Press Release

Hinduja Ventures Limited

November 12, 2018

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.320.00 Cr. (Enhanced from Rs.100.00 Cr.)
Long Term Rating	ACUITE A+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE A+' (read as ACUITE A plus)** on the Rs.100.00 cr. bank facilities and assigned the long term rating of **'ACUITE A+' (read as ACUITE A plus)** on the Rs.220.00 crore bank facilities of Hinduja Ventures Limited. The outlook is **'Stable'**.

Hinduja Ventures Limited (HVL), incorporated in 1985, is a part of the Hinduja Group, a leading industrial group with significant global presence in media, real estate, automobiles, power and financial services. Mr. Ashok Hinduja is the Executive Chairman of HVL. HVL's operations (directly and through its major subsidiary IndusInd Media and Communications Limited (IMCL)) cover three segments i.e. Media, Real Estate and Treasury. HVL is listed on the BSE & NSE.

HVL holds 73.66 percent stake in IndusInd Media and Communications Limited (IMCL) a company in the cable TV distribution business through both the traditional Fibre based and the new Satellite based Head-End in the Sky (HITS) platforms. Grant Investrade Limited (GIL) (earlier 100% subsidiary of HVL), had initially launched the HITS business. HVL reorganised its media business in FY2017 by de-merging the HITS business owned by GIL and merging it with IMCL. The merger is with effect from October 2016.

In the real estate segment HVL owns land in Bengaluru and Hyderabad. Presently there is no major activity in the real estate segment.

HVL has an investment portfolio of shares which includes that of IndusInd Bank Limited GOCL Corporation Limited and Gulf Oil Lubricants Ltd. HVL generates a significant portion of its revenues & earnings through its treasury segment.

The Board of directors of the company at its meeting held on 9 January, 2018 had approved the Scheme of Amalgamation between GIL and HVL. The amalgamation process has been completed with July 02, 2018 as the effective date of amalgamation.

Analytical Approach

During the previous rating exercise, Acuité had combined the business and financial risk profiles of HVL and GIL for analytical purposes. The consolidation was on the basis on common management, significant financial & business synergies and the stated intent of the management to merge these entities in the near term.
However, Acuité has now adopted a standalone approach as GIL has been merged with HVL with effect from July 02, 2018.

Key Rating Drivers

Strengths

- **Strong financial flexibility of the Hinduja Group**
  HVL is a part of Hinduja family which was established in Mumbai in 1918. The Hinduja family has global presence across 30 countries. It is one of the largest diversified groups having presence in Automotive, Oil and Gas, Banking and Finance, IT and BPO, Power, Media, Real Estate and Healthcare. HVL has significant investments in IndusInd Bank Ltd. and Gulf Oil Lubricants Ltd. The market value of the listed investments held by HVL including those in stock in trade, as on 31 March, 2018, was more than Rs.1000.00 Cr.
  HVL has also demonstrated the ability to mobilize funds from various banks and large nonbanking

finance companies at competitive rates by virtues of its association with Hinduja Group.

- **High level of group support to the media business**

The promoters of Hinduja family have a long track record of providing timely financial support to HVL and its subsidiaries as and when required. While the media is a loss making business, it is strategic in nature and a key focus area for the Group. The media assets of the Group are mainly held through HVL and its subsidiary, IMCL. The Group has already made a substantial investment in this business. Acuité therefore believes that promoters will continue to support the continuing investment of HVL in the domestic media business.

Weaknesses

- **Continuing losses in the media segment**

The media segment of HVL under IMCL and GIL is currently under significant losses. IMCL on a standalone basis reported net losses of Rs.175.64 Cr. for FY2018. The media segment is getting increasingly competitive due to aggressive marketing efforts by cable TV distribution players like Siti Networks Limited, Den Networks Limited and also from Direct-To-Home (DTH) operators like Dish TV, Videocon D2H, Tata Sky among others. Moreover, the entry of players like Netflix & Amazon who are offering high value content to the viewers at affordable pricing pose a risk to the cable TV industry. The company however expects the losses to reduce gradually on account of digitisation of the media division which prevents revenue leakage and increased focus on the less competitive Tier 3 and Tier 4 cities by the way of using new Headend in the Sky (HITS) technology.

Acuité believes that HVL may face short term challenges in achieving a significant improvement in the operating performance of the media division, however the continuing support from Hinduja Group will support its credit profile.

- **Profitability linked to performance of treasury division**

The treasury division of HVL contributed 91.75 percent of the standalone revenues. HVL's investment portfolio mostly comprises shares of IndusInd Bank Limited, GOCL Corporation Limited & Gulf Oil Lubricants Limited. The treasury division generates treasury gains by active trading in these shares. HVL has borrowed from various NBFCs against the pledge of these shares to support the treasury division operations. Against this background, the profitability of the company will continue to be closely linked to the movement in stock markets.

Outlook: Stable

Acuité believes HVL will maintain a stable credit profile over the medium term on back of its association with the Hinduja Group. HVL will continue to benefit from its strong linkages with and extensive support from Hinduja Group. The outlook may be revised to 'Positive' in case the HVL registers healthy growth in net cash accruals while maintaining/improving the debt protection indicators and capital structure. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in the company's net cash accruals or sharp and sustained diminution in the value of its investments.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	194.91	185.71	324.79
EBITDA	Rs. Cr.	178.23	157.76	156.13
PAT	Rs. Cr.	104.11	102.91	100.59
EBITDA Margin	(%)	91.44	84.95	48.07
PAT Margin	(%)	53.41	55.41	30.97
ROCE	(%)	12.45	12.62	23.92
Total Debt/Tangible Net Worth	Times	0.74	0.36	0.47
PBDIT/Interest	Times	4.56	3.82	4.27
Total Debt/PBDIT	Times	3.82	2.13	2.64
Gross Current Assets (Days)	Days	1,060	1,740	843

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Entities in the service sector - http://acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
27-Mar-18	Buyers Credit	Long term	100.00	ACUITE A+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A+/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	220.00	ACUITE A+/Stable (Assigned)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.