

### Neo Sports Broadcast Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Cash Credit	10.00	SMERA B-/Stable (Assigned)
Term Loan I	15.00	SMERA B-/Stable (Assigned)
Term Loan II	7.00	SMERA B-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs.32.00 crore bank facilities of Neo Sports Broadcast Private Limited (Neo Sports). The outlook is '**Stable**'. The rating is constrained by the modest scale of operations, weak financial risk profile and stretched liquidity position. The rating is also weakened by the highly fragmented and competitive media and entertainment industry. However, the rating draws support from its experienced management and broadcast rights of renowned sport events.

The Mumbai-based Neo Sports, established in 2006, is a sports broadcast company that operates two channels - Neo Prime and Sports. The company has modest scale of operations with total revenues (includes non-operating income of Rs.1.92 crore) of around Rs.34.90 crore in FY2014-15 and Rs.33.81 crore in FY2015-16 (provisional). The company has weak financial profile with negative net worth during the period under study on account of huge accumulated losses incurred by the company. The company has net losses of Rs.11.05 crore and Rs.7.76 crore in FY2014-15 and FY2015-16 (provisional) respectively.

The company has stretched liquidity position evident from the fully utilised cash credit limit from November, 2015 to April, 2016. The GCA days stand high at around 887 days in FY2015 majorly due to high debtor days of 371 days. Outstanding debtors for more than six months are Rs.33.82 crore from the total gross debtors of Rs.52.13 crore as on March 31, 2015. The company is also exposed to intense competition from other established players in the industry.

However the company benefits from its experienced management. Mr. Harish Thawani, founder director, has experience of 25 years in the media industry. Further, the company has broadcast rights of famous sports events such as the French Open Championship, Davis Cup, Fed Cup, FIFA Club World Cup among others which are likely to keep revenues at moderate levels over the medium term.

#### Rating Sensitivity Factors

- Scaling up operations and profitability
- Obtaining increasing number of broadcast rights
- Continuation of existing rights
- Efficient working capital management

#### Outlook-Stable

SMERA believes that Neo Sports will maintain a Stable outlook and benefit in the medium term on the back of its experienced management and the current sports broadcast agreements. The outlook may be revised to 'Positive' in case the company is able to scale up operations and profitability and improve its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of termination of agreements that could lead to low revenue and profitability further affecting the liquidity position of the company.

## About the Company

Neo Sports is an Indian sports broadcasting company. Established in 2006, the company is owned by Zenith Sports Private Limited\*(90%) and Funderburk Enterprises Limited (10%).

The company operates Neo Prime (earlier Neo Cricket) and Neo Sports television channels. The company has telecast rights for non-cricket events in India/Indian-subcontinent or Asia (depending on the contract).

*\*Zenith Sports Private Limited is 100 per cent subsidiary of Nimbus Communications Limited.*

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## ABOUT SMERA

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