

## RATING RATIONALE

3 Oct 2019

### Sprit Infrapower and Multiventures Private Limited

### Brickwork Ratings Revises the ratings for the Non-Convertible Debentures of ₹. 1064.50 Crores of Sprit Infrapower and Multiventures Private Limited (SIMPL)

#### NCD DETAILS

#### Particulars

SN	Instrument	Amount (₹ Crs)		Tenure	Rating*	
		Previous (ISIN)	Present		Previous Rating Aug 2019	Present Rating* Oct 2019 Downgrade
1	NCD	100.00 (INE069R07125)	100.00	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	Rating action will follow upon receipt of confirmation from the Debenture Trustee
2	NCD	112.50 (INE069R07190)	66.00 #	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR D (CE)
3	NCD	50.00 (INE069R07208)	33.00 #	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR D (CE)
4	NCD	50.00 (INE069R07182)	12.00 #	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR D (CE)
5	NCD	1500.00 (INE069R07174)	853.50	Long Term	BWR BBB- (CE) Credit watch with Negative Implications	BWR BB- (CE) Credit watch with Negative Implications
			<b>1064.50</b>		<b>INR One Thousand and Sixty Four Crores Fifty Lakhs only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# As informed by issuer, Debenture Trustee confirmation awaited

## RATING ACTION / OUTLOOK

The rating of NCD issue mentioned above under sr. no. 1 has been fully repaid as confirmed by the issuer. However, the no due certificate from the Debenture Trustee is awaited. BWR shall withdraw the rating of the same post receipt of the no due certificate from the Debenture Trustee

The rating of the NCD issues mentioned above under sr. no. 2/3/4 has been revised to BWR D as the issuer has not made payment for the full outstanding amount which was due on Sep 30, 2019.

The rating of the NCD issue mentioned above under sr. no.5 has been downgraded. The rating downgrade factors non-completion of strategic equity sale by the promoters of ZEEL as was announced in January 2019, and non-payment of complete debt against pledge of promoter held shares of listed companies - by 30th September 2019 from such stake sale. This arrangement was accepted by the specified investors through an agreement, and they had shown forbearance to the issuers not maintaining security cover as specified in the term sheet. While the Issuers have informed BWR that they have sought additional time from the investors for the stake sale, BWR has not received any commitments from the investors, and in view of volatility in the ZEEL's share price, realisation is dependent upon future action of the investors and the timing. As such BWR is of the view that the risk profile of the rated instruments has deteriorated, and hence the ratings are downgraded as above.

## KEY RATING DRIVERS

### Credit Strength

- **Performance of underlying share company ZEEL, remains consistent:** ZEEL's financial performance is strong which can be seen from its scale of operation, profitability and debt coupled with adequate cash and cash equivalents. ZEEL's advertising revenues grew by 19.8% YoY to Rs. 5037 Cr while subscription revenues grew by 13.9% YoY to Rs. 2310.54 Cr. The growth in revenue was supported by strengthening of domestic broadcast business' market share and monetization of ZEE5's fast growing user base. In March'19, ZEE5 had 61.5 mn monthly active users (MAU).
- **NCD Structure as per the term sheet:** The company has raised various NCD issues with different tenures to be used for general corporate purpose/refinancing. There will be no immediate coupon payment and the applicable redemption premium will be payable on maturity date or redemption whichever is earlier. The NCD's has an initial collateral cover of equity shares of 1.75x (1x ZEEL & 0.75 Dish) in 2,3 & 4 issue, and 1.1x ZEEL in 5th issue (later changed to 1.3x of ZEEL). This NCDs are secured by way of pledge of equity shares of ZEE Entertainment Enterprises Ltd (ZEEL) and Dish TV Limited (DTL). If at any time before the redemption, the share cover falls below 1.75 times of the outstanding amount, the borrower shall top-up in the form of additional pledge of shares so that the initial share cover is restored. If the security cover is 1.85 times or higher for a period of 7 consecutive trading days, issuer may request the trustee to release such number of shares so that security cover is restored at initial level. Issuer shall be required to deposit all amounts outstanding under the facility in the designated account 15 days prior to the Maturity Date (T-15) and on failure to



comply with the above by the issuer the debenture Trustee shall enforce security created under the pledge agreement and sell the shares before the redemption due date. On occurrence of the EOD, it is however agreed that a rating sensitive trigger/event will occur upon happening of the EOD events only if the Issuer is not able to deposit the required redemption amount within 14 days of occurrence of such respective event or the Trustee is not able to realize the redemption amount from sale proceeds of shares within 14 days of occurrence of such respective event. The structure may undergo change with respect to mandatory top up requirement and redemption date including preponement etc. depending upon agreement of the issuer and lender. However, the top-up is not being maintained as specified.

### **Credit Risk**

- **Company does not have any assured cash flows** and may have to rely on refinancing or sale of shares or promoter funding for both interest and principal repayment at maturity. The financial flexibility of the group and the ability of the promoter to support/refinance SIMPL has deteriorated materially.
- **Security cover:** Due to weak sentiment in the market and group's inability of repayment of debt within stipulated timelines, ZEEL's share price has declined followed by security cover of listed securities going down substantially which is not being maintained by top-up as per the structure in the term sheet.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the standalone performance of ARM Infra and Utilities Private Limited along with the business linkages with its group. BWR has also considered the NCD structure which includes the pledge of shares as security and security cover. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

The rating continues to be on Credit watch with Negative implications on account of uncertainties on balance stake sale and available liquidity for redemption, fluctuating and volatile share prices of the underlying shares thereby adversely impacting the market capitalisation and security cover on day today basis and deteriorating credit profile and financial flexibility of the group.

