February 25, 2022

Planetcast Media Services Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loans	40.00	39.20	[ICRA]A+(Stable); reaffirmed
Fund-based - Working Capital Facilities	10.00	61.00	[ICRA]A+(Stable); reaffirmed
Non-fund Based - Working Capital Facilities	30.00	22.00	[ICRA]A1; reaffirmed
Fund Based/ Non-fund Based – Working Capital Facilities	-	102.00	[ICRA]A+(Stable)/[ICRA]A1; reaffirmed
Total	**80.00**	**224.20**	

**Instrument details are provided in Annexure-1*

Rationale

While assigning the ratings, ICRA has taken a consolidated view of Planetcast Media Services Limited (PMSL) and its subsidiaries — Planetcast Technologies Limited (PTL), Cloudcast Digital Limited (CDL), Planetcast Broadcasting Services Limited (PBSL) and Adore Technologies Pte Limited (Adore) — given their common management and financial interlinkages. The entities together are referred to as the Group.

The rating reaffirmation factors in the Group's established position in the satellite broadcasting (teleport and playout services) and digital satellite news gathering (DSNG) industries, along with its experienced management. Over the years, the Group has developed a wide customer base consisting of major broadcasting groups that avail its services, resulting in its healthy scale of operations with a consolidated operating income (OI) of Rs. 305 crore in FY2021 and strong profitability metrics with return on capital employed (ROCE) of 20.5% in FY2021.

The ratings also draw comfort from the healthy cash accrual generation over the years along with the low working capital intensity of operations, which has limited the Group's reliance on external debt. Moreover, ICRA notes that with the conversion of compulsorily convertible preference shares (CCPS) into equity in FY2020 and redemption of NCDs in FY2021, the debt protection metrics continued to remain healthy, however, the company's liquidity buffer was negatively impacted. While the company continues to evolve its business by developing new revenue streams and looking for opportunities to expand inorganically, the impact of the same on its business profile and financial metrics remains to be seen.

The ratings are, however, constrained by intense competition in the industry from both international players and broadcasters with captive operations. The Group also has a moderate client concentration risk with the top five customers accounting for around 45–50% of the revenues, with the Star Group being the highest revenue contributor. Nonetheless, the Group's strong market position in the industry and long relations with the clients limit the risk of losing customers to competition. However, the revenue generation remains susceptible to customers' moving to their captive bandwidth, especially owing to the consolidation in the media industry evident from the reduction in business from the Star Group in FY2020 and FY2021 after the global operations of the Fox Group, including India, was acquired by the Disney Group.

In addition, ICRA notes that in FY2020 the Group had received a demand of over Rs. 200 crore from the department of telecommunications (DoT) for very small aperture terminal (VSAT) licence during FY2009-FY2018 by including revenues under the licence issued by the Ministry of Information and Broadcasting (MIB), pursuant to a recent Supreme Court ruling that

mandates telecom operators to pay additional dues pertaining to the inclusion of non-core revenues in adjusted gross revenues (AGR). As per the management, the demand is not tenable and has made representation to the DoT in this respect; however, a reply is awaited. Hence, the same has been reported as contingent liability as on March 31, 2020 and March 31, 2021. The crystallisation of this liability remains an event risk and the impact of any payout on this front would be evaluated upon receiving clarity regarding the outcome of the representation made to the DoT.

Further, while the management has been adding new service lines to its business mix, it continues to evaluate inorganic growth opportunities that may be largely funded from internal accruals. Any major investment outlay that may adversely impact the Group's liquidity and/or increase the leverage remains a key rating monitorable.

The Stable outlook on the rating reflects ICRA belief that the Group will be able to generate healthy cash flows from the business as well as maintain adequate liquidity position.

Key rating drivers and their description

Credit strengths

Established market position – The Group has established itself as a leading teleport and DSNG services provider over the last two decades, having commenced its operations in March 1998. Over time, the Group has garnered a sizeable market share in the industry with leading broadcasting groups in its client base.

Healthy scale of operations – The Group has positioned itself as the leading third-party teleport service provider in the country and has established a strong clientele over the years. Many major broadcasting groups are using its teleport services and gradually expanding the scope of operations, which has resulted in a healthy scale of operations for the Group with a consolidated OI of Rs. 305 crore in FY2021, although the revenues have declined over the last three years. ICRA expects the revenues to remain flattish in FY2022 with improvement expected in subsequent years.

Robust profitability and coverage metrics – Given its established market position, the Group commands a premium pricing for its services evident from its strong profitability metrics with RoCE of more than 18% in the last decade. Further, healthy cash accruals, which have limited the Group's reliance on outside debt, coupled with the conversion of CCPs into equity in FY2020 has resulted in a healthy leverage profile. Also, ICRA notes that post the acquisition of LM Media Services Private Limited (LMMSPL) in FY2020, PMSL redeemed NCDs of Rs. 250 crore in FY2021, originally raised under LMMSPL. The Group utilised its available cash and bank balances to redeem the NCDs, resulting in a reduced liquidity buffer. However, the coverage ratios and capital structure have improved after LMMSPL NCDs have been serviced by the group post-merger. Going forward, the coverage ratios and capital structure are expected to remain healthy over the medium term in light of the current business and growth plans shared. Nevertheless, any large acquisition or new orders for business growth or crystallisation of contingent liabilities that may result in debt addition would remain an event risk and would be evaluated.

