Planetcast Media Services Limited

March 19, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	0.00	40.00	[ICRA]A+(Stable); reaffirmed
Fund based- Working Capital Facilities	10.00	10.00	[ICRA]A+(Stable); reaffirmed
Non-fund based-Working Capital Facilities – LT Scale	24.00	13.00	[ICRA]A+(Stable); reaffirmed
Non-fund based-Working Capital Facilities – ST Scale	26.00	30.00	[ICRA]A1; reaffirmed
Total	**60.00**	**93.00**	

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]A+ (pronounced ICRA A plus) for Rs. 10.0-crore fund-based limits, for Rs. 13.0-crore (earlier Rs. 24.0-crore) long-term non-fund-based limits and Rs. 40.0-crore (earlier nil) term loans of Planetcast Media Services Limited (PMSL)†. The outlook on the long-term rating is Stable. Further, ICRA has reaffirmed the short-term rating of [ICRA]A1 (pronounced ICRA A one) for Rs. 30.0-crore (earlier Rs. 26.00-crore) short-term non-fund-based limits of PMSL.

Rationale

ICRA has taken a consolidated view of PMSL and its subsidiary Planetcast Technologies Limited (PTL – rated [ICRA]A+(Stable)/[ICRA]A1) given their common management and financial inter-linkages, and another subsidiary Adore Technologies Pte. Limited (Adore). The entities together are referred to as the Group.

The rating action takes into consideration the healthy growth in the Group's scale of operations, primarily driven by an increasing number of channels availing the Group's teleport and playout services, and its continued strong profitability metrics. The ratings also continue to take into consideration the established position of the Group in the satellite broadcasting industry (teleport and playout services) and the digital satellite news gathering (DSNG) industry. Moreover, the Group is witnessing gradual traction in its other service offering of digital streaming and cloud-based distribution (DS & CBD), given its established relationship with broadcasters and ready availability of content. With the growth in channels opting for outsourced teleport and playout services and growth in services such as DS & CBD, the Group is expected to enjoy steady revenue growth. The ratings also continue to derive strength from the Group's experienced and stable management with a long track record of operations as well as established clientele. Further, the ratings continue to favourably factor in the Group's healthy financial profile, characterised by low working-capital intensity, moderate debt levels and robust debt-protection metrics.

The ratings are, however, constrained by PMSL's moderate client-concentration risks with its top-five customers accounting for around 45% of its revenues in FY2017. However, given PMSL's strong market position and healthy growth

† *For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications.*

potential in the industry, the risk of customers moving out to competition is mitigated to an extent. The ratings also factor in Group's exposure to adverse movement in foreign exchange rates with respect to portion of its debt and expenses, however, the exposure has reduced considerably over years. In addition, ICRA takes note of the fact that the company is looking for some inorganic growth through acquisition, given its sizeable cash balance of around Rs. 95 crore as on December 31, 2017. Any such acquisition may alter the credit profile of the Group and remains a rating sensitivity.

Apart this, ICRA has taken note of the fact that Kubera Cross Border Mauritius Fund (Kubera) has investments in PMSL in the form of Compulsorily Convertible Preference Shares (CCPS) (infused during FY2009) which, besides other options, has buyback of its shares by PMSL as an exit option. However, the comfort is drawn from Kubera's continued association with and commitment towards the company. Further, ICRA believes that the Group shall have adequate cash flows to meet the funding requirements in case the need for buyback arises.

Outlook: Stable

ICRA believes that PMSL will be able to maintain steady growth in its revenue and enjoy strong profitability metrics. The outlook may be revised to Positive if the Group witnesses higher than anticipated growth in revenue and profitability further strengthening its financial risk profile. The outlook may be revised to Negative if the Group losses its key clients and witnesses reduction in revenue and profitability.

Key rating drivers

Credit strengths

- **Established market position** – The Group started operations as a very small aperture terminal (VSAT) services provider in March 1998. However, with growth in the media industry, the company shifted its focus towards DSNG and teleport services. Over time, the Group garnered sizeable market share in the industry and established itself as a leading teleport and DSNG services provider.

- **Steady growth in scale of operations** – The Group has established itself as the leading third-party teleport service provider in the country and has established a good clientele over the last few years. Many major broadcasting Groups are using its teleport services and gradually expanding the scope of operations. Increase in the number of channels served by the Group has resulted in a healthy growth in its scale of operations.

- **Robust profitability and coverage metrics** – Given its established market position, the Group commands premium pricing for its services as evident from its strong profitability metrics (consolidated operating margins of around 30% in FY2017). Further, healthy cash accruals have limited the Group's reliance on outside debt, which results in a healthy leverage profile with consolidated Debt/OPBDITA of 0.3 times as on March 31, 2017 and robust coverage metrics with OPBDITA/Interest of 21.7 times in FY2017.

Credit challenges

- **Moderated client concentration** – PMSL has many clients with each contributing not more than 4% of its turnover. However, its proportion of revenue accruing from the top-five customers remains high at 45–50% because of the single largest customer which contributes around 30% of its revenues. However, given PMSL's strong market position and healthy growth potential in the industry, the risk of customers moving out to competition/captive teleport is mitigated to an extent.

- **Intense competition** – As a teleport and playout services provider, the Group faces competition not only from the independent players but also from broadcasters with captive operations. However, the company's experienced management, technically-qualified team of professionals and established relationships with customers help it to manage competition effectively. This is evident from its existing customers gradually increasing the number of channels being uplinked from PMSL's facilities. 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 a competitive advantage.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below. ICRA has also taken consolidated view of PMSL with its subsidiaries PTL and Adore.

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company

PMSL, incorporated in 1996, was promoted as a joint venture between Essel Group and Shyam Group. PMSL is a leading media technology service provider under license from Ministry of Information and Broadcasting (MIB), Government of India. The Company is also providing VSAT and internet service provider (ISP) services under license from Ministry of Communication and Information Technology, Govt. of India.

For FY2017, the Group (consolidated) reported profit after tax of Rs. 46.4 crore on an operating income (OI) of Rs. 353.0 crore as against profit after tax of Rs. 36.4 crore on an OI of Rs. 308.7 crore in FY2016.

Key financial indicators (audited - consolidated)

	FY2016	FY2017
Operating Income (Rs. crore)	308.7	353.0
PAT (Rs. crore)	36.4	46.4
OPBDIT/OI (%)	28.4%	30.3%
RoCE (%)	20.9%	22.8%
Total Debt/TNW (times)	0.14	0.10
Total Debt/OPBDIT (times)	0.44	0.31
Interest Coverage (times)	21.56	21.73
NWC/OI (%)	9%	3%

Source: PMSL's, PTL's and Adore's annual reports, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating March 2018	Date & Rating in FY2017 December 2016	Date & Rating in FY2017 August 2016	Date & Rating in FY2015 March 2015
1	Term-loans	Long-term	40.0	10.0	[ICRA]A+ (Stable)	-	-	-
2	Fund-based limits	Long-term	10.0	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
3	Non-fund Based limits	Long-term	13.0	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2	Non-fund Based limits	Short-term	30.0	-	[ICRA] A1	[ICRA] A1	[ICRA] A1	[ICRA] A1

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term-loans	January 2017	8.30%	April 2022	40.0	[ICRA]A+(Stable)
NA	Fund-based limits	-	-	-	10.0	[ICRA]A+ (Stable)
NA	Non-fund Based limits	-	-	-	13.0	[ICRA]A+ (Stable)
NA	Non-fund Based limits	-	-	-	30.0	[ICRA] A1

Source: PMSL

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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