

November 09, 2020

Network18 Media & Investments Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	1,500.0	1,500.0	[ICRA]A1+ reaffirmed
Long-term / Short-term, Fund-based / Non-fund based Bank Facilities	500.0	500.0	[ICRA]A1+ reaffirmed
Total	2,000.0	2,000.0	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in Network18 Media & Investments Limited's (Network18) strong parentage, which lends support to the company's financial profile and provides a significant refinancing ability. The media businesses under Network18 and its 51.17% subsidiary, TV18 Broadcast Limited (TV18, rated [ICRA]A1+) remain strategically important to Reliance Industries Limited's (RIL, rated [ICRA]AAA (Stable) / [ICRA]A1+ and Baa2 (Stable) by Moody's Investors Service) ecosystem approach to digital outreach. Independent Media Trust (IMT), of which RIL is the sole beneficiary, holds a majority stake (73.15%) in Network18. In FY2018, TV18 raised its stake in Viacom18 Media Private Limited (Viacom18), its joint venture (JV) with Viacom Inc., to 51% from 50%, thereby gaining operational control of the JV, further reiterating the Group's commitment to the media business. The strategic importance of the media business to the RIL Group, given that this is the largest investment of the Group in the media and entertainment segment, augurs well for the future business growth of the company. The Network18 Group has diversified presence across media segments and genres including television, films, publishing and internet, and is the largest investment of the RIL Group in the media and entertainment segment. Despite the adverse impact of Covid-19 on advertisement spending, which resulted in a YoY decline of 23% in Network18's consolidated revenues during H1 FY2021 (as per provisional financials), the company was able to report a strong YoY improvement in its operating profit margin (OPM) to 10.3% during H1 FY2021 (as per provisional financials), against an OPM of 5.1% in H1 FY2020, driven by broad-based cost controls across business lines.

The rating remains exposed to the risks inherent to the media and entertainment industry in terms of linkage of advertisement revenue-driven business profile to cyclicity in advertisement spends by corporates and the working capital-intensive nature of the operations because of an extended receivable cycle. However, the ratings draw comfort from the healthy net distribution income and a strong subscription revenue stream (which are relatively more stable) attributable to the implementation of the new tariff order (NTO) from March 01, 2019. ICRA notes the rising competition with an increase in the total number of channels in the mass content as well as the niche segments, coupled with the emergence of alternative content delivery platforms, such as digital media, resulting in fragmentation of the viewership. Network18's profitability has remained weak due to gestation losses from the channel launches in the broadcast/ng business in the past and losses incurred for expansion of its various digital initiatives (VOOT International / VOOT Kids/ VOOT Select, News18.com and firstpost.com). Apart from the

above investments, recurring funding commitments to support investment requirements of its key associate companies (bookmyshow.com and Homeshop18 – the company exited the latter in Q1 FY2020) and increase in working capital requirements for the broadcasting business resulted in an increase in Network18's consolidated debt to Rs. 3,045.4 crore as on March 31, 2019, which has since remained stable. Nevertheless, high debt levels and modest consolidated OPM continue to pressurise the company's consolidated debt protection metrics.

The investments in the digital initiatives and VOOT, Viacom18's over-the-top (OTT) platform, are likely to continue, given the significant potential of the digital platform and the potential synergies with Jio. The company's ability to monetise the platform through a sustainable business model (such as subscription revenues which is currently at a nascent stage) in the medium term, however, will be crucial. Apart from a meaningful recovery in the macro-economic scenario post the Covid-19 pandemic, Network18's ability to maintain its leadership position across genres and the resultant share in the advertisement revenue pie will remain critical to sustain its revenue growth. Furthermore, a scale-up in revenues of the regional news channel portfolio (news business has high operating leverage) and regional general entertainment channels (RGEC) business and continued judicious investments in digital initiatives will be the critical drivers for the company's overall revenue growth and profitability.

On February 17, 2020, Network18 intimated the stock exchanges regarding a scheme of amalgamation and arrangement amongst Network18, TV18, DEN Networks Limited (DEN) and Hathway Cable & Datacom Limited (Hathway). Under the scheme, DEN, Hathway and TV18 will merge into Network18 with effect from February 1, 2020, subject to receipt of necessary approvals. The scheme seeks to consolidate RIL's media and distribution business spread across multiple entities into Network18. The above scheme will improve Network18's financial risk profile with the consolidated entity expected to be net debt neutral. ICRA will continue to monitor the developments until the conclusion of the transaction.

