

June 23, 2010

CARE ASSIGNS 'CARE AA' RATING TO THE NCD ISSUE OF DECCAN CHRONICLE HOLDINGS LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Long-term Non-Convertible Debentures	Rs.400 crore	CARE AA [Double AA]	Assigned
Total Instruments	Rs.400 crore		

Rating Rationale

The ratings continues to derive strength from the leadership position of the publication Deccan Chronicle (DC) in Andhra Pradesh, low gearing levels, comfortable liquidity position with significant amount of Fixed Deposits (FDs) and continuous strong operational performance driven by increased circulation revenue and advertising revenue over the years.

The ratings are constrained by volatility of newsprint prices as the same led to decline in profitability margins in FY09 and long working capital cycle.

Further, the ability of DCHL to maintain its leadership position in existing territories as well as establishing presence in the new markets in view of high competition from other leading publications and adverse impact on advertisement revenues due to reduced corporate spend backed by slowdown in the economy are key rating sensitivities.

Company Profile

DCHL is one of the leading publication houses in Andhra Pradesh (AP). Its publications include Deccan Chronicle, Andhra Bhoomi and Financial Chronicle.

In FY09, DCHL posted net sales of Rs.815 crore and a PAT of Rs.140 crore. During 9MFY10, DCHL posted net sales of Rs.701 crore and a PAT of Rs.255 crore with a PAT margin of 36.33% (compared with 20.79% in 9MFY10).

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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