November 26, 2021 (Revised)

Viacom18 Media Private Limited: Rating reaffirmed, rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	500.0	500.0	[ICRA]A1+ Reaffirmed
Short-term, Fund-based/Non fund based Limits	1575.0	1865.0	[ICRA]A1+; Reaffirmed and assigned
Short-term - Unallocated	35.7	75.7	[ICRA]A1+; Reaffirmed and assigned
Total	**2,110.7**	**2,440.7**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation factors in the company's strong parentage with Reliance Industries Limited (RIL, rated [ICRA]AAA (Stable) / [ICRA]A1+ and Baa2 (Stable) by Moody's Investors Service) through its step-down subsidiary, TV18 Broadcast Limited (TV18, rated [ICRA]A1+), holding a 51% stake in Viacom18 Media Private Limited (Viacom18) and the balance stake being held by ViacomCBS (rated Baa2 (Stable) by Moody's Investors Service). The rating also reflects the strategic importance of the media businesses [under the umbrella of its parent, TV18 and TV18's holding company, Network18 Media & Investments Limited (Network18, rated [ICRA]A1+)] to RIL. Viacom18's financial position is comfortable, as characterised by consolidated capital structure at 0.1 times (as on March 31, 2021) and strong debt protection metrics as reflected by the interest coverage indicator of 14.3 times and total debt/OPBITDA of 0.3 time for FY2021.

The company has a strong bouquet of channels in entertainment space, as reflected by its healthy market share in viewership ratings. The group's share of entertainment viewership has improved to 11.8% in Q2 FY2022 from 10.8% in Q4FY2021 driven by a good mix of content. It has Hindi and English GECs, regional entertainment, as well as the content-asset monetisation business. The group has iconic brands in its portfolio such as Colors, MTV, Comedy Central, VH1 and Nick, which has helped it carve a strong and niche positioning in their respective segments. Furthermore, the children's genre has continued to demonstrate healthy financial performance (as indicated by the management) on the strength of its owned intellectual property rights (IPRs) and maintained its dominant position in the genre. However, Colors, the flagship channel, remains its mainstay with differentiated content both in the fiction and non-fiction categories. The group's ability to maintain the leadership position of Colors will be critical to drive its growth and profitability.

Viacom18's remains exposed to the risks inherent in the media and entertainment industry, wherein revenue remains vulnerable to cyclicality in advertisement spends by corporates and the rising competitive intensity with an increase in the total number of channels in the mass content and niche segment. Viacom18's profitability improvement has remained constrained as some of its entertainment channels such as Tamil, Bangla and recently launched movie channels continue to remain under gestation though the company has been investing more judiciously reflected in higher portfolio level profitability. Furthermore, the company continues to make investments in fresh content for its subscription based its OTT platform VOOT Select. The company has also made a foray into the sports broadcasting segment recently by acquiring rights of FIFA World Cup'22 and three major football leagues. Furthermore, VOOT, Viacom18's over-the-top (OTT) platform, will continue, given the significant potential of the digital platform and the potential synergies with Jio. The company's ability to monetise the platform through a sustainable business model in the medium term will thus be crucial. The gestation phase of investment in new initiatives under the broadcasting segment and in VOOT may constrain further improvement in profitability. While the near-term subscription revenue growth is expected to remain modest due to the impending tariff order implementation, the continued recovery in macro-economic prospects post the pandemic will be critical to drive overall industry as well as Viacom18's advertisement revenue growth. Furthermore, any shift towards the digital medium away from the television medium is a key overhang for the sector, especially if its own OTT platform, VOOT, is not able to garner higher market share. 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; strategic importance for Network18 and RIL group - Viacom18 is a subsidiary of TV18, which holds 51% stake in Viacom18 and the balance 49% being held by ViacomCBS. ICRA derives strong comfort from the parentage of Viacom18, with TV18 being a 51.17% subsidiary of Network18. RIL is the sole beneficiary of IMT, which holds a majority stake in Network18. The other JV partner ViacomCBS Inc. is a global entertainment major. RIL is India's largest private sector enterprise with presence across the energy value chain, apart from its presence in retail, oil marketing and the telecom segments. The company's strong parentage can help it meet any short-term funding mismatch and provide considerable refinancing flexibility.

Strong bouquet of channels in entertainment space with healthy market share in viewership; Flagship Hindi GEC, Colors remains group's mainstay – The Viacom18 group has a strong bouquet of channels in entertainment space, as reflected by its healthy market share in viewership ratings. The group's share of entertainment viewership has improved to 11.8% in Q2 FY2022 from 10.80% in Q4FY2021 driven by a good mix of content. It has Hindi and English GECs, regional entertainment, as well as the content-asset monetisation business. The group has iconic brands in its portfolio such as Colors, MTV, Comedy Central, VH1 and Nick, which has helped it carve a strong and niche positioning in their respective segments. Furthermore, the children's genre has continued to demonstrate healthy financial performance (as indicated by the management) on the strength of its owned intellectual property rights (IPRs) and maintained its dominant position in the genre. However, Colors, the flagship channel, remains its mainstay with differentiated content both in the fiction and non-fiction categories. The group's ability to maintain the leadership position of Colors will be critical to drive its growth and profitability.

Comfortable capital structure and debt protection metrics – The Viacom18 group's consolidated capital structure remained comfortable at 0.1 times as on March 31, 2021, providing it flexibility to take on additional debt to support its investments. Furthermore, the operating profitability of the group improved significantly to 18.3% during FY2021 over 14.7% during FY2020 supported by higher yields in advertising revenues and broad-based cost controls despite the interim adverse impact of the pandemic on profitability during Q1 FY2021. The strong profitability helps the company to fund the investments in the OTT space and the new channel launches without significant incremental capital infusion or stretching the balance sheet. The group's debt protection metrics as reflected by the interest coverage indicator of 14.3 times and total debt/OPBITDA of 0.3 time for FY2021, remain strong.

