

Saregama India Limited

Instrument	Rated Amount (Rs. In Crore)	Rating Action (March 2016)
Fund Based Limit – Cash Credit	17.00	[ICRA]A (Stable) assigned
Non Fund Based Limit – Letter of Guarantee	1.00	[ICRA]A1 assigned

ICRA has assigned the long-term rating of **[ICRA]A** (pronounced ICRA A)¹ to the Rs. 17.00 crore² cash credit facilities of Saregama India Limited (SIL/the company). The outlook on the long-term rating is **Stable**. ICRA has also assigned the short-term rating of **[ICRA]A1** (pronounced ICRA A one) to the Rs. 1.00 crore letter of guarantee facility of SIL.

The assigned ratings take into account the company's longstanding experience in the music industry with a strong competitive position. It is one of India's major music recording and publishing companies with more than 2.50 lakh songs in its library. ICRA notes that the music industry has undergone significant changes over the past decade, with digital content and new media contributing to an increasing share of revenues for music publishers, including SIL. SIL has benefitted from the same through diversification of its distribution platforms. Moreover, the company also has an established presence in the television serial segment, especially in South India. This has also led to revenue diversification. However, the segment reported a loss during FY2015 owing to weak performance of one of the serials. The ratings also derive comfort from SIL's comfortable financial profile - as indicated by a healthy, although declining operating profitability, a conservative capital structure, and secure debt protection metrics. The ratings also take into account SIL's status as a company belonging to the RP-SG group, of which CESC Limited (rated at [ICRA]A1+) is a flagship company.

The ratings, however, remain constrained by the continued financial support extended by SIL to the loss-making operations of its wholly-owned subsidiary, which publishes the magazine 'Open'. This adversely impacts SIL's overall business returns and cash accruals. ICRA expects such support to continue over the near to medium term. Moreover, SIL's acquisition of new content has been limited, leading to a shrinking market share in new music, and its increasing dependence on old catalogue. The music industry is also susceptible to piracy, rapid technological changes and intense competition, which has resulted in content cost escalations, thus affecting profitability. Going forward, SIL's healthy cash accruals from the music business, coupled with the improvement in the television serial segment, would continue to be the key rating issues.

Company Profile

SIL is one of India's largest music recording and publishing companies. It was initially established as a branch of Electrical & Musical Industries Limited, London (EMI) in 1901, before being taken over by the RP-Sanjiv Goenka Group of Kolkata. The company has several milestones to its credit in the history recording and publishing Indian music. It produced the first song that was recorded in India in 1902 by Gauhar Jan. It currently has a music library of more than 2.50 lakh songs. Folk and light classical music, especially ghazals, and old Hindi film music, acquired from reputed film houses, form the backbone of this collection. SIL also has a presence in the television serial segment, especially in South India.

Recent Results

During the first nine months of FY2016, the company reported a net profit of Rs. 8.50 crore on an operating income of Rs. 161.62 crore (provisional). It had reported a net profit of Rs. 15.69 crore on an operating income of Rs. 181.89 crore in FY2015.

March 2016

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

² 100 lakh = 1 crore = 10 million



For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 33 7150 1100)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500