Star India Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term/short-term bank facilities	33,000	CARE AAA; Stable/ CARE A1+	Assigned
Commercial paper	500	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and commercial paper issue of Star India Private Limited (SIPL) factors in merger of media business (excluding motion pictures) of Viacom18 Media Private Limited (Viacom18, rated 'CARE AAA; Stable/CARE A1+') with SIPL. Reliance Industries Limited (RIL; rated, 'CARE AAA; Stable/CARE A1+'), Viacom18 (70.49% subsidiary of RIL on a fully diluted basis) and The Walt Disney Company (Disney) signed binding agreements to form a joint venture (JV) to combine businesses of SIPL and Viacom18. As a part of the transaction, media business (excluding motion pictures) of Viacom18 has been merged into SIPL effective from November 14, 2024, post regulatory approvals. RIL has also invested ₹11,500 crore into SIPL for its growth strategy. Now, SIPL is controlled by RIL which owns 16.34% directly, 46.82% through subsidiary Viacom18 whereas balance 36.84% is owned by Disney.

Ratings principally derive strength from SIPL's strong parentage and financial flexibility being a part of RIL group and strategic importance of media and entertainment business vertical for RIL. Ratings derive strength from SIPL's strong market position in TV and digital streaming for entertainment and sports content in India with combination of media assets across entertainment (e.g. Colors, Star Plus, Star GOLD), sports (e.g. Star Sports and Sports18) and digital platforms (Jio Cinema and Hotstar), and diversified content offerings with healthy performance of flagship channels.

SIPL also has key sports media rights including media rights of Indian Premier League (IPL), International Cricket Council (ICC) and BCCI's international and domestic cricket matches, which are expected to drive its revenue growth in the medium term. SIPL's strategic merger with media business of Viacom18 and consequent capital infusion of ₹11,500 crore has resulted in healthy capital structure and is expected to provide strong liquidity headroom till sports segment achieves break-even.

However, rating strengths are partially offset by regular investment required in content offerings, which have significant gestation period, cyclicality associated with its advertisement revenue in a competitive media and entertainment industry. Timely monetisation of sizeable investments being incurred for sports media rights will be a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Reduction in SIPL's strategic importance for RIL impacting its financial flexibility.
- Sustained cash losses in SIPL, not adequately covered by equity capital infusion, due to its inability to efficiently monetise its content rights, and its consequent adverse impact on its leverage and liquidity.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered a consolidated analytical view of SIPL and its subsidiaries/JVs owing to financial, operational and managerial linkages. List of entities consolidated with SIPL has been placed in **Annexure-6**.

Also, merger of media business of Viacom18 with SIPL effective from November 14, 2024, has been considered. The company's strategic importance for RIL group's media and entertainment business and expected financial support from RIL group, if required, has been taken into consideration.

Outlook: Stable

CARE Ratings believes SIPL's strong market position in various TV and digital entertainment genres and its dominance in sports segment backed by support from its strong parent (RIL group) would lead to healthy cash flows for SIPL and a strong credit profile.

Detailed description of key rating drivers

Key strengths

Parentage of strong and resourceful RIL group

RIL, Viacom18 and Disney had signed binding agreements to form a JV to combine businesses of SIPL (earlier 100% owned by Disney group) and Viacom18. Accordingly, Viacom18's media business (excluding motion pictures) has been demerged and

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

transferred to SIPL effective from November 14, 2024, per Competition Commission of India's approval dated August 27, 2024, and NCLT order dated August 30, 2024. In addition, RIL has invested growth capital of ₹11,500 crore into SIPL on November 14, 2024. SIPL allotted shares to Viacom18 and RIL as consideration for net assets and cash, respectively. The transaction values SIPL at ₹70,352 crore on a post-money basis, excluding synergies. Accordingly, SIPL is now controlled by RIL which owns 16.34% directly, 46.82% through subsidiary Viacom18 whereas balance 36.84% is owned by Disney.

SIPL is now a part of strong and resourceful RIL group, which is India's largest private sector enterprise with businesses across energy and materials value chain, retail and telecom sectors. SIPL will be guided by Nita M Ambani as chairperson and Uday Shankar as vice chairperson.

