

Press Release

Living Entertainment Enterprises Private Limited (LLEEPL)

21 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs 229.00 Cr
Long Term Rating	SMERA BBB/Stable (Assigned)
Short Term Rating	SMERA A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as SMERA triple B) and '**SMERA A3**' (read as SMERA A three) on the Rs. 229.00 crore bank facilities of the company. The outlook is stable.

Living Entertainment Enterprises Private Limited (LLEEPL) (Formerly Global Multi Trading Private Limited) incorporated in 2014 is a Mumbai based company. Mr. Himanshu Mody and Mr. Hitesh Vakil are the current directors of the company. The company is engaged in television broadcasting & content development. LLEEPL is currently operating 'Living Foodz' channel in India.

Key rating drivers

Strengths:

Benefits derived from strong linkages with Zee Entertainment Enterprises Limited (ZEEL):

LLEEPL incorporated in the year 2014 is engaged in television broadcasting. LLEEPL has an arrangement with Zee Entertainment Enterprises Limited (ZEEL) for its advertisement and subscription revenues collections. The advantage of this arrangement to LLEEPL is that it is able to leverage from the established marketing set up of ZEEL in the Indian market and to maintain a lean cost structure as the entire marketing effort is handled by ZEEL for a pre-agreed fee linked to the revenues. SMERA believes the business risk profile of LLEEPL will be supported by the association with ZEEL over the near to medium term.

Weaknesses

Susceptibility of the operating performances to the ability to maintain a robust growth in strong subscriber base:

LLEEPL mainstream of revenues are Subscription revenues and Advertisement revenues. The ability of LLEEPL to strengthen its subscriber base will depend on its ability to maintain strong content pipeline in tune with the viewer's changing preferences. Any slower than expected

growth in subscriber base will impact the future revenues of LEEPL. The flow of advertisement revenues is also linked to the advertisement budget of the potential advertisers. Any cutbacks in the advertisement budget by potential advertisers will have implications for the revenues for advertising.

SMERA believes the operating performance of LEEPL will be susceptible to the company's ability to maintain a strong subscriber base.

Moderate financial risk profile:

The company has moderate financial risk profile marked by tangible net worth of Rs. 65.54 crores as on 31 March 2017 as compared to Rs. 100.74 crores as on 31 March 2016. The gearing stood at 6.69 times as on 31 March 2017 as against 2.96 times as on 31 March 2016. The total debt of Rs. 438.51 crores outstanding as on 31 March 2017 comprises of Rs. 140.00 crores as a term loan from the bank and Rs. 298.51 crores in the form of optionally convertible debenture by Group Company to be invested in an overseas company (Veria International Private Limited). The term loan from the bank is for production of content for the channel. The term loan is expected to be repaid with a DSCR of ~1.59 times to 1.65 times in the future and the repayments are going to be started from June 2018.

For FY2016-17 LEEPL registered revenue of Rs. 33.41 crores as compared to Rs. 8.74 crores in FY2015-16. For the period April to September the company registered revenue of ~Rs. 30.00 crores (unaudited). The company registered losses in FY2017 of Rs.33.24 crores majorly on account of significant one time write off of 'Gorb App'. The revenues and accruals of LEEPL are expected to grow over the medium term with increase in the viewership and concomitant increase in subscription and advertisement revenues.

SMERA believes that any improvement in the financial risk profile of LEEPL will be linked to the performance of the channel 'Living Foodz' and any significant challenges faced by the channel will preclude the possibility of any improvement in the key operating metrics.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of LEEPL to arrive at the rating.

Outlook – Stable

SMERA believes that the LEEPL will continue to benefit over the medium term on account of association with ZEEL. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while maintaining financial risk profile and liquidity position. Conversely, the outlook may be revised to negative if there is steep decline in company's revenues and profitability or deterioration in company's financial risk profile owing to higher than expected working capital requirements or lack of funding support from group companies.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.41	8.74	-
EBITDA	Rs. Cr.	(31.77)	(4.15)	-
PAT	Rs. Cr.	(33.24)	(4.72)	-
EBITDA Margin	(%)	(95.08)	(47.47)	-
PAT Margin	(%)	(99.49)	(53.99)	-
ROCE	(%)	(7.33)	(2.22)	-
Total Debt/Tangible Net Worth	Times	6.69	2.96	-
PBDIT/Interest	Times	-235.31	-2,276.83	-
Total Debt/PBDIT	Times	-233.39	-2,276.83	-
Gross Current Assets (Days)	Days	1,622	383	-

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Not Applicable

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	Not Applicable	Not Applicable	2023	225.00	SMERA BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3+ (Assigned)

SMERA Ratings Limited

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ABOUT SMERA

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