

Rating Rationale

Essel Infraprojects Ltd

23rd May 2019

Brickwork Ratings revises the rating for the Non-Convertible Debentures Issue of ₹. 425 Crores of Essel Infraprojects Ltd

Particulars

Debenture Trustee	Instrument	Amount Rs in Cr	XIRR (%)	Issue Date	Maturity	ISIN	Previous Rating	Present Rating Downgraded
IDBITSL	NCD	200	12	22/05/15	22/5/20	INE498F07063	BWR A- (SO) (Pronounced as BWR A Minus) (Structured Obligation) Credit watch with developing implications	BWR BBB (SO) (Pronounced as BWR Triple B Structured Obligation) Credit watch with Developing Implications Downgrade
IDBITSL	NCD	225	12	24/06/15	22/5/20	INE498F07071	BWR A- (SO) (Pronounced as BWR A Minus) (Structured Obligation) Credit watch with developing implications	BWR BBB (SO) (Pronounced as BWR Triple B Structured Obligation) Credit watch with Developing Implications Downgrade
		425	INR Four Hundred Twenty Five Crores only					

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

Note: IDBITSL refers to IDBI Trusteeship Services Limited

The ratings were placed on credit watch with developing implications in Dec 7, 2018 on account of announcement regarding promoter/promoter group of the company's conveying their intention to sell/divest up to 50% of their equity stake in the Company to a strategic partner.

On 25th January 2019, the Shares price of companies within the umbrella of Essel and ZEE including the ZEEL fell substantially for various reasons. Subsequent to this, there was



disclosure by the group chairman regarding plans for disinvestment of promoter stake in ZEEL, for repayment of debt against promoter held shares and of an agreement with the lenders that there will not be any event of default declared due to steep fall in the prices of the companies shares of which were pledged. On 18th feb 2019, the long term ratings of the NCD of the group companies against the pledge of shares were downgraded by BWR. On April 17, 2019, the promoter had informed that they were hopeful of entering into Non-Binding Term Sheet by end of April/early May 2019 for monetization of stake in ZEEL.

Rationale/Key Rating Drivers:

The 'Structured Obligation' Ratings in the table above are derived from the rating of listed companies, whose shares are pledged, and terms of the issue including the security cover. The ratings of ZEEL (BWR AAA/credit watch with developing implications), including those companies shares of which are pledged, are on 'credit watch with developing implications' on account of announcement regarding promoter/promoter group conveying their intention to sell/divest of their equity stake in ZEEL to a strategic partner and expected sale from thereto in a specified time frame. The credit profile of ZEEL and Dish are given here under. The rating also factors expected liquidity on account of monetisation in promoters stake sale in ZEEL to overcome the financial stress in the group including repayment of debt against pledge of promoters held shares.

Rating: Downgrade

The promoter of ZEEL had informed in Jan 2019, their plans to sell stake in ZEEL and use the proceeds to repay the debt against pledge of promoter held shares in the specified time frame. The rating of above NCD issue have been downgraded on account of delay in completion of the non binding term sheets which was expected to be completed by 1st week of May 2019 as informed by the promoters as first step in stake sale, volatility in security cover of the NCD and delay in disinvestment and deteriorating credit profile of the group including infra segment and weakening of the financial flexibility of the group.

NCD Structure as per the term sheet

The company has raised various NCD issues with different tenures to be used for general corporate purpose/refinancing. There will be no immediate coupon payment and the applicable redemption premium will be payable on maturity date or redemption whichever is earlier. The



NCD's have an initial collateral cover of equity shares of 1x (0.5x ZEEL & 0.5 Dish), are secured by way of pledge of equity shares of ZEE Entertainment Enterprises Ltd (ZEEL) and Dish TV Limited (DTL). If at any time before the redemption, the share cover falls below 1.00 time 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 1.00 time or higher for a period of 7 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-15) 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.

Rating comfort:

BWR takes comfort in majority of lenders agreeing for not enforcing security of pledge of shares of promoter group companies against borrowings as informed by the issuer, in lieu of the promoters committing to enter into definitive agreements for ZEEL stake sale by July 31, 2019 and repayment of the outstanding amount by 30th September 2019 and expected liquidity from strategic stake sale of ZEEL to be utilized for repayment of debt against pledge of shares at group level in a time bound manner. BWR has not received default intimation from Investor/Trustee for the aforesaid NCDs.

Rating Sensitive Events:

The promoters have subsequently informed on May 8, 2019, that they expect the ZEEL stake sale to be completed within 6-8 weeks. Stake sale in ZEEL by the promoters group within the expected period at valuation so as to repay the outstanding debt is critical. Any delays or no deal will be credit negative for the promoter group. Any further delay beyond the informed timeframe, is also a key monitorable. BWR will monitor the development specifically with respect to outcome of strategic stake sale by promoters in a time bound manner & valuation and will periodically review the ratings



About the Company

Essel Infraprojects Ltd (“EIL”) is the infrastructure arm of the Essel Group with interest in road projects, urban infrastructure, Power, Water Management and Solid Waste Management.’

