

November 24, 2023

Viacom18 Media Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	500.00	500.00	[ICRA]A1+; Reaffirmed
Short-term – Fund-based/Non-fund based limits	1,940.00	1,940.00	[ICRA]A1+; Reaffirmed
Short-term – Unallocated	0.70	0.70	[ICRA]A1+; Reaffirmed
Total	2,440.70	2,440.70	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the company's linkage with its strong ultimate parent - Reliance Industries Limited (RIL, rated [ICRA]AAA (Stable) / [ICRA]A1+) through its step-down subsidiary, TV18 Broadcast Limited (TV18, rated [ICRA]A1+), which holds 51% equity stake in Viacom18 Media Private Limited (Viacom18). The balance equity stake is held by Paramount Global (earlier ViacomCBS) and Bodhi Tree Systems. With the issuance of Compulsory Convertible Preference Shares¹ (CCPS), the RIL Group's stake (including TV18), on a fully diluted basis, would be ~71% in Viacom18. ICRA takes note of the strategic importance of the overall Viacom18 media business to the RIL Group, given that services of media business are bundled along with telecom services. The strong managerial linkage is evident from the presence of senior management from the RIL Group including Mr. P.M.S. Prasad (Executive Director, RIL) and Mr. Adil Zainulbhai (Director, RIL) on the board of Viacom18.

The rating continues to factor in the diversified offerings of Viacom18's strong bouquet of channels in the entertainment space, as reflected by its healthy market share in viewership. It has Hindi, English, and regional entertainment, Kids, Youth and sports channels. The Group has strong brands in its portfolio such as Colors, MTV, Comedy Central, VH1 and Nick, which have helped it carve a strong and niche positioning in their respective segments. While Colors, the flagship channel, remains Viacom18's mainstay, the share of revenue from sports genre has started increasing over the last 1.5 years. The Group's ability to maintain the market share for Colors and strengthen the viewership share of digital and sports business will be important to drive its revenue growth and overall profitability. ICRA takes note of the completion of strategic partnership between RIL, Bodhi Tree Systems and Paramount Global resulting in fund infusion of Rs. 15,145 crore and transfer of JioCinema over-the-top (OTT) app to Viacom18.

The rating strengths are offset by the moderation in the Group's operating profitability and debt protection metrics in H1 FY2024, which will remain under pressure over the near term due to significant investments in content, marketing, and distribution initiatives. ICRA expects the company's operating profitability to improve sequentially in FY2025 and report healthy cash profits by FY2026. Nonetheless, Viacom18 got Rs. 15,145 crore post completion of scheme of merger approved by NCLT in April 2023, which will support its liquidity position. Further, the credit profile remains exposed to risks inherent in the media and entertainment industry, wherein a part of revenue remains vulnerable to cyclicity in advertisement spends by corporates and the stiff competition including that from the digital players. While the new tariff order released by TRAI in November 2022 was expected to aid growth in average revenue per user, decline in the number of subscribers owing to shift towards OTT platform impacted the subscription revenue.

¹ On April 13, 2023, Viacom18 allotted shares (including compulsory convertible preference shares) to Bodhi Tree Systems and RIL group entities as consideration for the scheme of merger, sanctioned by NCLT, with Reliance Storage Limited. Upon consummation of this merger, integration of JioCinema into Viacom18 was completed and Viacom18 got Rs. 15,145 crores of cash for its planned growth.

The company continues to make calibrated investments in fresh content for its OTT platform - JioCinema and acquisition of various sports rights (multi-year rights) to make Viacom18 a preferred media platform for general entertainment as well as sports. The investments towards content development and distribution reach, given the significant potential of the digital platform and the synergies with Jio, are likely to continue in the medium term. Hence, the overall free cash flow are expected to remain muted. Success of its OTT platform to garner high share in digital segment remains a key overhang for the Company. Thus, continued judicious investments in digital initiatives will be the critical drivers for the company's overall revenue growth and profitability.

