

Press Release

Grant Investrade Limited

31 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 220.00 Cr. (Enhanced from Rs. 200.00 Cr.)
Long Term Rating	SMERA A+/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA A+**' (read as **SMERA A plus**) on the Rs. 220.00 Cr. bank facilities of Grant Investrade Limited (GIL). The outlook is '**Stable**'.

GIL is a fully owned subsidiary of Hinduja Ventures Limited (HVL). The Board of directors of HVL at its meeting held on 9 January, 2018 have approved the Scheme of Amalgamation of GIL into HVL. The same is pending approval of the shareholders of the company.

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 two major subsidiaries IndusInd Media and Communications Limited (IMCL) & Grant Investrade Limited (GIL)) cover three segments i.e. Media, Real Estate and Treasury. HVL is listed on the BSE & NSE.

HVL holds 73.66 percent stake (directly and through another subsidiary) 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) a 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 India Ltd. HVL generates a significant portion of its revenues & earnings through its treasury segment.

Analytical approach:

SMERA has considered the consolidated business and financial risk profiles of Hinduja Ventures Limited (HVL) and Grant Investrade Limited (GIL) hereinafter referred to as HVL Group. The consolidation is 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.

Key rating drivers

Strengths

Strong financial flexibility of the Hinduja Group

HVL and GIL are 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, 2017, was more than Rs. 1000.00 Cr.

HVL has also demonstrated the ability to mobilize funds from various banks and large non-banking finance companies at competitive rates by virtues of its association with Hinduja Group companies.

High level of group support to the media business

The promoters Hinduja family has 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 investments in this business. SMERA 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. 224.64 Cr. for FY2017. 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.

SMERA 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

SMERA believes HVL Group will maintain a stable credit profile over the medium term on back of its association with the Hinduja Group. GIL 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	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	225.02	354.44	121.80
EBITDA	Rs. Cr.	195.90	186.61	97.41
PAT	Rs. Cr.	(13.13)	67.88	92.64
EBITDA Margin	(%)	87.06	52.65	79.98
PAT Margin	(%)	(5.83)	19.15	76.06
ROCE	(%)	3.93	8.97	16.34
Total Debt/Tangible Net Worth	Times	0.76	0.65	0.03
PBDIT/Interest	Times	1.49	3.52	35.24
Total Debt/PBDIT	Times	9.45	5.34	0.36
Gross Current Assets (Days)	Days	1,452	922	741

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in Service Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Mar-2018	Term Loan	Long Term	INR 200.00 CR	SMERA 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
Term Loan	Not Applicable	Not Applicable	Not Applicable	220.00 (Revised from Rs. 200.00 crore)	SMERA A+ / Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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