

NOVEMBER 21, 2014

## CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF SAREGAMA INDIA LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	17.0 (reduced from 47.0)	<b>CARE A (Single A)</b>	Revised from CARE BBB+ (Triple B plus)
Short term Bank Facilities	1.0 (1.0)	<b>CARE A1 (A One)</b>	Revised from CARE A3+ (A Three plus)
<b>Total Facilities</b>	<b>18.0</b>		

**Rating Rationale**

The revision in the ratings factors in improvement in financial performance and comfortable capital structure in FY14 (refers to the period April 01 to March 31) with nil debt-equity ratio as on Sep.30, 2014 and availability of adequate liquid investments along with increased opportunities in the digital space business thus enabling SIL to efficiently monetize its extensive music library. The above ratings continue to draw strength from SIL's dominant presence in the domestic music industry, established group with experienced management, strong brand positioning along with its large music archive leading to consistent revenue generation through licensing fees and stabilization of its TV serial segment. 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 as envisaged and attain success by venturing into allied areas of business 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.167.72 crore, SIL earned a PAT of Rs.12.09 crore in FY14 vis-à-vis operating income of Rs.174.69 crore and PAT of Rs.10.88 crore in FY13. Further, the company reported sales of around Rs.42.31 crore and PAT of around Rs.3.36 crore in Q1FY15 vis-a-vis sales of Rs.35.81 crore and PAT of Rs.1.83 crore in Q1FY14.

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**Mr. Y. H. Malegam, who is an independent director on the board of Firstsource Solutions Ltd, 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.**

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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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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