Key rating drivers and their description

Credit strengths

Strong parentage; strategically important business for RIL in media and entertainment sector – Viacom18 is a subsidiary of TV18, which holds a 51% equity stake in Viacom18. The balance equity stake is held by Paramount Global and Bodhi Tree Systems. ICRA continues to derive strong comfort from the parentage of Viacom18, given its strategic importance as well as financial and managerial linkages with its parent entity – RIL. Being a part of the RIL Group lends support to the company's credit profile and provides significant financial flexibility. ICRA takes note of the strategic importance of the overall Viacom18 media business to the RIL Group, as services of media business are bundled along with telecom services. Further, its strategic importance is reflected in the recent infusion of Rs. 15,145 crore, by RIL and Bodhi Tree Systems in Viacom18. With this, the RIL Group's stake has increased to ~71% in Viacom18. The strong managerial linkage is evident from the presence of senior management from the RIL Group including Mr. P.M.S. Prasad (Executive Director, RIL) and Mr. Adil Zainulbhai (Director, RIL) on the board of Viacom18.

Strong bouquet of channels in entertainment space with healthy market share in viewership – Viacom18 has a strong bouquet of channels across genres with a healthy market share in viewership (10.5% for entertainment network in Q2 FY2024). It has Hindi, Regional and English entertainment, Kids, Youth, and Sports channels. The Group has strong brands in its portfolio such as Colors, MTV, Comedy Central, VH1 and Nick, which have helped it carve a strong and niche positioning in their respective segments. While Colors, the flagship channel, remains Viacom18's mainstay, share of revenue from sports genre has started increasing over the last 1.5 years. The Group's ability to maintain the competitive position of Colors and strengthen the viewership share of digital and sports business will be important to drive its revenue growth and overall profitability.

Comfortable capital structure; expected to remain net debt free in medium term – The Viacom18 Group's consolidated capital structure moderated to 1.4 times in FY2023, owing to higher debt (raised largely for payment of IPL fees). In April 2023, Viacom18 announced that following the sanction by NCLT Mumbai, the Scheme of merger with Reliance Storage Limited was completed post which it got access to Rs. 15,145 crore for its planned growth. This fund infusion by RIL group and Bodhi Tree systems has led to improvement in leverage as well its liquidity position, despite the expected pressure on its operational cashflows in the near term. Owing to sizeable cash balance and liquidity of Rs. 8,800 crore as on September 30, 2023, the company is likely to remain net debt free in the medium term.

Credit challenges

Continued investments in broadcasting segment and various digital businesses – The company has been investing across various business segments and the same is reflected in its increasing portfolio size. Further, it continues to make calibrated investments in fresh content for its OTT platform - JioCinema. The company continues to strengthen its position into the sports segment by acquiring exclusive rights of international and domestic matches organised by BCCI for five years and media rights for the Indian Super League for two years. The investments towards content development and reach, given the significant potential of the digital platform and the synergies with Jio, is likely to continue in the medium term. Hence the overall operating cash flows should remain suppressed in the interim. Its ability to monetise the above through a sustainable business model in the medium term will be crucial.

Vulnerability of advertisement revenues to economic slowdown, viewership trends and competition – The media and entertainment industry remains vulnerable to cyclicalities in advertisement spends by corporates and the rising competition including that from the digital players. The above factors challenge the company's ability to retain the market share and by implication, its advertisement revenue share. While the new tariff order released by TRAI in November 2022 was expected to aid growth in subscription revenue, decline in the number of subscribers impacted the subscription revenue. Therefore, the pace of recovery in macro-economic prospects will be critical to drive the overall industry as well as Viacom18's advertisement revenue growth. Success of its OTT platform to garner high share in digital segment remains a key overhang for the Company.

