

Press Release

IndusInd Media and Communication Limited

February 03, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.936.46 Cr.
Long Term Rating	ACUITE A / Outlook: Stable
Short Term Rating	ACUITE A1

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A**' (read as **ACUITE A**) and short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.936.46 cr. bank facilities of IndusInd Media And Communication Limited (IMCL). 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. Nxtdigital Limited (Erstwhile Hinduja Ventures Limited) (NXTL), holds 77.55 percent stake 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 digital mode. All products are marketed under 'In Digital' and 'NXT Digital' brand names. IMCL's product range includes, Digital Cable Television and Headend in the Sky (HITS).

Analytical Approach

During the last rating exercise, Acuite had considered the standalone business and financial risk profiles of the IMCL to arrive at this rating.

The group is currently in the process reorganization of their media segment, wherein the media business will be transferred to NXTL from IMCL. After the said transfer, NXTL will become operating company from a holding company and all the media operations will be handled through only one entity i.e. NXTL.

Based on these updates, Acuite is taking consolidated approach by taking into account the consolidated business and financial risk profiles of NXTL and IMCL hereinafter referred to as NXT group to arrive at rating. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Strong financial flexibility of the Hinduja Group

NXT group 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. NXTL has significant investments in IndusInd Bank Ltd., GOCL Corporation Limited and Gulf Oil Lubricants Ltd. The market value of the listed investments held by NXTL as on 31 March 2019 was around Rs.800.00 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.

Acuite believes that NXT group's credit profile will continue to be supported by strong financial flexibility of 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 NXTL 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 NXTL 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 NXTL in the domestic media business.

Weaknesses

- **Continuing losses in the media segment**

The media segment of NXTL under IMCL is currently under significant losses. IMCL on a standalone basis reported net losses of Rs.353.32 Cr. for FY2019. The media segment is getting increasingly competitive due to aggressive marketing efforts by cable TV distribution players like Hathway Cable and Datacom Limited, Siti Networks Limited, Den Networks Limited and also from Direct-To-Home (DTH) operators like Videocon D2H, Tata Sky among others. Moreover, the entry of Over The Top (OTT) players like Netflix, Amazon among others who are offering high value content to the viewers at affordable pricing pose a risk to the cable TV industry.

IMCL has reported Positive EBITDA of around Rs.74 crore (Provisional) for H1FY2020, which was mainly on account of new tariff order, which came in February 2019. The growth is mainly coming from Tier 3 and Tier 4 cities where the company has witnessed improvement in subscriber base as well as Average Revenue Per User (APRU).

Acuité believes that media segment will be able to sustain the operational improvement over near to medium term amidst the competitive landscape. The improvement coupled with moderation in capex will support deleveraging of the existing debt and limit the requirement of additional funding.

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

NXTL's standalone revenues are mainly dominated by treasury division. NXTL'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. NXTL 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.

NXTL's holding in the shares of IndusInd Bank including those in stock in trade has witnessed significant decline in FY2019 (45,31,581 shares) as against FY2018 (71,68,196 shares) which has impeded its financial flexibility. Acuité believes that any further diminution in the holding of IndusInd Bank shares will have an impact on the financial flexibility of the company.

Liquidity position: Adequate

NXT group has adequate liquidity position to service its debt obligations in a timely manner, which is mainly supported by its association with Hinduja Group and its commitment of the group to support the media segment in case of any financial distress. Further, the liquidity is also supported by holding in shares listed entities like IndusInd Bank Limited, GOCL Corporation Limited and Gulf Oil Lubricants Limited.

