

Essel Infraprojects Limited

Brickwork Ratings Revises the ratings for the Non-Convertible Debentures of Essel Infraprojects Limited

Particulars

SN	Instrument	Amount (₹ Crs)		Tenure	Rating*	
		Previous	Present		Previous Rating Oct 2019	Present Rating* Dec 2019 Downgrade
1	NCD INE498F07063	351.00	351.00@	Long Term	BWR BB- (CE) Credit watch with Negative Implications	BWR C (CE)
2	NCD INE498F07071			Long Term	BWR BB- (CE) Credit watch with Negative Implications	BWR C (CE)
		Rs. 351Cr		INR Three Hundred Fifty One Crores only		

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

@The issuer has confirmed the combined amount for the above NCDs, however, the trustee has not responded

RATING ACTION / OUTLOOK

The rating of the NCD issue mentioned above has been downgraded. The rating downgrade factors that group companies of the group have defaulted, dilution of controlling stake in ZEEL to only 5%, deteriorating financial profile of the company as well as deteriorating financial flexibility of the group. The rating also factors that out of the twin security in NCD issues (ZEEL and Dish TV shares), the ZEEL shares have been sold resulting into reduced outstanding amount of the NCD and the security cover is only on account of Dish TV. 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.

Earlier the outlook was given Credit Watch with Negative Implications on account of the proposed stake sale of ZEEL which was expected to be used for redemption of the share pledged NCDs of the group companies and uncertainties related thereto. Since then the sale of ZEEL has been completed and the proceeds have been used to fully/partly redeem the said NCDs.



Unsupported rating (Standalone Rating) of Essel Infraprojects Limited assessed by BWR without considering the Credit Enhancement is BWR D.

KEY RATING DRIVERS

Credit Strength

- **Stake sale of ZEEL stake:** The promoters have executed the stake sale of ZEEL and sold ~16.5% stake @Rs.304 per share via block deal in the open market. Accordingly the groups NCD outstanding has reduced. As a resultant, the group has fully redeemed 6 NCD issues and currently the promoter and promoter group owns ~ 5% in ZEEL.
- **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 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 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. 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.

Credit Risk

- The structure has undergone change with respect to mandatory top up depending upon agreement of the issuer and lender and the top-up is not being maintained as specified above and the outstanding NCDs currently do not hold any shares of ZEEL, proceeds of which have been used by the issuer to partly redeem the NCDs.
- **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 SIMPL has deteriorated materially.
- **Security cover:** Due to weak sentiment in the market and group's inability of repayment of debt within stipulated timelines, Dish TV'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 .The above NCDs holds equity shares of Dish TV as pledge of shares.



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 timely redemption of the NCD issues fully including the interest as above NCDs are zero coupon, uncertainties on 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. Timely redemption of the balance outstanding NCDs 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.’

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 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

Instrument	Current Rating			Rating History						
	Tenure	Amount (₹ Cr)	Rating	03.10.19	19.08.19	13.06.19	23.5.19	18.2.19	31.1.19	7.12.18
NCD	Long Term	351.00 @	BWR C (CE)	BWR BB-(CE) Credit watch with Negative Implications	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 C (CE)	BWR BB-(CE)	BWR BBB-(CE) Credit watch with	BWR BBB (SO)	BWR BBB (SO)	BWR A- (SO) Credit watch	BWR A (SO)	BWR A (SO)

				Credit watch with Negative Implications	Negative Implications	Credit watch with Negative Implications	Credit watch with Developing Implications	with developing implications	Credit watch with developing implications	Credit watch with developing implications
Total		351								

@The issuer has confirmed the combined amount for the above NCDs, however, the trustee has not responded

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
<p>Bal Krishna Piparaiya Senior Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com</p> <p>Heta Mehta Ratings Analyst D : +91 22 6745 6612 B :+91 22 2831 1426, +91 22 2831 1439 heta.m@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>
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.