

Eros International Media Limited

June 05, 2019

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|--|--|------------------------------|---|
| Long-term Bank Facilities (Term Loan) | 300.00 | CARE D (Single D) | Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) |
| Long-term Bank Facilities (Cash Credit) | 263.00 | CARE D (Single D) | Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) |
| Short-term Bank Facilities | 187.00 | CARE D (Single D) | Revised CARE A3 (A Three) |
| Total Facilities | 750.00 (Rs. Seven hundred and fifty crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Eros International Media Ltd. (EIML) is on account of ongoing delays/default in debt servicing due to slowdown in collection from debtors, leading to cash flow issues in the company.

Detailed description of the key rating drivers

Key Rating Weakness

Ongoing delays/default in debt servicing

As a part of CARE's due diligence process, CARE had interacted with EIML's bankers and had also obtained 'Default if any' statements from the company which mentioned delays/default in debt servicing (both principal and interest) on the terms loans availed by the company, as also delays of more than 30 days in servicing interest on cash credit and packing credit, and a delay of more than 30 days in payment of bills. As per the management, the delays/default in debt servicing is on account of slowdown in collection from debtors leading to cash flow issues in the company.

Analytical approach: Consolidated

The consolidated financials of EIML have been considered for analytical purposes. The consolidated financials include financials of EIML and its 10 subsidiaries and 1 joint venture. Details given in **Annexure 3**.

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Service Sector Companies](#)

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

About the Company

Eros International Media Ltd (EIML), a step-down subsidiary of Eros International Plc (EIP) is headed by Mr. Sunil Lulla, the Executive Vice Chairman and Managing Director of EIML. Eros group has been present in the Indian film industry for around thirty years and EIML has its distribution network in all the theatrical territories (total 14) in India. EIML is engaged in acquisition/production/co-production and distribution of Indian films across various formats. It owns a content library of 2000+ films and music. The international and digital rights for the new film content for the entire world excluding India are licensed to Eros Worldwide FZ-LLC (Dubai) (holding company of EIML), in accordance with the terms of the relationship agreement on cost-plus basis (i.e. at an additional margin of 20%).

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

During the month of August 2018, Reliance Industries Limited acquired 5% stake in EIP for a cash consideration of \$46.6 million. Reliance Industries and EIML has also created a joint venture – Reliance Eros Productions LLP wherein both the parties will equally invest upto \$150 million in aggregate, to produce and acquire Indian films and digital originals across all languages.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) | FY19 # |
|------------------------------|----------|----------|--------|
| Total operating income | 1418 | 972 | 1140 |
| PBILDT | 342 | 333 | 404 |
| PAT | 243 | 231 | 266 |
| Overall gearing (times) | 0.36 | 0.34 | 0.23 |
| Interest coverage (times) | 8.69 | 4.93 | 5.22 |

A: Audited

#as per the exchange disclosure of the company

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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 |
|---|------------------|-------------|----------------|-------------------------------|---|
| Non-fund-based - ST-Bank Guarantees | - | - | - | 1.00 | CARE D |
| Fund-based - LT-Cash Credit | - | - | - | 263.00 | CARE D |
| Fund-based - LT-Term Loan | - | - | September 2021 | 300.00 | CARE D |
| Fund-based - ST-Packing Credit in Indian rupee | - | - | - | 69.50 | CARE D |
| Fund-based - ST-Bills discounting/ Bills purchasing | - | - | - | 116.50 | CARE D |

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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Non-fund-based - ST-Bank Guarantees | ST | 1.00 | CARE D | - | 1)CARE A3 (03-Oct-18) | 1)CARE A3+ (31-Mar-18) 2)CARE A2 (10-Nov-17) | 1)CARE A1 (02-Sep-16) |
| 2. | Fund-based - LT-Cash Credit | LT | 263.00 | CARE D | - | 1)CARE BBB-; Stable (03-Oct-18) | 1)CARE BBB+; Stable (31-Mar-18) 2)CARE A-; Stable (10-Nov-17) | 1)CARE A+ (02-Sep-16) |
| 3. | Debentures-Non Convertible Debentures | LT | - | - | - | - | 1)Withdrawn (10-Nov-17) | 1)CARE A+ (02-Sep-16) |
| 4. | Fund-based - LT-Term Loan | LT | 300.00 | CARE D | - | 1)CARE BBB-; Stable (03-Oct-18) | 1)CARE BBB+; Stable (31-Mar-18) 2)CARE A-; Stable (10-Nov-17) | 1)CARE A+ (02-Sep-16) |
| 5. | Fund-based - ST-Packing Credit in Indian rupee | ST | 69.50 | CARE D | - | 1)CARE A3 (03-Oct-18) | 1)CARE A3+ (31-Mar-18) 2)CARE A2 (10-Nov-17) | 1)CARE A1 (02-Sep-16) |
| 6. | Fund-based - ST-Bills discounting/ Bills purchasing | ST | 116.50 | CARE D | - | 1)CARE A3 (03-Oct-18) | 1)CARE A3+ (31-Mar-18) 2)CARE A2 (10-Nov-17) | 1)CARE A1 (02-Sep-16) |
| 7. | Debentures-Non Convertible Debentures | LT | - | - | - | - | 1)Withdrawn (10-Nov-17) | 1)CARE A+ (02-Sep-16) |
| 8. | Commercial Paper | ST | - | - | - | - | 1)Withdrawn (10-Nov-17) | 1)CARE A1 (02-Sep-16) |
| 9. | Debentures-Non Convertible Debentures | LT | - | - | - | - | 1)Withdrawn (10-Nov-17) | 1)CARE A+ (02-Sep-16) |
| 10. | Commercial Paper | ST | - | - | - | - | 1)Withdrawn (10-Nov-17) | 1)CARE A1 (02-Sep-16) |
| 11. | Fund-based - LT/ ST-CC/Packing Credit | - | - | - | - | - | - | 1)CARE A+ / CARE A1 (02-Sep-16) |

Annexure -3: Details of Subsidiary and Joint Venture as on March 31, 2019

| Name of entities | Relationship | Stake held by EIML as on March 31, 2019 |
|-------------------------------------|---------------------|--|
| EROS International Films Pvt. Ltd. | Subsidiary | 100% |
| EyeQube Studios Pvt. Ltd. | Subsidiary | 100% |
| EM Publishing Pvt. Ltd. | Subsidiary | 100% |
| EROS Animation Pvt. Ltd. | Subsidiary | 100% |
| Bigsreen Entertainment Pvt. Ltd. | Subsidiary | 64% |
| Copsale Ltd. | Subsidiary | 100% |
| Digicine PTE Ltd. | Subsidiary | 100% |
| Colour Yellow Productions Pvt. Ltd. | Subsidiary | 50% |
| Universal Power Systems Pvt. Ltd. | Subsidiary | 100% |
| EROS International Distribution LLP | Subsidiary | 99.80% |
| Reliance EROS Production LLP | Joint Venture | 50% |

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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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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

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.

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