Press Release

Essel Corporate Resources Private Limited

January 30, 2019

Rating Update

Total Bank Facilities Rated*	Rs.500.00 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.500.00 crore bank facilities of Essel Corporate Resources Private Limited (ECRPL) on **'Rating watch with negative implications'**.

Acuité has placed the ECRPL'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 ECRPL's business and financial risk profile.

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

Acuité has considered the standalone business and financial risk profiles of the ECRPL 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.	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
- 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
06-Jul-18	Term loans	Long Term	295.00	ACUITE BBB-/Stable (Assigned)
	Term loans	Long Term	205.00	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	295.00	ACUITE BBB- (Under rating watch with negative implications)
Term loans	Not Applicable	Not Applicable	Not Applicable	205.00	ACUITE BBB- (Under rating watch with negative implications)

Contacts

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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.