

Press Release

Last Mile Online Limited

June 23, 2018

Rating Assigned



| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs.400.00 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.400.00 crore bank facilities of Last Mile Online Limited. The outlook is '**Stable**'.

Incorporated in 2015, Last Mile Online Limited (LMOL), is a part of Essel group, the leading industrial group with significant presence in media, entertainment, packaging, technology, infrastructure, financial services and education among others. Mr. Subhash Chandra and his family are the promoter of the Group. LMOL is engaged in laying optic fibre cables and providing the Set Top Boxes (STB) for Siti Networks Limited (SNL). LMOL is led by Directors, Mr. Kunwar Saxena, Mr. Keshavan Ganeshan and Mr. Mangesh Deshpande.

SNL, a part of Essel group, is one of India's leading multi-system operators (MSOs) which provides digital and analog cable TV services with more than 580 locations in India and has a subscriber base of 13.2 million as of December 31, 2017. SNL has 15 digital head ends and a network of more than 32,500 km of optical fibre and coaxial cable.

Analytical Approach

To arrive at rating, Acuite has considered the standalone financials to evaluate the credit quality of LMOL and subsequently factored financial support from the Essel Group, particularly Zee Entertainment Enterprises Limited (ZEEL) and Essel Propack Limited (EPL).

Outlook: Stable

Acuite believes that LMOL will maintain a stable outlook over the medium term on account of its strong linkages with, and support from the Essel Group. The outlook may be revised to 'Positive' in case the company exhibits healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the Essel Group, thereby impacting its debt servicing ability or any further deterioration in the financial risk profile and liquidity position of the company.

Key Rating Drivers

Strengths

- **Experienced promoter group and strong financial support**

LMOL is the part of Essel Group which was established in 1926. The group currently led by Mr. Subhash Chandra is one of the largest diversified groups having presence in media, entertainment, packaging, technology, infrastructure, financial services and education among others.

The Essel group companies have demonstrated an ability to mobilize funds and refinance their existing debt from various banks and large non-banking finance companies at competitive rates.

Essel group companies hold majority shareholding in LMOL. Apart from equity capital, the promoters and other group/related companies have supported the borrowings of LMOL by pledge of shares

and corporate guarantee of key companies of the Essel group. The backing of the group has significantly enhanced the resource raising ability of LMOL and is a strong credit enhancement

factor. Acuite believes that the Essel group will continue to support LMOL, as the media and technology sector is one of the key thrust areas for the group and timely support from Essel Group will remain critical to maintain the debt service commitments of LMOL.

Weaknesses

• Average Financial Risk profile

LMOL started its operations in FY2016-17 and hence the company is expected to incur losses in the initial years. The company's capital structure is likely to be leveraged in near to medium term on account of debt availed for laying the optic fibre cables. Acuite expects the financial risk profile to be average in the medium term on account of leveraged capital structure.

• Susceptibility of operating performance to highly intense competition in the cable TV industry

The media segment is getting increasingly competitive due to aggressive marketing efforts by other cable TV distribution players like IndusInd Media & Communication Ltd, Den Networks Limited and also from large Direct-To-Home (DTH) operator like Tata Sky. Moreover, the entry of players like Netflix & Amazon who are offering high value content to the viewers at affordable pricing pose a risk to the cable TV industry.

Acuite believes that the LMOL's revenues will be susceptible to SNL's ability to improve its operating performance with the improvement in the average revenue per user (ARPU) and to sustain the competitive pressure from the other players in the industry.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | NA | NA | NA |
| EBITDA | Rs. Cr. | NA | NA | NA |
| PAT | Rs. Cr. | NA | NA | NA |
| EBITDA Margin | (%) | NA | NA | NA |
| PAT Margin | (%) | NA | NA | NA |
| ROCE | (%) | NA | NA | NA |
| Total Debt/Tangible Net Worth | Times | NA | NA | NA |
| PBDIT/Interest | Times | NA | NA | NA |
| Total Debt/PBDIT | Times | NA | NA | NA |
| Gross Current Assets (Days) | Days | NA | NA | NA |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

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 | Not Applicable | 400.00 | ACUITE BBB-/Stable |

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About Acuité Ratings & Research:

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