

May 16, 2023

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
Long term- Fund based- Term loan	39.20	54.20	[ICRA]A+ (Stable); reaffirmed/assigned
Long term – Fund based – Cash credit	61.00	61.00	[ICRA]A+ (Stable); reaffirmed
Short term- Non-fund-based- Others	22.00	22.00	[ICRA] A1; reaffirmed
Long term/Short term-Fund based/Non-fund based - Others	102.00	102.00	[ICRA]A+(Stable)/ [ICRA]A1; reaffirmed
Total	224.20	239.20	

*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), Planetcast International Pte Ltd (PIPL; previously known as Adore Technologies Pte Limited), Cloudcast Digital Limited (CDL), Planetcast Broadcasting Services Limited (PBSL) and Planetcast Content Services Limited (PCSL)— 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. The Group has a wide customer base that includes major broadcasting groups that avail its services because of its established market position and long-standing presence.

The ratings also draw comfort from the steady cash accruals over the years based on the healthy scale of operations of the business along with its moderate working capital intensity, which has limited the Group's reliance on external debt and resulted in a comfortable capital structure. The healthy profit generation and the limited external debt obligations have resulted in robust debt coverage metrics over the past fiscals. In FY2023, the Group completed the acquisition of a company involved in providing post-production services, which is likely to further support its healthy scale of operations and margin profile. While the Group continues to evolve its business by developing new revenue streams and looking for opportunities to grow its scale inorganically, the impact 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 45–50% of the revenues, and the Star Group being the highest revenue contributor. Nonetheless, the Group's strong market position in the industry and its 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 with the consolidation seen in the media industry historically.

In addition, ICRA notes that in FY2020 the Group had received a demand of over Rs. 200.0 crore from the department of telecommunications (DoT) for a 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 Supreme Court ruling that

mandates telecom operators to pay additional dues to include non-core revenues in the adjusted gross revenues (AGR). As per the management, the demand is not tenable and has made representations to the DoT in this respect; however, a resolution is awaited. Hence, the DoT's demand has been reported as contingent liability as on March 31, 2022. Further, a penalty of Rs 22.4 crore was imposed on the company by the Competition Commission of India (CCI) in FY2019, for which a stay order has been taken from NCLAT and the proceedings are underway. The crystallisation of these liabilities remains an event risk and the impact of any payout on this front would be evaluated once there is some clarity over the outcome of the proceedings.

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 and/or adversely impact the coverage metrics remains a key rating monitorable.

The Stable outlook on the rating reflects ICRA's belief that the Group will be able to generate healthy cash flows from the business as well as maintain an 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 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 is a leading third-party teleport service providers 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 service mix, which has resulted in a healthy scale of business for the Group with a consolidated OI of Rs. 411 crore in FY2023[P] and a ~31% YoY growth in revenue. The revenue growth was driven by higher revenue from turnkey projects and completion of acquisition of a company involved in providing post-production services. The Group is increasing its focus on new age business services, including digital streaming, cloud-based playout and post-production services, with better profit margin profiles that will further support the growth in the scale of operations and profits.

Robust profitability and coverage metrics – The Group's established market position helps it command a premium pricing for its services, evident from its strong profitability metrics with RoCE of more than 18% on a sustained basis in the last decade. Further, steady cash accruals, which have limited the Group's reliance on outside debt, have resulted in a healthy leverage profile. Though the Group's coverage ratios and its capital structure witnessed some moderation on account of redemption of NCDs in FY2021, these continue to be healthy with interest coverage ratio of 15.0 times and DSCR of 3.5 times in FY2023 [P]. Going forward, the coverage ratios and the capital structure are expected to remain comfortable over the medium term, considering the healthy scale of operations and adequate profitability of the business. Nevertheless, any large acquisition or crystallisation of contingent liabilities that may result in debt addition would moderate these indicators and need to be evaluated.

Credit challenges

Moderate client concentration – PMSL has moderate client concentration with the top five customers contributing 40–45% of the revenues over the past few fiscals, with the single-largest customer contributing 25–30% of its revenues. The Group completed the acquisition of a new company involved in providing post-production services in FY2023. Around 80-90% of the revenues in the acquired company is contributed by a single customer, which is also the single-largest customer of the Group. 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. Nevertheless, the risk of customers moving to their captive bandwidth continues, especially due to the consolidation in the media industry witnessed in the past, following which the Group lost some business from its largest customer in the previous fiscals.

