

June 15, 2010

**CARE REAFFIRMS RATINGS FOR THE BANK FACILITIES OF
SAREGAMA INDIA LTD****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	41.0	'CARE BBB' (Triple B)	Reaffirmed
Short-term Bank Facilities	4.5	'PR3+' (PR Three Plus)	Reaffirmed
Total Facilities	45.5		

Rating Rationale

The ratings continue to draw strength from the company's dominant presence in the domestic music industry for over six decades, experienced management with strong group support, strong brand positioning, large music archive, comfortable leverage ratios and the positive outlook of the entertainment industry. However, the ratings are constrained by high obsolescence risk associated with the distribution formats, continuous threat from piracy, erratic success of music contents acquired leading to erratic profitability, increase in focus towards film production - a relatively risky area, declining sales of physical format of music content coupled with higher cost of acquisition and large exposure in group companies. The ability of the company to improve profitability in the context of unpredictable success in the main business segment and successful diversification into new areas of business are the key rating sensitivities.

Company Profile

Saregama India Ltd (SIL), belonging to the RPG group, incorporated in 1946, is engaged in creation/acquisition and distribution of music in both physical & digital modes, film production, TV serial production, artiste management, event management and home video distribution. SIL is a known name in the entertainment industry with a large catalogue of musical composition built over the years. About 77% of the revenue of the company was derived from sale of music in FY09.

SIL earned PBILDT of Rs.7.4 crore and PAT (after defd. tax) of Rs.1.4 crore on net sales of Rs.104.2 crore in FY09. Both the long term debt equity and overall gearing ratios, though deteriorated as on Mar.31, 2009, were comfortable as on the last three account closing dates. SIL raised Rs.27.9 crore in September 2009 by issuing equity warrants to promoters and repaid a part of the ICDs from the proceeds thereof.

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

In the nine months ended Dec.31, 2009, SIL earned a PAT of Rs.0.9 crore on total income of Rs.74.3 crore.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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