



Press Release

OneOTT Intertainment Limited (OIL)

November 28, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long term Bank Facilities – Cash Credit	2.00	IVR A+/Credit watch with developing implications (IVR Single A Plus under credit with developing implications)	Reaffirmed and placed under credit watch with developing implications	Simple
Proposed Long Term Bank facilities	9.00	IVR A+ / Credit watch with developing implications (IVR Single A Plus under credit with developing implications)	Reaffirmed and placed under credit watch with developing implications	Simple
Short Term Bank Facilities – LC/LER	19.00	IVR A1+/ Credit watch with developing implications (IVR A One Plus under credit with developing implications)	Reaffirmed and placed under credit watch with developing implications	Simple
Total	30.00 (INR Thirty Crores only)			

The ratings reaffirmation of OneOTT Intertainment Limited's (OIL) bank loan facilities continues to factor the experienced management and strong promoter group, leading market position and improved financial risk profile of the company. However, rating continues to remain constrained on account of highly competitive industry with high susceptibility to changing technology and volatile profitability.

The rating is placed under credit watch with developing implications (CWDI) to ascertain the exact impact of the proposed scheme of arrangement on the overall business and financial risk profile of the resultant company, pending completion of proposed scheme of arrangement.



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Proposed scheme of arrangement

Through the proposed scheme of arrangement, NDL gets demerged from the integrated digital, media and communication business and the same gets consolidated in to “Hinduja Global Solutions Limited”.

Currently the integrated digital, media and communication business is under OneOTT Entertainment Limited (OIL) which is a direct subsidiary of NXT digital Limited (NDL). NXT Digital Limited (Demerged company) and Hinduja Global Solutions Limited (Resultant Company) are part of Hinduja Group.

Consolidation of the business into a single consolidated entity is expected to enable focused strategies, management, investment and leadership for the consolidated entity and further expected to result into organization efficiency and operational synergies.

National Company Law Tribunal (NCLT), Mumbai bench vide its order dated 11 Nov 2022 has approved the proposed “Scheme of arrangement” and the Appointed Date of the Scheme is fixed as February 01, 2022.

Key Rating Sensitivities:

Upward Factors

- Significant growth in revenues coupled with improved profitability and liquidity on a sustained basis.
- Impact of ongoing corporate restructuring resulting in substantial improvement in financial risk profile of the resultant company

Downward Factors

- Any significant decline in revenues, profit margins and/or high debt funded capex leading to decline in debt protection metrics or substantial weakening of group's credit profile.



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- Impact of ongoing corporate restructuring resulting in substantial deterioration in the financial risk profile of the resultant company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management and Strong Promoter Group

NXT Digital Limited (NDL) and OneOTT Entertainment Limited (OIL) are a part of the Hinduja Group which was established in 1918. It is a diversified group having presence in around 30 countries, in sectors encompassing automotive (Ashok Leyland Ltd), oil & gas (Gulf Oil Lubricants Ltd), banking & finance (Indusind Bank Ltd), IT and BPO (Hinduja Global Solutions), media (NXT Digital Limited) and healthcare. The group has provided timely and adequate financial support to NDL and its subsidiaries, in the past and is expected to continue doing so in future, when required. Further, NDL has operational track record of over three decades and benefit from professional management having long experience in the media and communications industry.

Leading Market Position

NDL (holding company of OIL) is the only company to have dual services of traditional cable operations and Head End in The Sky (HITS) operational services under a single platform. The company provides services both as a “Full Service Offering” and a “Managed Service Offering” – these are offerings of the company to smaller MSOs to share the company’s infrastructure to enhance speed and quality of the small MSOs’ offerings. The profit earned from Managed Services goes straight to the bottom-line with negligible amount of operating costs. Further, NDL is currently the only Company in the industry to have infrastructure sharing PaaS or Platform-as-a-Service offering. This will assist NDL in leveraging its already incurred capex and provide PaaS platform to MSOs – for which it will earn a fee income.

The Integrated broadband platform of OIL delivers high-speed internet and services across multiple cities in India. OIL has over 4700 kilometres of ‘live’ OFC network providing broadband and high-speed internet to over 15 cities in India.



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Improved Financial Risk Profile

NDL raised Rs 288.81 Crores through rights issue in FY22 which was utilized to repay debt which resulted in further deleveraging of its balance sheet. On a consolidated basis, NDL has reported total operating income of Rs 1079.80 Crores in FY22 when compared to Rs 974.88 Crores in FY21 and PAT of Rs 1.90 Crores for FY22. NDL's profitability improved with the company reporting profits for the first time in last 5 years. Further, overall gearing improved from 1.66x in FY21 to 0.46x in FY22. For H1FY23, the company has reported total revenues of Rs 548.96 Crores and net loss of Rs 85.62 Crores.

Key Rating Weaknesses

Highly Competitive Industry with High Susceptibility to Changing Technology

There is growing competition from alternative TV distribution technologies, such as over-the-top platforms. The industry is vulnerable to fast-changing customer preferences, in addition to susceptibility to disruption from ever changing technology.