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 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 FY2020, the Group had received a demand of over Rs. 200.0 crore from the DoT for the VSAT licence for the FY2009-FY2018 period by including revenues under the MIB licence pursuant to a Supreme Court ruling of October 2019 which mandates telecom operators to pay additional dues for the inclusion of non-core revenues in AGR. However, as per the management, the same is not tenable and hence, has been classified as contingent liability on the books. The Group has filed its representation with the DoT on the issue though a reply from the DoT is awaited.

Further, the CCI had imposed a penalty of Rs 22.4 crore on PMSL in FY2019 for bid-rigging in tenders floated by sports broadcasters, against which the company had taken a stay order from NCLAT. PMSL has kept 10% of the penalty amount (around Rs. 2.5 crore) as FDR as directed by NCLAT. The company has also provided Rs 1.9 crore as a provision against this liability in its financial statements.

However, crystallisation of either or both the contingent liabilities could result in sizeable cash outflow for the business, thus putting pressure on the liquidity profile of the company.

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. 66.8 crore as on March 31, 2023 [P] and sizeable cushion in working capital limits. Further, the liquidity is reinforced by healthy cash flow from operations with the increased scale of business and limited capex plans, partially funded through external debt. 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 the 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 contingent liabilities pertaining to AGR-related penalty and/or penalty imposed by the CCI impacting the liquidity can lead to a 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 with 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 FY2023, at a consolidated level, the Group reported a net profit of Rs. 52.0 crore on an operating income of Rs. 411.0 crore (as per provisional figures) against a net profit of Rs. 51.7 crore on an operating income of Rs. 314.2 crore in the previous year.

Key financial indicators

Planetcast Media Services Limited (Consolidated)	FY2021(A)	FY2022(A)	FY2023 (Provisional)
Operating income (Rs. crore)	307.0	314.2	411.0
PAT (Rs. crore)	49.7	51.7	52.0
OPBDIT/OI (%)	50.6%	44.3%	40.0%
PAT/OI (%)	16.2%	16.5%	12.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.5	0.4
Total debt/OPBDIT (times)	0.7	0.7	0.6
Interest coverage (times)	4.4	13.5	15.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding (as on Mar 31, 23) (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
								Dec 28, 2020	Nov 27, 2020
1	Fund based – Term loan	Long Term	54.20	22.10	[ICRA]A+(Stable)	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2	Fund based – Cash credit	Long Term	61.00	-	[ICRA]A+(Stable)	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
3	Non-fund-based - Others	Short Term	22.0	-	[ICRA]A1	-	[ICRA]A1	[ICRA]A1	[ICRA]A1
4	Unallocated limits	Long Term/Short Term	102.00	-	[ICRA]A+(Stable)/[ICRA]A1	-	[ICRA]A+(Stable)/[ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Term loan	Simple
Fund based – Cash credit	Simple
Non-fund based- Others	Very Simple
Fund based/ Non-fund based- Others	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: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based- Term loan	FY21-FY23	8.15%-10.36%	FY26-FY28	54.20	[ICRA]A+ (Stable)
NA	Long term - Fund based- Cash credit	-	-	-	61.00	[ICRA]A+ (Stable)
NA	Short term- Non-fund-based- Others	-	-	-	22.00	[ICRA] A1
NA	Long term/Short term-Fund based/Non-fund based - Others	-	-	-	102.00	[ICRA]A+(Stable)/ [ICRA]A1

Source: Planetcast Media Services Limited

[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
Planetcast International Pte. Limited	100%	Full Consolidation
Cloudcast Digital Limited	100%	Full Consolidation
Planetcast Broadcasting Services Limited	100%	Full Consolidation
Planetcast Content Services Limited	100%	Full Consolidation

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
sabyasachi@icraindia.com

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Anupama Arora
+91-124-4545303
anupama@icraindia.com

Tanya Agarwal
+91-124-4545844
tanya.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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