

Press Release

Oneott Intertainment Limited

D-U-N-S® Number: 86-003-6924

January 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.22.00 Cr.
Long Term Rating	ACUITE A+ / Outlook: Stable
Short Term Rating	ACUITE A1

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A+**' (**read as ACUITE A plus**) and short term rating of '**ACUITE A1**' (**read as ACUITE A one**) on the Rs.22.00 crore bank facilities of Oneott Intertainment Limited. The outlook is '**Stable**'.

Oneott Intertainment Limited (OIL), formerly known as Planet E Shop Holdings Private Limited, was incorporated in 2000. The company is a part of the Hinduja Group, a leading industrial group with significant interests in media, real estate, automobiles, power and financial services.

OIL is engaged in providing broadband/internet services to retail customers, enterprise customers and Optical Fiber leasing services to IndusInd Media Communications Limited (IMCL) and other network operators. The target market for OIL presently is Mumbai, Bangalore, Nagpur, Aurangabad and Delhi with a plan to reach other cities over a span of time. Currently OIL has a subscriber base of 1.10 lakh as on November 2018.

Analytical Approach

To arrive at rating, Acuité has considered the standalone business and financial risk profile of OIL and notched up the standalone rating by factoring in the strong support extended by the promoters through Hinduja Group Limited to arrive at the rating.

Name of the entity(s) offering support	Nature of Support (Parent / Group / Government)	Rationale for expectation of support
Hinduja Group Limited	Group	<ul style="list-style-type: none"> Shareholding of 39.75 percent by HGL and balance by other group companies held by same promoters Letter of Comfort for bank borrowings of OIL Demonstrated track record of operational and financial support

Key Rating Drivers

Strengths

• Benefits derived from association with Hinduja group

OIL is a part of media initiatives of Hinduja Family. 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. The entities of the family enjoy high degree of confidence amongst investors and lender community which has been reflected in their ability to raise funds at competitive rates.

The Hinduja group has identified media sector as one of the key focus area. The flagship media company of the group, IndusInd Media and Communication Limited (IMCL) is one of India's leading integrated multi-system cable and broadcast operator with pan India presence, across 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. In the year 2016, the broadband division was demerged and transferred to OIL in order to focus more on this segment as the promoters look at this segment as a major growth potential in the medium term.

Acuité believes OIL's credit profile will continue to be supported by its association with the Hinduja group. Further, continued ownership pattern of OIL by promoters of Hinduja group and the credit profile of Hinduja group will remain key rating sensitivities.

- **High level of support from Hinduja Group Limited (HGL)**

HGL, promoted by Mr. Ashok P. Hinduja is a holding company with shareholding in Hinduja group of companies such as Hinduja Ventures Limited (HVL), Hinduja Global Solutions Limited (HGSL), Ashok Leyland Limited (ALL) and IndusInd Bank Limited (IBL) among others. The market value of the listed investments held by HGL, as on 31 March, 2018, was more than Rs. 900 Cr. In addition, HGL holds strategic assets in form of Param Plaza, Hinduja House & Param Jamuna (valued at more than Rs.700 Cr.), and a land bank in Bangalore, Hyderabad through its subsidiaries.

HGL has consistently provided support to the operations of OIL in turn through equity and the infusion of unsecured loans, as and when necessary. Apart from direct financial support, HGL has provided a letter of comfort (LOC) to the bankers of OIL. The support from promoters in the form of LOC from HGL has enabled OIL to raise funds at competitive pricing notwithstanding its average standalone financials.

- **Expected growth potential**

OIL has recently launched Gigabit Passive optical networking (GPON) technology in Mumbai and Delhi in June 2018. It uses Fibre to the Home (FTTH) technology to push high speed internet through cables. Also the company is currently working on Over-the-top (OTT) technology. OTT is a commonly used terminology in broadcasting and communication business. It refers to transmitting multimedia content in the form of audio, video or any other form via the internet. OTT device can be directly connected to any TV set which supports the existing TV into a smart TV. These services are currently launched in Mumbai with plans to launch the same in other major cities in near term.

The increased internet usage in the metropolitan cities over the year and the increased propensity among the urban population sector to shift to web based content from traditional media channels is likely to augur well for the revenue profile of the school and in turn the performance of OIL in medium term.

Weaknesses

- **Intense competitive landscape**

The Broadband sector is a growing rapidly at the back of improvement in the technology levels and higher disposable income of the urban population. However, this sector is marked by high number of unorganized players which has intensified the competition. Also, the sector has also attracted several players in the private sector like Reliance Jio which further adds to the competition. Hence the existing players need to invest significantly in the infrastructure and in brand building so as to attract new subscribers. Also the capital intensity of the sector requires these entities to invest continuously in the fixed assets keeping in mind the future growth of the business.

In case of companies like OIL where the business is yet to be scaled to a level where it can generate the cash accruals to suffice its own capital requirements, it will have to be dependent on the continuous support from Hinduja group and hence the credit profile of OIL will be linked to support from HGL and the credit profile of HGL will be a key rating sensitivity.

Outlook: Stable

Acuité believes OIL will maintain a stable credit profile over the medium term on back of its association with the Hinduja family. OIL will continue to benefit from the high level of support extended by HGL. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues and 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 deterioration in the profitability levels or in the credit quality of HGL.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.00	17.00	13.23
EBITDA	Rs. Cr.	1.82	0.40	4.14
PAT	Rs. Cr.	2.23	(7.90)	(23.13)
EBITDA Margin	(%)	5.34	2.38	31.31
PAT Margin	(%)	6.57	(46.48)	(174.80)
ROCE	(%)	1.34	(2.94)	(18.20)
Total Debt/Tangible Net Worth	Times	(16.76)	(14.83)	(15.15)
PBDIT/Interest	Times	8.34	3.07	53.52
Total Debt/PBDIT	Times	60.24	189.09	60.25
Gross Current Assets (Days)	Days	345	439	193

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 Service Sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>

Note on complexity levels of the rated instrument

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

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
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A1
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A+/Stable

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About Acuité Ratings & Research:

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