Zee Entertainment Enterprises Limited (ZEEL)

ZEEL is one of India's leading television, media and entertainment companies, and a key operating company of the Group. It is amongst the largest producers and aggregators of Hindi programming in the world, with an extensive library housing over 240,000 hours of television content and houses the world’s largest Hindi film library with rights to more than 4,200 movie titles across various languages. The Company’s programming reaches out to over 1 Billion viewers across 172 countries. It has pan India presence through regional and Hindi channels with diversified portfolio of 32 domestic channels and 39 international channels Some of Zee's well-known brands include Zee TV, Zee Cinema, Zee Classic, Zee Studio, ETC Music etc. The company also has a strong offering in the regional language domain with channels such as Zee Marathi, Zee Bangla, Zee Telugu, Zee Kannada, Zee Talkies.

Mr. Subhash Chandra is Non-Executive Chairman and Mr. Punit Goenka is Managing Director of the company.

Dish TV India Limited (DTIL), whose Equity shares are pledged

Dish TV India Limited (DTIL) is an Indian direct-broadcast satellite service provider. It is a part of Essel Group. Essel Group has national and global presence with business interests in media programming, broadcasting & distributing, speciality packaging and entertainment. DTIL launched India’s first direct to home (DTH) entertainment service in May 2005. In May 2010, DTIL was the first in India to launch HD services. DTIL is a market leader in India with a market share of 27% (based on total subscribers). It has a total net subscriber base of 12.1 million, as a September 2014. Currently, DTIL is offering a total of more than 378 channels including 36 HD channels. Mr. Subhash Chandra is Non Executive Chairman and Mr. Jawahar Lal Goel is Managing Director of the company.

Key Financial indicators of issuer Essel Infraprojects Ltd

Particulars (Amt in Rs Cr)	2017	2018
	Audited	Audited
Total Operating Income	412.35	655.55
OPBDIT	175.16	192.10

PAT	15.84	24.00
Tangible Net Worth	3849.30	619.50
Total debt: TNW	0.48	0.32
Current Ratio	1.01	1.75

Key Financial indicators of Pledger Cyquator Media Services Private Limited

Particulars (Amt in Rs Cr)	2016	2017	2018
	Audited	Audited	Audited
Total Operating Income	29.22	70.81	85.78
OPBDIT	-0.39	-0.79	-0.24
PAT	16.09	41.52	26.95
Tangible Net Worth	876.20	917.72	944.67
Total debt: TNW	0.61	0.54	0.68
Current Ratio	0.01	0.01	1.22

Key Financial indicators of Zee Entertainment Enterprises Limited

Particulars (Amt in Rs Cr)	2015	2016	2017	2018	9MFY19
	Audited	Audited	Audited	Audited	BSE Published
Net sales	4873.00	5812.53	6434.13	6685.68	5914.66
OPBDIT	1259.90	1513.59	1926.86	2087.40	1973.73
PAT	975.50	823.73	2220.46	1477.75	746.49
Tangible Net Worth	3357.4	3872.70	6315.8	6841.85	8169.26 *
Total debt: TNW	0.00	0.10	0.12	0.22	0.19 *
Current Ratio	3.61	3.98	4.56	4.05	3.82 *

* indicates financials details dated 1HFY19

Key Financial indicators of Dish TV Limited

Particulars (Amt in Rs Cr)	2015	2016	2017	2018	9MFY19
	Audited	Audited	Audited	Audited	BSE Published
Net sales	2,781.64	3,059.94	3,014.39	4634.16	4767.38
OPBDIT	733.11	1,024.92	978.60	1316.02	1629.3
PAT	3.14	692.42	109.28	-84.90	197.90
Tangible Net Worth	-313.38	380.71	490.59	6754.13	6784.92 *
Total debt: TNW	-0.15	3.04	1.19	0.33	0.33 *
Current Ratio	0.29	0.53	0.43	0.30	0.31 *

* 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	Feb 18 2019	Jan 31 2019	Dec 7 2018	Oct 29 2018	May 23 2018
1	NC D	INE498F07063	Long Term	200	BWR BBB (SO) (Pronounced as BWR Triple B Structured Obligation) Credit watch with	BWR A- (SO) Credit watch with developing implications	BWR A (SO) Credit watch with developing implications	BWR A (SO) Credit watch with developing implications	BWR A (SO) (stable)	BWR A (SO) (stable)

					Developing Implications Downgrade					
2	NC D	INE498F07071	Long Term	225	BWR BBB (SO) (Pronounced as BWR Triple B Structured Obligation) Credit watch with Developing Implications Downgrade	BWR A- (SO) Credit watch with developing implications	BWR A (SO) Credit watch with developing implications	BWR A (SO) Credit watch with developing implications	BWR A (SO) (stable)	BWR A (SO) (stable)
Total				425	₹ Four Hundred Twenty Five 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](#)
- [Structured Obligations \(SO\) Instruments](#)
- [Approach to Financial Ratios](#)

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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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