October 31, 2024

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	1,940.70	[ICRA]A1+; reaffirmed
Short-term – Unallocated limits	0.70	0.00	-
Total	**2,440.70**	**2,440.70**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in the company's strong linkage and strategic importance for its ultimate parent - Reliance Industries Limited (RIL, rated [ICRA]AAA (Stable) / [ICRA]A1+) and demonstrated track record of support through fund infusions. In April 2023, Viacom18 issued compulsory convertible preference shares (CCPS) to RIL Group entities, post which the RIL Group's stake (including NW18's 13.54%), on a fully diluted basis, stood at ~71% in Viacom18. The media undertaking of Viacom18 will be transferred to the joint venture (JV) of Viacom18 and Star India Private Limited. In addition, RIL is expected to invest Rs. 11,500 crore in the JV in Q3 FY2025 to fund its growth plans. ICRA takes note of the strategic importance of the overall Viacom18 media business to the RIL Group, given that services of the media business are bundled along with telecom services. The strong managerial linkage is evident from the fact that the JV is likely to be controlled by RIL with Mrs. Nita Ambani as its Chairperson as well as representation of senior of senior management from the RIL Group – on the board of Viacom18.

The rating factors 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 the sports genre has started increasing over the last few years. The Group's ability to maintain the market share for Colors and the strengthen viewership share of digital and sports business will be important to drive its overall revenue growth and profitability.

The rating strengths are offset by the subdued operating profitability and debt protection metrics since FY2023, which has been further impacted in FY2024 and H1 FY2025, and are likely to 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's liquidity position remains strong with free cash and cash equivalents of ~Rs. 7,800 crore as on March 31, 2024, and expected infusion of Rs. 11,500 crore in Q3 FY2025 by RIL in the JV post completion of the merger. Further, the credit profile remains exposed to risks inherent in the media and entertainment industry, wherein a part of revenue remains vulnerable to cyclicality in advertisement spends by corporates and stiff competition including from the digital players.

The company continues to make calibrated investments in fresh content for its OTT platform - JioCinema 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 flows are expected to remain muted. Success of its OTT platform to garner high share in the digital segment remains a key overhang for the company. Thus, continued 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 Network18, stepdown subsidiary of RIL. In April 2023, Viacom18 issued CCPS to RIL group entities. With the issuance of CCPS, the RIL Group's stake (including NW18, 13.54%), on a fully diluted basis, is at ~71% in Viacom18. ICRA also notes that the media undertaking of Viacom18 will be transferred to the JV of Viacom18 and SIPL. In addition, RIL is expected is expected to invest Rs.11,500 crore in the JV in Q3FY2025 to fund its growth plans. 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. The strong managerial linkage is evident from the fact that the JV will be controlled by RIL with Mrs. Nita Ambani as its Chairperson as well as representation of senior management from the RIL Group – 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. 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 few 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 improved to less than 0.5 times in FY2024 (FY2023: 1.4 times), owing to improvement in net worth. In April 2023, Viacom18 announced that following the sanction by NCLT Mumbai, the scheme of merger with Reliance Storage Limited was completed. Post this, it got access to Rs. 15,145 crore for its planned growth along with integration of JioCinema, which resulted in significant improvement in its net worth. Further, it has led to improvement in leverage as well its liquidity position, despite the expected pressure on its operational cashflows in the near term. The company is likely to remain net debt free in the medium term due to sizeable cash balance and liquidity of ~7800 crore as on March 31, 2024, and expected infusion of Rs. 11,500 crore in JV by RIL in Q3FY2025.

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 and strengthen its position into the sports segment by acquiring exclusive rights. In FY2023, Viacom18 had acquired IPL rights at Rs. 24,352 crore for FY2023-FY2027 period. 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 would remain suppressed. Continued investments in digital initiatives will be the critical drivers for the company's overall revenue growth and profitability.

