



Press Release

Insight Media City India Private Limited(IMC)

April 21, 2020

Ratings

Sl. No	Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities – Term Loan	25.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Long Term Bank Facilities - Cash Credit	12.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
3.	Proposed-Term Loan	50.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
4	Proposed- Cash Credit	13.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
	Total	100.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters & qualified management team, creative contents, improved revenue & profitability margins and strong position in Malayalam television space. The rating however is constrained by continually elongated operating cycle, capital intensive nature of business and high competition in the television broadcasting segment along with the rapid advancement in smart phone technology.

Key Rating Sensitivities:

Upward Factors

- Substantial & Sustained improvement in revenue & EBITDA margin while maintaining the debt protection metrics.

Downward Factors

- De-growth in revenues due to regulatory restrictions or pricing pressures
- Increased stress on working capital cycle due to increase in receivables.
- Significant deterioration in debt protection parameters



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters & Qualified management team

Mr. Sreekandan Nair, Managing Director of Insight, is a well renowned television personality with over three decades of experience in the space. The senior management consists of people with long experience in the industry having worked with various other TV broadcasting companies. Mr. Sreekandan Nair brought together a group of investors from Kerala and Middle East to establish IMC.

Creative contents

Ability of the team to come out with creative contents has enabled Insight Media to face competition from existing strong players in the industry. Management of Insight Media has also incorporated the values of social commitment to the society that can be seen as a part of various contents broadcasted by the company.

Improved Revenue & Profitability Margins

The total operating income of the company in the past three years growing at a CAGR of ~57.66% in FY17-FY19. The scale of operation increased from Rs.50.32 crore in FY17 to Rs.70.12 crore in FY18 and further to Rs.90.04 crore in FY19. The company reported a PAT of Rs. 0.54 crore in FY19 which is marginally higher than the previous years' of Rs.-1.05 crore and EBITDA margin stood at 10.50% in FY19 as against 5.74% in FY18.

Strong Position in Malayalam Television space

In the last 3 years as compared to other players who have been in the industry since quite a long time, the Average Channel GRP had seen an increase of 29% and Average Channel Share by 30% in FY2018-19. Despite being a late entrant, Flowers TV, which was launched in April 2015, has been able to establish itself as one of the leading players in the Malayalam GEC space within a span of three years.



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Key Rating Weaknesses

Continually elongated operating cycle

Operations of the company are working capital intensive in nature. The average receivable collection days and average creditor days stood at 223 days due to slow recovery from gulf customers and 75 days respectively in FY19. The working capital cycle is elongated (148 days in FY19) on account of high debtor days. Additionally, the company had an average working capital utilisation of 96.69% in the last 12 months ended January, 2020.

Capital intensive nature of business

The segment in which the company operates is highly capital intensive due to the need for procurement of various network rights & licenses along with requirement of infrastructure and equipment. Further, the company also invests significantly in content creation in order to attract more viewership.

High competition in the television broadcasting segment along with the rapid advancement in Smartphone technology

The media and entertainment industry remains related to the cyclical nature in advertising spends by corporate. In addition, with increasing competition across genres and the emergence of alternative content delivery platforms such as digital media resulting in fragmentation of viewership, the ability of the company to maintain its leadership position will remain crucial. On a regional level the company faces competition from multiple. The ability of the company to sustain competition and keep its revenues at a sustained level remains rating monitorable.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Service Companies

Financial ratios and Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The company is earning GCA Rs.6.53crore during FY19 and the same is expected to increase gradually with increase in scale of operation and level of margin. Total debt to GCA is stood at 7.48 times and the current ratio and Quick Ratio of the company stands comfortable at 3.57x in FY19. The liquidity position of the company is expected to remain Adequate provided the company achieve projected revenue & EBITDA margin. The average working capital limit utilisation remained at around 97% during the last twelve months ended January 2020.

About the firm

Insight Media City India Pvt. Ltd. (IMC) was incorporated in March, 2013 in Kerala. The major objective of the company is to establish the First Indian International Media City in Kochi. The project has five zones namely Television, Digital & Synergy, Education, Movie & FM radio and Expo & Events. Each zone will be separate profit centre with mutually supportive infrastructure.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	70.12	90.04
EBITDA	4.03	9.45
PAT	-1.05	0.54
Total Debt	34.22	48.83
Tangible Net worth	133.40	155.28
EBIDTA Margin (%)	5.74	10.50
PAT Margin (%)	-1.50	0.60
Overall Gearing ratio (x)	0.26	0.31

** Classification as per Infomerics' standards*

Details of Non Cooperation with any other CRA: CARE in its press release published on October 03, 2019 has classified the case under "Issuer Not Cooperating" status as the agency does not have adequate information to review the ratings.



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Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Long Term Facilities	Term Loan	25.00	IVR BBB-/Stable Outlook	--	--	--
	Cash Credit	12.00	IVR BBB-/Stable Outlook			
	Proposed Term Loan	50.00	IVR BBB-/Stable Outlook	--	--	--
	Proposed Cash Credit	13.00	IVR BBB-/Stable Outlook			
	Total	100.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Analysts:

Name: Ms. Priyanka Kumawat

Tel: (022) 62396023

Email: pkumawat@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

S. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Bank Facilities – Term Loan	--	--	June 2023	25.00	IVR BBB-/ Stable Outlook
2	Long Term Bank Facilities - Cash Credit	--	--	Revolving	12.00	IVR BBB-/ Stable Outlook
3	Proposed-Term Loan	--	--	--	50.00	IVR BBB-/ Stable Outlook
4	Proposed- Cash Credit	--	--	--	13.00	IVR BBB-/ Stable Outlook
Total					100.00	