

Press Release

Brickwork Ratings assigns BWR AA rating to Gemini Industries & Imaging Pvt. Limited's proposed Secured Non Convertible Debenture (NCD) issue of INR 50 crore

NCD Issue Rating: BWR AA

Outlook : Stable

Brickwork Ratings (BWR) has assigned '**BWR AA**' (Pronounced **BWR Double A**) for Gemini Industries & Imaging Pvt. Limited's (GIIL) proposed issue of Secured Non Convertible Debentures (NCD) of INR 50 Crore (INR Fifty Crore). '**BWR AA**' stands for an instrument that is considered to offer **High** credit quality in terms of timely servicing of principal and interest obligations.

The rating factors, inter alia, current status of the Industry, security for the proposed NCD issue, revenue characteristics, and promoters' track record.

BWR has relied on Gemini's audited financial results for FY09, projected financial figures, and the unaudited financial results for Q3 of FY10, information and clarification provided by the Company.

GEMINI Industries and Imaging Pvt. Ltd. is a well known name in the country in film production and processing field identified by the logo of twin boys with bugles. Incorporated in April 1946, the Company was promoted by Late Mr. S S Vasan and his family members. Since 1992 the ownership and management of the group has been taken over by Mr. A Ravishankar and Mr. A Manohar, currently the Managing Director and Joint Managing Director respectively of the Company.

Gemini has produced many successful films in Tamil, Telugu, Kannada and Hindi languages under the banner "Gemini pictures circuit Pvt. Ltd." and is now producing films under the banners "Gemini Film Circuit" and "Anandi Art Creations".

The company is in the business of Trading in film, Perforation and slitting of film, Film processing and Printing, Film Production, Graphics and special effects in filmmaking, Cine equipment hire and Distribution of film. The Company is having a well equipped laboratory in Chennai, which processes the films and caters to the various segments of the entire film making cycle. It has been a market leader in the area of film processing, film equipment hire,

film production, film distribution and broadcasting catering to the needs of the entire South India and dominates nearly 75% of the market share.

The Group has a wide employment base of more than one thousand skilled and experienced personnel at various locations.

During FY 09 the company's financial performance has been affected. Total income at INR 87.66 Crore shows a decline of 8.5% over INR 95.86 Crore achieved in FY08, a decline of 8.5%. Net sales fell by 9% to INR 79.79 Crore from INR 88.21 Crore. PBIDT declined to INR 34.02 Crore in FY09 from INR 55.57 Crore in FY08 mainly due to significant increase in operating expenses while PBT was INR 24.75 crore in FY 09. Net profit decreased to INR 24.73 Crore in FY 09 against INR 41.14 Crore in FY08. Loan funds have marginally increased to INR 83.87 Crore in FY09 from INR 75.26 Crore in FY 08 and Total debt to equity ratio has marginally increased from 0.20 to 0.22 in FY09.

For the period ended December 2009, total income as on December, 31 2009 stood at INR 57.47 Crore which includes Income from partnership firms of INR 20.72 crore while PBT rose to INR 31.95 crore. The Total Loan funds stood at INR 37.61 crore against Net worth of INR 407.47 crore.

Use of funds and Security

The company proposes to use the funds from the NCD issue for expanding its current laboratory to include high end graphics and animation facility and plans to import state of the art equipments.

The NCDs will be secured by a charge on fixed assets and equipments of the company including the proposed fresh acquisition of new equipments. Together, the security cover is more than two times the proposed NCD issue.

Industry Scenario- Media & Entertainment

Entertainment is a knowledge-based creative industry successful in drawing masses. Indian Film Industry is stated to be one of the biggest in the world and produces over 800 films in a year. It is reported to be directly and indirectly employing more than 2.5 million persons. Currently there are more than 12000 Cinema screens in India. This means 13 screens per million head of population, the lowest screen average in the world. The multiplex format has been well accepted by the urban population with more than 80% of the population willing to pay more than Rs. 100 for a good movie watching experience. A similar trend is seen even in the tier-II and tier-III cities.

The M&E industry growth comes on the back of rising income levels in India over the past few years, as well as the young Indian population and its dynamic spending patterns. Major segments of the M & E Industry are Television, Film, Music, and Print media. Film content constitutes nearly 10% of TV content and nearly 13% of advertisement revenues in India. India's growth is also expected to be the key driver in pushing the global M&E industry to US\$ 2 trillion by 2011. Favorable Indian demographics, growing population, urbanization, rising income levels, education levels etc. have led to an increased demand for entertainment and infotainment and the willingness to spend for entertainment has also increased.

Outlook

GIL has a very good reputation and virtual monopoly of operations in Southern India, as it dominates nearly 75% of the market share in processing and equipment hire. The Government of India has awarded National Award to Gemini Laboratory for three consecutive years for the best Film Processing Unit. Acquiring the state of the art digital technology equipments would help the Company maintain its leadership and become a one stop film service provider in South India covering all segments of film production services.

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