TV18

October 1, 2019

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, Plot No. C/1,
G-Block Bandra-Kurla Complex,
Bandra (E) Mumbai – 400 051

Trading Symbol: **TV18BRDCST**

BSE Limited
Department of Corporate Services- Listing
P J Towers
Dalal Street
Mumbai – 400 001

SCRIP CODE: **532800**

Sub: Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 - Credit Rating

Dear Sirs,

We would like to inform following updates on the Credit Ratings assigned to the below detailed instruments / programme of the Company by ICRA Limited ('ICRA'):

1. Reaffirmed rating of [ICRA]A1+ for the commercial paper programme of up to Rs. 750 crore and the short-term bank facilities of up to Rs. 750 crore.

2. Revised rating of the long-term bank facilities of up to Rs. 750 crore to [ICRA]AA+(Negative) from [ICRA]AAA(Stable). This long-term rating was withdrawn at the Company's request.

Ratings Rationale from ICRA dated October 1, 2019 is attached herewith.

You are requested to take the above information on record.

Thanking you,

Yours faithfully,
For **TV18 Broadcast Limited**

Deepak Gupta
Company Secretary

Encl: a/a.

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(CIN – L74300MH2005PLC281753)
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TV18 Broadcast Limited

October 01, 2019

TV18 Broadcast Limited: Short-term rating of [ICRA]A1+ reaffirmed; long-term rating downgraded to [ICRA]AA+ (Negative) and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	750.0	750.0	[ICRA]A1+ reaffirmed
Long-term Fund-based / Non-fund Based Bank Facilities	750.0	750.0	Short-term rating of [ICRA]A1+ reaffirmed; long-term rating downgraded to [ICRA]AA+ (Negative) from [ICRA]AAA (Stable) and withdrawn
Total	**1,500.0**	**1,500.0**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has re-affirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to TV18 Broadcast Limited (TV18)'s commercial paper programme of Rs. 750 crore and bank facilities of Rs. 750 crore. ICRA has also downgraded the long-term rating assigned to TV18's bank facilities of Rs. 750 crore to [ICRA]AA+ (pronounced ICRA double A plus) with Negative outlook from [ICRA]AAA (pronounced ICRA triple A) with Stable outlook and withdrawn the same. This rating withdrawal is in accordance with ICRA's policy on withdrawal and suspension based on the no objection certificates provided by the company's bankers and as desired by the company.

The revision in the long-term rating and outlook factors in the continued weak financial risk profile of TV18 and its parent, Network18 Media & Investments Limited (Network18), as reflected by the pressure on its debt protection metrics and return indicators in FY2019. Apart from new channel launches (Colors Tamil and Colors Kannada Cinema), significant investments in its over-the-top (OTT) platform, VOOT (under its 51% joint venture (JV), Viacom18 Media Private Limited (Viacom18)) has constrained the improvement in TV18's profitability. Despite ~41% YoY reduction in losses in the regional news portfolio to Rs. 74.0 crore in FY2019, it remains in the scale-up mode and is expected to break even in the near to medium term. This apart, increased funding support to Network18 (loans and advances of Rs. 612.2 crore as on March 31, 2019, an increase from Rs. 337.4 crore as on March 31, 2018) and an increase in working capital requirements resulted in higher consolidated borrowings of Rs. 1,619.8 crore as on March 31, 2019, as against Rs. 1,001.6 crore as on March 31, 2018 for TV18. The ratings remain constrained by the risks inherent to the media and entertainment industry in terms of linkage of advertisement revenue-driven business profile to cyclicality in advertising spends by corporates and the working capital-intensive nature of operations because of an extended receivable cycle. However, the ratings draw comfort from the healthy net distribution income and the expected growth in subscription revenues (which are relatively more stable) attributable to the implementation of the new tariff order (NTO) in FY2019. ICRA notes the rising competition with an increase in the total number of channels in the mass content as well as niche segments, coupled with the emergence of alternative content delivery platforms such as digital media, resulting in fragmentation of viewership. TV18'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, scale up in revenues of the regional news channel portfolio along with reduction in losses, and containment of losses in VOOT will be critical drivers for the company's overall revenue growth and profitability.