Liquidity position: Strong

The company's liquidity position remains strong with free cash and liquid investments of ~Rs. 8,800 crore as on September 30, 2023, due to the recent deal. It also has an unutilised fund-based bank lines of more than Rs. 4,000 crore at the standalone level as on September 30, 2023. It does not have any long-term debt repayments. Further, ICRA expects Viacom18's ultimate parent, RIL, to extend timely financial support to it, should there be a need.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Negative pressure on the above rating of Viacom18 could arise if there is change in the credit profile of the ultimate parent company, RIL, or reduction in majority stake by RIL in Network18 or any of its key subsidiaries or indication of reduced support to Network18 and/or significant weakening in operating performance of Viacom18 consolidated financial profile thereby resulting in sharp decline in liquidity might result in downward pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Media Industry (Broadcasting Companies) Corporate Credit Rating Methodology
Parent/Group support	Parent / Group Company: Reliance Industries Limited (RIL) IMT, of which RIL is the sole beneficiary, holds a majority stake in Network18, which has a 51.17% stake in TV18. Viacom18 is a step-down subsidiary of Network18. ICRA expects the RIL Group to continue extending timely financial support to Network18 Group, should there be a need, as they are a key player in the telecom and media value-chain that RIL is focusing on.
Consolidation/Standalone	The rating is based on the company's consolidated financial profile. The list of entities considered for consolidation as on March 31, 2023, is provided in Annexure II.

About the company

Incorporated in 1995, Viacom18 Media Private Limited is a subsidiary of TV18 Broadcast Limited with Paramount Global, Bodhi Tree Systems and RIL as the other shareholders. Viacom18 is present in the television broadcasting space with presence across the Hindi, English and Regional entertainment space and niche genres such as Youth, Kids and Sports. In the Hindi entertainment space, it operates channels such as Colors, Colors HD, Colors Rishtey and Colors Cineplex Bollywood, while it is present in the English entertainment space through Comedy Central, Vh1 and Colors Infinity. In the youth genre, it has channels such as MTV and MTV Beats. In the kid's genre, its portfolio is represented by channels such as Sonic, Nickelodeon and Nick Jr. It has 14 regional entertainment channels including HD feeds in six geographies under the brand Colors. The company also has five sports channels in its portfolio.

Viacom18 announced on 13th April 2023 that following the sanction by NCLT Mumbai, the Scheme of merger with Reliance Storage Limited became effective and Viacom18 allotted shares to Bodhi Tree Systems and RIL group entities as consideration for the Scheme of merger. Upon consummation of this merger, the integration of JioCinema into Viacom18 was completed

and Viacom18 got access to Rs. 15,145 crore of cash for its planned growth. Post conversion of CCPS, RIL Group (including TV18 share) will hold ~71% stake in the entity.

Key financial indicators (audited) - Viacom18

Viacom18 Consolidated	FY2022	FY2023
Operating income	4,145.4	4,555.0
PAT	680.9	7.7
OPBDIT/OI	17.4%	2.1%
PAT/OI	16.4%	0.2%
Total outside liabilities/Tangible net worth (times)	0.6	2.4
Total debt/OPBDIT (times)	0.0	38.1
Interest coverage (times)	97.2	1.2

Source: Company; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding on Sep 30, 2023	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021
					Nov 24, 2023	Nov 30, 2022	May 09, 2022	Nov 26, 2021	Apr 29, 2021
1 Commercial paper programme	Short term	500.0	0.0*	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Fund-based/ Non-fund based limits	Short term	1,940.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3 Unallocated limits	Short term	0.7	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

*Yet not issued

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very Simple
Fund-based/ Non-fund-based limits	Simple
Short-term – Unallocated limits	Not Applicable

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Overdraft/ Working capital demand loan/Letter of credit/ Bank guarantee	NA	NA	NA	1940.0	[ICRA]A1+
NA	Short-term – Unallocated limits	NA	NA	NA	0.7	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	500.0	[ICRA]A1+

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Viacom18 Media (UK) Limited	100.00%	Full Consolidation
Viacom18 US Inc	100.00%	Full Consolidation
Roptonal Limited	100.00%	Full Consolidation
Indiacast Media Distribution Private Limited	50.0%	Equity Method

Source: Company

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Ashish Modani

+91 20 6606 9912

ashish.modani@icraindia.com

Chintan Dilip Lakhani

+91 22 6169 3345

chintan.lakhani@icraindia.com

Ritik Sundarka

+91 20 6606 9926

ritik.sundarka@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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