

October 13, 2017

Saregama India Limited

Summary of rated instruments

Instrument [^]	Rated Amount (in Rs. crore)	Rating Action*
Fund Based Limit – Cash Credit	17.00	[ICRA]A (Stable) ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Non Fund Based Limit – Letter of Guarantee	1.00	[ICRA]A1 ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Total	18.00	

* Issuer did not co-operate; based on best available information

[^]Instrument Details are provided in Annexure-1

Rating action

ICRA has moved the long term rating of the Rs. 17.0- crore¹ cash-credit facility of Saregama India Limited (SIL)[†] to ‘Issuer Not Cooperating’ category. ICRA has also moved the short-term rating of the Rs. 1.0-crore non-fund based facility of SIL to the ‘Issuer Not Cooperating’ category. The rating is now denoted as: “[ICRA]A (Stable), [ICRA]A1 ISSUER NOT COOPERATING”.

Rationale

The ratings are based on limited information on the entity’s performance since the time it was last rated in March, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity’s credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with SIL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity’s management has remained non-cooperative. In the absence of requisite information, and in line with SEBI’s Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA’s Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

Longstanding experience of SIL in the music industry - SIL, a part of the RP-Sanjiv Goenka Group, has a strong competitive position as one of India’s major music recording and publishing companies with more than 2.50 lakh songs in its music library.

Conservative capital structure and comfortable coverage indicators- The capital structure of SIL has remained conservative, with no debt on its books as on March 31, 2017. This coupled with healthy, although declining, profitability has led to comfortable coverage indicators as reflected by interest cover and total debt/OPBDITA of 96.67 times and 0.00 times in FY2017.

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

Financial support extended by SIL to the loss-making operations of the wholly-owned subsidiary adversely impacting SIL's overall business returns and cash accruals- SIL continues to support the loss-making magazine publishing business of its wholly-owned subsidiary, which publishes the magazine 'Open'. With SIL making annual provisions towards such advances made to OMNPL, the same has led to a drag on the company's bottom-line, in turn adversely impacting business returns.

Susceptibility to challenges posed from music piracy and rapid technology changes – SIL, like other players in the music industry, is susceptible to piracy of content through counterfeit media and unauthorised use of proprietary and intellectual property rights. The susceptibility of digital content to rapid technological changes also places pressure on music companies, such as SIL, to successfully adapt to the same in a timely manner.

Industry characterized by intense competition - The music industry is characterized by intense competition from both new as well as existing players in the film and television media segments, which increases demand for the limited content pool, contributing to an increase in costs for content acquisition.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable Criteria

[Corporate Credit Rating Methodology](#)

[Policy on non-cooperation by rated entity](#)

About the company:

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 of 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.

Key Financial Indicators

	FY2016	FY2017
Operating Income (Rs. crore)	214.84	208.16
PAT (Rs. crore)	7.54	5.83
OPBDIT/ OI (%)	13.53%	12.52%
RoCE (%)	6.33%	9.94%
Total Debt/ TNW (times)	0.00	0.00
Total Debt/ OPBDIT (times)	0.00	0.00
Interest coverage (times)	80.66	96.67
NWC/ OI (%)	13%	20%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the past 3 years		
		Type (Long term/ Short term)	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Month-year & Rating	Month & Rating in FY2016	Month & Rating in FY2015	Month & Rating in FY2014
					October 2017	Mar-16	-	-
1	Cash Credit	Long Term	17.00	-	[ICRA]A (Stable) ISSUER NOT COOPERATING*	[ICRA]A (Stable)	-	-
2	Letter of Guarantee	Short Term	1.00	-	[ICRA]A1 ISSUER NOT COOPERATING*	[ICRA]A1	-	-

* Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Instrument	Date of Issuance/ Sanction	Coupon rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Cash Credit	-	-	-	17.00	[ICRA]A (Stable); ISSUER NOT COOPERATING*
Letter of Guarantee	-	-	-	1.00	[ICRA]A1 ISSUER NOT COOPERATING*

Source: Saregama India Limited

* Issuer did not co-operate; based on best available information

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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