

Reliance Media Works Limited

February 09, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed NCD	200 [@]	Provisional CARE AAA(SO) [Provisional Triple A (Structured Obligation)] Under credit watch with developing implications	Assigned
Total Facilities	200 (Rs. Two hundred crore only)		

Details of instruments/facilities in Annexure-1

[@] backed by proposed unconditional and irrevocable corporate guarantee to be provided by Reliance Capital Limited

The rating is provisional subject to the necessary documents being executed and the final rating would be assigned on submission and verification of executed documents to the satisfaction of CARE.

Detailed Rationale

The rating assigned to the proposed NCD (aggregate amount of Rs. 200crore) of Reliance Media Works Limited (RMWL) is placed on credit watch with developing implications since rating of Guarantor – Reliance Capital (RCL) has been on credit watch with developing implications 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. CARE would take a view on the rating on completion of the demerger process.

Reliance Capital Ltd. (RCL) is the flagship company of Reliance group in the financial services space. The credit profile of RCL 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 credit profile also draw comfort from RCL's demonstrated ability to unlock value in its investments and further factor in volatility in RCL's income profile by virtue of variability of its investment income and risk emanating from its 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.

Detailed description of the key rating drivers of the guarantor (RCL)

During FY16 (refers to the period April 1 to March 31), RCL's consolidated net profits increased by 10% y-o-y to Rs.1101 crore (P.Y.: Rs.1001 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 FY16 is driven by 14% stake sale in RCAM and 23% stake sale in Reliance Life Insurance to Nippon Life Insurance. On standalone basis, the company reported PAT of Rs.977 crore in FY16 as against PAT of Rs.757 crore in FY15. Consequently, company's RoTA improved to 2.72% in FY16 (P.Y.: 2.11%). During H1FY17, RCL reported standalone PAT of Rs.343 crore (P.Y.: Rs.283 crore) on total income of Rs.1947 crore (P.Y.: Rs.1846 crore). RCL continues to have sizeable investment portfolio which stood at Rs.11,246 crore (P.Y.: Rs.12,375 crore) as on March 31, 2016. RCL has large exposure to group companies, some of which are yet to be profitable and some are to the non-core media businesses. The company's standalone GNPA and NNPA ratios as on March 31, 2016 stood at 2.3% and 1.7%, respectively with net NPA/network being 2.8%. As on September 30, 2016, RCL's standalone GNPA and NNPA ratios stood at 2.5% and 2.0%

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

respectively with net NPA/ networth being 3.5%. The company has well diversified resource profile and its liquidity profile derives additional strength from unutilized cash credit facilities and good fund raising ability of the group. The company stands comfortably capitalized as on September 30, 2016 with total Capital Adequacy Ratio (CAR) at 22.76% and Tier I CAR at 18.65%.

Analytical approach: The rating of the NCDs of BBHNL is based on the assessment of RCL which has given an unconditional and irrevocable corporate guarantee for these instruments. RCL has been assessed on a consolidated basis.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Criteria for placing rating on credit watch](#)

[Financial ratios – Financial sector](#)

[CARE's criteria for Non Banking Financial Companies](#)

About the Company

Reliance Media Works Ltd (RMWL) owns two properties in Mumbai, which are leased for the purpose of theatrical exhibition. Additionally, the company owns investment in equity shares of Prime Focus Limited to the tune of Rs. 634 crore.

The company had proposed a transfer of its film and media services business to Prime Focus Limited which inter-alia included the transfer of a BOT contract for shooting floors located at Goregaon, Mumbai. Pending approval for transfer of the BOT contract, the transfer of business to Prime Focus Limited has been completed in April 2015 excluding the shooting floors and debt of Rs. 200 cr, which will be transferred upon completion of necessary formalities.

In the past, the Company also operated a cinema chain under the brand 'Big Cinemas' which was effectively transferred to Carnival Cinemas in July 2015.

The Company also holds rights for several popular movies, as it was the producer for these movies. The Company's subsidiary Big Synergy Media Limited is a popular non-fiction based content creation company for the broadcasting industry. In June 2016, Big Synergy has forged a strategic alliance with Phantom Films Private Limited to foray into the scripted segment of the TV and Digital Media.

RMWL on standalone basis posted total operating income of Rs. 178.07 crore and net loss of Rs. 197.13 crore in FY16 (refers to the period April 01 to March 31). For FY15 (refers to the period April 01 to March 31), RMWL registered total income of Rs.403.77 crore and Loss of Rs. 693.5 crore.

About the guarantor (RCL)

Reliance Capital Ltd. (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.

For a detailed rationale of guarantor (RCL), please refer to our website www.careratings.com

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Proposed Debentures-Non Convertible Debentures	-	-	-	200.00	Provisional CARE AAA (SO) (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Term Loan	LT	-	-	1)Withdrawn (13-Apr-16)	-	1)CARE BB+ (10-Mar-15)	1)CARE BB+ (10-Feb-14)
2.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (13-Apr-16)	-	1)CARE AAA (SO) (29-Jan-15)	1)CARE AAA (SO) (20-Jan-14)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (19-Mar-15)	1)CARE BB+ (10-Feb-14)
4.	Fund Based - LT-Working Capital Limits	LT	-	-	1)Withdrawn (13-Apr-16)	-	1)CARE BB+ (10-Mar-15)	1)CARE BB+ (10-Feb-14)
5.	Non-Fund Based - LT-Bank Guarantees	LT	-	-	1)Withdrawn (13-Apr-16)	-	1)CARE BB+ (10-Mar-15)	1)CARE BB+ (10-Feb-14)
6.	Debentures-Non Convertible Debentures	LT	200.00	Provisional CARE AAA (SO) (Under Credit watch with Developing Implications)	-	-	-	-

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