

## TV18 Broadcast Limited

October 01, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	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	750.00 (Rs. Seven hundred fifty 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 commercial paper issue as well as bank facilities of TV18 Broadcast Limited factor in the strong parentage of the company (Reliance group) and strategic importance of the business to the group since it is the largest investment of the group into media and entertainment sector. The ratings also take into account the strong channel portfolio of TV18 coupled with leadership position of the company in various segments of broadcasting and digital industry. The recent earnings profile of the company has improved on account of increase in subscription revenue and broad-based cost optimization.

Further, the ratings are also sensitive to the recovery in advertisement revenues which constitute a major portion of the total consolidated revenue. The advertisement revenue depends on various factors like market competition, the quality and popularity of content being broadcast, trends in the media sector, regulatory changes and the level of economic activity in general, which has been adversely affected due to the Coronavirus pandemic in Q1FY21.

The recent announcement of consolidation of the entire group's media and distribution business into Network18 Media & Investments Limited (NW18; rated CARE AAA; Stable/ CARE A1+, parent entity of TV18) would result in amalgamation of TV18 into NW18. The new simplified structure would reduce the number of listed entities as well as various overheads which will result into cost synergies and create a large media & distribution company having strong market position in both TV broadcasting and cable distribution segments. The scheme is subject to various regulatory approvals and is expected to be completed by Q4FY21.

### Rating Sensitivities

#### Negative Factors

- Sustained decline in PBILDT margin below 6% on account of continued deterioration in advertising revenue
- Deterioration in overall gearing beyond 1.0x on a consolidated basis
- Reduction in strategic importance of the Network18 group to the ultimate parent i.e. RIL

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Financially strong and resourceful parentage:** TV18 Broadcast Limited is a subsidiary of Network18 Media & Investments Limited (Network18). Independent Media Trust, whose sole beneficiary is RIL, holds a majority stake in Network18. RIL (rated CARE AAA; Stable/A1+), 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. Network18 Group is one of the leaders in the Indian Media & Entertainment industry with top five ranking in most of the segments it operates in.

**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 outreach. It is a strategically important business for the group as it is its primary investment in the media segment and considered vital for the 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. Jio Platforms Limited) which is established by the fact that TV18'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, the day-to-day operations and key functions of the

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

company are looked after by the RIL management and amongst the board of directors, two of the members are also present on the board of RIL. This further reiterates the importance of the Network18 group in the overall strategy of RIL.

**Strong and large portfolio of channels with market leading viewership across genres:** TV18 owns and operates the largest network of channels – 56 in India spanning news and entertainment. In addition to this, they also cater to the global Indian audience through 16 international feeds. The news broadcasting business under TV18 (standalone) includes channels with dominant leadership in Business news segment, a fast growing Hindi News channel, and a 14 channel regional news cluster with the highest reach in India. Its subsidiary (Viacom18 Media Pvt. Ltd) is present in several genres of Entertainment, including Hindi/English/Regional/Youth & Music/Kids and is a leader in many of them.

#### **Key Rating Weaknesses**

**Gestation losses for new channels in broadcasting business, albeit reduced:** During FY18, the company, through Viacom18, started a Tamil General Entertainment Channel named Colors Tamil and a new regional movie channel named Colors Kannada Cinema in FY19. During FY20, the company launched another regional movie channel named Colors Gujarati Cinema. The company, through Viacom18, also launched its OTT platform VOOT's first subscription product VOOT Kids in November 2019 and the freemium entertainment offering VOOT Select in March 2020. New initiatives/channels usually have a turnaround time of 3-5 years and thus, going forward as these properties gain traction, the gestation losses would reduce. In addition to the gestation losses of these new initiatives, the company's regional news portfolio continues to incur losses, although, the losses have reduced in FY20 as they continue to gain traction. The company does not intend to launch any new channel in the near to medium term but will continue to invest in the previously launched initiatives to scale them up further; especially the OTT platform VOOT, regional GECs like Colors Tamil and Colors Bangla.

**Recovery in advertisement revenues and risks inherent to cyclicality in the media business:** The company derives its major income from advertisements, which is sensitive to ad rates and volumes which in turn are influenced by the broader economic cycle. During FY20, advertisement had seen some improvement in the first half of the year led by volumes which was in-turn dependent on several factors such as elections in several large Indian states, penetration of regional channels, accrued benefits of NTO implementation which continued to attract advertisers. The second half of FY20 was muted due to economic slowdown as well as absence of major advertising sectors like Automobile, Handsets, Telcos, etc. Further, during Q4FY20, the ad revenue was adversely impacted by the surfacing of Covid-19 pandemic. The ad-revenue declined further during Q1FY21 due to curtailment of spending from the advertisers in the strict lockdown being implemented to contain the spread of Coronavirus.

