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CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF SITI CABLE NETWORK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term facilities@	1,349.07	**CARE AA+ (SO) (Double A Plus Structured Obligation)**	Revised from CARE AA(SO) (Double A (Structured Obligation)
Total Bank Facilities	**1,349.07 (Rupees One Thousand Three Hundred Forty Nine crore and Seven lakh only)**		

@ backed by unconditional & irrevocable Corporate Guarantee extended by Zee Entertainment Enterprise Limited to the lenders of Siti Cable Network Limited (SCNL), to maintain debt service reserve account (DSRA) for a stipulated size

Rating Rationale

The revision in the ratings assigned to bank facilities of Siti Cable Network Limited (SCNL) factors in the revision in the credit rating of the Guarantor – Zee Entertainment Enterprise Limited (ZEEL), rated 'CARE AA+/ A1+'.

The above ratings are based on the credit enhancement in the form of unconditional & irrevocable Corporate Guarantee extended by Zee Entertainment Enterprise Limited (ZEEL- rated 'CARE AA+/ A1+') to the lenders of SCNL, to maintain debt service reserve account (DSRA) for a stipulated size, wherein ZEEL would make good the shortfall within the stipulated time as specified in the agreement for the bank facilities of SCNL.

Rating Rationale of Guarantor (ZEEL)

The revision in the ratings assigned to the bank facilities of ZEE Entertainment Limited (ZEEL) factors in the consistent increase in the scale of operations with healthy profitability over the years and moderation in the quantum of Debt Service Reserve Account (DSRA) support extended to group companies on account of improvement in financial performance of the underlying entities.

The ratings continue to derive strength from the well-established promoter group with a long track record in the media and entertainment industry, large bouquet of channel offerings covering a wide genre of entertainment, positioning of the flagship channel 'Zee TV' amongst the top Hindi General Entertainment Channels (GECs) in terms of Television Viewership and platform for distribution with a wide subscriber base and ample growth opportunity with mandatory digitalization. The ratings are further strengthened by its comfortable financial risk profile characterized by healthy debt coverage indicators and sizeable cash reserves and liquid investments.

However, the above rating strengths are tempered by the volatile nature of the main source of revenue, ie, advertisement revenues, which is sensitive to key economic indicators and regulatory changes. Furthermore, the ratings also factor in changing trends in the media sector, intense competition and losses in the sports business. Going forward, the ability of ZEEL to retain/ increase its flagship channel position among the top six Hindi GECs, self-sustainability of the

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

sports business and group companies to which ZEEL has extended DSRA support, increase in the overall revenue and improve profitability from digitalization amidst increasing competition are the key rating sensitivities.

Background

SCNL (earlier known as Wire and Wireless Ltd) is a part of the Essel group and acts as a medium between the Broadcaster and the Local Cable Operators (LCOs) and is involved in the distribution of TV channels/content received from Broadcaster to the LCOs through cable network. SCNL is third largest Multi System Operator (MSO) in India with over 61 analogue and 16 digital head ends and a network of more than 15,000 kms of optical fibre and coaxial cable, it provides cable services for more than 130 cities in India with subscriber reach of over 10.7 million viewers. SITI Cable has been providing services in analogue and digital mode, armed with technical capability to provide features like Video on Demand, Pay per View, Electronic programming Guide (EPG) and gaming through a Set Top Box (STB). All products are marketed under SITI brand name. Its product range includes, Analogue Cable Television, Digital Cable Television, Broadband and Local Television Channels. SCNL has strong presence in eastern region of India and also has business operations in south, north and central region of India.

During FY15 (refers to the period April 01 to March 31), SCNL on a consolidated basis posted a total income of Rs.913 crore (vis-à-vis Rs.707 crore in FY14) and PBILDT of Rs.145 crore (vis-à-vis Rs.120 crore in FY14). Furthermore, in H1FY16, SCNL posted a total income of Rs.462 crore and PBILDT of Rs.79 crore compared with a total income of Rs.421 crore and PBILDT of Rs.76 crore in H1FY15.

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

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