

June 16, 2010

CARE ASSIGNS 'CARE A' & 'PR1' TO THE BANK FACILITIES OF RELIANCE MEDIAWORKS LTD.**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	100	'CARE A' (Single A)	Assigned
Short-term Bank Facilities	100	'PR1' (PR One)	Assigned
Total Facilities	200		

Rating Rationale

The ratings factors in the strong promoter group (Anil Dhirubhai Ambani Group – ADAG, with Reliance Capital Ltd. holding 39.90% effectively in RMWL) and financial flexibility by virtue of being part of the ADAG. Further, the ratings are strengthened by the experienced management, geographically diversified presence, leadership position of RMWL in exhibition, strong presence in film processing business, diversified revenue stream and likely benefits from hiving off radio business and discontinuation of film production & distribution business in FY09.

The ratings are constrained by the losses during 9MFY10 & FY09 leading to moderate debt coverage indicators, moderate overall gearing mainly on account of dependence on short-term borrowings and aggressive debt-funded expansion and the inherent nature of the industry.

Infusion of the proposed equity, timely receipt of receivables in respect of hive off of radio and film production & distribution and expected conversion of Foreign Currency Convertible Bonds (FCCB) in FY11, break-even of the screens as envisaged & their ability to generate surplus and timely completion of the studio are the key rating sensitivities.

Company Profile

Reliance MediaWorks Ltd. (RMWL, erstwhile Adlabs Films Ltd.) is part of the ADAG. RMWL is currently engaged in film exhibition and various pre and post production film facilities. During FY09, RMWL posted a net sales of Rs.485 crore {up by 35% (annualised) vis-à-vis FY08} & a loss at PAT level of Rs.30 crore.

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

RMWL reported sales of Rs.293.57 crore in 9MFY10 (vis-à-vis Rs.541 crore in 9MFY09) & a loss at PAT level of Rs.89.15 in 9MFY10 (vis-à-vis loss of Rs.51.39 crore in 9MFY09).

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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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