

## TV18 Broadcast Limited

September 30, 2019

### 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)	Assigned
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 take into consideration the strong parentage of the company (Reliance Industries Limited [RIL] group) and strategic importance of the business to the RIL group since it is the largest investment of the group into media and entertainment sector. The rating also takes 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 advertising as well as subscription revenues and reduction in the gestation losses from the regional news segment.

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 recovery in advertisement revenues which constitute a major portion of the total consolidated revenue.

### 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. Reliance Jio Infocomm 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.

**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 a leader in several genres of Entertainment, including Hindi/English/Regional/Youth & Music/Kids.

#### Key Rating Weaknesses

**Gestation losses for new channels in broadcasting business, albeit reduced:** During FY17, the company and its subsidiaries had launched three regional news channels and a lifestyle channel. Similarly, its subsidiary, Viacom18 had launched channels for Hindi movies, music and Kannada entertainment, and also its OTT platform VOOT. Further, in FY18, the company launched a Tamil General Entertainment Channel named Colors Tamil and a new regional movie channel named Colors Kannada Cinema in FY19. New 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

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

company's regional news portfolio continues to incur losses, although, the losses have reduced by around 41% in FY19 as they continue to gain traction. The management 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 and Colors Tamil.

**Recovery in advertisement revenues and risks inherent to cyclical in the media business:** The company derives its major income from broadcasting business, which is sensitive to ad rates and volumes which in turn are influenced by the broader economic cycle. During FY18, advertisement revenues have seen an improvement owing to increase in ad-spends led by regional elections, launch of new channels and marquee non-fiction programming. However, during Q4FY19, the advertisers had pulled back ad-spends due to lack of stable viewership data which was impacted owing to implementation of new tariff order (NTO), limiting FY19 revenue growth. During the current year, the growth in ad-spends was still weak owing to lesser spends by advertisers led by sluggish economy and there was concentration of advertising around sports owing to Indian Premier League (IPL). However, during Q1FY20, the news ad revenue improved led by election advertising.

#### **Adequate Liquidity**

The company had cash and cash equivalents (including current investments) of around Rs.201.89 crore as on March 31, 2019. The repayments are moderate in the next two years. On a standalone basis, the company has comfortable overall gearing of 0.31x times as on March 31, 2019 as well as low utilization of its bank limits, which provides a comfortable liquidity cushion. 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.

#### **Industry Outlook**

The Indian M&E sector reached Rs.1.67 trillion (USD 23.9 billion) in 2018, a growth of almost 13.4% over 2017. With its current trajectory, it is expected to cross Rs. 2.35 trillion (USD 33.6 billion) by 2021, at a CAGR of 11.6%. While television retained its position as the largest segment, growth is expected to come from digital which will overtake filmed entertainment in 2019 and print by 2021. India's film segment grew by 12.2% in 2018 driven by growth in digital/OTT rights along with overseas theatricals. Net box office collections from Hindi films in 2018 stood at Rs. 3,250 crore, the highest ever for Hindi theatricals.

The Indian Media and Entertainment (M&E) industry is a sunrise sector for the Indian economy and is expected to grow on the back of increase in device penetration, consumer demand for fresh content, lower data tariffs and portability preferences, etc. Top three segments namely, TV, print and films, account for around 75% of the total revenue generation, with TV segment dominating the pie with around 45% revenue share of USD 10.19bn, followed by print with USD 4.68bn and films with USD 2.4bn. TV is the biggest segment in this industry in terms of revenue generation.

India has the largest film industry in the world, in terms of number of films produced and released every year (1,500 to 2,000 films). India is currently an under penetrated market with limited multiplexes, low ticket prices and piracy as the major challenge. Digitisation has made distribution of films more economical with reach to a larger audience, increased advertisement revenues, etc. The Indian film industry is expected to grow further supported by theatre capacity additions and growth in advertising spends in the industry.

#### **Analytical approach:**

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**

[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](#)

#### **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. The JV has also commercially launched a lifestyle channel named FYI TV18, in July 2016.

Brief Financials (Rs. crore)	FY18(A) (after merger)	FY19(A)
Total operating income	1570.56	5018.32
PBILDT	154.17	358.79
PAT	8.93	210.40
Overall gearing (times)	0.25	0.39
Interest coverage (times)	5.72	3.57

A: Audited

Classified as per CARE Standards

\*FY19 and FY18 financial numbers are not comparable as Viacom18 and Indiacast became subsidiaries of TV18 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	-	-	-	750.00	CARE AAA; Stable / CARE A1+
Commercial Paper	-	-	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 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.	Commercial Paper	ST	750.00	CARE A1+	-	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+	-	-	-	-

**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](http://www.careratings.com). 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:**

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