18 getting consolidated (as on March 31, 2019)

Sr. No.	Name of Company	% of holding
	Direct Subsidiaries	
1	TV18 Broadcast Limited	51.17
2	Infomedia Press Limited	50.69
3	e-Eighteen.com Limited	91.95
4	Network18 Media Trust	100
5	Colosceum Media Private Limited	100
6	Greycells18 Media Limited	89.69
	Associates of the Company	
7	NW18 HSN Holdings Plc	40.69
8	TV18 Home Shopping Network Limited#	49.96
9	Big Tree Entertainment Private Limited	39.29
	Joint Venture of the company	
10	Ubona Technologies Private Limited	50
	Subsidiaries of TV18 Broadcast Limited	
11	Viacom18 Media Private Limited@	51
12	IndiaCast Media Distribution Private Limited@\$	100
13	AETN18 Media Private Limited	51
	Subsidiaries of Viacom18 Media Private Limited	
14	Viacom18 Media (UK) Limited@	100
15	Viacom18 US Inc@	100
16	Roptonal Limited@	100
	Subsidiaries of IndiaCast Media Distribution Private Limited	
17	IndiaCast UK Limited@	100
18	IndiaCast US Limited@	100
	Subsidiary of e-Eighteen.com Limited	
19	Moneycontrol Dot Com India Limited	100
	Joint Venture of TV18 Broadcast Limited	
20	IBN Lokmat News Private Limited	50
	Associate of TV18 Broadcast Limited	
21	Eenadu Television Private Limited	24.50
	Subsidiaries of Associate Big Tree Entertain Private Limited	
22	Fantain Sports Private Limited	70.16
23	Spacebound Web labs Private Limited	100
24	Big Tree Entertainment Singapore PTE Limited	100
25	PT Big Tree Entertainment Indonesia	100
26	Dyulok Technologies Private Limited	75.01
27	Townscript USA, Inc.	75.01
28	Foodfesta Wellcare Private Limited	100
29	Big Tree Entertainment Lanka (Pvt) Limited	100
30	Big Tree Entertainment DMCC	100
31	Big Tree Sport & Recreational Events Tickets Selling LLC	100
32	Bookmyshow SDN. BHD	100
33	Nomobo Entertainment Private Limited	100
34	Go2space Event Management Private Limited	100
	Subsidiaries of Associate TV18 Home Shopping Network Limited	
35	Shop CJ Network Private Limited	100

#The company holds effectively 18.52% of the shareholding through NW18 HSN Holding PLC and 31.44% directly.

@Accounted as Joint venture till February 28, 2018. Consolidated as subsidiary w.e.f. March 01, 2018.

\$TV18 Broadcast Limited holds 50% of the shareholding through Viacom18 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.

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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.

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