Successful completion of the balance stake sale at an appropriate price to take care of the balance outstanding dues remain the key rating sensitivities.

### **COMPANY PROFILE**

Sprit Infrapower & Multiventures Pvt Ltd ("SIMPL") is a part of Essel Group headed by Mr. Subhash Chandra and family. The company's primary acts as a holding company for the group. Mr. Sanjeev Chaudhary and Mr. Vinay Kumar Agarwal are the directors of the SIMPL.

### **Zee Entertainment Enterprises Limited (ZEEL)**

ZEEL is one of India's leading television, media and entertainment companies, and a key operating company of the Group. It is amongst the largest producers and aggregators of Hindi programming in the world, with an extensive library housing over 240,000 hours of television content and houses the world's largest Hindi film library with rights to more than 4,200 movie titles across various languages. The Company's programming reaches out to over 1 Billion viewers across 172 countries. It has pan India presence through regional and Hindi channels with diversified portfolio of 32 domestic channels and 39 international channels. Some of Zee's well-known brands include Zee TV, Zee Cinema, Zee Classic, Zee Studio, ETC Music etc. The company also has a strong offering in the regional language domain with channels such as Zee Marathi, Zee Bangla, Zee Telugu, Zee Kannada, Zee Talkies. Mr. Subhash Chandra is Non-Executive Chairman and Mr. Punit Goenka is Managing Director of the company.

**KEY FINANCIAL INDICATORS of SPRIT INFRA & UTILITIES PRIVATE LIMITED (in INR Crs) - Issuer**

The company has submitted the provisional financials of FY2019 reflecting negative net worth of Rs.6 cr on account of net loss of Rs.283 crs and an EBITDA loss of Rs.4.87 crs.

Particulars (Amt in Rs Cr)	2017	2018
	Audited	Audited
Total Operating Income	92.37	0.00
OPBDIT	23.51	-1.94
PAT	-263.33	-259.08
Tangible Net Worth	536.81	277.74
Current Ratio	1.44	0.81

**Key Financial indicators of Pledger Cyquator Media Services Private Limited - Pledger**

Particulars (Amt in Rs Cr)	2016	2017	2018
	Audited	Audited	Audited
Total Operating Income	29.22	70.81	85.78
OPBDIT	-0.39	-0.79	-0.24
PAT	16.09	41.52	26.95
Tangible Net Worth	876.20	917.72	944.67
Total debt: TNW	0.61	0.54	0.68
Current Ratio	0.01	0.01	1.22

**Key Financial indicators of Zee Entertainment Enterprises Limited credit enhancement provider**

Particulars (Amt in Rs Cr)	2017	2018	2019	1QFY20
	Audited	Audited	Audited	BSE Published
Net sales	6434.13	6685.68	7934	2008.12
OPBDIT	1926.86	2087.40	2564	659.75
PAT	2220.46	1477.75	1567	529.76
Tangible Net Worth	6315.8	6841.85	8226.90	-
Total debt: TNW	0.12	0.22	0.10	-
Current Ratio	4.56	4.05	3.50	-

## RATING HISTORY

Instrument	Current Rating			Rating History						
	Tenure	Amount (₹ Cr)	Rating	19.08.19	13.06.19	23.05.19	10.04.19	18.02.19	31.01.19	29.11.18
NCD	Long Term	100.00	Rating action will follow upon receipt of confirmation from the Debenture Trustee	BWR BBB- (CE) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with developing implications	BWR A+ (SO) Credit watch with developing Implications	BWR A+ (SO) Credit watch with developing Implications	BWR AA- (SO) Credit watch with developing Implications	BWR AA- (SO) Credit watch with developing Implications
NCD		66.00 #	BWR D (CE)	BWR BBB- (CE) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with developing implications	BWR A (SO) Credit watch with developing Implications	BWR A (SO) Credit watch with developing Implications	BWR A+ (SO) Credit watch with developing Implications	BWR A+ (SO) Credit watch with developing Implications
NCD		33.00 #								
NCD		12.00 #								
NCD		853.50	BWR BB- (CE) Credit Watch with Negative Implications	BWR BBB- (CE) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with Negative Implications	BWR BBB (SO) Credit watch with developing implications	BWR A- (SO) Credit watch with developing Implications	BWR A- (SO) Credit watch with developing Implications	BWR A (SO) Credit watch with developing Implications	BWR A (SO) Credit watch with developing implications
<b>Total</b>		<b>1064.50</b>								

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## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)



**Hyperlink/Reference to applicable Criteria**

[General Criteria](#)

[Credit Enhancement based on pledge of shares](#)

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*Sprit Infrapower and Multiventures Private Limited*

**ANNEXURE I**

**NCD DETAILS**

<b>Instrument</b>	<b>Issue Date</b>	<b>Amount in ₹ Cr.</b>	<b>Coupon Rate %</b>	<b>Maturity Date</b>	<b>ISIN Particulars</b>
NCD	11/08/2017	100.00	-	25/03/2021	INE069R07125
NCD	10/05/2016	66.00 #	11.10	30/09/2019	INE069R07190
NCD	26/02/2016	33.00 #	11.10	30/09/2019	INE069R07208
NCD	12/02/2016	12.00 #	11.10	30/09/2019	INE069R07182
NCD	24/11/2017	853.50	-	30/04/2021	INE069R07174

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