



Press Release
Essel Business Excellence Services 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

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs.400.00 crore bank facilities of Essel Business Excellence Services Limited. The outlook is '**Stable**'.

Incorporated in 2014, Essel Business Excellence Services Limited (EBESL) is a part of the Essel group, the leading industrial group with significant presence in media, entertainment, packaging, technology, infrastructure, financial services and education among others. Mr. Subhash Chandra is the promoter of the Group. EBESL is engaged in providing manpower services and back end support to the group companies. The company is led by Directors, Mr. Mukund Galgali, Mr. Irendra Chhabra and Mr. Rohan Kabra.

EBESL is currently constructing two studios- one in Mumbai and one in Delhi through its group entity Digital Subscriber Management and Consultancy Services (DSMCS).

Analytical Approach

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

Outlook: Stable

Acuité believes that EBESL 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

EBESL 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 EBESL. Apart from equity capital, the promoters and other group/related companies have supported the borrowings of EBESL by pledge of shares of key companies of the Essel group. The backing of the group has significantly enhanced the resource raising ability of EBESL and is a strong credit enhancement factor. Acuité believes that the Essel group will continue to support EBESL, 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 EBSEL.

Weaknesses

- **Average financial risk profile marked by debt obligations in the medium term**

EBESL has an average financial risk profile marked by negative net worth of Rs.0.38 crore as on 31 March 2017. This was mainly on account on prior period losses. The company's performance is expected to remain modest over the medium term, given its focus on providing manpower services and back end support to the group. EBESL is currently constructing two studios- one in Mumbai and one in Delhi through its group entity Digital Subscriber Management and Consultancy Services for which it has availed the term loan of Rs. 400.00 crore. Acuité expects the financial risk profile to deteriorate in the near to medium term on account of the fresh term loan availed for the construction of the two studios.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 33.99 | 26.75 | 0.33 |
| EBITDA | Rs. Cr. | 2.76 | 1.49 | (3.77) |
| PAT | Rs. Cr. | 1.70 | 2.01 | (3.76) |
| EBITDA Margin | (%) | 8.13 | 5.59 | NA |
| PAT Margin | (%) | 5.01 | 7.52 | NA |
| ROCE | (%) | (137.35) | (35.77) | 209.56 |
| Total Debt/Tangible Net Worth | Times | (0.61) | (0.11) | (0.04) |
| PBDIT/Interest | Times | 69.63 | 90.25 | NA |
| Total Debt/PBDIT | Times | 0.07 | 0.16 | NA |
| Gross Current Assets (Days) | Days | 118 | 189 | 170 |

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:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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