

APRIL 15, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF VIDEOCON INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Fund-based Bank Facilities	23,047.71 (Enhanced from 21,222.00)	CARE A [Single A]	Reaffirmed
Long-term Non-fund based Bank Facilities	16,779.87* (enhanced from 15,105.58)	CARE A [Single A]	
Long/Short-term Non-fund-based Bank Facilities	1,190.00	CARE A/CARE A1 [Single A/A One]	
Short-term Fund-based Bank Facilities	2,000.00	CARE A1 [A One]	
Total	43,017.58		

*Considering 1 USD=62 INR

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities of Videocon Industries Limited (VIL) reflect the company's significant presence in the upstream Oil & Gas (O&G) business; wherein VIL holds participating interests in oil and gas fields in Brazil, Indonesia and India. The ratings also factor in VIL's leading market position in domestic Consumer Electronics & Home Appliances (CEHA) segment. The ratings positives also include successful monetizing of assets under exploration, which has helped the company bolster its liquidity position and so also the capital structure.

In January 2014, VIL successfully monetized its discovery in Mozambique (Rovuma Area-1) through stake sale to Oil India Limited and ONGC Videsh Limited (subsidiary of ONGC Ltd) for USD 2.48 billion leading to improvement in the capital structure. From these proceeds, VIL is committed to prepay installments of rupee term debt (under Rupee Term Loan (RTL) facility towards CEHA business) due till December 2017 and a portion of foreign currency debt (towards the O&G business). In addition, the company has earmarked proceeds to the tune of around Rs.6,000 crore to meet any mismatch towards future debt servicing; usage of this cash shall be monitored by the lenders. Thus, there shall be no major long-term debt repayment obligation towards CEHA business to be met out of internal sources till December 2017. The major repayments of debt are slated to commence from FY18 onwards, when production from overseas O&G assets is expected to commence.

Videocon group's Direct-to-Home (DTH) foray through Videocon D2H Limited [VDL, rated CARE A-/CARE A(SO)/CARE A1(SO)] has also turned EBIDTA (Earnings Before Interest Depreciation Tax Amortization) positive in FY13 (refers to the period April 1 to March 31) and is a leading player in the DTH market in India with a customer base in excess of 11 million. Besides, the surpluses from the proceeds amounting to USD 325 million raised through the issuance of American Depository Shares to Silver Eagle Acquisition Corp. in VDL in April 2015 shall ease out VIL's group financial commitments towards VDL to certain extent.

The above rating strengths are tempered by exposure to project execution risk and large investments necessary for commercializing of O&G discoveries; so also stiff competition in the CEHA business. Its leveraged capital structure is also a rating weakness.

Successful commercialization of O&G assets as per the envisaged timelines is the key ratings sensitivity.

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

Background

VIL is the flagship company of the Videocon group. Incorporated in 1986, VIL is a diversified company having a presence in oil & gas, consumer electronics and telecommunications.

At the consolidated level, the company reported a loss of Rs.2,826 crore on a Total Operating Income (TOI) of Rs.19,326 crore in FY13 (refers to the period January 1, 2012 to June 30, 2013) as compared with loss of Rs.1,364 crore on TOI of Rs.13,506 crore in FY11 (refers to the period January 1, 2011 to December 31, 2011). At standalone level, the company reported a Profit After Tax (PAT) of Rs.3 crore on TOI of Rs.19,151 crore during FY14 (refers to the period from July 1, 2013 to December 31, 2014) as compared to net loss of Rs.126 crore on a TOI of Rs.18,121 crore for FY13.

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

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