



Press Release

Neo Sports Broadcast Private Limited

October 05, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 32.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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. The outlook is '**Stable**'.

Neo Sports Broadcast Private Limited (NSBPL), incorporated in 2006, is a sports broadcast company that operates two channels - Neo Prime and Sports. The company is owned by Zenith Sports Private Limited (90 per cent) and Funderburk Enterprises Limited (10 per cent). Zenith Sports Private Limited is a 100 per cent subsidiary of Nimbus Communications Limited. NSBPL has telecast rights for non-cricket events in India/Indian-subcontinent or Asia.

Key Rating Drivers

Strengths

- Experienced management and reputed customer base**

NSBPL benefits from its experienced management. Mr. Harish Thawani, Founder Director has experience of more than two decades in the media industry. The management is supported by well experienced and qualified second line of management.

- Telecast rights of events**

The company has telecast rights of the French Open, domestic sports events such as Chhatisgarh Premier League, Rajwada Premier League and Haryana Premier League, Vishwavijeta Wrestling Cup etc which are likely to keep revenues at moderate levels. There are around 14 such agreements that are expected to provide revenue visibility for about four years.

Weaknesses

- Modest scale of operations**

NSBPL has modest scale of operations with revenue of around Rs.38.56 crore in FY2016-17 (Provisional) as against Rs.35.23 crore in FY2015-16. The company is exposed to intense competition in the media and entertainment industry from leading players.

- Below average financial riskprofile**

NSBPL has below average financial risk profile marked by negative tangible networth of Rs.240.32 crore as on 31 March, 2017 (Provisional) as against Rs.242.11 crore as on 31 March, 2016. The net worth during the period under study has been negative on account of huge losses incurred by the company. The total debt of Rs.82.70 crore as on 31 March, 2017 (Provisional) comprises majorly non-convertible, redeemable and non-cumulative preference shares of Rs.44.70 crore from Nimbus Communications Limited, term loan of Rs. 20.66 crore, working capital funding of Rs. 9.33 crore and unsecured loan from group companies of Rs. 8.01 crore.

- Working capital intensive operations**

The operations are working capital intensive as reflected by the high gross current asset (GCA) days

of 817 in FY2017 (Provisional) as against 782 days in FY2016. This is mainly due to high debtor days of 540 for FY2017 and 465 days in FY2016. The outstanding debtors for more than six months are Rs.37.08 crore out of the total gross debtors of Rs.55.70 crore as on 31 March, 2017. The working capital limit utilisation stood at 96.05 per cent for the last six months ended June, 2017. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Intense competition

NSBPL operates in a highly competitive media and entertainment industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of NSBPL.

Outlook: Stable

SMERA believes that NSBPL will maintain a stable outlook over the medium term owing to its experienced management and the existing broadcast agreements. The outlook may be revised to 'Positive' if the company is able to scale up operations and profitability with increase in the number of contracts for broadcast rights and register improvement in its working capital management. 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 working capital management.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), NSBPL reported profit after tax (PAT) of Rs.1.48 crore on operating income of Rs.38.56 crore, as against net loss of Rs.1.17 crore on operating income of Rs.35.23 crore in FY2015-16. The company has negative net worth of Rs.240.32 crore as on 31 March, 2017 (Provisional) and Rs. 242.11 crore, a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Jul-2016	Cash Credit	Long Term	INR 10	SMERA B- / Stable
	Term Loan	Long Term	INR 15	SMERA B- / Stable
	Term Loan	Long Term	INR 7	SMERA B- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B- / Stable

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ABOUT SMERA

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