The challenges are, to a large extent, mitigated by TV18's strong parentage, which lends support to the company's financial profile and provides significant refinancing ability. The media businesses under TV18 and its parent, Network18, remain strategically important to Reliance Industries Limited's (RIL's) ecosystem approach to digital outreach. Independent Media Trust (IMT), of which RIL (rated [ICRA]AAA (Stable) / [ICRA]A1+ and Baa2 Stable by Moody's Investors Service) is the sole beneficiary, holds a majority stake (73.15%) in Network18. In FY2018, TV18 raised its stake in Viacom18, its 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 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 ratings continue to factor in the diversified offerings of TV18's broadcasting business across genres, including entertainment channels in Hindi, English and six regional languages, business news channels in Hindi, English and Gujarati, and general news channels in Hindi, English and 14 regional news channels. The channel bouquet strength, coupled with the healthy market share in terms of viewership ratings, as reflected by its 11.5% [pre-new tariff order (NTO)] overall market share in the news genre and 11.7% market share (pre-NTO) in the entertainment genre (for FY2019), have supported the advertisement revenue growth for the company. ICRA also notes the scheme of amalgamation, wherein the company has merged all of its wholly-owned subsidiaries with itself, which has streamlined the Group structure and has resulted in tax efficiencies.

Key rating drivers and their description

Credit strengths

Strong parentage of TV18 – ICRA derives strong comfort from the parentage of TV18, a 51.17% subsidiary of Network18. RIL is the sole beneficiary of IMT, which holds the majority stake in Network18. RIL is India's largest private sector enterprise with presence across the energy value chain, apart from retail, oil marketing and telecom sectors. ICRA expects the ultimate parent, the RIL Group, to continue providing support to TV18, whenever required, as it is a key player in the media value chain that RIL is focusing on.

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

Strong bouquet of channels across genres with healthy market share in viewership ratings and advertisement revenues – The standalone business profile of TV18 comprises the general and business news channels— CNBC TV18, CNBC Awaaz, CNBC Bajar, CNN News18, News18 India and regional news channels. At the consolidated level, including its key JV, Viacom18, the company's business profile includes Hindi and English general entertainment channels (GECs), infotainment, regional entertainment and news channels, as well as the content-asset monetisation business. TV18 thus has a strong bouquet of channels across genres, as reflected by its healthy market share in viewership ratings. Its share in the overall news genre increased to 11.5% (pre-NTO) in FY2019 from ~9% in FY2017 (source: company presentation/annual report) with the launch of new channels, along with the consolidation and growth of its existing channels. Furthermore, Viacom18's share of entertainment viewership remained steady at ~11.7% (pre-NTO) in FY2019.

NTO to have positive effects over the near to long-term – The implementation of the NTO is a positive for TV18 and the Network18 Group in the near to long-term. The new regime resulted in increased transparency on channel pricing and content deals with the multiple system operators (MSOs) and direct-to-home (DTH) players. This has provided a fillip to the Network18 Group's subscription revenues, as evident during Q1 FY2020 when it reported a 48% YoY growth in subscription revenues. The subscription revenue growth in FY2020 is expected to help the company partly offset the decline in advertising revenues due to the ongoing economic slowdown and conversion of its free-to-air (FTA) channels to pay channels and lend stability to its revenues over the long-term.

Credit challenges

Gestation losses of new channels and continued investments in VOOT impacting profitability – The company launched three news channels, three regional entertainment channels (including two high definition (HD) feeds) and one infotainment channel in FY2017. Furthermore, it launched a Tamil general entertainment channel in Q4 FY2018 and a Kannada movie channel during Q2 FY2019 and VOOT International, a digital initiative in Q4 FY2019. VOOT Kids was subsequently soft launched in Q1 FY2020. The gestation phase of these channels and digital initiatives has constrained the improvement in its profitability. The investments in the OTT platform are likely to continue, given the significant potential of the digital platform. Its ability to monetise the same through a sustainable business model over the medium term will be crucial as the business remains in gestation mode. Additionally, the company's regional news portfolio remains in scale-up mode. An increase in Government spending and election-related advertising spends, along with prudent cost management has, nevertheless, helped prune losses for the regional news portfolio in FY2019. Though there was a general improvement in the advertising environment during Q2 and Q3 FY2019, the disruption in viewership owing to the implementation of the NTO and conversion of FTA channels to pay channels led to adverse short-term impact on advertising and subscription revenues in Q4 FY2019. The above factors resulted in a strain on the company's profitability in FY2019, which, along with an increase in its consolidated debt levels adversely impacted TV18's debt protection metrics.

