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## CARE ASSIGNS RATINGS TO BANK FACILITIES OF RELIANCE BIG ENTERTAINMENT PRIVATE LIMITED (RBEPL) AND REAFFIRMS/REVISES RATINGS ON EXISTING BANK FACILITIES

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	300.00 <sup>@</sup>	<b>CARE A+(SO)</b> <b>[Single A Plus</b> <b>(Structured Obligation)]</b>	Assigned
Long-term Bank Facilities	40.00	<b>CARE BBB-</b> <b>(Triple B minus)</b>	Reaffirmed
Short Term Bank Facilities	50.00 <sup>§</sup>	<b>CARE A1+(SO)</b> <b>(credit watch)</b> <b>[A One Plus (Structured</b> <b>Obligation) on credit</b> <b>watch]</b>	Revised from CARE A3
<b>Total Facilities</b>	<b>390.00 (Rupees three</b> <b>hundred ninety crores only)</b>		

<sup>@</sup> Backed by credit enhancement in the form of unconditional and irrevocable corporate guarantee from Reliance Innoventures Pvt. Ltd. (RIPL).

<sup>§</sup> backed by unconditional and irrevocable corporate guarantee provided by Reliance Capital Limited (RCL)

### Rating Rationale

#### Long-term bank facilities of Rs.300 crore – CARE A+ (SO)

The rating is backed by the credit enhancement in the form of unconditional and irrevocable corporate guarantee from Reliance Innoventures Pvt. Ltd. (RIPL, guarantor). The rating is based on the credit risk assessment of the guarantor, RIPL.

#### Long-term bank facilities of Rs.40 crore – CARE BBB-

The reaffirmation of rating on long term bank facilities of RBEPL positively factor in the strong promoter profile by virtue of the entity being part of Reliance Anil Dhirubhai Ambani Group (R-ADAG) and continued demonstration of financial support from various entities of R-ADAG to RBEPL. The ratings also take into account RBEPL's presence in the Indian film industry in the form of joint venture with major production houses such as Phantom films, its large distribution network in India and presence in related businesses for monetization of content on various media platforms.

However, the rating is constrained by the continued losses due to high interest cost leading to worsening of debt protection parameters and increased exposure to loss making subsidiaries. The rating is further tempered by the presence of RBEPL in relatively high risk film production and distribution business which has shown high volatility in operating performance in the past few years, greater reliance of the company on external debt and capital-intensive nature of the industry.

The ability of the company to garner support on continual basis from R-ADAG, timely monetization of its movies under production, maintain liquidity and break-even achievement of the subsidiaries with limited additional support from RBEPL, constitute the key rating sensitivities.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Short-term bank facilities of Rs.50 crore – CARE A1+ (SO) (put on credit watch)**

The rating assigned to the short term Bank facilities of RBEPL factors in credit enhancement in form of unconditional and irrevocable corporate guarantee by Reliance Capital Limited [RCL, rated CARE AAA (long-term debt)/CARE AA+ (subordinated debt)/CARE PP-MLD AAA (equity linked debenture) placed on credit watch] . This rating is put on 'credit watch' following assignment of "credit watch" on the ratings of the Guarantor - Reliance Capital Ltd.

The rating of Guarantor – Reliance Capital (RCL) have been put on credit watch following the announcement of proposed Scheme of Arrangement for demerger of Commercial Finance Division of Reliance Capital Ltd. (RCL) into its wholly owned subsidiary, Reliance Gilts Ltd. (proposed to be changed to Reliance Commercial Finance Ltd.). Subsequent to the demerger, RCL may convert itself into Core Investment Company and its Commercial Finance assets shall be entirely transferred into its subsidiary. The Scheme of Arrangement for demerger is subject to the approval of High Court and the Regulator, Reserve Bank of India. CARE would take a view on the rating on completion of demerger process.

Reliance Capital Ltd. (RCL) is the flagship company of Reliance Anil Dhirubhai Ambani Group (R-ADAG) in the financial services space. The ratings continue to factor in RCL's experienced management, well diversified revenue profile, and strong business franchise of subsidiaries/ associates in Asset Management, Life Insurance, General Insurance, Commercial and Housing Finance businesses. The ratings also draw comfort from RCL's demonstrated ability to unlock value in its investments. The ratings further factor in volatility in RCL's income profile by virtue of variability of its investment income, and risk emanating from high exposure to group companies, some of which are yet to turn profitable. RCL's capitalization & gearing levels, liquidity profile, profitability, asset quality and group exposures are its key rating sensitivities.

**Background– RBEPL**

Reliance Big Entertainment Pvt. Ltd. (RBEPL), incorporated in 2006, is one of the media and entertainment companies of the Reliance Anil Dhirubhai Ambani Group (R-ADAG). The R-ADAG is among India's top business houses and has interests in telecommunications, energy, financial services, infrastructure and media and entertainment. In media and entertainment industry, the R-ADAG has presence in various verticals through following main companies such as Reliance Mediaworks, Reliance Broadcast Networks Ltd. etc. and their subsidiaries/joint ventures (JVs).

In March 2015, the company entered into 50:50 joint venture with a leading production house Phantom Films, wherein RBEPL owns 50% of the combined business and the other half is held among the four promoters of Phantom films.

**Background – RIPL**

RIPL directly/indirectly holds investment in various group companies of Reliance Anil Dhirubhai Ambani Group (R-ADAG). It is the ultimate holding company of various companies of the R-ADAG Group. It derives significant financial flexibility by virtue of its strategic holding in listed companies such as Reliance Communications Ltd. (RCom, rated CARE A-/CARE A2+), Reliance Capital Ltd.(RCL, rated CARE AAA/ CARE AA+/ CARE PP-MLD AAA placed on credit watch), Reliance Power Ltd. and Reliance Infrastructure Ltd.(R-Infra, rated CARE A+/CARE A1+ on credit watch). RIPL is directly owned by Mr. Anil Ambani and his family.

## Background of Guarantor - RCL

RCL, a part of the Reliance Group, is one of India's leading private sector financial services companies. It ranks amongst the top private sector financial services companies in terms of net worth. RCL currently has a dual business profile of a Holding / Investment Company and lending NBFC. Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home finance; equities & commodities broking; investment banking; wealth management services; distribution of financial products; exchanges; private equity; asset reconstruction; proprietary investments and other activities in financial services. In addition, the company also has interests in sectors like telecommunications, media & entertainment etc. through its group companies.

For FY15, RBEPL reported total income of Rs 453.2 crore and Loss of 244 crore as compared to total income of 523 crore and loss of Rs 70 crore in FY14.

Market value as on March 29, 2016 of the listed investments held by RIPL (directly or indirectly) stood at ~Rs.22,247 crore. Of these, equity shares having market value of Rs. 12,784 crore were unencumbered. Further, the total borrowing based on pledge of shares of these listed entities would be restricted to Rs. 9,000 crore. Out of the total debt cap, Group companies had already raised Rs. 4,200 crore of debt as at March 29, 2016.

During FY15, RCL's consolidated PAT increased by 34.0% y-o-y to Rs.1001 crore during FY15 [P.Y.: Rs.747 crore] on account of rise in revenue streams across all key segments namely finance & investments, general insurance, asset management & commercial finance. The surge in income from finance & investments segment during FY15 is driven by 9% stake sale in RCAM to Nippon Life Insurance.

During 9MFY16, RCL reported consolidated PAT of Rs.686 crore [9MFY15: Rs.594 crore] on total income of Rs.7136 crore [9MFY15: Rs.6334 crore].

For a detailed rationale of guarantor (RCL), please refer to our website [www.careratings.com](http://www.careratings.com)

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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