Credit challenges

Continued investments in broadcasting segment and various digital businesses – Some of its entertainment channels such as Tamil, Bangla and recently launched movie channels continue to remain under gestation, though the company has been investing more judiciously resulting in higher portfolio level profitability. Furthermore, the company is judiciously investing in fresh content for its subscription based its OTT platform VOOT Select. The company has also made a foray into the sports broadcasting segment recently by acquiring rights of FIFA World Cup'22 and three major football leagues. The gestation phase of these channels and the investment in its OTT application, VOOT and other digital initiatives is likely to constrain the improvement in the group's OPM. The digital business will remain in investment mode (largely in the nature of operating expenditure), given their significant potential and advertisement revenue shift towards digital. 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 cyclicality in advertisement spends by corporates and the rising competitive intensity with an increase in the total number of channels in the mass content and niche segment. The above factors challenge the company's ability to retain market share and by implication, its advertisement revenue share. While the near-term subscription revenue growth is expected to remain modest due to the impending tariff order implementation, the continued recovery in macro-economic prospects post the pandemic will be critical to drive overall industry as well as Viacom18's advertisement revenue growth. Furthermore, any dramatic shift towards the digital medium away from the television medium is a key overhang for the sector, especially if its own OTT platform, VOOT, is not able to garner higher market share.

Liquidity position: Strong

The Viacom18's liquidity position remains strong with unencumbered cash balance of Rs.57.8 crore as on September 30, 2021. The company does not have any long-term debt repayments. Further the company also has considerable unutilised fund-based bank lines of ~Rs.1,610 crore as on Sep 30, 2021, which supports the liquidity profile. Furthermore, 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 ratings 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 decline in liquidity might result in downward pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Media Broadcasting Industry Impact of Parent or Group Support on an Issuer's Credit Rating ICRA approach for rating commercial paper Consolidation and Rating approach
Parent/Group Support	Parent / Group Company: RIL Group. 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 subsidiary of Network18. ICRA expects TV18 to continue extending timely financial support to Viacom18, should there be a need, as they are a key player in the media value-chain that RIL is focusing on.
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, 2021, is provided in Annexure 2.

About the company

Incorporated in 1995, Viacom18 Media Private Limited is a 51:49 JV between TV18 Broadcast Limited and ViacomCBS. On February 28, 2018, TV18 increased its stake in Viacom18 to 51% from 50%, thereby making it a subsidiary of the company. Viacom18 is present in the television broadcasting space with a presence across the Hindi GEC space and niche genres such as youth, kids and English GEC. In the Hindi GEC space, it operates channels such as Colors, Colors HD, Colors Rishtey and Rishtey Cineplex, while it is present in the English GEC segment through Comedy Central, Vh1 and Colors Infinity. In the youth genre, it has channels such as MTV and MTV Beats; while in the children's genre, its portfolio is represented by channels such as Sonic, Nickelodeon and Nick Jr. During September 2016, Viacom18 concluded the merger of Prism TV (a JV between Nickelodeon Asia Holdings Pte Ltd, a Viacom Inc. company, and TV18) with itself, effective from April 01, 2015. It has 10 regional entertainment channels in 6 geographies under the brand Colors, including various HD feeds of entertainment channels.

Viacom18 also has a presence in the film production and distribution business under a division, Viacom 18 Motion Pictures. In addition to domestic film production and distribution, the company is also the sole distributor of all Paramount films in the Indian subcontinent. IndiaCast Media Distribution Pvt Ltd (IndiaCast), a JV between Viacom18 and TV18, is a content asset monetisation company, which manages the distribution and monetisation of the company's international business.

Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	3,871.7	3,276.3
PAT (Rs. crore)	353.6	583.1
OPBDIT/OI (%)	14.7%	18.3%
PAT/OI (%)	9.1%	17.8%
Total Outside Liabilities/Tangible Net Worth (times)	1.6	0.8
Total Debt/OPBDIT (times)	1.74	0.33
Interest Coverage (times)	7.4	14.3

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 (FY2022)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Nov 26,2021	Apr 29, 2021	Nov 09, 2020	Feb 28, 2020 Jan 06, 2020	Dec 07, 2018
1	Commercial Paper Programme	Short-term	500.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Fund-based / Non-fund Based Limits	Short-term	1865.0	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]AAA (Stable) Withdrawn/ [ICRA]A1+
3	Fund-based / Non-fund Based Limits	Long-term/Short-term	-	-				[ICRA]AAA (Stable) Withdrawn/ [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+
4	Unallocated Limits	Short-term	75.7	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial Paper Programme	Very Simple
Fund-based /Non-fund Based Limits	Very Simple /Simple
Unallocated Limits	NA

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 analyzing 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, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN No	Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Kotak Mahindra Bank	Overdraft / Working Capital Demand Loan / Letter of Credit / Bank Guarantee	NA	NA	NA	365.0	[ICRA]A1+
	Axis Bank					625.0	
	Yes Bank					100.0	
	HDFC Bank					650.0	
	Federal Bank					125.0	
NA	-	Short-term Unallocated Limits	NA	NA	NA	75.7	[ICRA]A1+
Yet to be placed	-	Commercial Paper Programme	NA	NA	NA	500.0	[ICRA]A1+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis (As on March 31, 2021)

Company Name	LTHL 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*

Corrigendum

Details of lenders have been updated in Annexure 1

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About ICRA Limited:

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