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Rating Rationale

January 15, 2020 | Mumbai

GTPL Hathway Limited

Ratings continues on 'Watch Positive'

Rating Action

Total Bank Loan Facilities Rated	Rs.501 Crore
Long Term Rating	CRISIL A- (Continues on 'Rating Watch with Positive Implications')
Short Term Rating	CRISIL A2+ (Continues on 'Rating Watch with Positive Implications')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL's ratings on the bank facilities of GTPL Hathway Limited (GTPL; part of the GTPL group) remain on 'Rating Watch with Positive Implications'.

CRISIL had placed the ratings on watch on October 26, 2018 following the announcement by Jio Content Distribution Holdings Pvt Ltd (JCDH; part of Reliance group), Jio Internet Distribution Holdings Pvt Ltd, and Jio Cable and Broadband Holdings Pvt Ltd, together with Reliance Industries Ltd and other group companies, regarding acquisition of shares from GTPL's public shareholders. The Reliance group's action followed the announcement of its plans to acquire a stake in Hathway Cable and Datacom Ltd (HCDL). HCDL has a 37.5% stake in GTPL. Subsequently, the Reliance group's stake has risen above 70% in HCDL. With Reliance group as a stakeholder, GTPL is expected to benefit in an increasingly competitive industry.

The rating action continues to reflect CRISIL's expectation of the benefits that will accrue to the overall credit risk profile subsequent to the Reliance group becoming GTPL's dominant shareholder, post its successful acquisition of stake.

CRISIL is in discussions with GTPL's management to understand the implications of the transaction, and will remove the ratings from watch and take a final rating action once more clarity is obtained.

The ratings continue to reflect the GTPL group's established market position in the cable television (TV) services segment, and its healthy financial risk profile. These strengths are partially offset by high capital intensity, in both towards capital expenditure and working capital, and exposure to increasing competition, especially from direct-to-home (DTH) broadcasters.

Analytical Approach

CRISIL has combined the business and financial risk profiles of GTPL and its subsidiaries and joint ventures (JVs). The entities, collectively referred to as the GTPL group, operate in similar businesses, with operational and financial linkages.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

* **Established market position in the cable TV industry:** The GTPL group was one of the earlier players in the cable television business, and its promoters have been engaged in this business for two decades. The group adopted an inorganic growth model to increase its regional presence, and has either formed JVs with local cable operators (LCOs) or acquired stakes in other large multiple-system operators (MSOs). Over the years, it has expanded its reach to over 80 lakh subscribers across Gujarat, West Bengal and Maharashtra. Sizeable market share of 67% in Gujarat supports revenue growth and profitability.

* **Above-average financial risk profile:** Financial risk profile is marked by robust network of Rs 531 crore on March 31, 2019. Resultantly, gearing is estimated low around 0.6 time, with moderate total outside liabilities to tangible network ratio. Debt protection metrics are comfortable, supported by a healthy margin, with interest coverage and net cash accrual to total debt ratios of 7 times and 0.76 time, respectively, in fiscal 2019.

Weaknesses:

* **Large working capital requirement due to stretched receivables:** Gross current assets exceeded 180 days as on March 31, 2019, driven by receivables of around 91 days. Contrary to earlier expectations, the working capital cycle has improved only marginally, even post implementation of the **Digital Addressable Systems (DAS)**. The GTPL group faces risks inherent in its business model, owing to high dependence on LCOs, and the resultant delay in payments and constraints in cash flows. Improvement in receivables remains critical.

* **Consistent debt-funded capex towards set-top boxes (STBs) and the broadband business:** The group has undertaken continuous capex for purchase of STBs and expansion of the broadband business, and has invested in JVs/associates for increasing its market share. In the three fiscals through March 2019, the group has spent over Rs 700 crore, and may incur annual capex of around Rs 150 crore in the near to medium term. The large capex and working capital requirement will continue to constrain liquidity.

* **Exposure to increasing competition from DTH players:** The GTPL group faces tough competition from DTH players, which offer better service and picture quality in comparison to the cable network. However, operating margin has been maintained over 25% due to consistent growth in active subscriber base and activation income. With DAS IV already completed, activation will be undertaken only for those still using analogue signals or shifting from DTH to cable. The group's dependence on LCOs and MSOs prevents the group from offering the required services to customers, and leads to delay in realisation of revenue. As a result, average revenue per user remains low compared with DTH operators like Tata Sky Ltd.

Liquidity Adequate

GTPL has adequate liquidity profile backed by healthy accruals against repayment obligations, moderation in capex cycle, and moderate bank limit utilization. The company is expected to generate annual accruals of Rs. 250-300 cr against its annual debt obligation of around Rs.40 cr. Further, the capex cycle almost halving from past annual levels of around Rs.200-250 cr. These shall mean a deployment of accruals towards working capital for the company. The bank limit utilization was around 90% which is expected to moderate. Moreover, with the company receiving significant mobilization advance and enjoying funding support from suppliers, subcontractor for project implementation under Bharat net, the liquidity is expected to remain adequate.

