



Press Release

Insight Media City India Private Limited

July 23, 2021

Ratings

Facilities	Amount (INR Crore)	Current Ratings	Rating Action
Cash Credit	12.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Term Loan*	23.54	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Proposed Fund Based	14.46	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Total	50.00		

*Outstanding as on March 31,2021

Details of facilities are in Annexure 1 Detailed Rationale

The rating reaffirmation to the bank facilities of Insight Media City India Private Limited derive strength from experienced promoters & qualified management team, creative contents and continued healthy capital structure and debt protection metrics. The rating however is constrained by revenue & profitability margins, continually elongated operating cycle, Capital intensive nature of business and high competition in the television broadcasting segment along with the rapid advancement in Smartphone technology.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Increased stress on working capital cycle due to increase in receivables.
- Significant deterioration in debt protection parameters.

Detailed Description of Key Rating Drivers

Key Rating Strengths



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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. Insight Media City was an idea conceived by Mr. Sreekandan Nair to create the first media city in India. He 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 healthy 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.

Continued healthy capital structure and debt protection metrics.

The overall gearing ratio of the company improved, however remained moderate as on account closing days of the last three years. It is comfortable at 0.27x in FY21(P) and 0.38x in FY20 because of significant increase in tangible networth from FY20 to FY21(P). Long term debt-equity ratio stood at 0.20x in FY21(P) and the TOL/TNW standing at 0.65x. The interest coverage ratio has remained comfortable at 3.18x.

Modest revenue & profitability margins

The total operating income of the company in the past three years growing at a CAGR of ~12% in FY19-FY21(P). The scale of operation increased from Rs.90.04 crore in FY19 to Rs.95.34 crore in FY20 and further decline to Rs.93.45 crore in FY21(P). The company reported a PAT of Rs. 0.47 crore in FY21(P) which is marginally higher than the previous years' of Rs.0.34 crore and EBITDA margin stood at 11.79% in FY21(P) as against 12.59% in FY20.

Key Rating Weaknesses

Continually elongated operating cycle



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Operations of the company are working capital intensive in nature. The average receivable collection days and average creditor days stood at 244 days due to slow recovery from gulf customers and 140 days respectively in FY21(P). The working capital cycle is elongated (104 days in FY21(P)) on account of high debtor days. Additionally, the company had an average utilisation of 90.40% in the last 12 months ended June, 2021.

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 cyclicity 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 broadcasters including Asianet (a southern media heavyweight). The ability of the company to ably fend off its competition and keep its revenues at a sustained level remains a key rating factor.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The liquidity is considered to be adequate as reflected from its gross cash accruals of Rs. 8.16 crores in FY2020 as against repayment obligation of Rs. 5.47 crores. The working capital utilisation on average stood at 90.40% for the past 10 months period till June 2021. The current



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ratio remained comfortable at 2.78x as on March 31, 2020 (2.06x as on March 31, 2021, Provisional).

About the Firm

Insight Media City India Pvt. Ltd. (IMC) is a Media Company promoted under Indian Companies Act – 1956. The company was incorporated on March 21, 2013, in Kerala, the southernmost state of India. Mr. Sreekandan Nair, Managing Director of Insight. 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)

For the year ended / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (P)
Total Operating Income	95.34	93.45
EBITDA	12.00	11.02
PAT	0.34	0.47
Total Debt	43.96	42.43
Tangible Net Worth	116.81	157.08
EBIDTA Margin (%)	12.59	11.79
PAT Margin (%)	0.35	0.50
Overall Gearing ratio (x)	0.38	0.27

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: CARE Ratings has moved the rating of Insight Media City India Pvt Ltd into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated July 13, 2020.

Any other information: N.A.

Rating History for last three years:

	Current Rating (Year: 2021-22)	Rating History for the past 3 years
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Sr. No.	Name of Instrument/Facility	Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Facilities	Cash Credit	12.00	IVR BBB-/Stable	IVR BBB-/Stable (April 21, 2020)	-	-
2.	Long Term Facilities	Term Loan*	23.54	IVR BBB-/Stable	IVR BBB-/Stable (April 21, 2020)	-	-
3.	Proposed	Proposed Fund Based	14.46	IVR BBB-/Stable	-	-	-
		Total	50.00				

*Outstanding as on March 31, 2021

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	December 2023	12.00	IVR BBB-/Stable
Term Loan*	-	-	-	23.54	IVR BBB-/Stable
Proposed Fund Based	-	-	-	14.46	IVR BBB-/Stable
Total				50.00	

*Outstanding as on March 31,2021

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lenders-IMCIPT-23-july21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Cash Credit	Simple

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.