

October 21, 2010

CARE ASSIGNS 'CARE A-(SO)' AND 'PR1 (SO)' RATINGS TO BANK FACILITIES OF BHARAT BUSINESS CHANNEL LTD.

Rating Assigned

Instrument	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	810.00	'CARE A- (SO)' [Single A Minus (Structured Obligation)]	Assigned
Short-term Bank Facilities	85.00	'PR1 (SO)' [PR One (Structured Obligation)]	Assigned
Total Facilities@	895.00		

@ backed by an unconditional and irrevocable guarantee extended by Videocon Industries Ltd.(VIL)

Rating Rationale

The bank facilities of BBCL are backed by an unconditional and irrevocable guarantee extended by Videocon Industries Limited (VIL, rated CARE A- and PR1 for its bank facilities).

The ratings of VIL derive strength from the experience of the promoters in the business, strong position of the company in the consumer electronics segment, extensive dealer network, vertically integrated manufacturing facilities, multi-brand strategy followed by VIL, well-developed R&D facilities and diversification into the oil and gas segment.

VIL's ratings are however, constrained by high exposure to its group companies, decline in profitability in FY09 due to the sharp drop in crude oil prices, increased financial leverage to fund its oil and gas exploration & diversification activities, rising raw material prices and elongated working capital cycle.

Improving profitability margins in the face of increasing competition and rising raw material prices, successful production of oil at its various international concessions and level of exposure to its group companies are the key rating sensitivities.

Company Profile

BBCL, incorporated on November 23, 2002, is a part of the US\$4.1 billion Videocon Group. The company provides Direct to Home (DTH) services under the brand Videocon D2H.

BBCL achieved pan-India rollout of services in March 2010, hence in FY09, the company had no income from operations. As per the provisional results for FY10, on a total income of Rs.12.46 crore the company suffered a net loss of Rs.131.46 crore.

¹Complete definition of the grading assigned is available at www.careratings.com and in other CARE Publications

About Guarantor (VIL)

Videocon Industries Limited (VIL) is the flagship company of the US\$4.1 billion Videocon Group. Incorporated in 1986, it is one of the largest consumer electronics and home appliances companies in India. VIL along with its subsidiaries currently operates in four key sectors namely Consumer Electronics, Oil & Gas, Telecom and Power. In FY09 (ended September 30, 2009), consumer electronics contributed around 88% to the total revenues of VIL while the remaining 11% came from the oil and gas segment. The operations in the other two segments namely telecom and power are still in a nascent stage.

On a total operating income of Rs.9,163 crore, VIL earned a PAT of Rs.401 crore in FY09 (ended September 30,2009). As per the provisional results for the nine months ended June 2010, VIL earned a PAT of Rs.435 crore on sales of Rs.8,541 crore.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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