Modest financial profile mitigated by strong parentage – Though the company's standalone operating performance improved in FY2019 with a reduction in losses for regional news channels, its debt levels have increased mainly to support Network18's operations and investment requirements. As on March 31, 2019, TV18 had advanced Rs. 612.2 crore to Network18, with Rs. 275.0 crore advanced in FY2019, which continues to strain its debt protection metrics. ICRA derives strong comfort from its parentage, which lends support to the company's financial profile and provides significant refinancing ability.

Intense competition in mass and niche content channels restricting market share and advertisement revenue – The media and entertainment industry remains linked to cyclicality in advertising spends by corporates. In addition, with increasing competition across genres and the emergence of alternative content delivery platforms such as digital media resulting in fragmentation of viewership, the company's ability to maintain its leadership position and the resultant share in advertisement revenue pie will remain crucial.

Liquidity position: Adequate

At the standalone level, TV18's profitability in the broadcasting business remains adequate and it generates good cash flow from operations. The increase in borrowings in FY2019 was partly to fund the company's losses in the regional news channels and on account of funding support to Network18. It has access to the unutilised fund-based standalone bank lines of Rs. 261.0 crore as on July 31, 2019, which provides adequate cushion. ICRA, moreover, derives significant comfort from its strong parentage, which can help to it meet any short-term funding mismatch and provides considerable refinancing flexibility.

Rating sensitivities

Positive triggers – Not applicable.

Negative triggers – Change in the rating of the ultimate parent company, RIL, or reduction in majority stake by RIL in Network18 or any of its key subsidiaries and/or further deterioration in TV18'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:** IMT, of which RIL is the sole beneficiary, holds a major stake in Network18, which has a 51.17% stake in TV18. ICRA expects the ultimate parent, RIL Group, to continue providing support to TV18, whenever required, as it is as a key player in the media value-chain that RIL is focusing on.
Consolidation/Standalone	Rating is based on the consolidated financial profile of the company. As on March 31, 2019, it had eight subsidiaries, an associate and a JV, which are all listed in Annexure-2.

About the company

TV18 Broadcast Limited is the broadcast arm of media conglomerate Network18 Media & Investments Limited. TV18 operates the news channels—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 brand, News18.

TV18 also operates a 51:49 JV with Viacom Inc., called Viacom18 Media Private Limited. Viacom18 houses a portfolio of entertainment channels such as Colors, Colors HD, Rishtey, Rishtey Cineplex, MTV India, MTV Indies, Comedy Central, Colors Infinity, Vh1, Nick, Sonic and Nick Jr and regional entertainment channels in 6 geographies under the brand, Colors. This includes various HD feeds of entertainment channels and Viacom18 Motion Pictures, the Group's filmed entertainment business. 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 Q1 FY2020, respectively. Furthermore, in February 2018, Viacom18 launched Colors Tamil, the Group's foray into the Tamil regional entertainment market. The company launched its second movie channel and its first regional movie channel, Colors Kannada Cinema, in September 2018, taking the number of RGECs to eight. It recently launched another movie channel, Colors Gujarati Cinema to further strengthen its presence in the Gujarati regional space.

AETN18, a JV between TV18 and A&E Television Networks, operates two channel brands — History TV18 (an infotainment channel) and FYI TV18 (a lifestyle channel).

As per Q1 FY2020 results, TV18 (consolidated) reported net sales of Rs. 1,197.5 crore and a profit after tax (PAT) (excluding share of profit / loss from associates / JVs and non-controlling interest) of Rs. 11.2 crore.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	1,475.2	4,942.7
**PAT (Rs. crore)	-60.2	174.7
OPBDIT/OI (%)	3.9%	6.4%
RoCE (%)	0.4%	4.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.9
Total Debt/OPBDIT (times)	17.3	5.1
Interest Coverage (times)	2.1	3.2
DSCR	0.1	0.6

**FY2019 financials are not comparable to FY2018 since FY2018 includes consolidation of Viacom18 and Indiacast with effect from March 01, 2018.*

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None