

Press Release

Essel Corporate Resources Private Limited

July 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.500.00 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**) on the Rs.500.00 crore bank facilities of Essel Corporate Resources Private Limited. The outlook is '**Stable**'.

Essel Corporate Resources Private Limited (ECRPL), incorporated in 2002 is a part of Essel Group, the leading industrial group with significant presence in media, entertainment, technology, infrastructure, packaging, financial services and education among others. Mr. Subhash Chandra is the promoter of the Group. ECRPL is engaged in management and consultancy services to Essel group companies. The company is led by Directors, Mr. Ashok Sanghavi and Mr. Basant Sharma.

Analytical Approach

To arrive at its rating, Acuité has considered the standalone financials to evaluate the credit quality of ECRPL 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 ECRPL 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**

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

Weaknesses

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

ECRPL has an average financial risk profile marked by negative net worth of Rs.1179.59 crore as on 31 March 2017. This was mainly on account on prior period losses. ECRPL is currently constructing building at Worli, Mumbai and media convention centre at Delhi through Essel group companies for which it has availed the term loan of Rs. 500.00 crore. Acuite expects the capital structure is likely to be leveraged in near to medium term on account of the fresh term loan availed for the construction of these properties.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.53	34.96	38.14
EBITDA	Rs. Cr.	2.12	0.06	3.79
PAT	Rs. Cr.	(174.51)	(164.80)	(154.81)
EBITDA Margin	(%)	4.87	0.16	9.93
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	0.37	(0.05)	0.64
Total Debt/Tangible Net Worth	Times	(1.00)	(3.17)	(7.19)
PBDIT/Interest	Times	0.01	0.00	0.02
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	211	227	865

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 loans	Not Applicable	Not Applicable	Not Applicable	295.00	ACUITE BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	205.00	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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