

AUGUST 22, 2016

CARE ASSIGNS 'CARE A-' TO THE BANK FACILITIES OF SITI NETWORKS LIMITED (FORMERLY KNOWN AS SITI CABLE NETWORK LIMITED)

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	150	CARE A- (Single A Minus)	Assigned
Total Bank Facilities	150 (Rupees One hundred and fifty crore only)		

Rating Rationale

The rating assigned to the bank facilities of Siti Networks Limited (SNL) favorably factors in the strong promoter presence (Essel Group) and support. Along with SNL, Essel Group, has a very strong presence in the TV entertainment industry with companies such as Zee Entertainment Enterprise Limited, Zee Media Limited and Dish TV India Limited. Furthermore, the Essel group has been extending continued financial assistance as demonstrated by infusion of funds on a periodic basis to support the business operations of SNL. The positive impact of digitalization had resulted into steady improvement in the operational performance of SNL evidenced by robust growth in digital subscriber base. As on March 31, 2016 SNL's digital subscriber base stood at 7.9 million as opposed to 5.38 million as on March 31, 2015.

The rating strengths are however tempered by capital intensive nature of the industry, subsidization of the STB (Set Top Box) though reduced during FY16 [refers to the period April 01 to March 31] and intense competition among the MSO (Multi Systems Operator) players and DTH (Direct to home) players. During FY16, SNL reported positive PAT (Profit After Tax) of Rs.9 crore against loss of Rs.102 crore in FY15. The past losses had affected the network and debt coverage indicators of SNL.

The ability of the company to improve the operating cash flows and profitability amidst increasing competition and maintain its capital structure constitutes the key rating sensitivities.

Background

Siti Networks Limited (formerly known as Siti Cable Network Limited) 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. As on March 31, 2016, SNL is among the top three Multi System Operator (MSO) in India with over 36 analogue and 18 digital head ends and a network of more than 30,000 kms of optical fibre and coaxial cable, it provides cable services for more than 300 cities in India with subscriber universe of over 12.2 million viewers. SNL has been providing services in analogue and digital mode, 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. SNL has a strong presence in the eastern and northern region of India and also has business operations in south and central region of India.

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

During FY16 (refers to the period April 01 to March 31), SNL on a consolidated basis posted a total income of Rs.1,213 crore (vis-à-vis Rs. 913 crore in FY15) and PBILDT of Rs.323 crore (vis-à-vis Rs. 145 crore in FY15).

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