

Press Release

Wunderbar Films Private Limited (WFPL)

08 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	SMERA BBB/ Outlook:Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs.45.00 crore proposed bank facilities of Wunderbar Films Private Limited (WFPL). The outlook is '**Stable**'.

Wunderbar Films Private Limited (WFPL), incorporated in 2010 by Mr. K Dhanush and his wife Mrs. Aishwaryaa R Dhanush is engaged in Tamil film production. The company has produced and released 10 films in Tamil and received National Award twice as best producers for films namely KaakaMuttai (2014) and Visaranai (2015). The company has availed term loan of Rs.45.00 crore to part finance the big budget film 'Kaala' starring Mr. Rajinikanth, a famous actor and celebrity.

Key rating drivers

Strengths

Experience and popularity of the lead cast: Mr. Rajinikanth popular artist of the South Indian film industry has a huge fan base across southern states of India and abroad. His movies have fared well in overseas markets such as USA, Japan, Singapore, Malaysia among others in the past. He has won several Tamil Nadu State film awards for best actor awards and a Film fare best Tamil actor award. The Government of India has honoured him with the Padma Bhushan in 2000 and the Padma Vibhushan in 2016 for his contributions to arts. At the 45th International Film Festival of India (2014), he was conferred with the 'Centenary Award for Indian Film Personality of the Year'. The last few films of Mr. Rajinikanth such as Kabali, Linga, Robo and among others also fared well at the box office.

Established cast and crew of the upcoming film 'Kaala': After the success of film 'Kabali', released in 2016, Mr. Rajinikanth and director Mr. Pa Ranjith along with other cast and crew teamed up again for the production of the film 'Kaala' with an estimated budget of Rs.125.00 crore. The main technical crew includes Mr. Pa Ranjith (writer and director), Mr. G Murali (director of photography), and Mr. Santhosh Narayanan (music director) among others. The main cast of the film includes Mr. Rajinikanth, Mr. Nana Patekar, Ms. Huma Qureshi among others. The film has completed its production and is currently in post-production phase, which mitigates the majority of the completion risk.

Weaknesses

Lumpy revenue profile: The company has booked revenue of Rs.4.67 crore in FY2017 against Rs.50.74 crore in FY2016. The revenue has declined due to less number and small budget films released during FY2017. During FY2017, the company has released only one film namely AmmaKanakku, which did not perform well at the box office, whereas in previous year company has released five films namely, KaakaMuttai, Maari, Naanum Rowdy Dhaan, ThangaMagan, Visaranai and they were also performed well on box office. The company generated an operating loss of Rs.3.44 crore in FY2017 as compared to operating profit of Rs.2.83 crore in FY2016 due to failure of the film AmmaKanakku at box office. The company is engaged in the film production which is event based activity and profitability is linked to completion and performance of the film at box office. However, proposed film Kaala is scheduled to release in FY2019, which is expected to generate a business of around Rs.175.00 crore.

Average financial risk profile: The average financial risk profile is marked by moderate net worth levels, comfortable gearing levels and modest debt protection metrics. The net worth stood at Rs.8.02 crore in FY2017 compared to Rs.8.17 crore in the previous year due to net losses. The gearing levels stood at 0.71 times in FY2017 as against 0.23 times in the preceding year. The company availed a term loan of Rs.45.00 crore to finance the upcoming film 'Kaala', which would result in deterioration of the gearing levels of the company over the medium term. The interest coverage ratio stood at 2.07 times in FY2017. The net cash accrual to total debt stood at 0.06 times and the debt service coverage ratio at a moderate 1.73 times in FY2017.

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. The performance of the film is dependent on script, reception of the film by the audience. Acts of piracy also slightly impact the cash flows of the project.

Analytical approach:

SMERA has considered the standalone financial and business risk profiles of the WFPL.

Outlook - Stable

SMERA believes WFPL will maintain a stable business risk profile in the medium term on account of its experienced management and upcoming movies. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining its comfortable capital structure. 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 Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	4.67	50.74	30.28
EBITDA	Rs. Cr.	-3.44	2.83	8.01
PAT	Rs. Cr.	-0.15	1.67	4.93
EBITDA Margin	(%)	-73.71	5.57	26.45
PAT Margin	(%)	-3.24	3.29	16.28
ROCE	(%)	-33.74	29.27	215.44
Total Debt/Tangible Net Worth	Times	0.71	0.23	0.10
PBDIT/Interest	Times	2.07	141.33	293.08
Total Debt/PBDIT	Times	9.91	0.65	0.08
Gross Current Assets (Days)	Days	2140	125	178

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA BBB/ Stable (Assigned)

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ABOUT SMERA

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