Volatile profitability

On a consolidated basis, NDL reported total income of Rs 1152.19 Crore in FY22 as compared to Rs 1008.45 Crore in FY21. NDL's EBITDA margin decreased to 17.43% in FY22, when compared to 21.20% in FY21 mainly on account of lower-than-expected growth in business of PaaS and overall digital business. Further in H1FY23, the company has reported net loss of Rs 85.62 Crores when compared to PAT of Rs 1.90 crores reported for FY22. NDL's profitability is expected to be volatile over near to medium term.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has consolidated the financials of NXT Digital Limited (NDL) & its wholly owned subsidiaries including OneOTT Intertainment Limited (OIL), on account of common management (falling under the umbrella of the Hinduja Group), strong Operational and financial linkages between the entities. (NDL has given a letter of comfort of INR 11.00 crore in favour of OIL for its existing bank facilities)



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Applicable Criteria:

[Rating Methodology for Service companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

Liquidity – Adequate

The company maintains moderate cash and bank balance to meet its liquidity requirements. As at March 31, 2022, the company had Gross Cash Accruals of Rs 117.82 Crores as against CPLTD of Rs 33.85 Crore. The company also has cash and cash equivalents of Rs 48.26 Crores as on 30 September 2022. Further, being part of the Hinduja Group, NDL enjoys significant financial flexibility in terms of mobilizing funds from various sources at competitive rates.

About the Company

NXTDigital Limited (erstwhile Hinduja Ventures Limited) was originally incorporated in the year 1985 and has a track record spanning more than 3 decades in the media and communications segment. The company is a part of the “Hinduja Group” which is one of the largest diversified groups in the world spanning all the continents. The company’s principal business comprises of Media & Communications, in the cable TV distribution business through both the traditional Fibre based and the new Satellite based Head End In the Sky (HITS) platforms. In August 2019, NDL had acquired 71.65% stake in OneOTT Intertainment Limited (provides broadband/internet services to retail customers, enterprise customers and network management services to IndusInd Media Communications Limited (IMCL) and other network operators).

Financials (Consolidated)*:

(In Crore)

For the year ended / As on	31-03-2020	31-03-2021	31-03-2022
	(Audited)	(Audited)	(Audited)



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Total Operating Income	999.98	974.88	1079.80
EBITDA	185.69	205.70	188.23
PAT	-134.09	-13.90	1.90
Total Debt	731.33	332.69	205.82
Adjusted Tangible Net-Worth	221.00	200.36	449.82
Ratios			
EBITDA Margin (%)	18.57	21.10	17.43
PAT Margin (%)	-11.54	-1.38	0.17
Overall Gearing Ratio (x)	3.31	1.66	0.46

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (August 30, 2021)	Date(s) & Rating(s) assigned in 2020-21 (June 25, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Proposed Long Term Bank Facilities – Term Loan	Long Term	9.00	IVR A+/ CWDI	IVR A+/ Stable Outlook	IVR A+/ Stable Outlook	--
2.	Long Term Bank Facilities – CC	Long Term	2.00	IVR A+/ CWDI	IVR A+/ Stable Outlook	IVR A+/ Stable Outlook	--
3.	Long/ Short Term Bank Facilities – Capex Letter of Credit/LER	Long Term/ Short Term	19.00	IVR A+/ Stable / IVR A1+/ CWDI	IVR A+/ Stable Outlook/ IVR A1+	IVR A+/ Stable Outlook/ IVR A1+	

Name and Contact Details of the Rating Analyst:

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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	9.00	IVR A+/ CWDI
Cash Credit	-	-	Revolving	2.00	IVR A+/ CWDI
Capex Letter of Credit	-	-	Revolving	18.00	IVR A1+/CWDI
LER	-	-	Revolving	1.00	IVR A1+/CWDI
Total				30.00	



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Annexure 2: List of companies considered for consolidated analysis:

Sr. No.	Name of the Entity	Holding/ Subsidiary/ Associate#	Company's shares in voting power (%)*	Company's Effective consolidation (%)*
1	Indusind Media & Communications Limited	Direct Subsidiary	77.55	77.55
2	OneOTT Entertainment Limited	Direct Subsidiary	71.65	71.65
3	U S N Networks Private Limited	Indirect Subsidiary	100.00	77.55
4	United Mysore Network Private Limited	Indirect Subsidiary	99.45	77.55
5	Bhima Riddhi Infotainment Private Limited	Indirect Subsidiary	51.00	39.55
6	Gold Star Noida Network Private Limited	Indirect Subsidiary	100.00	77.55
7	Apna Incable Broadband Services Private Limited	Indirect Subsidiary	100.00	77.55
8	Sangli Media Services Private Limited	Indirect Subsidiary	51.00	39.55
9	Sainath In Entertainment Private Limited	Indirect Subsidiary	51.00	39.55
10	Sunny Infotainment Private Limited	Indirect Subsidiary	51.00	39.55
11	Goldstar Infotainment Private Limited	Indirect Subsidiary	98.92	76.71
12	Ajanta Sky Darshan Private Limited	Indirect Subsidiary	51.00	39.55
13	Darpita Trading Company Private Limited	Indirect Subsidiary	51.00	39.55
14	RBL Digital Cable Network Private Limited	Indirect Subsidiary	51.00	39.55
15	Vistaar Telecommunication and Infrastructure Private Limited	Indirect Subsidiary	51.00	39.55
16	One Mahanet Entertainment Private Limited	Indirect Subsidiary	100.00	71.65
17	In Entertainment (India) Limited	Indirect Subsidiary	100.00	71.65
18	Vinsat Digital Private Limited	Indirect Subsidiary	61.00	47.31

*Representing aggregate % of shares held by the Company and / or its subsidiaries

#The Direct Subsidiaries are that of NXT Digital Limited, and the Indirect Subsidiaries are that of Indusind Media and Communications Limited (IMCL) and OIL.



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-OneOTT-nov22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