Key rating drivers and their description

Credit strengths

Strong parentage of Network18; strategically important business for RIL in the media and entertainment sector – ICRA derives strong comfort from the parentage of Network18. IMT, of which RIL is the sole beneficiary, holds a majority stake in Network18. RIL is India's largest private sector enterprise with presence across the energy value chain, apart from its presence in retail, oil marketing and telecom segments. ICRA expects the RIL Group to continue to provide financial support, whenever required, to Network18, as it is a key player in the media value chain that RIL is focusing on.

The RIL management considers the media businesses as a key element for the Group's telecom thrust and the digital businesses and a key content provider for the telecom operators. The latter is likely to benefit from the synergies with the telecom venture and the overall increasing 4G and broadband penetration. The RIL Group's commitment to the media business was reiterated by the increase in its stake during Q4 FY2018 in TV18's key JV, Viacom18, to 51% from 50%, thereby providing operational control to TV18.

Holding company of Network18 Group, with diversified media platforms including television, films, publishing and digital – Network18 is the operating and holding company of the Network18 Group. Network18's key direct and indirect investments include TV18 (listed subsidiary), Viacom18 (a 51-49 JV between TV18 and Viacom Inc.), moneycontrol.com and key associate BookMyShow, involved in the business of digital commerce. Amongst these investments, TV18 (including Viacom18), with a strong portfolio of channels across genres, is the most significant driver of the Group's revenues (~95%) and is also the primary contributor to its operating profits. The standalone

business profile of Network18 comprises revenues from the digital content, publishing and allied business segments. At present, the Group publishes three magazines—Forbes, Overdrive and Better Photography.

Consolidation of media and distribution businesses under the Network18 umbrella is a credit positive – On February 17, 2020, TV18 intimated the stock exchanges regarding a scheme of amalgamation and arrangement amongst Network18, TV18, DEN and Hathway. Under the scheme, DEN, Hathway and TV18 into Network18 with effect from February 1, 2020, subject to receipt of necessary approvals. The scheme seeks to consolidate RIL's media and distribution business spread across multiple entities into Network18. The above scheme will improve Network18's financial risk profile with the consolidated entity expected to be net debt neutral. ICRA will continue to monitor the developments until the conclusion of the transaction.

Credit challenges

Weak standalone financial profile of the company; dependence on refinancing largely mitigated by financial support from TV18 and refinancing ability due to strong parentage – Network18 is largely a holding company with modest standalone operations. In the past few years, the debt levels of the company have increased considerably in view of the losses at standalone level and the recurring funding requirements to support the expansion / losses of its subsidiaries and associates, chiefly, Homeshop18 (exited completely in FY2020) and bookmyshow.com. The company exited Homeshop18 completely in Q1 FY2020 (after writing off nearly Rs. 579 crore) and had made a large investment in Big Tree Entertainment (bookmyshow.com) in Q1 FY2019 because of which it remains well capitalised even now; thus, no major investment requirements are expected in the next 12 months. With a limited cash generation ability of its own, the standalone entity requires significant refinancing, apart from financial support from its subsidiary TV18, which has healthy cash generation ability. ICRA nevertheless derives strong comfort from the company's parentage, which lends support to the company's financial profile and provides significant refinancing ability.

Gestation losses of new channels and continued investments in various digital businesses affect profitability and debt protection metrics – The Group had launched three news channels, three RGECS (including two high definition or HD feeds) and one infotainment channel in FY2017. Furthermore, it launched a Tamil GEC in Q4 FY2018 and a Kannada movie channel in Q2 FY2019 with Bangla and Gujarati channels launched in FY2019. VOOT international, a digital initiative, was launched in Q4 FY2019. VOOT Kids and VOOT Select, its subscription model, were subsequently launched in Q3 FY2020 and Q4 FY2020, respectively. The gestation phase of these channels has constrained the improvement in Network18's OPM.

Network18's investment in digital properties, News18.com, Firstpost, and its OTT application, VOOT (under Viacom18) and other digital initiatives has resulted in losses for the Group and are likely to remain in the investment mode (largely in the nature of operating expenditure), given their significant potential and advertisement revenue shift towards digital. Its ability to monetise the above through a sustainable business model in the medium term will be crucial. The subdued profitability and the high debt levels have continued to pressurise the company's debt protection metrics.

