Network 18 Media & Investments Ltd — 16 Dec 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** (CARE AAA / CARE A1+); No notches moved.
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Strong Parentage:** Backed by Reliance Industries (RIL); rating floors at AAA due to RIL's "strategic importance" and moral obligation. 2. **Operational Consolidation:** Merger of TV18 and E18 into Network18 (effective Oct 2024) simplifies the structure. 3. **Disney-Viacom18 JV:** Transfer of media/JioCinema assets to Star India (SIPL); Network18 retains 13.54% diluted stake in VMPL. 4. **Deleveraging:** Overall gearing improved to **0.33x** (Sept 2024) from 1.32x (Mar 2023) following ₹15,145 Cr equity infusion in Viacom18.
Rated Instruments	1. **Commercial Paper:** ₹2,250 Cr
Key Observations	• **Revenue Growth:** Consolidation grew TOI by 49% to **₹9,297 Cr** in FY24, driven by sports (IPL). • **Severe Margin Pressure:** Reported **Net Loss of ₹348 Cr** in H1FY25 due to high content costs and weak ad environment. • **Market Leadership:** Dominant in English/Hindi/Business news (CNBC TV18, CNN News18, News18 India). • **Digital Cash Burn:** Digital news and print businesses continue to incur net losses despite revenue growth. • **Interest Coverage:** "Not Meaningful" (NM) for H1FY25 and FY24 due to negative PBILDT. • **Investment Intensity:** Frequent need for content spend (Sports/OTT) necessitates high liquidity.
Investor Impact	• **Margins:** Negative; equity upside is capped by heavy investment cycles and "net loss" status. • **Growth:** Driven by the Disney JV synergy; however, Network18 is now more of a holding entity for the 13.54% VMPL stake. • **Leverage:** Excellent credit safety but poor earnings quality. • **Dilution Risk:** Low; RIL is committed to funding via equity/debt to maintain the "AAA" profile.
Agency / Cross Analysis	**Same Agency:** CARE maintains the highest rating despite deteriorating P&L (Interest coverage is NM). **Drivers:** Rating is increasingly decoupled from standalone financials and purely driven by **Parental Support (RIL)**. **Conclusion: Improvement in Balance Sheet** (Gearing 0.33x) but **Deterioration in Profitability** (Losses widening).
Final Inference	**Real improvement in Capital Structure (Debt reduction), but a Risk Signal for Equity.** The rating is a "Reliance Proxy," not a reflection of Network18's independent profitability. For equity investors, the focus shifts to the valuation of the 13.54% stake in the new Disney-Reliance mega-JV.