RATING REPORT

Independent Media Corporation (Pvt.) Limited

REPORT DATE:
November06, 2015

RATING ANALYSTS:
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RATING DETAILS

	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	BB+	A-3	BBB+	A-3
TFC	BBB-	-	A-	-
Rating Outlook	Stable		Stable	
Outlook Date	*November 02, 2015*		*September 17, 2014*	

COMPANY INFORMATION

Incorporated in 2001	**External auditors:**KPMG TaseerHadi& Co.
Private Limited Company	**Chairman of the Board:**Mr. Ibrahim Rehman
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:**Mr. Ibrahim Rehman
J&S Enterprise (Pvt.) Limited – 96.0%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria :*Industrial Corporates (October 2003)*
http://www.jcrvis.com.pk/images/IndustrialCorp.pdf

Rating The Issue (September 2014)
http://jcrvis.com.pk/Images/criteria_instrument.pdf

Independent Media Corporation (Pvt.) Limited

OVERVIEW OF THE INSTITUTION

Independent Media Corporation (Pvt.) Limited was incorporated in October 2001, while first transmission of the company was started in August 2002 from Dubai. The company is a part of Jang Group and acquired transmission licensefrom Pakistan on May 22, 2008, for fifteen years.

RATING RATIONALE

The assigned rating incorporates the weakening of the franchise strength of the entity where recouping of the lost market share in the highly competitive nature of the industry would entail tough challenges ahead. Moreover, financial risk profile has also deteriorated with erosion in equity on the back of sizeable losses incurred in FY14 and FY15. Ratings reflect demonstrated support and strong profile of sponsors; group support is expected to the entity given the group's overall presence and long experience in the media industry.

Revenues of the company have witnessed a sizeable decline given developments in the external environment. However, revenues have stabilized with some recovery noted in market share for both Geo News and Geo Entertainment in the ongoing year. Revenues of geo news have averaged Rs. 141m per month over the last nine months while revenues from geo entertainment have averaged Rs. 205m per month.

Given the sizeable decline in revenues, funds flow from operations (FFO) was recorded negative in FY15. The company has managed cash flows through decline in receivables and increase in payables to related parties.Despite the accumulation of losses and negative FFO, the company has managed to make timely payments on debt obligations including those to TFC holders through support from group companies and debt service mechanism in place. Support from group entities is also evident in the form of subordinated loan from sponsors. Other than TFC, existing commercial debt on books is limited. Though challenging, the management expects cash flows to improve, going forward, and be sufficient for meeting future obligations.

Independent Media Corporation (Pvt.) Limited — Appendix I

FINANCIAL SUMMARY *(amounts in PKR millions)*			
BALANCE SHEET	**FY14**	**FY13**	**FY12**
Fixed Assets	484.0	517.8	472.4
Investment (**incl. investment in subsidiary***)**	9.6	9.6	9.6
Stock-in-Trade	45.8	162.5	95.1
Trade Debts	1,641.5	1,714.5	1,868.3
Cash & Bank Balances	200.4	128.0	165.0
Total Assets	5,881.9	4,848.6	4,419.1
Trade and Other Payables	1,287.1	1,648.2	1,630.9
Long Term Debt	1,012.4	-	-
Subordinated loans from related parties	1074.2	1074.5	957.4
Short Term Debt	-	83.3	-
Total Equity	713.3	1659.3	1,312.4
INCOME STATEMENT			
Net Sales	5,990.0	5,583.3	4,820.1
Gross Profit	2,215.0	2,681.1	2,485.3
Operating Profit	(676.8)	590.9	651.3
Profit After Tax	(946.0)	346.9	388.3
RATIO ANALYSIS			
Gross Margin (%)	37.0	48.0	51.6
Net Working Capital	1724.5	2156.7	1,733.3
FFO to Total Debt (x)	Negative	0.56	0.80
FFO to Long Term Debt (x)	Negative	N/A	N/A
Debt Servicing Coverage Ratio (x)	N/A	N/A	N/A
ROAA (%)	Negative	7.5	9.0
ROAE (%)	N/A	23.3	34.7

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Independent Media Corporation (Pvt.) Limited
Sector	Media
Type of Relationship	Solicited
Purpose of Rating	Entity and TFC Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
2-Nov-15	BB+	A-3	Stable	Downgrade
17-Sep-14	BBB+	A-3	Rating Watch-Negative	Downgrade on Rating Watch
11-Jul-14	A	A-2	Rating Watch-Negative	Rating Watch-Negative
21-Feb-12	A	A-2	Stable	Reaffirmed
9-Sep-11	A	A-2	Stable	Initial

Rating Date	Medium to Long Term	Rating Outlook	Rating Action
	RATING TYPE: TFC-1		
2-Nov-15	BBB-	Stable	Downgrade
17-Sep-2014	A-	Rating Watch - Negative	Downgrade on Rating Watch
16-Jul-2014	A+	Rating Watch - Negative	Rating Watch - Negative
19-Jul-2013	A+	Stable	Final
21-Feb-2012	A+	Stable	Preliminary

Instrument Structure	Secured TFC amounting to Rs. 0.9bby a first charge on all receivables and movable assets of the company in addition to a financial guarantee from Independent Newspaper Corporation Limited and personal guarantee by directors. The TFC has a tenor of 5 years and applicable interest rate of 3-month KIBOR plus 3%.
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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