

MARCH 10, 2015

CARE REAFFIRMS RATING TO THE BANK FACILITIES OF RELIANCE MEDIAWORKS LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	99.75	CARE BB+ (Double B Plus)	Reaffirmed
Total Facilities	99.75		

Rating Rationale

CARE has reaffirmed the long-term rating assigned to the bank facilities/instruments of Reliance MediaWorks Limited (RMWL) at 'CARE BB+'. The reaffirmation of the rating takes into account the financial resourcefulness and demonstrated support from the established promoter group and recent efforts to curtail losses and pay out major part of external borrowings through business restructuring by way of sale of film exhibition business and transfer of media services business to Prime Focus Limited (PFL).

The above rating strengths are tempered by the weak financial risk profile with negative network, likely reduction in revenue and cash flows post the recent business restructuring exercise which would result in RMWL becoming more of a holding company with major investment in PFL.

Continuing support from the promoters and performance of major investment company remains the key rating sensitivity.

Consequent to the reaffirmation in the rating of RMWL, the rating of Reliance MediaWorks Entertainment Services Ltd was also reaffirmed, as the same is backed by an unconditional and irrevocable corporate guarantee extended by RMWL:

Company	Facilities	Amount (Rs. crore)	Ratings	Remarks
Reliance MediaWorks Entertainment Services Ltd	Long-term Bank Facilities	32.47	CARE BB+ (SO) [Double B Plus (Structured Obligation)]	Reaffirmed
	Total Facilities	32.47		

Background

RMWL, promoted by the Anil Dhirubhai Ambani led Reliance Group (the group holds 73.30% stake in the company), is one of the largest film exhibitors in the country and has presence across the value chain. The company has over 430 screens spread across India and United States and has film processing facility, film post-production unit and a studio in Mumbai.

However, the company has sold two of its major business segments, viz, Exhibition business (approximately 72% of total operating revenues in 18-month period ended March 31, 2014) to Carnival Cinemas and Film and Media services (approximately 20% to total operating revenues in 18-month period ended March 31, 2014) to Prime Focus in FY15 (refers to the period April 1 to March 31), as a part of its efforts to curtail losses and bring down its overall debt. Subsequent to conclusion of these two deals, RMWL would be more like a holding company with major exposure (44% equity stake in PFL) in PFL.

The company reported losses of Rs.1,094 crore at PAT level on total operating income of Rs.750.89 crore in 18-month period ended on March FY14 as against loss of Rs.-703 crore at PAT level on total operating income of Rs.812 crore in FY13.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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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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