Credit challenges

Moderate client concentration – PMSL has moderate client concentration with the top five customers contributing around 45–50% of the revenues, primarily because of the single largest customer, which contributes around 22–28% of its revenues. However, given PMSL's strong market position and ability to offer value-added service, the risk of customers moving out to competition is mitigated to an extent. However, the risk of customers moving to their captive bandwidth continues, especially due to the consolidation in the media industry witnessed recently, following which the Group lost some business from its largest customer in FY2020 and FY2021.

Operations remain sensitive to changes in Government regulations and policies – The Group operates in the VSAT and media industries, both of which are sensitive to the changes in Government regulations and policies. Further, the Group is required to obtain several licences for its activities. Additionally, its operations are supervised by the DoT, the Telecom Regulatory Authority of India (TRAI), MIB and several other Government departments.

Intense competition – As a teleport and playout services provider, the Group faces competition, largely from broadcasters with captive operations as also from independent players. However, the company's experienced management, technically qualified team of professionals and established relationships with customers help it to manage competition effectively. In the DSNG services segment as well as system integrator services, there are many players that pose competition to the Group. However, its strong technical capabilities provide it with a competitive advantage.

Sizeable contingent liability – In FY2021, the Group had received a demand of over Rs. 200 crore from the DoT in respect of a VSAT licence for the FY2009-FY2018 period by including revenues under the MIB licence pursuant to the recent Supreme Court ruling which mandates telecom operators to pay additional dues for the inclusion of non-core revenues in AGR. However, as per management, the same is not tenable and hence, has been classified as contingent liability in the books. The Group has filed its representation with the DoT in this respect, though a reply from the DoT is still awaited.

Liquidity position: Adequate

The Group's liquidity position is adequate on the back of healthy cash flow from operations supported by free cash and bank balance of Rs. 45.3 crore and sizeable cushion in working capital limits of over Rs. 65 crore as on September 30, 2021. Further, the liquidity is reinforced by heathy internal cash accruals, low working capital intensity of operations and limited capex plans. Notwithstanding this, the liquidity may be adversely impacted if the AGR liability crystallises. The company has moderate annual debt repayments lined up over the medium term which can be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to demonstrate a significant improvement in OI with healthy profitability levels indicated by ROCE of over 20% on a sustained basis, while maintaining a strong credit profile and liquidity position.

Negative factors – A sharp decline in OI and/or weakening of business position, resulting in a deterioration of profitability on a sustained basis, or any large debt-funded acquisition could adversely impact the ratings. Additionally, any significant upstreaming to shareholders or crystallisation of the AGR liability impacting the liquidity can lead to rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of the various Group entities (as mentioned in Annexure-2), given the close business, financial and managerial linkages among these

About the company

PMSL, incorporated in 1996, is a leading media technology service provider under licence from MIB, Government of India (GoI). The Group is also providing VSAT and internet service provider (ISP) services under licence from the Ministry of Communication and Information Technology, GoI. It also provides inflight and maritime communications service under a licence obtained from the GoI to provide connectivity while flying over Indian skies and sailing in Indian waters.

In FY2021, at consolidated level, the group reported a net profit of Rs. 49.7 crore on an operating income of Rs. 307.0 crore against a net profit of Rs. 46.0 crore on an operating income of Rs. 354.7 crore in the previous year. It posted a profit before tax (PBT) of Rs. 31.8 crore over an operating income of Rs. 148.7 crore in H1 FY2022 (as per the provisional figures).

Key financial indicators

	FY2020 Audited	FY2021 Audited	H1 FY2022 Provisional
Operating Income (Rs. crore)	354.7	307.0	148.7
PAT (Rs. crore)	46.0	49.7	31.8*
OPBDIT/OI (%)	45.6%	50.6%	43.4%
RoCE (%)	18.9%	20.5%	-
Total Outside Liabilities/Tangible Net Worth (times)	1.7	0.7	-
Total Debt/OPBDIT (times)	2.1	0.7	-
Interest Coverage (times)	4.8	4.4	14.4
DSCR (times)	3.9	2.2	-

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

*Source: Group and Company Financials, ICRA Research; *Profit before tax*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2021 (Rs. crore)	Date & Rating on	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
					Feb 25, 2022	Dec 28, 2020	Nov 27, 2020	Jun 28, 2019	-
1	Term Loans	Long-term	39.20	5.50	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
2	Working Capital Facilities	Long-term	61.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
3	Working Capital Facilities	Short-term	22.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	-
4	Working Capital Facilities	Long-term/ Short-term	102.00		[ICRA]A+ (Stable)/ [ICRA]A1	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based- Term loan	Simple
Fund based- Working Capital Facilities	Simple
Non-fund Based - Working Capital Facilities	Very Simple

Fund Based/ Non-fund Based – Working Capital Facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's 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 - Term Loans	Jan 2017	7.3-7.7%	FY2026	39.20	[ICRA]A+(Stable)
NA	Fund-based - Working Capital Facilities	NA	NA	NA	61.00	[ICRA]A+(Stable)
NA	Non-fund Based - Working Capital Facilities	NA	NA	NA	22.00	[ICRA]A1
NA	Fund Based/ Non-fund Based – Working Capital Facilities	NA	NA	NA	102.00	[ICRA]A+(Stable)/ [ICRA]A1

Source: Group and Company Financials, ICRA research

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company	Ownership	Consolidation Approach
Planetcast Technologies Limited	100%	Full Consolidation
Adore Technologies Pte Limited	100%	Full Consolidation
Cloudcast Digital Limited	100%	Full Consolidation
Planetcast Broadcasting Services Limited	100%	Full Consolidation

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