

APRIL 12, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF SAREGAMA INDIA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term bank facilities	17.0 (17.0)	CARE A (Single A)	Reaffirmed
Short-term bank facilities	1.0 (1.0)	CARE A1 (A One)	Reaffirmed
Total bank facilities	18.0 (Rs.Eighteen crore)		

Rating Rationale

The ratings continue to draw strength from SIL's established branding and positioning in the domestic music industry, strong group with experienced management, large music archive leading to consistent revenue generation through licensing fees, stabilization of TV serial segment's revenue, increased opportunities in the digital space business thus enabling SIL to efficiently monetize its extensive music library, availability of adequate liquid investments along with satisfactory financial risk profile marked with comfortable capital structure.

The ratings continue to be constrained by high obsolescence risk associated with the distribution formats, threat from piracy, higher cost of content acquisition and large exposure to group companies. Ability to maintain profitability and capital structure and attain success by venturing into allied areas of business and future group exposure shall be the key rating sensitivities.

Background

Saregama India Ltd (SIL), belonging to the Kolkata-based RP-Sanjiv Goenka Group, was formerly known as the Gramophone Company of India. Earlier the company was primarily engaged in creation and distribution of music in physical formats and currently it possesses a music library of more than three lakh songs. Over the years the company has expanded its business and forayed into distribution of music in the digital mode, production of TV serials, event management, and artiste management. Currently, the company has four subsidiaries and one JV, having operations in a similar line of business.

The RP-Sanjiv Goenka group has interest across diverse business segments such as power, infrastructure, carbon black, retail, education, business process outsourcing, and media & entertainment.

On total operating income of Rs.181.89 crore, SIL earned a PAT of Rs.15.69 crore in FY15 vis-à-vis operating income of Rs.167.72 crore and PAT of Rs.12.09 crore in FY14. Further, the company reported sales of around Rs.161.63 crore and PAT of around Rs.8.51 crore in M9FY16 vis-a-vis sales of Rs.122.72 crore and PAT of Rs.6.73 crore in M9FY15.

Mr. Y. H. Malegam, who is an independent director on the board of Firstsource Solutions Ltd. (group company), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

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

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

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