JUNE 09, 2016

CARE REVISES AND SUSPENDS RATINGS ASSIGNED TO BANK FACILITIES OF VIDEOCON D2H LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	1760.83	**Suspended**	**Revised from CARE BBB+ [Triple B Plus] and Suspended**
Long term Bank Facilities@	820.00	**CARE BB+(SO) (Double B Plus (Structured Obligation) and Suspended**	**Revised from CARE A (SO) (Single A (Structured Obligation)) and suspended**
Short term Bank Facilities@	85.00	**CARE A4+ (SO) (A Four Plus (Structured Obligation))and Suspended**	**Revised from CARE A1 (SO) (A One (Structured Obligation)) and suspended**
Total Facilities	**2665.83 (Rupees Two Thousand six hundred sixty five crore and eighty three lakhs only)**		

@ Term loans amounting to Rs.820 crore (outstanding as on July 1, 2015) and working capital facilities aggregating Rs.85 crore are backed by an unconditional and irrevocable corporate guarantee extended by Videocon Industries Limited.

Rating Rationale of VDL

CARE has suspended, with immediate effect, the ratings assigned to the bank facilities of Videocon D2H Limited (VDL). The ratings have been suspended as the company/firm has not furnished the information required by CARE for monitoring of the rating(s).

Additionally, the ratings assigned to the term loan facilities of Rs.820 crore and short term bank facilities amounting to Rs.85 crore of VDL are based on an unconditional, irrevocable and continuing corporate guarantee by VIL Ltd (revised from CARE A/CARE A1 to CARE BB+/A4+ and suspended). The revision in ratings assigned to VDL's term loan and short term bank facilities aggregating Rs. 905 crore factors in the revision in the credit rating of the Guarantor – VIL.

Rating Rationale of Guarantor (VIL)

Revision of the ratings assigned to various bank facilities of Videocon Industries Limited (VIL) take cognizance of significant deterioration in its operational and financial performance since Q4 FY15 (FY15 refers to period January 1, 2015 to December 31, 2015) and postponement of oil production due to decline in crude prices. During the same period, the revenue from Consumer Electronics and Home Appliances (CEHA) segment witnessed de-growth.

Additionally, delay in receipts of proceeds from sale of telecom assets (in May 2016 instead of February 2016; as envisaged earlier) resulted in continued support extended to telecom division for a longer duration, impairing its financial flexibility. Furthermore, company continues to remain exposed to high project execution risk and large investments necessary for commercializing of O&G discoveries translating into leveraged capital structure.

CARE had sought operational and financial details of all group companies as on December 31, 2015. However, despite regular follow-ups, the required details and clarifications on issues like i) the extent of deterioration in CEHA, ii) losses in telecom division; iii) likely value erosion in various investments etc., and consequent impact on the

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

combined operating profile and cashflows of VIL & CARE rated group entities, were not furnished to CARE. In the absence of the aforementioned information required by CARE for monitoring of the rating(s), CARE is unable to assess and provide analytical opinion on factual position of the company/group and consequent impact on the credit profile. Consequently, CARE has suspended, with immediate effect, the ratings assigned to the bank facilities of VIL.

Background

Incorporated in November 2002, VDL is a part of Videocon Group. VDL is DTH service provider in India and launched in 2009 under the "Videocon d2h" brand. VDL obtained license (valid till December 2018) for providing DTH services issued by Ministry of Information and Broadcasting (MIB).

As on June 30, 2015, VDL offered 533 international, national and regional digital channels (191) and services, including 37 High Definition (HD) channels and allied video and audio services to subscribers through several subscription packages. These services are rendered through consumer premises equipment (CPE) which allows subscriber to directly receive programming from leased satellite through a mini-dish which is then de-coded by a digital receiver called a set-top box.

In March 2015, US-based Silver Eagle Acquisition Corp (SEAC) co-founded by former MGM chief Harry Sloan and former CBS entertainment president Jeff Sagansky infused around USD 273 million (around Rs.1,700 crore) in the form of equity in VDL for 38.4% equity stake.

As per last data available with CARE, during FY15, VDL reported total operating income of Rs.2,332 crore and net loss of Rs.393 crore as compared to total operating income of Rs.1,759 crore and net loss of Rs.469 crore in FY14. Furthermore, during Q1FY16, VDL reported total operating income of Rs.663 crore and net loss of Rs.24 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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