Easing of lockdown in the current quarter has resulted in some advertisers returning to the market as well as the content production for both national and regional GECs has resumed and is expected to ramp-up in phases.

#### **Liquidity: Strong**

The company, on a consolidated basis, had cash and cash equivalents (including current investments) of around Rs.136 crore as on March 31, 2020. The company does not have any significant repayment obligations. On a standalone basis, the company has low utilization of its bank limits, which provides a comfortable liquidity cushion. The company has not availed moratorium. Moreover, it belongs to a strong group (RIL group) which ensures superior financial flexibility. TV18 has been able to access funds from banks and CP markets at competitive rates. 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 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**

[CARE's policy on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's policy on default recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-financial sector](#)

[Liquidity analysis of Non-financial sector entities](#)

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

### About the Company

TV18 Broadcast Limited is a subsidiary of Network 18 Media & Investments Limited (Network18; rated CARE AAA; Stable/A1+). Independent Media Trust {whose sole beneficiary is Reliance Industries Ltd (RIL; 100% ownership; rated CARE AAA; Stable/CARE A1+)} acquired 73.16% stake (directly and indirectly) in Network18 in July 2014, thus making it a subsidiary of RIL. Network18 is a media and entertainment company with interests across television, digital content, filmed entertainment, e-commerce magazines and allied businesses. Network18 manages various digital businesses including portals such as moneycontrol.com, news18.com and firstpost.com. It also is the largest shareholder in entertainment ticketing platform –bookmyshow. . In addition, Network18 also has presence in the publishing segment and publishes Forbes India, Overdrive, Better Interiors and Better Photography.

Network18 holds a 51.17% stake in TV18 Broadcast Limited, which manages its primary business of broadcasting. On a standalone basis, it currently operates news channels viz. CNN News18, and News18 India in the realm of general news and CNBC-TV18, CNBC Awaaz, CNBC Bazaar and CNBC-TV18 Prime HD in the business news category and 14 regional news channels across India.

TV18, through its subsidiary (51%) Viacom18 Media Private Limited (VMPL; rated CARE AAA; Stable/ CARE A1+) operates an array of entertainment channels. The entertainment portfolio comprises of Hindi general entertainment channels, English entertainment, Youth and Musical entertainment, Kids genre and Regional entertainment channels in six geographies as well. This includes leading channels like Colors, MTV and Nickelodeon. TV18 and Viacom18 have also formed a strategic joint venture called IndiaCast which drives domestic and international channel distribution, placement services and content syndication for the group's channels as well as for other broadcasters. The group also has a presence in the movie business, which it operates through Viacom18 Motion Pictures.

History TV18 is another info-entertainment channel, operated by AETN18, in which the company has a 51% stake with the remaining stake being held by AETN networks.

Brief Financials (Rs. crore)	FY20 (A)	FY19 (A)
Total operating income	5271.36	5017.84
PBILDT	792.04	367.66
PAT	416.71	210.40
Overall gearing (times)	0.39	0.39
Interest coverage (times)	5.60	3.65

A: Audited; Classified as per CARE 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

### 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	-	-	-	750.00	CARE AAA; Stable / CARE A1+
Commercial Paper-Commercial Paper (Standalone)	-	-	7-364 days	750.00	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Commercial Paper-Commercial Paper (Standalone)	ST	750.00	CARE A1+	-	1)CARE A1+ (30-Sep-19)	1)CARE A1+ (22-Feb-19)	1)CARE A1+ (13-Feb-18) 2)CARE A1+ (30-Jan-18) 3)CARE A1+ (18-Oct-17)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	750.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Sep-19)	-	-

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

Sr.No.	Name of companies/ Entities	% of holding
1	AETN18 Media Private Limited	51%
2	IBN Lokmat News Private Limited	50%
3	IndiaCast Media Distribution Private Limited	75.50%
4	IndiaCast UK Limited	75.50%
5	IndiaCast US Limited	75.50%
6	Roptonal Limited	51%
7	Viacom 18 Media (UK) Limited	51%
8	Viacom 18 Media Private Limited	51%
9	Viacom 18 US Inc.	51%
10	Eenadu Television Private Limited (Associate)	24.50%

**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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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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