
Rating Rationale for 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 P Ltd.

GEMINI Industries and Imaging P Ltd. is a well known in the country name for film production and processing 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.

Gemini group produced many successful films in Tamil, Telugu, Kannada and Hindi languages in the past 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.

Management Profile

Since 1992 the ownership and management of the group has been taken over by Mr. A Ravishankar and Mr. A Manohar. They joined as Managing Director and Joint Managing Director respectively of the Company. Both have come film production related family background. Mr. A Ravishankar Prasad is a graduate in Civil engineering. He has 28 yrs of experience in business and has produced a few films, which proved very successful. Mr. A Manohar Prasad, is a commerce graduate, and has 24 yrs of experience in film production related business.

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

Financial Performance

During FY 09 the company's Total income stood at INR 87.66 Crore as compared to INR 95.86 Crore in FY08, a decline of 8.5%. Net sales also decreased 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. The Company's Loan funds have marginally increased to INR 83.87 Crore in FY09 from INR 75.26 Crore in FY 08. Total debt to equity ratio has marginally increased from 0.20 in FY08 to 0.22 in FY09.

As per the provisional financial results for period ended December 2009, the 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.

Key financial ratios, balance sheet and P&L for the past three years have been shown in Annexure I, II and III.

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.

Subsidiaries

GEMINI has the following subsidiaries

- Anand cine services - Chennai
- Anand cine services - Hyderabad

ACS is the largest equipment hirer in the country comprise of camera, lights, power generator and sound recorder. The entire unit travels from location to location all over India. Presently ACS is having 19 units. ACS has tied up with other facility provider such as Laboratories/ Post production houses. All leading cameramen engage the services of ACS for any prestigious film's shooting.

- Gemini Labs - Hyderabad (Processing and Printing of Films)
- Gemini Films (The firm has track record of producing Tamil, Telugu and Hindi Film)

GIIL vis-a-vis peers

Presently GIIL dominates nearly 75% of the market share in processing and equipment hiring. The company intends to become a One Stop Film Service Provider in South India having substantial presence in all segments of the value chain of film production services. Its business model is different in composition and size from others and hence strictly not comparable.

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 produce 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

GIIL 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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Brickwork Ratings (BWR) has adopted SEBI's standardized Rating Symbols and their definition advised vide SEBI circular CIR/MIRSD/4/2011 dated June 15, 2011, with effect from June 21, 2011. While there is no change in the Rating symbol as a consequence to the above, for the amended definition of the Rating, please refer to <http://www.brickworkratings.com/scale.html>. It is clarified that the said change in the definition should not be construed as a change in the Rating.

GEMINI INDUSTRIES AND IMAGING PRIVATE LIMITED			
Annexure I: Key Ratios			
Ratios	2009	2008	2007
Net worth (Rs. In Crore)	375.52	371.57	92.46
Debt equity ratio	0.22	0.20	0.72
Interest coverage	4.59	5.29	2.76
Debt service coverage	3.88	4.33	3.25
Profitability Margins	28%	48%	8%
Return on capital employed	5%	12%	15%
Net cash Accruals to total debt	29%	59%	10%
Current ratio	6.22	3.99	1.09

GEMINI INDUSTRIES AND IMAGING PRIVATE LIMITED			
Annexure II: Balance sheet			
(Rs. In Crore)	2009	2008	2007
Sources of Funds			
Share Capital	105.68	105.08	92.17
Reserves and Surplus	269.84	266.48	0.29
Loan Funds			
Secured Loans	3.74	3.94	2.35
Unsecured Loans	80.13	71.33	64.45
TOTAL	459.40	446.83	159.27
Application of Funds			
Net Fixed Assets	69.73	61.27	8.83
Investments	225.22	211.82	112.99
Current Assets			
Inventory	7.68	15.28	0.15
Sundry debtors	41.96	28.74	21.01
Loans and Advances	117	135.55	26.86
Cash & Cash equivalent	5.14	4.98	3.59
Others	0.72	0.58	0.41
TOTAL CURRENT ASSETS	172.51	185.12	52.03
Less: Current Liabilities and Provisions	8.92	12.42	23.14

Net Current Assets	163.58	172.70	28.89
Deferred Tax assets	0.87	1.06	1.63
TOTAL	459.40	446.84	159.27

GEMINI INDUSTRIES AND IMAGING PRIVATE LIMITED			
Annexure III: Profit and Loss Account			
(Rs. In Crore)	2009	2008	2007
Income			
Sales (Gross)	79.79	88.21	75.35
Other Income	7.87	7.65	3.09
Total Income	87.66	95.86	78.44
Expenditure			
Operating Expenditure	48.42	35.72	24.61
Admin and selling expenses	5.22	4.57	29.50
Total Expenditure	53.64	40.29	54.11
EBIDTA	34.02	55.58	24.33
Interest & Finance charges	7.40	10.49	2.90
Depreciation and amortization	1.87	1.83	1.85
Profit before tax	24.75	43.25	19.58
Tax	0.02	0.61	-1.54
Profit After Tax	24.73	41.14	21.11