

Press Release

Anandcine Service Private Limited

07 March 2018,

Rating Assigned



Total Bank Facilities Rated*	250.00 Cr.
Short Term Rating	SMERA A2 (SO) [#] (Assigned)

**Refer annexure for details*

#Credit enhancement on account of structured payment mechanism

SMERA has assigned a short term rating of '**SMERA A2 (SO)**' (**read as SMERA A two structured obligation**) to the Rs. 250.00 crores proposed bank facility of Anandcine Services Private Limited (ASPL).

Anandcine Service Private Limited a Chennai based company incorporated in August 2017 is engaged in leasing of film equipments. The initial operations were started as a partnership firm in 1985 by Mrs. Sai Siva Jyothi and Mrs. Padma Manohar. The current directors of the company are Mr. Kasi Vishwanathan, Mr.R.Shyamm Kumar and Mrs. Padma Manohar. The company is based out of Chennai and has branches in Hyderabad, Cochin and Bengaluru. It has an established presence in South India and plans to expand to Mumbai in the near future.

Key rating drivers

Strengths

Structured payment mechanism in the form of build-up of margin money

ASPL proposes to import film equipments of around Rs. 270.00 crore from Arnold & Richter Cine Technik GmbH & Co. Betriebs (ARRI). The equipment is proposed to be imported in a capital goods Letter of Credit (LC) with a tenor of three years i.e till FY2021. After expiry of three years the LC will be retired by disbursement of a term loan from the bank. In the interim the company proposes to build up a margin in a phased manner (in addition to the initial margin money required by the bank prior to opening of LC). The margins money will be built up @ Rs. 5.00 crore per quarter starting from the third quarter of opening of LC. The margin money so built up will be utilised to partly meet the LC commitments and only the balance amount of LC will be converted to a term loan.

SMERA's rating factors in the strict adherence to the timely build-up of the margin money. In the event of shortfall in the cash flow from operations the promoters will infuse funds to ensure the build-up in the cash margins as per the schedule.

Established track record of operations and experienced management

Anandcine Services was established as a partnership firm in the year 1985 by Mr. Kasi Balachandran Vishwanathan, Mr. Shyammkumar and Ms. Akkineni Padma Manohar thereby establishing track record of operations for more than three decades. The Managing director of

the company Mr. Radhakrishnan is the third generation of his family in the media industry and has experience of over two decades in the media and entertainment industry. He has worked as a director with Radaan Media works Ltd., Southern Digital Screenz Pvt Ltd.

ACSP has an established market presence in the South Indian film industry – especially Tamil, Telugu and Malayalam and should be able to leverage its expansion to gain a foothold in the new markets that it is trying to penetrate.

Weaknesses

Risk relating to optimal utilisation of the equipment against the back drop of intense competition

ASPL has an established presence in the Southern film industry. ASPL plans to expand further in Mumbai, its ability to establish its market in Mumbai and generate adequate cash accruals commensurate with the debt servicing commitments will be critical. Any challenges faced in attaining optimal utilisation of the equipments will impact the estimated cash flows and debt protection indicators.

SMERA believes the ability of ASPL to establish its market in Mumbai thereby generating adequate accruals in order to repay its future debt obligations will be critical.

Foreign exchange fluctuation risk

ASPL plans to import the film equipments in order to penetrate in the new market. Since the company will be importing the equipments for its expansion any adverse change in the exchange rates will increase in the LC liability thereby impacting the debt protection indicators.

Analytical approach: SMERA has considered the structured payment mechanism and the stand alone credit profile of ASPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Service Entities - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Securitised transactions - <https://www.smerra.in/criteria-securitization.htm>

Note on complexity levels of the rated instrument

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.93	30.12	35.72
EBITDA	Rs. Cr.	11.07	7.61	10.56
PAT	Rs. Cr.	4.03	0.58	4.05
EBITDA Margin	(%)	41.12	25.26	29.55
PAT Margin	(%)	14.97	1.93	11.35
ROCE	(%)	1.47	0.78	2.96
Total Debt/Tangible Net Worth	Times	0.55	713.13	0.12
PBDIT/Interest	Times	6.69	5.14	12.78

Total Debt/PBDIT	Times	1.47	0.78	2.96
Gross Current Assets (Days)	Days	368	1008	523

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years: NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Proposed Letter of Credit cum Buyer's credit	Not Applicable	Not Applicable	Not Applicable	250.00	SMERA A2 (SO) (Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury, President – SMERA Bond Ratings Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.