

Press Release

Phantom Films Private Limited

January 31, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs. 40.00 crore bank facilities of Phantom Films Private Limited (PFPL). The outlook is '**Stable**'.

Acuité, wide its press release dated Oct 16, 2018 had placed the long term rating of 'ACUITE BBB-' on 'Rating watch with developing implications' in response to media news relating to intention of directors to dissolve Phantom Films private Limited.

As per the subsequent discussions with the management, Acuité has been informed that there is no intention to discontinue the operations and the company will continue to function as earlier under the same management. Hence, Acuité is now reaffirming the long term rating of 'ACUITE BBB-' on the bank facilities of PFPL.

Phantom Films Private Limited (PFPL) was incorporated in 2011 by three renowned film directors, Anurag Kashyap, Vikramaditya Motwane and Vikas Bahl along with producer Mr. Madhu Mantena. It is engaged in production, distribution and syndication business. In FY 15-16 Reliance Big Entertainment Private Limited (RBE) entered into Business Transfer Agreement with PFPL by acquiring 50% equity shares in the company.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

- **Established business model based on renowned directors and diverse revenue streams**

PFPL was founded by directors, Mr. Anurag Kashyap, Mr. Vikramaditya Motwane, and Mr. Vikas Bahl who have been in the entertainment industry for more than two decades. They along with Mantena Film Ventures Private Limited (a company of producer Mr. Madhu Mantena) own 50 per cent stake of PFPL. These directors have established position and strong fan following in the entertainment industry. Their content has wide acceptance and appreciation across domestic and international market. Their notable projects includes 'Queen', 'Lootera', 'Sacred Games', 'Ghoul' among others. The upcoming content pipeline includes films like 'Super 30', '1983', 'Sacred Games 2', 'Ghoul 2' besides other untitled projects under production. The balance 50 per cent stake is owned by RBE, which has strong presence in the entertainment industry.

PFPL has diversified revenue mix which includes theatrical revenue from feature films vis-à-vis revenue from original contents creation for digital platform like Netflix, Amazon Prime and others, distribution of movies in the domestic market and syndication of library content. At present PFPL have approx 500 movies and other content in its library. The company generally pre-sales majority of its content to mitigate the risk related to its box office performance. The strong presence of RBE in the industry supports PFPL distribution segment on which the company earns fixed commission on distribution revenue.

Acuité believes that association with renowned directors, quality content creation, and steady monetisation of library content along with growth in revenue from distribution business will support the operating performance and market position of the company.

- **Above average financial risk profile**

PFPL has above average financial risk profile marked by healthy net worth of Rs.183.33 crore as on March 31, 2018 as compared to Rs.182.54 crore as on March 31, 2017. The debt to equity stood healthy at 0.37 times as on March 31, 2018 as compared to 0.39 times as on March 31, 2017. The total debt of Rs.68.36 crore as on March 31, 2018 includes Rs.39.37 crore of unsecured loans from the promoters and related parties and Rs.28.99 crore working capital borrowings from bank. the company's major earning assets comprises the inventory of Rs.311.74 crore as on March 31, 2018 which includes the library of content of Rs.76.09 crore and content under production of Rs.226.30 crore.

Acuité expects PFPL's credit metrics to stay above average in the near to medium term since most of the content is pre-sold, the funding requirement is primarily funded by advances from buyers the requirement of external funding for such business is modest.

Weaknesses

- **Risks related to film industry**

The film is exposed to event based risks like agitations against actors, producers, which can influence the release date and cash flows of the project. During the period under production, funds are invested in it which will be released only after realization of advances. Any unexpected delay in releases will have material effect on profitability and fund flow. The performance of the film is dependent on script, reception of the film by the audience. Acts of piracy can also impact the cash flows of the project.

Liquidity position:

PFPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The revenues and cash flow of PFPL are lumpy i.e. depending on theatrical releases during the year. However, most of the content is sold prior to release which ensures steady revenue flow post release of the content.

The cash credit limit remains utilized at 90 percent during the last six months period ended December 2018. The company maintained unencumbered cash and bank balances of Rs.0.94 crore as on March 31, 2018.

Outlook: Stable

Acuité believes PFPL will maintain a stable business risk profile in the medium term on account of its experienced directors and robust content pipeline. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	275.37	126.95	262.57
EBITDA	Rs. Cr.	6.24	3.53	3.89
PAT	Rs. Cr.	0.76	1.32	1.17
EBITDA Margin	(%)	2.27	2.78	1.48
PAT Margin	(%)	0.28	1.04	0.45
ROCE	(%)	2.42	1.37	2.86
Total Debt/Tangible Net Worth	Times	0.37	0.39	0.13
PBDIT/Interest	Times	1.42	1.95	1.93
Total Debt/PBDIT	Times	10.57	20.28	5.99
Gross Current Assets (Days)	Days	598	880	367

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Dec-2018	Cash Credit	Long Term	40.00	ACUITE BBB- (Under rating watch with developing implications)
16-Oct-2018	Cash Credit	Long Term	40.00	ACUITE BBB- (Under rating watch with developing implications)
21-Dec-2017	Cash Credit	Long Term	40.00	ACUITE BBB- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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