

Network18 Media & Investments Limited

January 30, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long/Short term Bank Facilities	1,000	CARE AAA; Stable/CARE A1+ (Triple A; Outlook: Stable/A One Plus)	Reaffirmed
Total Facilities	1,000 (Rs. One thousand crore only)		
Commercial Paper (Standalone)	1,500	CARE A1+ (A One Plus)	Reaffirmed
Proposed Non-Convertible Debentures	1,000 (Rs. One thousand crore only)	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned

Details of instruments/facilities in Annexure-1
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 commerce and digital content. Although improved during 9MFY19, the earnings profile of the company still remains weak as a result of gestation losses of the above.

A strong parentage and the company's ability to achieve sustainable profitability while maintaining its leadership position 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 FY18.

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 written content to 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.

Comfortable capital structure: Network18's consolidated overall gearing increased yet stood comfortable at 0.65x as on March 31, 2018 as compared to 0.45x as on March 31, 2017. Total debt as on March 31, 2018 mainly includes short term debt. The company is planning a NCD issue of up to Rs. 1,000 crore. However, post this issuance, the company is expected to maintain the debt at similar levels in the normal course of business.

Comfortable liquidity profile due to high financial flexibility: The company had cash and cash equivalents (including current investments) of around Rs.248 crore as on March 31, 2018. Owing to a comfortable capital structure as well as

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

being a part of strong group like RIL, it enjoys superior financial flexibility. Also, on a standalone basis, the company has no scheduled long-term repayment till FY22 as well as it has low utilization of its bank limits, which provides a comfortable liquidity cushion.

Key Rating Weaknesses

Profitability remains low: The profitability continued to remain low with reduction in net losses in FY18 owing to reduction in marketing and promotional expenses as well as cost optimization in the e-commerce business. While gestation losses in regional news have reduced substantially in 9MFY19, overall net losses continued due to continued investments into newly launched channels Colors Tamil (Q4FY18) and Colors Kannada Cinema (launched in the last week of Q2FY19) and continued losses of HomeShop18 as the business is stressed due to competition from e-commerce and issues around vendor supplies.

High dependence on broadcasting business: The company derives majority of its total income from broadcasting business which is sensitive to ad rates which in turn are influenced by broader economic cycle. During FY18, the revenue from broadcasting business grew by around 16% led by improved ad-industry environment. 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.

Analytical approach: Consolidated

Based on similar line of business and the structure of the Network18 group, CARE has taken a consolidated analytical approach and has included TV18 Broadcast Ltd (51.17% subsidiary of Network18) as well as Viacom18 Media Private Limited (51% subsidiary of TV18).

Applicable Criteria

[Criteria on assigning Outlook 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](#)

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, firstpost.com and IN.com. It has investments in digital commerce properties such as HomeShop18 and bookmyshow.com. 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 subsidiary (Viacom18 Media Pvt Ltd) offers various Hindi/Regional/English General Entertainment Channels and Kids/Music/Youth channels as well. TV18 also has a joint venture with A+E Networks for factual entertainment channels - History TV18 and FYI TV18. 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)	FY17 (A)
Total operating income	1845	1477
PBILDT*	-32	-152
PAT*	-174	-271
Overall gearing (times)	0.64	0.45
Interest coverage (times)	NM	NM

A: Audited

NM: Not Meaningful

Classification as per CARE standards

*Restated FY18 PBILDT Rs. -31 crore and PAT Rs. -173 crore due to merger.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	575.00	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	425.00	CARE AAA; Stable / CARE A1+
Debentures-Non Convertible Debentures	Not issued yet			1000.00	CARE AAA; Stable
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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	575.00	CARE AAA; Stable / CARE A1+	-	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-18)	1)CARE A1+ (06-Feb-17)	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	425.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Jan-18)	1)CARE AAA; Stable / CARE A1+ (06-Feb-17)	-

Annexure-3: List of subsidiaries, associates and joint ventures of Network18 getting consolidated (as on March 31, 2018)

Sr. No.	Name of Company	% holding by Network18
1	Network18 Holdings Limited	100
2	Capital18 Fincap Private Limited	100
3	Television Eighteen Mauritius Limited (TEML)	100
4	Television Eighteen Media and Investments Limited (TEMIL)	100
5	Digital18 Media Limited	100
6	TV18 Broadcast Limited	51.16
7	Infomedia Press Limited	100
8	Network18 Media Trust	100
9	RVT Media Private Limited	51.16
10	ibn18 (Mauritius) Limited	51.16
11	Equator Trading Enterprises Private Limited	51.16
12	Viacom18 Media Private Limited	26.09
13	IndiaCast Media Distribution Private Limited	38.63
14	Viacom18 Media (UK) Limited	26.09
15	Viacom18 US Inc	26.09
16	Roptonal Limited	26.09
17	IndiaCast UK Limited	38.63
18	IndiaCast US Limited	38.63
19	AETN18 Media Private Limited	26.09
20	Panorama Television Private Limited	51.16
21	Web18 Holdings Limited	100
22	E-18 Limited	100
23	e-Eighteen.com Limited	91.95
24	Web18 Software Services Limited	100
25	Moneycontrol Dot Com India Limited	91.95
26	Colosseum Media Private Limited	100
27	Greycells18 Media Limited	74.22
28	IBN Lokmat News Private Limited	25.58
29	Reed Infomedia India Private Limited	100
30	RRB Investments Private Limited	100
31	RRK Finhold Private Limited	100
32	RVT Finhold Private Limited	100
33	Setpro18 Distribution Limited	100
34	Aeon Learning Private Limited	20.47
35	Big Tree Entertainment Private Limited	39.07
36	Eenadu Television Private Limited	24.5
37	24 X 7 Learning Private Limited	37.23
38	TV18 Home Shopping Network Limited	43.64
39	NW18 HSN Holdings PLC	41.2
40	Ubona Technologies Private Limited	50

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