

DQ Entertainment (International) Limited

October 12, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	155.58	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total Facilities	155.58 (Rs. One Hundred Fifty-Five Crore and Fifty-Eight Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 12, 2019, placed the rating(s) of DQ Entertainment (International) Limited (DQE) under the 'Issuer Non-Cooperating' category as DQE had failed to provide information for monitoring of the rating. DQE continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated July 10, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on August 12, 2019, the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings from National Stock Exchange (NSE)):

Key Rating Weaknesses

Stretched liquidity with delays in debt servicing: The company has been facing stretched liquidity due to cashflow mismatch resulting in delays in debt servicing.

Subdued financial performance with continuing losses: During FY20, the total operating income of the company declined by 47.53% to Rs.48.53 crore as against Rs.92.49 crore during FY19. The company continues to report net loss of Rs.58.11 crore for FY20 vis-à-vis loss of Rs.40.90 crore for FY19. The company reported cash loss of Rs.42.75 crore for FY20 as against cash loss of Rs. 26.39 crore for FY19.

Key Rating Strengths

Experienced promoters with long track record of operations in business: The promoters Mr. Tapaas Chakravarti has more than a decade of experience in the animation and gaming industry. Mr. Tapaas has held senior positions in Sales and Projects at Coats of India, (a British multinational). He was Head of Special Projects for Sriram Group where he developed countrywide contract manufacturing activities.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

[Rating Methodology - Service Sector Companies](#)

[Financial ratios - Non-Financial Sector](#)

About the Company

DQE was incorporated in April 2007 as Animation and Multimedia Pvt Ltd in Hyderabad and is in the business of animation, gaming, live action content production, licensing and distribution. The company is based in Hyderabad and has 1,732 associates globally with facilities for content creation and production in 2D, CGI, 3D-Stereoscopic, visual effects (VFX), Game Art. DQE is publicly listed in BSE and NSE in India.

The Company's three main products and services are animation production services, co-owned content development and intellectual property development & distribution. It also provides training services for the production of animated television

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

*Issuer did not cooperate; Based on best available information

series and movies as well as licenses programmed distribution rights to broadcasters, television channels, and home video distributors.

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	92.49	48.53
PBILDT	1.18	(18.11)
PAT	(40.90)	(58.11)
Overall gearing (times)	1.01	NA
Interest coverage (times)	0.04	NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: The ratings have been withdrawn due to lack of adequate information by India Ratings as per Press Release dated May 29, 2014.

Any other information: Not Applicable

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

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July 2018	22.80	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT-BG/LC	-	-	-	82.78	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	22.80	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (14-Aug-19)	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)
2.	Fund-based - LT-Cash Credit	LT	50.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (14-Aug-19)	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)
3.	Non-fund-based - LT-BG/LC	LT	82.78	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (14-Aug-19)	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT-BG/LC	Simple

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

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Puja Jalan

Contact no.: +91-91600 01511

Email ID: puja.jalan@careratings.com

Business Development Contact

Ramesh Bob

Contact no. : +91-90520 00521

Email ID: ramesh.bob@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.