

July 16, 2024

Planetcast Media Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	54.20	54.20	[ICRA]A+(Stable); reaffirmed
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	60.00	[ICRA]A+(Stable)/[ICRA]A1; reaffirmed
Total	239.20	197.20	

*Instrument details are provided in Annexure-I

Rationale

ICRA has considered the consolidated financials of Planetcast Media Services Limited (PMSL) while assigning the credit ratings. 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 reputed 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, driven by the Group's healthy scale of operations and moderate working capital intensity, which has limited its reliance on external debt and resulted in a comfortable capital structure. The healthy profit generation and the limited external debt obligations have led to robust debt coverage metrics.

In FY2024, the Group completed the acquisition of an Australian-based company, Switch Media, involved in providing over-the-top (OTT) services, along with the acquisition of another billing software related company. These acquisitions are likely to further support its healthy scale of operations and margin profile, besides providing a diversification to the product offerings. 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 also factor in the disinvestment of PMSL's investments in the subsidiary – Cloudcast Digital Limited - in FY2024, which had contingent liability related to adjusted gross revenue (AGR). While the matter was contested, the Planetcast Group has sold this entity along with its obligations and liability, consequently no contingent liability exist pertaining to AGR matter.

The ratings are constrained by intense competition 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, with 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.

Moreover, the Group has a contingent liability pertaining to a penalty imposed by the Competition Commission of India (CCI). While the Group has obtained a stay order after depositing 10% of the amount, crystallisation of this liability remains an event risk and the impact of any payout on this front will be evaluated upon receiving clarity regarding the outcome of 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. Moreover, while it has increased its wallet share among its broadcasters, it has also been expanding geographically through inorganic acquisitions.

Healthy scale of operations – The Group is a 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 service mix, which has resulted in a healthy scale of business for the Group with a consolidated OI of Rs. 464.9 crore in FY2024[P] and a ~21% YoY growth in revenue. The revenue growth was driven by higher revenue from turnkey projects and 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 its 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 a healthy RoCE 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. The Group's debt metric continues to be healthy with interest coverage ratio of 13.3 times and DSCR of 2.9 times in FY2024 [P]. Going forward, the coverage ratios and the capital structure are expected to remain comfortable, considering the healthy scale of operations and the profitability of the business. Nevertheless, any large acquisition or crystallisation of the contingent liabilities that may result in debt addition could moderate these indicators and remain a key monitorable.

Credit challenges

Moderate client concentration – PMSL has moderate client concentration with the top five customers contributing 40–45% to the revenues over the past few fiscals, with the single-largest customer having a 20-25% share. In FY2023, the Group completed the acquisition of a company involved in providing post-production services. 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, 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 service 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 manage competition effectively. There are many players in DSNG and system integrator services that pose competition to the Group. However, its strong technical capabilities provide it with a competitive advantage.

Liquidity position: Adequate

The Group's liquidity position is adequate on the back of comfortable cash flow from operations, supported by free cash and bank balance of Rs. 63.81 crore as on March 31, 2024 [P] and sizeable cushion in working capital limits. 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 an 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 the profitability on a sustained basis, or any large debt-funded acquisition could adversely impact the ratings. Additionally, any significant upstreaming to the shareholders or crystallisation of the contingent liabilities 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 considered the consolidated the financials of PMSL. List of companies given in Annexure-II.

About the company

PMSL, incorporated in 1996, is a leading media technology service provider under licence from MIB, Government of India (GoI). It provides up-linking and playout services to major broadcasters in the country. It provides comprehensive, customised solutions across content management operations (including content storage, enrichment, post-production, OTT and automated playout) and distribution (including satellite broadcasting/ uplinking digital streaming and cloud distribution).

Key financial indicators (provisional)

PMSL Consolidated	FY2023 Audited	FY2024 Provisional
Operating income	384.2	465.0
PAT	40.3	44.5
OPBDIT/OI	32.4%	33.8%
PAT/OI	10.5%	9.6%
Total outside liabilities/Tangible net worth (times)	0.5	0.6
Total debt/OPBDIT (times)	0.8	0.8
Interest coverage (times)	12.1	13.3

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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 (FY2025)			Chronology of rating history			
		Type	Amount rated (Rs. crore)	Date & rating in FY2025 July 16, 2024	for the past 3 years			
					Date & rating in FY2024 May 16, 2023	Date & rating in FY2023 -	Date & rating in FY2022 Feb 25, 2022	
1	Fund based - Term loans	Long term	54.20	[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)	
3	Non-fund-based - Others	Short term	22.00	[ICRA]A1	[ICRA]A1	-	[ICRA]A1	
4	Unallocated limits	Long term and Short term	60.00	[ICRA]A+(Stable)/ [ICRA]A1	[ICRA]A+(Stable)/ [ICRA]A1	-	[ICRA]A+(Stable)/ [ICRA]A1	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term fund-based – Cash credit	Simple
Long-term/ Short-term fund-based/Non-fund-based - Others	Simple
Short-term non-fund based - Others	Very 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 I: 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	NA	NA	NA	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	-	-	-	60.00	[ICRA]A+(Stable)/ [ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company	Ownership	Consolidation Approach
Planetcast Technologies Limited	100%	Full Consolidation
Planetcast International Pte. Limited	100%	Full Consolidation
Planetcast Broadcasting Services Limited	100%	Full Consolidation
Planetcast Content Services Limited	100%	Full Consolidation
Desynova Digital Private Limited	86.67%	Full Consolidation
Switch Media	80%	Full Consolidation

Source: Company data

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