

Press Release

IndusInd Media and Communication Limited

27 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 800.00 Cr.
Long Term Rating	SMERA A/ Outlook: Stable
Short Term Rating	SMERA A1

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA A' (read as SMERA A)** and short term rating of '**SMERA A1' (read as SMERA A one)** on the Rs. 800.00 Cr. bank facilities of IndusInd Media and Communication Limited. The outlook is '**Stable**'.

IndusInd Media and Communication Limited (IMCL) incorporated in 1995, is a part of the Hinduja Group, a leading industrial group with significant interests in media, real estate, automobiles, power and financial services. Hinduja Ventures Limited (HVL), holds 73.66 percent stake (directly and through its wholly owned subsidiary Grant Investrade Limited (GIL)) in IndusInd Media and Communications Limited (IMCL).

IMCL is one of India's leading integrated multi-system cable and broadcast operator with presence in all the States and Union Territories of the Country, with more than 1000 locations covering more than over 750 cities. The company has a subscriber base of over 4 million and close to 97 percent of its customers are on prepaid payment mode. IMCL has been providing services in analogue and digital mode. All products are marketed under 'In Digital' and 'NXT Digital' brand names. IMCL's product range includes Analogue Cable Television, Digital Cable Television and Headend in the Sky (HITS).

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of IMCL along with the support provided by the promoters of Hinduja family (through HVL) to arrive at the rating of the company.

Key rating drivers

Strengths

Strong financial flexibility of the Hinduja Group

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, the holding company of IMCL has significant investments in IndusInd Bank Ltd. and Gulf Oil Lubricants Ltd. The market value of the listed investments held by HVL, as on 31 March, 2017, was more than Rs. 1000.00 Cr.

The companies of the Hinduja Group have also demonstrated an ability to mobilize funds and refinance their existing debt from various banks and large non-banking finance companies at competitive rates.

High level of group support to IMCL

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

During FY2017, IMCL raised Rs.757.00 Cr. through a rights issue subscribed by HVL, GIL and a few other shareholders. The issue proceeds have been used to strengthen the equity base of IMCL and infuse funds for operations.

HVL has consistently provided support to the operations of IMCL through the availability of unsecured loans, as and when necessary. Further, HVL has also provided a letter of comfort to the bankers of IMCL which is ratified by the board of directors and demonstrates a strong level of commitment to sustain and strengthen the media business.

Weaknesses

Continuing losses in operations and moderate debt refinancing risks

IMCL reported net losses of Rs. 224.64 Cr. in FY2017 as against Rs. 134.61 Cr. in FY2016. The media industry 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 can have an impact on the market share of the company. The company however expects the losses to reduce in the medium term mainly on account of digitisation of the media division and increased focus on the relatively less competitive Tier 3 and Tier 4 cities by the way of using new Headend in the Sky (HITS) technology.

SMERA nevertheless, believes that IMCL could face short term challenges in achieving a significant improvement in its operating performance IMCL has total debt of Rs. 803.90 Cr. as on 31 March 2017 which includes the current portion of long term debt to the extent of Rs. 221.08 Cr. making it vulnerable to refinancing risks; this is partly offset by the group support and the latter's high financial flexibility.

Outlook – Stable

SMERA believes IMCL will maintain a stable credit profile over the medium term on back of its association with the Hinduja Group through HVL. IMCL will continue to benefit from its experienced management and extensive support from Hinduja family. The outlook may be revised to 'Positive' in case the IMCL 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 a further deterioration in the profitability levels.

About the holding 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	599.58	497.84	519.75
EBITDA	Rs. Cr.	(39.62)	(6.68)	(90.94)
PAT	Rs. Cr.	(224.64)	(134.61)	(241.63)
EBITDA Margin	(%)	(6.61)	(1.34)	(17.50)
PAT Margin	(%)	(37.47)	(27.04)	(46.49)
ROCE	(%)	(11.98)	(5.43)	(37.05)
Total Debt/Tangible Net Worth	Times	2.26	(5.42)	(8.56)
PBDIT/Interest	Times	(0.09)	0.44	(1.14)
Total Debt/PBDIT	Times	(73.74)	25.85	(12.87)
Gross Current Assets (Days)	Days	180	203	324

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

Rating History (Upto last three years)

Not Applicable

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	43.21	SMERA A/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	92.44	SMERA A/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	201.71	SMERA A/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	190.14	SMERA A/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	101.54	SMERA A/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.54	SMERA A/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A/ Stable
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	67.48	SMERA A/ Stable
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	32.19	SMERA A/ Stable
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	40.38	SMERA A/ Stable
WCDL	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.17	SMERA A1
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A/ Stable

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ABOUT SMERA

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