



Press Release

OneOTT Intertainment Limited (OIL)

August 30, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Proposed Long term Bank Facilities	10.00 (Reduced from Rs. 12.00 Crore)	IVR A+/ Stable (IVR Single A Plus with stable outlook)	Reaffirmed
Long term Bank Facilities	2.00	IVR A+/ Stable (IVR Single A Plus with stable outlook)	Reaffirmed
Long Term /Short Term Bank Facilities	18.00 (Enhanced from Rs. 8.00 Crore)	IVR A+/ Stable / IVR A1+ (IVR Single A Plus with stable outlook / IVR A One Plus)	Reaffirmed
Total	30.00 (Thirty Crore)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings affirmation of bank facilities of OneOTT Intertainment Limited factors Experienced Management and Strong Promoter Group, Leading Market Position and Improved Financial Risk Profile. However, rating continues to remain constrained on account of Highly Competitive Industry with High Susceptibility to Changing Technology and Volatile Operating Performance.

Key Rating Sensitivities:

Upward Factors

- Significant revenue growth, along with improved capital structure, on a sustained basis, could lead to a positive rating action.

Downward Factors

- Significant decline in EBITDA margin and/or high debt funded capex leading to decline in debt protection metrics or substantial weakening of group's credit profile, could lead to a negative rating action.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management and Strong Promoter Group

NXT Digital Limited (NDL) and OneOTT Intertainment 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.

Although Indian media and entertainment industry has seen a degrowth of around 24% and subscription has declined by 7%, NDL’s operating profit increased by around 11%, reflecting its strong business model.



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Improved Financial Risk Profile

NDL diluted its holding in other group companies and used the proceedings to improve Company's capital structure. Company is in process of rights issue, to further deleverage its balance sheet. In FY21, NDL's operating margin improved from 18.57% in FY20 to 21.1% in FY21. Further, overall gearing improved from 3.31x in FY20 to 0.68x in FY21.

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 Operating Performance

NDL recorded revenue of INR975Crore in FY21 as compared to INR1000Crore in FY20 and INR665Crore in FY19 on a consolidated basis. NDL's EBITDA margin was at 21.1% in FY21, 18.57% in FY20 and -16.08% in FY19.

OIL recorded revenue of INR229Crore in FY21 as compared to INR223Crore in FY20 and INR129Crore in FY19. OIL's EBITDA margin was at 30.81% in FY21, 12.99% in FY20 and -1.13% in FY19.

With no major capex planned and expected growth in high margin business of PaaS, NDL's profitability is expected to keep increasing steadily over medium term.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has consolidated the financials of NXTDigital 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)

Liquidity – Adequate

The company maintains moderate cash and bank balance to meet its liquidity requirements. As at March 31, 2021, the company had Gross Cash Accruals of INR89.33 Crore as against CPLTD of INR67.12Crore. 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	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Audited)
Total Operating Income	664.95	999.98	974.88
EBITDA	-106.93	185.69	205.70
PAT	-343.12	-134.09	-13.90
Total Debt	1119.21	731.33	332.73
Adjusted Tangible Net-Worth	614.56	220.99	491.36
Ratios			
EBITDA Margin (%)	-16.08	18.57	21.10



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PAT Margin (%)	-48.70	-11.54	-1.38
Overall Gearing Ratio (x)	1.82	3.31	0.68

* 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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (June 25, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Proposed Long Term Bank Facilities – Term Loan	Long Term	10	IVR A+/ Stable Outlook	IVR A+/ Stable Outlook	--	--
2.	Long Term Bank Facilities – CC	Long Term	2.00	IVR A+/ Stable Outlook	IVR A+/ Stable Outlook	--	--
3.	Long/ Short Term Bank Facilities – Capex Letter of Credit	Long Term/ Short Term	18.00	IVR A+/ Stable Outlook/ IVR A1+	IVR A+/ Stable Outlook/ IVR A1+		

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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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	-	-	-	10.00	IVR A+/ Stable
CC	-	-	-	2.00	IVR A+/ Stable
Capex Letter of Credit	-	-	-	18.00	IVR A+/ Stable/ IVR A1+
Total				30.00	

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 Intertainment 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



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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 Intertainment Private Limited	Indirect Subsidiary	100.00	71.65
17	In Intertainment (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 Indulnd Media and Communications Limited (IMCL) and OIL.

Annexure 3: Facility wise lender details (<https://www.infomerics.com/admin/prfiles/OneOTT-lenders-30aug21.pdf>)

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Proposed Term Loan	Simple
2.	CC	Simple
3.	Capex Letter of Credit	Simple

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.