

Press Release

Brickwork Ratings assigns “BWR IPO Grade 3” to the proposed Initial Public Offer of Bharat Business Channel Ltd (Videocon D2H)

Brickwork Ratings (BWR) has assigned **BWR IPO Grade 3 (Average Fundamentals)** to the proposed IPO of Bharat Business Channel Limited (BBCL). Brickwork Ratings “BWR IPO Grade 3” indicates average fundamentals for the issue in relation to the other listed equity securities in India. BWR assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 signifying strong fundamentals and Grade 1 signifies poor fundamentals of the issue in relation to the other listed equity securities in India.

The grading factors the strength of BBCL’s promoters i.e. Videocon Group which has wide experience in managing diversified businesses. The grading also draws comfort from the company’s strong performance in limited time since inception and increasing market share in the highly competitive DTH Industry. The grading also takes into account the implementation of Digitization which is expected to benefit the DTH industry and the industry wise trend of increasing Average Revenue per User (ARPU) on account of digitization. The grading also takes into cognizance the performance of the company in terms of posting strong incremental market share in the last few quarters.

However, the grading is constrained by negative networth on account of accumulated losses, high gearing, and weak debt protection metrics. However the same is prevalent across the DTH industry on account of long gestation period. The grading is also constrained by the presence of the company in highly competitive DTH industry and competition with Multi System Operators as well as the possible delays in implementation of digitization across the entire country.

Company Profile:

Bharat Business Channel Ltd (BBCL) was incorporated on November 22, 2002 as a public limited Company. The Registered office of the company is situated in Aurangabad. The company is promoted by the Videocon Group. The company is in the business of providing the DTH (Direct To Home) services under the brand name “Videocon D2H”. The company distributes multiple television channels and allied video and audio services to subscribers as part of DTH services. The company’s operations were launched across India in February 2010 and as of March 2013, the company has more than 8mn subscribers.

BBCL is promoted by the Videocon Group represented by Mr Saurabh Dhoot who is a whole time director of the company and looks after the key strategic and management decisions of the company. The company has also inducted 4 Independent directors in the last financial year to strengthen the corporate governance. The company’s day to day operations are managed by CEO Mr Anil Khera and Dy. CEO Mr Rohit Jain along with divisional heads and other professional management personnel.

Objects of the Issue

BBCL is raising equity funds to the extent of ₹700 crores mainly for Acquisition of set-top boxes, outdoor units and accessories, repayment/prepayment of certain indebtedness and to meet general corporate expenses & IPO expenses. The company intends to use the IPO proceeds in FY14. The company will be procuring Set Top Boxes and other outdoor accessories from Trend Electronics Limited (TEL) which is a Videocon Group company.

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