High strategic importance of media and entertainment business to RIL group

SIPL is RIL group's key investment in media and entertainment segment and strategically important business for the group. This is evident from its partnership with Bodhi Tree Systems where RIL infused ₹10,839 crore capital and integrated Jio Cinema OTT in Viacom18. Later, RIL group formed strategic joint venture with Disney by combining media businesses of Viacom18 and SIPL, with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India, supported by capital infusion of ₹11,500 crore from RIL. Also, RIL's media and entertainment vertical has synergies with its market leading telecom business. These factors reiterate SIPL's significant importance in RIL's overall strategy.

Diversified content offerings with strong position across entertainment genres and dominance in sports media

Post-merger, SIPL is now India's leading media and entertainment company with over 100 TV entertainment channels (including Star Plus, Star GOLD, Star Sports, Colors, Sports 18), digital platforms (Jio Cinema and Hotstar), key sports media rights, movie production and allied businesses. SIPL's flagship channels Star Plus, Colors, and Star Gold have been consistently ranked among top Hindi GECs and Movie, in terms of television viewership, considering regular investments in popular fiction and non-fiction content. SIPL has also been a dominant player in segments such as regional GECs, infotainment, kids, youth and English entertainment with prominent brands including National Geography, NetGeo Wild, Disney, Nick, Star World, MTV, Vh1, and Comedy Central, among others. SIPL's content offering is expected to diversify further with growth in regional GECs portfolio and its digital platforms Jio Cinema and Hotstar.

SIPL now has a dominant position in sports media under flagship Star Sports and Sports 18 TV channels and portfolio of media rights for key popular leagues and events including IPL, ICC, BCCI, Cricket Australia, Cricket South Africa, Women Premier League, SA20, FIH (Federation of International Hockey) and MotoGP among others.

Operating income likely to witness a strong growth in the medium term

SIPL's combined total operating income (TOI) (SIPL+Viacom18) was ~₹26,000 crore in FY24. However, SIPL's combined profitability was adversely impacted in FY24, owing to weak advertising environment and increase in operating cost, primarily in sports and digital segment. SIPL also booked provision of ₹12,319 crore for expected loss on domestic broadcast of all international cricket matches organised by ICC on TV and digital platforms during 2024-2027. Going forward, CARE Ratings expects SIPL's TOI to witness strong growth upon improvement in monetisation of its sport media rights. However, SIPL's profitability is expected to remain weak in FY25 due to large annual sports rights fee payout and high marketing spends against revenue from broadcasting/streaming of sport events. However, SIPL's merger with Viacom18's media business and consequent capital infusion, is expected to provide it with strong liquidity headroom to fund gestation losses in its sports ventures, restricting moderation in its leverage to a large extent.

Healthy capital structure post-merger with Viacom18's business

SIPL's overall gearing moderated to 0.67x as on March 31, 2024 (0.13x as on March 31, 2023), primarily due to erosion in net worth due to a large provision for expected loss on ICC media rights. However, in April 2023, RIL and Bodhi Tree Systems together had infused ₹15,145 crore capital in Viacom18. Later, RIL infused ₹11,500 crore capital in SIPL on November 14, 2024. Accordingly, post transfer of Viacom18's assets and liabilities, SIPL's capital structure has become healthy marked by sizable net worth base against external debt of ₹5,735 crore as on November 14, 2024. CARE Ratings believes SIPL's overall gearing to remain comfortable in the medium term despite gestation phase losses in sports segment and expected increase in debt level to fund content-related investments.

Liquidity: Strong

SIPL's strong liquidity is marked by healthy cash and liquid investments of ₹18,296 crore against external debt of ₹5,735 crore as on November 14, 2024. SIPL has fund & non-fund based working capital limits of ₹34,417 crore as on November 14, 2024, where fund-based limits are planned to be utilised for content-related investments and sports rights fee payout, whereas non-fund-based limits are to be primarily utilised for submission of bank guarantees related to sport rights. SIPL belongs to a strong RIL group which ensures superior financial flexibility. Its liquidity is underpinned by RIL group's stance to extend financial support, if required.

