

RATING RATIONALE

03 Oct 2019

Essel Infraprojects Limited

Brickwork Ratings Revises the ratings for the Non-Convertible Debentures of ₹. 351.00 Crores of Essel Infraprojects Limited

Particulars

S N	Instrument	Amount (₹ Crs)		Tenure	Rating*	
		Previous	Present		Previous Rating Aug 2019	Present Rating* Oct 2019 Downgrade
1	NCD	200.00	351.00	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR BB- (CE) Credit watch with Negative Implications
2	NCD	225.00		Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR BB- (CE) Credit watch with Negative Implications
		351Cr		INR Three Hundred Fifty One Crores only		

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

RATING ACTION / OUTLOOK

The rating downgrade factors non-completion of strategic equity sale by the promoters of ZEEL as was announced in January 2019, and non-payment of complete debt against pledge of promoter held shares of listed companies - by 30th September 2019 from such stake sale. This arrangement was accepted by the specified investors through an agreement, and they had shown forbearance to the issuers not maintaining security cover as specified in the term sheet. While the Issuers have informed BWR that they have sought additional time from the investors for the stake sale, BWR has not received any commitments from the investors, and in view of volatility in the ZEEL's share price, realisation is dependent upon future action of the investors and the timing. As such BWR is of the view that the risk profile of the rated instruments has deteriorated, and hence the ratings are downgraded as above.

KEY RATING DRIVERS

Credit Strength

- **Performance of underlying share company ZEEL, remains consistent:** ZEEL's financial performance is strong which can be seen from its scale of operation, profitability and debt coupled with adequate cash and cash equivalents. ZEEL's advertising revenues grew by 19.8% YoY to Rs. 5037 Cr while subscription revenues grew by 13.9% YoY to Rs. 2310.54 Cr. The growth in revenue was supported by strengthening of domestic broadcast business' market share and monetization of ZEE5's fast growing user base. In March'19, ZEE5 had 61.5 mn monthly active users (MAU).
- **NCD Structure as per the term sheet:** The above 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 1.75x (1x ZEEL & 0.75 Dish and 1 & 2 issue & 1.5x ZEEL in 3 & 4 issues), 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 1.75/1.5 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 1.85/1.6 times 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 15 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. On occurrence of the EOD, a rating sensitive trigger/event will occur only if the Issuer is not able to deposit the required redemption amount within 15 days of occurrence of such respective event or the Trustee is not able to realize the redemption amount from sale proceeds of shares within 15 days of occurrence of such respective event. However, the top-up is not being maintained as specified.

Credit Risk

- **Company does not have any assured cash flows** and may have to rely on refinancing or sale of shares or promoter funding for both interest and principal repayment at maturity. The financial flexibility of the group and the ability of the promoter to support/refinance EIL has deteriorated materially:
- **Security cover:** Due to weak sentiment in the market and group's inability of repayment of debt within stipulated timelines, ZEEL's share price has declined followed by security cover of listed securities going down substantially which is not being maintained by top-up as per the structure in the term sheet.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Essel Infraprojects Limited along with the business linkages with its group. BWR has also considered the NCD structure which includes the pledge of shares as security and security cover. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The rating continues to be on Credit watch with Negative implications on account of uncertainties on balance stake sale and available liquidity for redemption, fluctuating and volatile share prices of the underlying shares thereby adversely impacting the market capitalisation and security cover on day today basis and deteriorating credit profile and financial flexibility of the group.

Successful completion of the balance stake sale at an appropriate price to take care of the balance outstanding dues remain the key rating sensitivities.

COMPANY PROFILE

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)

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 ESSEL INFRAPROJECTS LIMITED (in INR Crs)

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 - Pledger

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 credit enhancement provider

Particulars (Amt in Rs Cr)	2017	2018	2019	1QFY20
	Audited	Audited	Audited	BSE Published
Net sales	6434.13	6685.68	7934	2008.12
OPBDIT	1926.86	2087.40	2564	659.75
PAT	2220.46	1477.75	1567	529.76
Tangible Net Worth	6315.8	6841.85	8226.90	-
Total debt: TNW	0.12	0.22	0.10	-
Current Ratio	4.56	4.05	3.50	-

Key Financial indicators of Dish TV Limited

Particulars (Amt in Rs Cr)	2017	2018	2019	1Q FY20
	Audited	Audited	Audited	BSE Published
Net sales	3,014.39	4634.16	6218.20	930.93
OPBDIT	978.60	1316.02	2096.40	540.68
PAT	109.28	-84.90	-1163*	-34.96
Tangible Net Worth	490.59	6754.13	-1425.63	-
Total debt: TNW	1.19	0.33	-1.39	-
Current Ratio	0.43	0.30	0.27	-

*The PAT loss of Rs.1163 crs in FY19 is mainly due to impairment assessment carried out by the company. The impairment is mainly on goodwill.

RATING HISTORY

Instru- ment	Current Rating			Rating History					
	Tenure	Amount (₹ Cr)	Rating	19.08.19	13.06.19	23.5.19	18.2.19	31.1.19	7.12.18
NCD	Long Term	351.00	BWR BB- (CE) Credit watch with Negative Implication s	BWR BBB- (CE) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with Negative Implications	BWR BBB (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) Credit watch with developing implications
NCD	Long Term		BWR BB- (CE) Credit watch with Negative Implication s	BWR BBB- (CE) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with Negative Implications	BWR BBB (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) Credit watch with developing implications
Total		351							

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Credit Enhancement based on pledge of shares](#)

Analytical Contacts	Investor Contacts
Bal Krishna Piparaiya Senior Director - Ratings B : +91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com Heta Mehta Ratings Analyst D : +91 22 6745 6612 B : +91 22 2831 1426, +91 22 2831 1439 heta.m@brickworkratings.com	M : +91 7738875550 B : +91 22 6745 6666 investordesk@brickworkratings.com
1-860-425-2742	

Essel Infraprojects Limited

ANNEXURE I

NCD DETAILS

Instrument	Issue Date	Amount in ₹ Cr.	Coupon Rate %	Maturity Date	ISIN Particulars
NCD	22/05/15	351.00	12.00	22/5/20	INE498F07063
NCD	24/06/15		12.00	22/5/20	INE498F07071

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.