February 27, 2020

Den Networks Limited: Rating placed on watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. Crore)	Rating Action
Fund-based Term Loans	393.85	0.00	[ICRA]AA- &; placed on watch with developing implications and withdrawn
Fund-based Working Capital Facilities	105.00	470.00	[ICRA]AA- &; placed on watch with developing implications
Non-fund Based Working Capital Facilities	15.00	30.00	[ICRA]A1+ &; placed on watch with developing implications
Unallocated Limits	135.35	36.60	[ICRA]AA- & / [ICRA]A1+ &; placed on watch with developing implications
Total	**649.20**	**536.60**	

Instrument details are provided in Annexure-1; &: watch with developing implications

Material Event

On February 17, 2020, Den Networks Limited (DEN) intimated the stock exchanges regarding a scheme of amalgamation and arrangement among Network18 Media & Investments Limited, TV18 Broadcast Limited, DEN, and Hathway Cable & Datacom Limited. Under the scheme, DEN, Hathway and TV18 will merge with Network18 with effect from February 1, 2020, subject to the receipt of necessary approvals. The scheme seeks to consolidate Reliance Industries Limited's (RIL, rated [ICRA]AAA (Stable)/ [ICRA]A1+) media and distribution business, spread across multiple entities, into Network18.

Impact of the Material Event

ICRA has taken note of the above event and has placed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) and the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] outstanding on the bank facilities of DEN on rating watch with developing implications. ICRA will continue to monitor the developments and conclude the rating post the completion of this transaction, which is expected by Q2 FY2021. The consummation of the scheme would cause Network18 to subsume DEN.

The rating continue to reflect the strong parentage (Reliance Group) and the concomitant robust credit profile of the company; the infusion of significant equity funds and the deleveraging of balance sheet, coupled with favourable regulatory developments over the past year in its key operative segment viz. cable TV. ICRA also takes cognizance of DEN's status as one of the largest multi-system operators (MSOs) in India. Barring transitioning-related issues faced in H1 FY2020, the implementation of the new tariff order (NTO) for the broadcasting and cable services sector has led to an improvement in the profitability and cash flows for DEN. The company was a net debt negative company

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

as on December 31, 2019. The ratings are, however, constrained by expectation of subdued profitability and return indicators over the medium term driven by extensive capital expenditure (capex) plans while facing competitive pressures on average revenue per user (ARPU) in both broadband (from telecom players) and cable segments (from other MSOs, direct-to home or DTH players and internet-based over-the-top (OTT) services). The developments regarding amendments to the NTO, to be implemented with effect from March 01, 2020, and their possible impact on the cable TV industry also remain a monitorable.

The previous detailed rating rationale is available on the following link: Click here

Rating history for last three years:

	Instrument	Current Rating (FY2020) Type	Amount Rated (Rs. crore)	Amount Outstanding as on 30-Nov-19 (Rs. crore)	Date & Rating 27-Feb-20	7-Jun-19	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 25-Oct-18	9-May-18	Date & Rating in FY2018 15-Dec-17	Date & Rating in FY2017 25-Jan-17/ 18-Jan-17/ 28-Sep-16
1	Term Loans	Long Term	393.85	Nil	[ICRA]AA-&; Withdrawn	[ICRA]AA- (Stable)	[ICRA]A% Placed on watch with positive implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)
2	Fund Based working capital facilities	Long Term	470.0	224.9	[ICRA]AA- &; on watch with developing implications	[ICRA]AA- (Stable)	[ICRA]A% Placed on watch with positive implications	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)
3	Letter of Credit & Bank Guarantee	Short Term	30.00	--	[ICRA]A1+&; on watch with developing implications	[ICRA]A1+	[ICRA]A1% Placed on watch with positive implications	[ICRA]A1	[ICRA]A1	[ICRA]A2+
4	Unallocated Limits	Long Term/ Short Term	36.6	--	[ICRA]AA-&/ [ICRA]A1+&; on watch with developing implications	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]A%/ [ICRA]A1% Placed on watch with positive implications	[ICRA]A (Stable)/ A1	[ICRA]A (Stable)/ A1	[ICRA]A- (Stable)/ A2+

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 and Outlook
NA	Fund-based Working Capital	June-19/ Nov-19	NA	NA	470.0	[ICRA]AA-&
NA	Letter of Credit / Bank Guarantee	Nov-19	NA	NA	30.00	[ICRA]A1+&
NA	Unallocated Limits	NA	NA	NA	36.60	[ICRA]AA-& / A1+&

Source: DEN

&: watch with developing implications

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About ICRA Limited:

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