Key weaknesses

Risk associated with monetisation of large-size investments for acquisition of sports media rights

SIPL has exclusive TV and digital rights to broadcast IPL cricket matches in various geographies for seasons from 2023 to 2027, acquired for a rights fee of ₹47,551 crore. SIPL has TV and digital rights to broadcast ICC's global events in India from 2024 to 2027, acquired for a rights fee of ~3 Bn USD. It also has digital and TV media rights to broadcast BCCI's international and domestic cricket matches of Indian cricket team from September 2023 to March 2028 for a rights fee of ₹5,963 crore. Apart from this, SIPL has media rights across various sports.

SIPL has a plan to monetise these rights by advertisement and subscription income, given the huge popularity of cricket in India. However, SIPL's ability to monetise sports media rights adequately and in a timely manner would be critical to improve its return indicators.

Regular investments in content offerings resulting in inherently working capital intensive operations

Entertainment business is inherently working capital intensive mainly due to large inventory holding in the form of content, motion picture and streaming rights. Competition among top TV channels/digital platforms and extremely dynamic channel rankings, necessitates regular investments in existing and new content offerings. Going forward, working capital intensity of SIPL's operations is expected to continue amidst expansion plans.

Volatility of advertisement revenue in competitive media and entertainment industry

SIPL's advertisement revenue constitutes over 50% of its TOI. Advertisement revenue remains vulnerable to factors such as market competition, viewership, quality and popularity of content being broadcast, trends in media sector, regulatory changes and level of economic activity in general. In the past, significant volatility has been observed in advertisement revenue of media and entertainment entities. To monetise some of its large investments in sports, improvement in advertisement income would be critical.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Service Sector Companies
Factoring Linkages Parent Sub JV Group
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial Sector Entities
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Media, entertainment and publication	Entertainment	Media and entertainment

SIPL was incorporated on February 8, 1994, and is engaged in television broadcasting, digital streaming, movies production and distribution, and organising sports and events. SIPL is a media and entertainment business vertical of RIL group, controlled by RIL and owned 16.34% by RIL, 46.82% by Viacom18 (Viacom18 owned 70.49% by RIL, 13.54% by Network18 Media and Investments Limited [RIL group] and 15.97% by Bodhi Tree Systems) and 36.84% by The Walt Disney Company.

SIPL is India's largest media and entertainment company with over 100 TV entertainment channels (including Star Plus, Star GOLD, Star Sports, Colors, Sports 18), OTT platforms (Jio Cinema and Hotstar) and key sports media rights across various sports, post-merger of media business (excluding motion pictures) of Viacom18 with SIPL.

Brief Financials of SIPL - Consolidated (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	19,903	18,633
PBILDT	1,726	133
PAT	1,272	-12,718
Overall gearing (times)	0.13	0.67

Brief Financials of SIPL - Consolidated (₹ crore)	FY23 (A)	FY24 (A)
Interest coverage (times)	10.08	0.60

A: Audited
Notes: These are latest available financial results
SIPL's brief financials for FY23 & FY24, mentioned in above table, pertains to SIPL's pre-merger business. Viacom18's media business (excluding motion pictures) merged with SIPL effective from November 14, 2024.
Financials classified per CARE Ratings' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument/facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST (proposed)	-	-	-	33,000	CARE AAA; Stable / CARE A1+
Commercial Paper (Standalone)	-	-	7-364 days	500 #	CARE A1+

 # No commercial paper outstanding as on January 2, 2025.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	33,000	CARE AAA; Stable / CARE A1+	-	-	-	-
2	Commercial Paper (Standalone)	ST	500	CARE A1+	-	-	-	-

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of Instruments	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Novi Digital Entertainment Private Limited#	Full	Subsidiary
2	Mashal Sports Private Limited	Full	Subsidiary
3	Global Asianet Limited	Full	Subsidiary
4	Media Pro Enterprise India Private Limited	Proportionate	Joint Venture
5	Football Sports Development Limited	Proportionate	Joint Venture

#Merged with SIPL per NCLT order dated May 15, 2024.

SIPL's pre-merger subsidiaries as on March 31, 2024 are mentioned above. Viacom18's media business (excluding motion pictures) merged with SIPL effective from November 14, 2024.

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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