



Rating Rationale

New Media Broadcasting Private Limited

18th Feb 2019

Brickwork Ratings revises the rating for the Non-Convertible Debentures Issue of ₹. 300 Crores of New Media Broadcasting Private Limited

Particulars

Debenture Trustee	Instrument	Amount Rs in Crs	Coupon	Issue Date	Maturity	ISIN	Previous Rating	Present Rating Downgraded
IDBITSL	NCD	300	5% payable Quarterly	19.2.16	18.2.21	INE343U07011	BWR BBB+ (SO) (Pronounced as BWR Triple B Plus) Credit watch with developing implication	BWR BBB (SO) (Pronounced as BWR Triple B) Credit watch with developing implication (Downgraded)

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note: IDBITSL refers to IDBI Trusteeship Services Limited

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The ‘Structured Obligation’ Ratings in the table above are derived from the rating of listed companies, whose shares are pledged, and the extent of security cover. The ratings of Siti Network Limited, other Essel group of companies (including the Issuers listed above) including those whose shares are pledged, are on ‘credit watch with developing implications’ on account of announcement regarding promoter/promoter group conveying their intention to sell/divest up to 50% of their equity stake in ZEEL to a strategic partner, which according to the Promoters is ‘to pursue disruptive technological development and transform the business in to tech-media Company’ and subsequent volatility of the share price of the listed group companies, disclosures by the chairman of the group Mr. Subhash Chandra regarding the plans to monetize the promoter stake in a time bound manner for reducing debt with a view to improve financial flexibility of the promoter/promoter group.

Rating: Downgrade

The rating of the NCD issues of New Media Broadcasting Private Limited has been downgraded as mentioned in the above table on account of increase in pledge levels in promoters shareholding in Siti Network Limited and also increase in volatility in share price thereby impacting the security cover. It also takes note of the position that financial flexibility of the Group is impaired, and the promoters’ ability to top-up, as required in the terms, is weakened on account of high percentage of pledge.

NCD Structure as per the term sheet



The above company has raised NCD issue with above tenures to be used for general corporate purpose/refinancing. There will be immediate coupon payment due on 30 April 2019 and the applicable redemption premium will be payable on maturity date or redemption whichever is earlier. The NCD have an initial collateral cover of equity shares of 1.50x. NCD is are secured by way of pledge of equity shares of Siti Network Limited (SNL). If at any time before the redemption, the share cover falls below 1.7 times of the outstanding amount, the borrower shall top-up in the form of additional pledge of shares so that the initial share cover is restored. If the security cover is 1.85 times or higher for a period of 10 consecutive trading days, issuer may request the trustee to release such number of shares so that security cover is restored at initial level. Issuer shall be required to deposit all amounts outstanding under the facility in the designated account 30 days prior to the Maturity Date (T-30) and on failure to comply with the above by the issuer the debenture Trustee shall enforce security created under the pledge agreement and sell the shares before the redemption due date.

The structure may undergo change with respect to mandatory top up requirement and redemption date including preponement etc. depending upon agreement of the issuer and lender said to be concluded.

Rating comfort:

While there has been increase in pledge levels and volatility in stock price, BWR takes comfort from the reported understanding between the Identified lenders and the promoter group of companies on 26.1.2019 and subsequently majority of lenders agreeing that there will not be any event of default declared till 30th September 2019 and expected liquidity from strategic sale of ZEEL stake to be utilized for repayment of debt against pledge of shares at group level in a time bound manner. BWR also takes comfort that the operating and financial performance of ZEEL (the flagship company of the group), which continues to remain satisfactory. BWR has not received any default intimation from Investor/Trustee for the aforesaid NCDs.

Rating Sensitive Events:

Stake sale in ZEEL by the promoters group within the agreed period and expected valuation is crucial. Any delays or no deal will be credit negative for the promoter/promoter group of Essel Group Any further significant fall in share prices, for whatever reason, is also a key monitorable.

The promoters have pledged majority of domestic shareholding in ZEEL, Dish TV and SITI Network. The promoters hold 11,87,02,804 shares equal to 12.36% of the total share capital of ZEEL through foreign entities. The share pledge security cover of the NCD issues rated by BWR has presently come under pressure but .Investors continuing to support the group as per the arrangement stated to being agreed is a key rating sensitivity.



BWR will monitor the development specifically with respect to outcome of strategic stake sale by promoters in a time bound manner & expected valuation and also compliance of covenants, and will periodically review the ratings

About the Company

New Media Broadcasting Private Limited (NMBPL) is a part of essel group belonging to Mr. Subhash Chandra and family. The company primarily act as holding company. The company has two directors on board Mr. Anil Chougule and Mr. Amish Pandya.

Background of Siti Network Limited (SNL) whose shares are pledged

Siti Network Limited (formerly known as Siti Cable Network Limited) is one of India's largest Multi System Operator (MSO). With 40 analogue and 18 digital head ends and a network of more than 16,000 kms of Optical Fibre and coaxial cable, it provides its cable services in India's ~ 250 cities and the adjoining areas, reaching out to over 12.20 million viewers. Siti Network deploys State-of-the-art technology for delivering multiple TV signals to enhance consumer viewing experience. Its product range includes Digital & Analogue Cable Television, Broadband and Local Television Channels. Siti Network has been providing services in analogue and digital mode, armed with technical capability to provide features like Video on Demand, Pay per view, Electronic Programming Guide (EPG) and Gaming through a Set Top Box (STB). All products are marketed under SITI Brand name.

Siti Network Limited's shares are listed in BSE/NSE and as on 18 Feb 2018, its CMP was Rs 3.52, with 52 weeks H/L at Rs. 24.40/3.50.

Company Financial Performance

Key Financial indicators of issuer New Media Broadcasting Private Limited as as below:

Particulars (Amt in Rs Cr)	2017	2018
	Audited	Audited
Total Operating Income	0.22	0.01
OPBDIT	(0.29)	(0.12)
PAT	(42.75)	(42.62)
Tangible Net Worth	(45.34)	(87.97)
Total debt: TNW	(7.38)	(3.80)



Key Financial indicators of Siti Network Limited

Particulars (Amt in Rs Cr)	2016	2017	2018	9MFY19*
	Audited	Audited	Audited	BSE Published
Net sales	1146.04	1194.92	1410.40	1122.71
OPBDIT	247.48	203.00	308.55	270.20
PAT	(41.29)	(179.23)	(169.90)	(140.36)
Tangible Net Worth	341.15	303.65	137.49	-
Total debt: TNW	4.37	5.36	6.93	-
Current Ratio	0.63	0.56	0.48	-

* indicates financials details dated 1HFY19

Rating History for the last three years

S. No	Instrument	ISIN	Current Rating (2019)			Rating History			
			Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Jan 31 2019	Mar 31 2018	Mar 31 2017	Mar 2 2016
1	NCD	INE343U07011	Long Term	300	BWR BBB (SO) Credit watch with developing implication (Downgraded)	BWR BBB+ (SO) Credit watch with developing implication	BWR BBB+ (SO)	BWR BBB+ (SO)	BWR BBB+ (SO)
Total				300	₹ Three Hundred Crores Only				

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA

Any other information:NA

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Structured Obligations \(SO\) Instruments](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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