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Mumbai

CRISIL Research assigns IPO grade 3/5 to Hathway Cables & Datacom Ltd.

CRISIL has assigned a CRISIL IPO Grade "3/5" (pronounced "three on five") to the proposed initial public offer (IPO) of Hathway Cables & Datacom Ltd. This grade indicates that the fundamentals of the IPO are average relative to the other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy / sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The IPO grade assigned to Hathway reflects the current position of the company as one of the leading multi service operators (MSOs) in the country. As on March 31, 2009, the company's paying subscriber base stood at 1.6 million. Of these, the digital subscriber base accounted for 1.0 million. Given its scale, Hathway is well-placed to capitalise on the opportunities arising from consolidation and digitisation in the cable industry. The grading also takes into account the company's experienced management and its demonstrated ability to acquire and integrate MSOs and local cable operators (LCOs). The company's efforts to consolidate its subscriber base through the acquisition of MSOs and LCOs, and convert analog subscribers to digital are expected to yield benefits over the medium-term. The ability to execute this strategy within a faster timeframe would be critical for the company's growth. However, the large scale of acquisitions envisaged is likely to pose significant management challenges. The grading is also constrained by the high competition the company faces, particularly from direct-to-home (DTH) operators, many of whom have strong parentage and financial muscle.

About the company and the issue

Hathway was acquired by the Rajan Raheja Group in 1998. The company is one of the leading MSOs in the country, having a household reach of more than 8 million. It offers two services - cable TV distribution through analog and digital modes, and broadband Internet services. The company provides cable TV services in 125 cities whereas broadband services are provided in 20 cities. It has 68 analog head ends, 19 digital head ends and a 15,000-km hybrid fibre co-axial cable network.

The funds to be raised via the IPO are crucial for the company to continue its growth strategy of acquiring subscribers in the last mile, digitisation and roll out of broadband services.

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