Rating Sensitivities

- Continued improvement in the operational performance leading to deleveraging of the debt in the media segment
- Further decline in the holding of IndusInd Bank shares

Material Covenants

None

Outlook: Stable

Acuité believes that NXT group stable credit profile over the medium term on back of its association with the Hinduja Group. NXT group 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 media segment registers healthy growth in the operational performance resulting in improvement in the debt protection indicators and capital structure. Conversely, the outlook may be revised to 'Negative' in case the media segment is not able to sustain current operational improvement or any further diminution in its holding of IndusInd Bank shares impacting the financial flexibility of the NXT group.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	668.92	843.57
PAT	Rs. Cr.	(343.12)	(231.02)
PAT Margin	(%)	(51.29)	(27.39)
Total Debt/Tangible Net Worth	Times	2.75	2.08
PBDIT/Interest	Times	(0.40)	0.49

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-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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
12-Nov-2018	Term Loans	Long term	72.83	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	92.44	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	226.10	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	212.10	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	101.54	ACUITE A /Stable (Reaffirmed)
	Cash Credit	Long term	10.00	ACUITE A /Stable (Reaffirmed)
	Cash Credit	Long term	10.00	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	121.71	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	32.19	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	40.38	ACUITE A /Stable (Reaffirmed)
	WCDL	Long term	10.00	ACUITE A /Stable (Reaffirmed)
Letter of Credit	Short Term	7.17	ACUITE A1 (Reaffirmed)	
31-Mar-18	Term Loans	Long term	72.83	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	92.44	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	226.10	ACUITE A /Stable (Reaffirmed)
	Term Loans	Long term	212.10	ACUITE A /Stable

				(Reaffirmed)
	Term Loans	Long term	101.54	ACUITE A /Stable (Reaffirmed)
	Cash Credit	Long term	10.00	ACUITE A /Stable (Reaffirmed)
	Cash Credit	Long term	10.00	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	121.71	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	32.19	ACUITE A /Stable (Reaffirmed)
	Buyers Credit	Long term	40.38	ACUITE A /Stable (Reaffirmed)
	WCDL	Long term	10.00	ACUITE A /Stable (Reaffirmed)
	Letter of Credit	Short Term	7.17	ACUITE A1 (Reaffirmed)
27-Mar-18	Term Loan	Long Term	43.21	ACUITE A /Stable (Assigned)
	Term Loan	Long Term	92.44	ACUITE A /Stable (Assigned)
	Term Loan	Long Term	201.71	ACUITE A /Stable (Assigned)
	Term Loan	Long Term	190.14	ACUITE A /Stable (Assigned)
	Term Loan	Long Term	101.54	ACUITE A /Stable (Assigned)
	Cash Credit	Long Term	3.54	ACUITE A /Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A /Stable (Assigned)
	Buyers Credit	Long Term	67.48	ACUITE A /Stable (Assigned)
	Buyers Credit	Long Term	32.19	ACUITE A /Stable (Assigned)
	Buyers Credit	Long Term	40.38	ACUITE A /Stable (Assigned)
	WCDL	Long Term	10.00	ACUITE A /Stable (Assigned)
	Letter of Credit	Short Term	7.17	ACUITE A1 (Assigned)
	Proposed Bank facilities	Long Term	0.20	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
Term Loans	26-03-2015	Not Applicable	28-03-2019	72.83	ACUITE A (Withdrawn)
Term Loans	24-09-2013	Not Applicable	18-10-2019	92.44	ACUITE A (Withdrawn)
Term Loans	09-10-2015	Not Applicable	01-10-2022	129.40 (Revised from Rs.226.10 crore)	ACUITE A /Stable (Reaffirmed)
Term Loans	13-01-2014	Not Applicable	13-01-2020	212.10	ACUITE A (Withdrawn)
Term Loans	06-11-2013	Not Applicable	31-12-2019	101.54	ACUITE A (Withdrawn)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A /Stable (Reaffirmed)
Buyers Credit	13-01-2014	Not Applicable	30-04-2021	180.55 (Revised from Rs.153.90 crore)	ACUITE A /Stable (Reaffirmed)
Buyers Credit	22-03-2017	Not Applicable	08-05-2020	43.43 (Revised from Rs.40.38 crore)	ACUITE A /Stable (Reaffirmed)
WCDL	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A /Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.57 (Revised from Rs.7.17 crore)	ACUITE A1 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	544.51	ACUITE A /Stable (Reaffirmed)

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About Acuité Ratings & Research:

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