

Press Release

Nxtdigital Limited (Erstwhile Hinduja Ventures Limited)

December 26, 2022



Rating Downgraded, Reaffirmed & Withdrawn and Issuer not co-operating

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	315.00	ACUITE A+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	5.00	ACUITE BB+ Downgraded Issuer not co-operating*	-
Total Outstanding Quantum (Rs. Cr)	5.00	-	-
Total Withdrawn Quantum (Rs. Cr)	315.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long term rating of '**ACUITE A+**' (Read as **ACUITE A plus**) on the bank loan facilities of Rs.315 crore of NXTDIGITAL LIMITED.

The rating is being withdrawn on account of request received from the client and NOC received from the banker as per Acuite's withdrawal policy.

Acuite has further downgraded the long term rating of Rs.5.0 crore bank facilities from '**ACUITE A+**' (read as **ACUITE A plus**) to '**ACUITE BB+**' (read as **ACUITE double B Plus**).

The downgrade in rating is based on information risk on account of company's inability to provide NOC or NDC from the banker for the aforesaid Rs. 5 Cr. facilities. However the team derives comfort from the parent entity Hinduja Group Limited. This rating is now an indicative rating, which is based on the best available information.

About Company

NXT was incorporated in 1985 as 'Mitesh Mercantile & Financing Limited' in the state of Maharashtra. The company was initially engaged in financing activity and after going through various transitions over the years, is currently involved in media and communication business. The company is promoted by Hinduja Group and is involved in distributing TV signals through a dual delivery platform consisting of traditional terrestrial fiber route and 'Headend in the Sky' (HITS) satellite platform. The company operates under the brand name 'INDigital and NXTDigital' respectively. In addition to television services, the company also provides broadband and internet services through its subsidiary; ONEOTT Intertainment Limited (OIL), under brand name 'ONE Broadband'. The geographical presence of internet services is spread across 40 cities.

About the Group

Hinduja Group was founded in 1914 by late Shri Parmanand Deepchand Hinduja and is currently managed by Mr. Ashok P Hinduja (holding 50%), one of the four Hinduja brothers and Mrs. Harsha Hinduja (holding 50%). The group has global presence across 30 countries and is one of the largest diversified groups having presence in Automotive, Oil & Gas, Banking & Finance, IT & BPO, Power, Media, Real Estate and Healthcare amongst others. The companies of the Hinduja group have demonstrated an ability to mobilize funds and

refinance their existing debt from various banks and large non-banking finance companies at competitive rates. Acuité believes that NXT's credit profile will continue to be supported by strong financial flexibility of Hinduja Group of companies.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated financials of NXTDigital Limited and its subsidiaries for arriving at this rating. The consolidation is in view of the common management, strong operational & financial linkages between the group entities. Acuite has also considered the support from the parent, Hinduja Group to arrive at the rating. (Refer to Annexure2 for name of entities)

Key Rating Drivers

Strengths

Augmentation in Business profile

The company has achieved a turnover of around Rs.1081.49 Crore in FY22 against Rs.976.45 Crore in FY21. The group derives major portion of revenue more than 55% from subscription charges for channels coupled with broadband services during the year. However, the EBITDA Margins of the company came down at 17.83% in FY22 against 21.65% in FY21 on an account of increase in input costs and the PAT Margins of the company stood at 0.18% in FY22 against -1.42% in FY21. However, the company has achieved a turnover of around Rs.482.02 Crore till September 2022.

Working capital Operations

The working capital operations of the company marked by gross current assets days at 70 days in FY22 against 137 days in FY21. The GCA Days came down on an account of decline in inventory days from 22 days in FY21 to 10 days in FY22 as group maintains minimum stock of network cables and media inventory. However, the debtor days of the company remained at similar level at 27 days in FY22 against 27 days in FY21 as cable TV and broadband service operate on prepaid base up to 99.5%. The revenue of the company is supported by prompt collections. Each operator makes payment in advance using various digital payment platforms. Services are available to customers to the extent of credit in digital wallet. The creditor days of the company remained at 899 days in FY22 against 2356 days in FY21 on an account as group is maintaining an escrow account for the payments to Thailand based company 'Thaicom'. The group requires permission from government of India for any such payments, hence, any delay in receipt of approval also results in delay in payments, hence increase in trade payables days

Weaknesses

Exposure to risk emanating from changing customer preferences and competition from large players resulting in continued losses

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. The intense competition from existing player and new entrants also results in inability of the company to increase the price. Nevertheless, the broadband segment of the company is expected to grow significantly with increase in internet user base. Further, Acuite also takes into account the faster consumption of content of OTT platforms as compared to cable TV. In addition to this, OTT platforms are yet to fully penetrate tier 2 & tier 3 cities unlike TV channels. The group continues to generate net loss y-o-y, albeit the same has declined in FY21. The ability of the group to report net profit would be key factor. The group has already discontinued treasury segment which reported net loss during FY20. Acuite

believes that with shift in focus to broadband and media segment, the ability of the company to offer bundled and customized packages as per the requirement of its customers would be key differentiating factor for the group.