Vulnerability of advertisement revenues to economic slowdown, viewership trends and competition – The media and entertainment industry remains vulnerable to cyclicity in advertisement spends by corporates and the rising competitive intensity with an increase in the total number of channels in the mass content and niche segment. The above factors challenge the company's ability to retain market share and by implication, its advertisement revenue share. The implementation of the NTO with effect from March 01, 2019 resulted in

increased transparency on channel pricing and content deals with the distribution platform operators (DPOs), as reflected in a robust and stable subscription revenue stream for Network18, partly compensating for the decline in advertisement revenues. Nevertheless, the pace of recovery in macro-economic prospects, post the pandemic, will be critical to drive the overall industry as well as Network18's advertisement revenue growth. Furthermore, any dramatic shift towards the digital medium away from the television medium is a key overhang for the sector, especially if its own OTT platform, VOOT, is not able to garner higher market share.

Liquidity position: Adequate

At the Network18 standalone level, the company has modest level of operations and it continues to make losses due to investments in its digital initiatives. The company is largely dependent on refinancing and raising additional debt for meeting any incremental funding requirements since its financial risk profile is modest. This apart, the company gets financial support from its subsidiary, TV18, which has been extending loans (Rs. 373.0 crore as on September 30, 2020) to Network18 to support its operations. The company also has access to unutilised fund-based bank lines (Rs. 460.0 crore as on September 30, 2020), which provides adequate cushion for loss funding and for any commercial paper repayments. Furthermore, ICRA expects Network18's ultimate parent, RIL, to extend timely financial support to it, should there be a need.

Rating sensitivities

Positive triggers – Not applicable.

Negative triggers – Change in the credit profile of the ultimate parent company, RIL, or reduction in majority stake by RIL in Network18 or any of its key subsidiaries or indication of reduced support to Network18 and/or further deterioration in Network18's consolidated financial risk profile might result in downward pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Media Broadcasting Industry Impact of Parent or Group Support on an Issuer's Credit Rating
Parent / Group Support	Parent / Group Company: RIL Group. IMT, of which RIL is the sole beneficiary, holds a majority stake in Network18. ICRA expects the RIL Group to continue providing support, whenever required, to Network18 as it is a key player in the media value-chain that RIL is focusing on.
Consolidation / Standalone	The rating is based on the consolidated financial profile of the company. As on March 31, 2020, the company had 15 subsidiaries, four associates, two JVs and 16 subsidiaries of associates that are enlisted in Annexure-2.

About the company

Network18 Media and Investments Limited is a media and entertainment company with interests in television broadcasting, internet, filmed entertainment, digital commerce, magazines, and allied businesses. Network18 manages various internet businesses, including portals such as moneycontrol.com, news18.com, firstpost.com and in.com. It also has investments in e-commerce properties such as bookmyshow.com and yatra.com. Homeshop18, which operated the digital commerce platform, ceased to be an associate with effect from June

06, 2019 and the company subsequently exited the venture by selling off its residual stake subsequently during Q1 FY2020. In addition, Network18 is also present in the publishing segment and publishes *Forbes India*, *Overdrive*, *Better Interiors* and *Better Photography* magazines. Network18 also has allied investments in Colosseum, Toppers, Ubona and other companies.

Through its 51.17% subsidiary, TV18 Broadcast Limited, the Group operates news channels like CNBC TV18, CNBC Awaaz, CNBC Bajar, CNBC TV18 Prime HD, CNN News18, News18 India, News18 Lokmat (a Marathi regional news channel in partnership with the Lokmat Group) and 13 regional news channels under the News18 umbrella.

TV18 also operates a 51:49 JV with Viacom Inc., called Viacom18 Media Private Limited. Viacom18 houses a portfolio of GECs, niche channels and movie channels such as Colors, Colors Rishtey and Rishtey Cineplex, MTV India, MTV Beats, Comedy Central, Colors Infinity, Vh1, Nick, Sonic, and Nick Jr and RGEs in six geographies under the brand Colors, including various HD feeds of entertainment channels. It also houses the Group's filmed entertainment business under Viacom18 Motion Pictures. In May 2016, Viacom18 launched VOOT, its exclusive digital video application in the OTT space; subsequently the company launched expansions - VOOT International and VOOT Kids in Q4 FY2019 and Q3 FY2020, respectively, with VOOT Select being launched in Q4 FY2020.

AETN18, a 51:49 JV between TV18 and A&E Television Networks, operates an infotainment channel, History TV18.

Network18 is also the largest shareholder (~39%) in the entertainment ticketing platform Bookmyshow.

As per H1 FY2021 results, Network18 (consolidated) reported net sales of Rs. 1,868.0 crore and a net profit (excluding share of profit / loss from associates / JVs and non-controlling interest) of Rs. 17.0 crore.

Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	5,116.2	5,357.2
**PAT (Rs. crore)	-123.3	104.4
OPBDIT/OI (%)	4.2%	11.4%
**PAT/OI (%)	-2.4%	1.9%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	1.7
Total Debt/OPBDIT (times)	14.3	*5.6
Interest Coverage (times)	1.1	2.6

**Does not include share of profits from JVs / associates and non-controlling interest.

*Includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2021)				FY2020	Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Rating Nov-09-2020, Apr-14-2020		FY2019		FY2018	
							Jan-25- 2019	Aug-03-2018	Feb-14- 2018	Aug-01-2017/May-26-2017
1	Commercial Paper Programme	Short-term	1,500.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Borrowing Programme (Bank Loan / NCD)	Long-term	0.0	-	-	[ICRA]AA+ (Negative) Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3	Fund-based Limits	Short-term	30.0	-	[ICRA]A1+	[ICRA]AA+ (Negative) Withdrawn/ [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	-	-	-
4	Fund-based Limits	Long-term / Short-term	-	-	-	[ICRA]AA+ (Negative) Withdrawn/ [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+
5	Unallocated Limits	Short-term	470.0	-	[ICRA]A1+	[ICRA]AA+ (Negative) Withdrawn / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
NA	Commercial Paper Programme	NA	NA	7-364 days	1,500.0	[ICRA]A1+
NA	Overdraft / Working Capital Demand Loan	NA	NA	NA	30.0	[ICRA]A1+
NA	Short-term Unallocated Limits	NA	NA	NA	470.0	[ICRA]A1+

Source: Network18

Annexure-2: List of entities considered for consolidated analysis (as on March 31, 2020)

Company Name	Ownership	Consolidation Approach
Network18 Media Trust	100.00	Full Consolidation
TV18 Broadcast Limited	51.17	Full Consolidation
Infomedia Press Limited	50.69	Full Consolidation
AETN18 Media Private Limited	51.00	Full Consolidation
e-Eighteen.com Limited	91.95	Full Consolidation
Moneycontrol Dot Com India Limited	100.00	Full Consolidation
NW18 HSN Holdings Plc	40.69	Equity Method
* Television Home Shopping Network Limited (formerly known as TV18 Home Shopping Network Limited)	49.96	Equity Method
*Shop CJ Network Private Limited	49.96	Equity Method
Colosseum Media Private Limited	100.00	Full Consolidation
Greycells18 Media Limited	89.69	Full Consolidation
IBN Lokmat News Private Limited	50.00	Equity Method
Viacom18 Media Private Limited (Viacom18)	51.00	Full Consolidation
Viacom18 Media (UK) Limited	100.00	Full Consolidation
Viacom18 US Inc	100.00	Full Consolidation
Roptonal Limited	100.00	Full Consolidation
Indiacast Media Distribution Private Limited (Indiacast)	100.00	Full Consolidation
Indiacast UK Ltd	100.00	Full Consolidation
Indiacast US Ltd	100.00	Full Consolidation
Ubona Technologies Private Limited	50.00	Equity Method
Eenadu Television Private Limited	24.50	Equity Method
Big Tree Entertainment Private Limited	39.29	Equity Method
Spacebound Web labs Private Limited	100.00	Equity Method
Big Tree Entertainment Singapore Pte Ltd.	78.13	Equity Method
Fantain Sports Private Limited	75.89	Equity Method
PT Big Tree Entertainment Indonesia	100.00	Equity Method
Big Tree Entertainment Lanka (Pvt) Limited	100.00	Equity Method
Dyulok Technologies Private Limited	77.29	Equity Method
Foodfesta Wellcare Private Limited	100.00	Equity Method
Big Tree Entertainment DMCC	100.00	Equity Method

Townscript USA, Inc.	100.00	Equity Method
Townscript PTE. Limited, Singapore	100.00	Equity Method
Bookmyshow Live Private Limited (earlier known as Nomobo Entertainment Private Limited)	100.00	Equity Method
Big Tree Sport & Recreational Events Tickets Selling L.L.C	49.00	Equity Method
Bookmyshow Venues Management Private Limited (earlier known as Go2space Event Management Private Limited)	100.00	Equity Method
Bookmyshow SDN. BHD	100.00	Equity Method
TribeVibe Entertainment Private Limited (w.e.f. 12th June, 2019)	100.00	Equity Method

* upto June 06, 2019

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