

Press Release
Essel Business Excellence Services Limited

January 30, 2019

Rating Update



Total Bank Facilities Rated*	Rs.400.00 Cr.
Long Term Rating	ACUITE BBB- (Under rating watch with negative implications)

* Refer Annexure for details

Rating Rationale

Acuité has placed the long rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) on Rs.400.00 crore bank facilities of Essel Business Excellence Services Limited (EBESL) on **'Rating watch with negative implications'**.

Acuité has placed EBESL's rating on watch following an announcement by the promoters of Essel group stating their intentions to dilute 50 percent of the total promoter holding in Zee Entertainment Enterprises Limited (ZEEL). However, adequate clarity and timelines for the transaction is yet to emerge.

The financial flexibility of the promoters of Essel Group emanates from their holdings in their listed companies, mainly ZEEL. ZEEL, a media and entertainment company, is the flagship company with the largest market cap among the all listed companies of the group. Besides the debts in the operating companies, the promoters had also raised loans on the basis of pledge of shares of these companies. As of December 31, 2018, the promoters held 41.62 percent in ZEEL of which 59.37 percent was encumbered. Consequent to a sharp decline in the prices of the Essel Group companies on Jan 25, 2019, the company's key promoter Mr. Subhash Chandra Goyal has made a clarification, stating the group's intention to settle the debts to its various creditors/ lenders and seeking the support & cooperation of the lenders in this regard. Acuité believes that these developments are indicative of a possible impairment in the financial flexibility of the promoter and the Essel Group. These events are likely to impede the group's ability to refinance existing debt or raise additional debt from the banking system or the debt markets.

Acuité currently is in discussions with the management of Essel group to understand the impact of these developments on their liquidity and debt servicing ability and consequently on EBESL's business and financial risk profile.

Incorporated in 2014, 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

Acuité has considered the standalone business and financial risk profiles of the EBESL and subsequently factored in support from the Essel Group to arrive at this rating.

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>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-Jun-18	Term loans	Long Term	400.00	ACUITE BBB-/Stable (Assigned)

*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 loans	Not Applicable	Not Applicable	Not Applicable	400.00	ACUITE BBB- (Under rating watch with negative implications)

Contacts

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About Acuité Ratings & Research:

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