Vulnerability of advertisement revenues to economic slowdown, viewership trends and competition – The media and entertainment industry remains vulnerable to the cyclicality 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. Therefore, the macro-economic prospects remain 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 investments of Rs. ~7,800 crore as on March 31, 2024, and expected infusion of Rs. 11,500 crore in the JV by RIL in Q3FY2025. It also has an unutilised fund-based bank lines of more than ~Rs. 2,050 crore at the standalone level as on September 30, 2024. 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 rating of Viacom18 could arise if there is change in the credit profile of the ultimate parent company, RIL, or weakening in linkages with RIL. Further, any significant weakening in operating and/or financial performance of Viacom18 including sharp decline in liquidity might result in downward pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	TV Broadcasting Corporate Credit Rating Methodology
Parent/Group support	Parent / Group Company: Independent Media Trust, of which RIL is the sole beneficiary, holds a majority stake in Network18, which in turn holds 50.994% stake in Viacom18; however, on a fully diluted basis post conversion of CCPS, RIL group entities, excluding Network18, will hold 57.47% in Viacom18. Also, after scheme of arrangement with SIPL, which is expected to be completed in Q3 FY2025, RIL's group shareholding (excluding Network18) on fully diluted basis will further increase by 13.01% in Viacom18 upon acquisition of stake held by Paramount Group. Given the increasing strategic importance of Viacom18, ICRA expects RIL will directly provide timely financial and operational support to Viacom18, if required.
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. The list of entities considered for consolidation as on March 31, 2024, is provided in Annexure II.

About the company

Viacom18 is present in the television broadcasting 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 April 13, 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, the RIL Group (including NW18's share) will hold ~71% stake in the entity.

Key financial indicators (audited)

Viacom18 Consolidated	FY2023	FY2024*
Operating income (Rs. crore)	4,555.0	7,361.0
PAT (Rs. crore)	7.7	-252.7
OPBDIT/OI (%)	2.1%	-9.4%

Viacom18 Consolidated	FY2023	FY2024*
PAT/OI (%)	0.2%	-3.4%
Total outside liabilities/Tangible net worth (times)	2.3	0.3
Total debt#/OPBDIT (times)	39.5	-7.8
Interest coverage (times)	1.2	-5.1

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Standalone; #including lease liabilities*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Commercial paper programme	Short term	500.00	**Oct 31, 2024**	**[ICRA]A1+**	Nov 24, 2023	[ICRA]A1+	May 09, 2022	[ICRA]A1+	Apr 29, 2021	[ICRA]A1+
					Dec 15, 2023	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+	Nov 26, 2021	[ICRA]A1+
					Mar 08, 2024	[ICRA]A1+				
Fund-based/ Non-fund based limits	Short term	1940.70	**Oct 31, 2024**	**[ICRA]A1+**	Nov 24, 2023	[ICRA]A1+	May 09, 2022	[ICRA]A1+	Apr 29, 2021	[ICRA]A1+
					Dec 15, 2023	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+	Nov 26, 2021	[ICRA]A1+
					Mar 08, 2024	[ICRA]A1+				
Unallocated limits	Short term	0.00	**Oct 31, 2024**	-	Nov 24, 2023	[ICRA]A1+	May 09, 2022	[ICRA]A1+	Apr 29, 2021	[ICRA]A1+
					Dec 15, 2023	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+	Nov 26, 2021	[ICRA]A1+
					Mar 08, 2024	[ICRA]A1+				

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very Simple
Short-term – Fund-based/ Non-fund based limits	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
Yet to be placed	Commercial paper programme	NA	NA	NA	500.00	[ICRA]A1+
NA	Short-term – Fund-based/ Non-fund based limits	NA	NA	NA	1940.70	[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 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
Digital18 Media Limited (w.e.f 14th March 2024)	100.00%	Full Consolidation
Indiacast Media Distribution Private Limited	50.00%	Equity Method

Source: Company

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