Rating Sensitivity factors**Upward Factors**

- * Sustainable improvement in accruals to above Rs. 300 cr with steady financial profile
- * Stance of support from Reliance group

Downward Factors

- * Deterioration in the working capital cycle with gross current assets rising above 6 months
- * Large capex adversely affecting the financial profile

About the Group

GTPL was established in 2006, by Mr Anirudhsinh Jadeja, Mr Kanaksinh Rana, and other MSOs, as Gujarat Telelink Pvt Ltd. The company got its present name after Hathway Cable & Datacom Ltd (HCDL) bought a 50% stake in fiscal 2008. The company got listed on the Bombay Stock Exchange and National Stock Exchange in July 2017, and was converted into a public limited company. Currently, the public holding is around 26.2%, with balance equity being held equally held by its initial promoters and HCDL. It provides services such as analogue cable TV, digital cable TV, and broadband internet in states such as Gujarat, West Bengal and Maharashtra.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	1246	1091
Profit after tax (PAT)	Rs crore	25	46
PAT margin	%	1.9	5.2
Adjusted debt/adjusted network	Times	0.6	0.6
Interest coverage	Times	7.04	7.83

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	226	CRISIL A2+/Watch Positive
NA	Buyer's Credit	NA	NA	NA	12	CRISIL A-/Watch Positive
NA	Cash Credit/Overdraft facility	NA	NA	NA	56	CRISIL A-/Watch Positive
NA	Factoring/ Forfaiting	NA	NA	NA	20	CRISIL A2+/Watch Positive
NA	Long Term Loan	NA	NA	Aug-21	123	CRISIL A-/Watch Positive
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	34	CRISIL A-/Watch Positive
NA	Short Term Loan	NA	NA	NA	30	CRISIL A2+/Watch Positive

Annexure - List of Entities Consolidated**Full Consolidation**

S. No.	Name of Entity
1	GTPL Anjali Cable Network Private Limited
2	GTPL Solanki Cable Network Private Limited
3	GTPL Zigma Vision Private Limited
4	GTPL Sk Network Private Limited
5	GTPL Video Badshah Private Limited
6	GTPL Broadband Private (previously known as GTPL Kutch Network Private)
7	GTPL City Channel Private Limited
8	GTPL SMC Network Private Limited
9	GTPL Surat Telelink Private Limited
10	GTPL Vidarbha Telelink Private Limited
11	GTPL Space City Private Limited
12	GTPL Vision Services Private Limited
13	GTPL Narmada Cyberzone Private Limited
14	GTPL Shivshakti Network Private Limited

15	GTPL Link Network Private Limited
16	GTPL Vvc Network Private Limited
17	GTPL Blue Bell Network Private Limited
18	GTPL Parshwa Cable Network Private Limited
19	GTPL Insight Channel Network Private Limited
20	GTPL Kolkata Cable & Broadband Pariseva Limited
21	GTPL Dahod Television Network Private Limited
22	GTPL Dahod Television Network Private Limited
23	GTPL Jay Santoshima Network Private Limited
24	GTPL Sorath Telelink Private Limited
25	GTPL Shiv Network Private Limited
26	GTPL-Sharda Cable Network Private Limited
27	GTPL-Ahmedabad Cable Network Private Limited
28	DL GTPL Cabnet Private Limited
29	GTPL V&S Cable Pvt Ltd
30	GTPL Video Vision Private Limited
31	Vaji Communication Private Limited
32	GTPL Bansidhar Telelink Private Limited
33	GTPL DCPL Private Limited
34	GTPL KCBPL Broadband Private Limited
35	GTPL Junagadh Network Private Limited
36	GTPL Deesha Cable net Private Limited
37	GTPL Kaizen Infonet Private Limited
38	GTPL Meghana Distributors Private Limited
39	GTPL Abhilash Communication Private Limited
40	Vizianagar Citi Communications Private Limited
41	GTPL TV Tiger Private Limited
42	DL GTPL Broadband Private Limited
43	GTPL Bariya Television Network
44	GTPL Bawa Cable
45	GTPL Jaydeep Cable
46	GTPL Maa Bhagawati Entertainment
47	GTPL Narmada Cable
48	Services
49	GTPL Shiv Cable
50	GTPL Shree Shani Cable
51	GTPL Vraj Cable
52	GTPL World View Cable
53	GTPL World Vision
54	GTPL Leo Vision
55	GTPL Jyoti Cable
56	GTPL Sai Vision
57	GTPL Hariom World Vision
58	GTPL Henish Cable Vision
59	GTPL Khusboo
60	GTPL Sanjiv Cable Vision
61	GTPL Khambhat Cable Network
62	GTPL Chaudhary Vision
63	GTPL Shreenathji Communication
64	GTPL Crazy Network
65	GTPL Sai World Channel
66	GTPL Swastik Communication
67	GTPL Tridev Cable Network
68	GTPL Parth World Vision
69	GTPL Lucky Video Cable
70	GTPL Shiv Cable Vision
71	GTPL Shiv Cable Network
72	GTPL Media Entertainment
73	GTPL Shiv Cable Network

