Prime Focus Limited

January 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities - SBLC	75[@]	**Provisional CARE AAA(SO) [Triple A (Structured Obligation)] Under credit watch with developing implications[&]**	Continues on "credit watch"
Total Facilities	**75 (Rs. Seventy Five crores only)**		

Details of instruments/facilities in Annexure-1

[@] to be Backed by proposed unconditional and irrevocable corporate guarantee to be provided 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.

Detailed Rationale

The rating assigned to the SBLC (aggregate amount of Rs. 75 crore) of Prime Focus (PFL) continues to be on credit watch with developing implications since rating of Guarantor – Reliance Capital Limited (RCL) have 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/ networth being 2.8%. As on September 30, 2016, RCL's standalone GNPA and NNPA ratios stood at 2.5% and 2.0%

[1] *Complete 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 bank facilities of Prime Focus Limited (PFL) is contingent on the assessment of RCL which would provide an unconditional and irrevocable corporate guarantee for the same. 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

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 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).

PFL posted total operating income of Rs. 118.85 crore and net loss of Rs. 8.35 crore in FY16 (refers to the period July 1 to March 31). For FY15 (refers to the period July 1 to June 30), PFL registered total income of Rs.133.73 crore and Loss of Rs.28.1 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: Not Applicable

Any other information: Not Applicable

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.*

Analyst Contact:
Name: Sharmila Jain
Tel: 91-22-6754 3638
Mobile: 9920369405
Email: sharmila.jain@careratings.com

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

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
Fund Based - LT-Term Loan	-	-	-	75.00	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	75.00	Provisional CARE AAA (SO) (Under Credit watch with Developing Implications)	1)Provisional CARE AAA (SO) (Under Credit Watch) (06-Apr-16)	-	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691