



SMERA RATINGS LIMITED

KSS Limited (KSS)**Rating
Rationale****October 22, 2014**

Instrument	Amount (Rs. Crore)	Rating
Fixed Deposit	100.00	SMERA FD (Assigned)

SMERA has assigned a long-term rating of **'SMERA FD' (read as SMERA FD)** to the Rs.100.00 crore proposed fixed deposit issue of KSS Limited (KSS). The rating primarily reflects the company's weak liquidity position which has resulted in restructuring of debt obligation. The rating also reflects the company's weak financial profile marked by significant amount blocked in receivables, loans and advances and investments and revenue de-growth amidst intense competition in the entertainment industry. The rating is constrained by the regulatory restrictions imposed on the company in the matter of market manipulation. The aforementioned weaknesses are partially offset by the recent diversification undertaken by the company.

KSS has five subsidiary entities viz. K Sera Sera Box Office Private Limited (established to undertake production and distribution of films), K Bazaar Online Trading Private Limited (not operational at present), K Sera Sera Digital Cinema Private Limited (engaged in providing projection technology services), K Sera Sera Miniplex Limited (engaged in operating miniplex cinemas) and K Sera Sera Productions FZE (engaged in trading of intellectual property rights). KSS also has step-down subsidiaries viz. K Kampus Education Private Limited (engaged in providing visual education) and K Sera Sera Holdings Pty Limited, Australia (engaged in gold mining). SMERA has taken a consolidated view on the business and financial risk profiles of KSS and its subsidiaries and step-down subsidiaries.

KSS's weak liquidity position has resulted in debt restructuring of the optionally convertible redeemable bonds issued to SBI Global Factor Limited in 2010 against settlement of loan availed by the company. According to the Supreme Court's order dated May 09, 2014, KSS was required to redeem the bonds by September 15, 2014; however, the company faced liquidity crunch and appealed for postponement of the redemption date. As per the Supreme Court's latest order dated September 22, 2014, KSS is required to redeem the bonds by December 20, 2014.

SEBI has issued an interim order (dated September 21, 2011) against KSS in the matter of market manipulation using GDR issue. The aforementioned order prohibits KSS from issuing equity shares (or any other instrument convertible to equity shares) till further directions. The company is also barred from altering its capital structure in any manner till further directions from the regulator.

KSS's weak liquidity position results from blockage of significant amount of funds in receivables, investments and loan and advances. The company has receivables of Rs.218.96 crore, investment in equity shares (of Citigold Corporation Limited, Australia) of Rs.49.42 crore (market valuation of

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~Rs.23.05 crore) and long-term loans and advances of Rs.137.57 crore (of which Rs.58.72 crore are considered doubtful) as on March 31, 2014.

KSS's revenue has declined from Rs.257.75 crore in FY2010-11 (refers to financial year, April 01 to March 31) to Rs.59.94 crore in FY2013-14. The company registered losses (at operating and net levels) in FY2013-14.

KSS has diversified its revenue stream by entering other segments such as running of miniplex cinemas and offering projection technology services. The company currently operates 17 miniplex cinemas and provides projection technology services to around 300 cinemas.

About the company

KSS was established in 1995 as Garnet Paper Mills Limited. In 2002, the company was renamed as K Sera Sera Productions Limited and further in 2011, the company's name was changed to K Sera Sera Limited. In 2012, K Sera Sera Limited was renamed as KSS Limited (KSS).

KSS is engaged in distribution of films and running of miniplex cinemas. The company also provides visual education training and projection technology services. The Board of KSS is chaired by Mr. Satish Panchariya.

For FY2013-14, KSS reported net loss of Rs.15.42 crore on operating income of Rs.59.94 crore, as compared with net profit of Rs.6.03 crore on operating income of Rs.110.19 crore in FY2012-13. The company's net worth stood at Rs.566.84 crore as on March 31, 2014, as compared with Rs.582.61 crore a year earlier.

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