APRIL 06, 2016

CARE ASSIGNS PROVISIONAL 'CARE AAA (SO)' RATINGS TO BANK FACILITIES OF PRIME FOCUS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed Long Term Bank Facilities - SBLC	75[@]	**Provisional CARE AAA (SO) (credit watch)[&] [Triple A (Structured Obligation) on credit watch]**	Assigned
Total	**75 (Rupees Seventy Five Crores only)**		

[@] *backed by proposed unconditional and irrevocable corporate guarantee by Reliance Capital Limited*
[&] *the rating is In-principle 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.*

Rating Rationale

The rating assigned to the proposed SBLC issue of PFL for aggregate amount of Rs. 75 crore factors in credit enhancement in form of corporate Guarantee to be provided 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 .

The rating assigned to PFL is put on 'credit watch' following assignment of "credit watch" on the ratings of the Guarantor - Reliance Capital Ltd.

The rating of 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 group 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 - PFL

Prime Focus Limited (PFL), an integrated media services company, incorporated in 1997 by merger of two proprietary concerns of founder promoters, Mr. Naresh Malhotra and Mr. Namit Malhotra. In its initial phase PFL was providing post production services for TV serials and has gradually emerged as a

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

one of the global visual entertainment services company, with its facilities spanning across India, UK, USA and Canada

It provides end-to-end creative services (visual effects, stereo 3D conversion, animation), technology products & services (Media ERP Suite and Cloud-enabled media services), production services (equipment rental) and post production services (Digital Intermediate, sound, picture post) to Studios, Broadcast and Advertising industries. The company is behind path breaking technologies like CLEAR™ (Hybrid Cloud technology enabled Media ERP Suite), Primetime Emmy® award-winning DAX Digital Dailies® and View-D™ (stereoscopic 2D to 3D conversion process).

Background of 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.

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*

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

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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