74	GTPL SK VISION
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Equity Method Consolidation

S. No.	Name of Entity
1	GTPL Rajwadi Network Private Limited
2	Gujarat Television Network Private Limited
3	GTPL Anil Cable Services
4	GTPL Ashok Cable Services
5	GTPL H.K. Cable
6	GTPL Krishna Cable Network
7	GTPL M Channel
8	GTPL Pearl Communication
9	GTPL Pooja Cable Services
10	GTPL Rainbow Multi Channel
11	GTPL Rainbow Video Vision
12	GTPL Raj World Vision
13	GTPL Sagar Cable Services
14	GTPL Sai Cable
15	GTPL Shree Sai Cable Network
16	GTPL Sky World Vision
17	GTPL Sky
18	GTPL Sky Cable
19	GTPL S P Enterprise
20	Airlink Communication
21	GTPL Gujarat Television Network
22	GTPL Krishna Cable Services
23	GTPL Space
24	GTPL Valsad Network
25	GTPL City Channel
26	GTPL Riddhi Digital Private Limited
27	GTPL So Lucky Cable Network
28	GTPL Yak Network
29	GTPL Sab Network
30	GTPL SLC Cable Network
31	GTPL Om Sai Network LLP
32	GTPL Parshwa Shivani Vision
33	GTPL Parshwa Shivani World Vision
34	GTPL Parshwa Shivshakti World
35	Sai Sanket Network
36	Sai DL Vision
37	Krishna DL Vision
38	Radhe DL Vision
39	Sai DL Vision Bajipura
40	Sai DL Vision Bamaniya
41	Sargam DL Vision

Annexure - Rating History for last 3 Years

	Current			2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	275.00	CRISIL A-/(Watch) Positive/ CRISIL A2+/(Watch) Positive			16-05-19	CRISIL A-/(Watch) Positive/ CRISIL A2+/(Watch) Positive	26-10-18	CRISIL A-/(Watch) Positive/ CRISIL A2+/(Watch) Positive	07-09-17	CRISIL A-/(Stable/ CRISIL A2+	CRISIL A-/(Stable/ CRISIL A2+
						22-04-19	CRISIL A-/(Watch) Positive/ CRISIL A2+/(Watch) Positive	29-06-18	CRISIL A-/(Stable/ CRISIL A2+	30-08-17	CRISIL A-/(Stable/ CRISIL A2+	
						22-01-19	CRISIL A-/(Watch) Positive/ CRISIL A2+/(Watch) Positive					
Non Fund-based Bank Facilities	LT/ST	226.00	CRISIL A2+/(Watch) Positive			16-05-19	CRISIL A2+/(Watch) Positive					CRISIL A2+
						22-04-19	CRISIL A2+/(Watch) Positive					
						22-01-19	CRISIL A2+/(Watch) Positive					

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	226	CRISIL A2+/(Watch) Positive	Bank Guarantee	226	CRISIL A2+/(Watch) Positive
Buyer's Credit	12	CRISIL A-/(Watch) Positive	Buyer's Credit	12	CRISIL A-/(Watch) Positive
Cash Credit/ Overdraft facility	56	CRISIL A-/(Watch) Positive	Cash Credit/ Overdraft facility*	36	CRISIL A-/(Watch) Positive
Short Term Loan	30	CRISIL A2+/(Watch) Positive	Cash Credit/ Overdraft facility	20	CRISIL A-/(Watch) Positive
Factoring/ Forfaiting	20	CRISIL A2+/(Watch) Positive	Factoring/ Forfaiting	20	CRISIL A2+/(Watch) Positive
Long Term Loan	123	CRISIL A-/(Watch) Positive	Long Term Loan	123	CRISIL A-/(Watch) Positive
Proposed Long Term Bank Loan Facility	34	CRISIL A-/(Watch) Positive	Proposed Long Term Bank Loan Facility	34	CRISIL A-/(Watch) Positive
--	0	--	Short Term Loan	30	CRISIL A2+/(Watch) Positive
Total	501	--	Total	501	--

* Interchangeable with WCGL

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings
CRISILs Criteria for Consolidation

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