ESG Factors Relevant for Rating

Environmental issues related to broadcasting & programming activities industry are not a prime concern. Although, GHG emissions, air pollutant emissions, energy efficiency, environmental management and water efficiency are the key issues for this industry. Further, providing equal opportunity to the employees and developing & supporting the surrounding communities is a key social factor for the industry. Additionally, key issues such as data privacy & security, product quality & responsibility and human rights have a significant impact on the social scores for this industry. Corporate governance is a key risk for this industry. This industry is exposed to key issues such as business ethics, anti-competitive behavior, board oversight, management compensation, board independence and corrupt practices.

The Company is a service provider and therefore, the operations of the Company entails marginal energy consumption. The Company evaluates the possibilities and various alternatives to reduce energy consumption. The company abides by labour laws and labour rights as the company approach to human rights is based upon providing a basis for embedding the responsibility to respect human rights through all the business functions and respond to relevant stake holders. The Company has well-defined Code of Conduct which provides guidelines on ethics, bribery and corruption. the Company follows zero tolerance on any acts of bribery, corruption, etc.

Rating Sensitivities

No information provided by the issuer / available for Acuite to comment upon.

Material Covenants

None.

Liquidity Position Adequate

The liquidity profile of the company is adequate as it is marked by net cash accruals of Rs.225.27 Crore in FY22 against Rs.67.10 Crore in the same period. As the company is having enough liquidity to pay off its debt obligations. However, in the recent scheme of demerger all the assets and liabilities are transferred in the Hinduja Global Solutions Limited. The average bank limit utilisation of the fund based facilities stood at 83% and non-fund based facilities stood at 100%. Further, the group has an outstanding cash and bank balance at Rs.26.31 Crore in FY22.

Outlook:

Not Applicable.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1081.49	976.45
PAT	Rs. Cr.	1.97	(13.90)
PAT Margin	(%)	0.18	(1.42)
Total Debt/Tangible Net Worth	Times	13.69	(3.48)
PBDIT/Interest	Times	1.85	1.62

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

None

Any Other Information

Acuite has been requesting for NOC/NDC for withdrawal of Rs.5 crore facility from Axis Bank. However, the issuer/Borrower failed to submit requisite document for the withdrawal and therefore, this rating for Rs.5 Crore facility from Axis Bank is being flagged as "Issuer- not Cooperating"

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2021	Term Loan	Long Term	51.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	78.99	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	48.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	101.14	ACUITE A+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	15.87	ACUITE A+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
03 Feb 2020	Term Loan	Long Term	220.00	ACUITE A+ Stable (Reaffirmed)
	Buyers Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Downgraded Issuer not co-operating*
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.87	ACUITE A+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Term Loan	Apr 1 2020 12:00AM	10.75	Apr 30 2023 12:00AM	Simple	101.14	ACUITE A+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Term Loan	Apr 1 2018 12:00AM	8.45	Jul 31 2025 12:00AM	Simple	78.99	ACUITE A+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Term Loan	Apr 1 2018 12:00AM	8.45	Jul 31 2025 12:00AM	Simple	48.00	ACUITE A+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Term Loan	Apr 1 2018 12:00AM	8.45	Jul 31 2025 12:00AM	Simple	51.00	ACUITE A+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	20.00	ACUITE A+ Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

S. No	Name of company
1	USN Networks Pvt Ltd
2	United Mysore Network Pvt Ltd
3	Bhima Riddhi Infotainment Pvt Ltd
4	Gold Star Noida Network Pvt Ltd
5	Apna Incable Broadband Services Pvt Ltd
6	Sangli Media Services Pvt Ltd
7	Sainath In Entertainment Pvt Ltd
8	Sunny Infotainment Pvt Ltd
9	Goldstar Infotainment Pvt Ltd
10	Ajanta Sky Darshan Pvt Ltd
11	Darpita Trading Company Pvt Ltd
12	RBL Digital Cable Network Pvt Ltd
13	Vistaar Telecommunication and Infrastructure Pvt Ltd
14	Vinsat Digital Pvt Limited
15	ONEOTT Intertainment Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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