

## Press Release

### Yash Raj Films Private Limited

November 02, 2021

### Rating Assigned



<b>Total Bank Facilities *</b>	280.00 Cr.
<b>Long Term Rating</b>	ACUITE A- / Outlook: Stable (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 280.00 crore bank facilities of Yash Raj Films Private Limited (YRF). The outlook is '**Stable**'.

The rating assigned factors the experienced management and established presence of YRF in the film industry. The rating also derives strength from YRF's healthy financial risk profile and diverse revenue streams. The above mentioned rating strengths are partly offset by the adverse impact of the COVID pandemic and elongation of its working cycle on account of delays release of films in FY2021. The release of its films as per schedule and improvement in operating performance will continue to remain a key rating sensitivity.

### About the Company

YRF was established by the legendary filmmaker Mr. Yash Chopra. It was established in 1970 and later incorporated in the year 1973 at Mumbai. It is the one of the only privately held and fully integrated studio in India and has produced over 80 films. It undertakes all aspects of the film making value chain from production to post production, domestic & international distribution, music & home entertainment, marketing, design, digital, licensing, merchandising, talent management, brand partnerships, music studios and film studios - all in-house. It is currently managed by Mr. Aditya Chopra – son of Mr. Yash Chopra and a renowned director himself. He is the director of Dilwale Dulhania Le Jayenge one of the most successful Indian films. He is supported by a senior management who look after the various segments of the business.

### Analytical Approach

Acuite has considered the standalone financial and business risk profile of YRF to arrive at this rating.

### Key Rating Drivers

#### Strengths

#### • Experienced management and established presence in the film industry

YRF was started by the legendary film maker Mr. Yash Chopra in the 1970 and later incorporated in the 1973. It has been part of film industry for over five decades and has made some of the well-known films recently as well as in the past. It is the only privately held and fully integrated studio in India producing and having produced over 80 films. It is engaged in almost all aspects of the film making value chain from production to post production, domestic & international distribution, music & home entertainment, marketing, design, digital, licensing, merchandising, talent management, brand partnerships, music studios and film studios - all in-house. It is currently managed by Mr. Aditya Chopra – son of Mr. Yash Chopra. He is supported by a team of senior management who look after the various segment of the business.

YRF has produced some of the most successful films in the recently as well as in past. Its recent commercially successful projects include War, Tiger Zinda Hai, Dhoom 3, Sultan and Ek Tha Tiger. Previously, it has also produced Dilwale Dulhania Le Jayenge, Dil to Pagal Hai, Mohabbatein, and Bunty Aur Babli amongst others. All these have been some of the highest grossing films in their respective years.

Acuite expects YRF to benefit from its experienced management and established presence in the film industry.

### **Diversified revenue profile streams and an exclusive talent management division**

YRF currently has four major revenue streams which includes productions, talent management, licensing, and home entertainment. YRF's total revenues stood at Rs. 227.63 Cr. in FY2021 (Provisional), Rs. 613.58 crore in FY2020 and Rs. 669.08 crore in FY2019. The decline in the revenue is primarily on account of decline in revenue from films produced on account of the ongoing pandemic and halting of all releases in FY2021 and initial part of FY2022. Revenue from productions declined to Rs. 2.80 Cr. in FY2021 (Provisional) against Rs. 447.00 Cr in FY2020 and Rs. 461.00 Cr. in FY2019. The company also has an exclusive talent management division - YRF Talent. YRF Talent is the sole & exclusive representatives of some well-known artistes in the industry across all touchpoints such as films, endorsements, events, appearances, digital or personal public relations. Some of the artistes managed by YRF Talent include - Rani Mukerji, Anushka Sharma, Ranveer Singh, Parineeti Chopra, Arjun Kapoor, Vaani Kapoor, Ayushmann Khurrana, Bhumi Pednekar, Tahir Raj Bhasin, Aadar Jain, Anya Singh, Manushi Chhillar, Shalini Pandey, Sharvari and Vishal Jethwa. Revenue from talent management has largely remained unaffected by the pandemic and has remained a stable source of revenue for past three years through FY2021.

Going forward with the gradual opening up of theatres in FY2022 the revenues from productions are expected to improve gradually. However they are still expected to be significantly lower than pre-pandemic levels as some capacity restrictions are still in place for theatres. However, this will be mitigated to some extent with higher revenue contribution expected from licensing of the content (films, music) from Digital and Television Licensing Partners.

### **• Healthy financial risk profile with adequate liquidity**

YRF's financial risk profile remains healthy with adequate tangible net worth. Tangible net worth stood at Rs. 492.43 Cr. as on March 31, 2021 (Provisional) and Rs. 477.03 Cr. as on March 31, 2020. YRF has followed a conservative gearing policy with gearing in the range of 0.31 – 0.47 times for three years through FY2021. It also has healthy coverage indicators. Interest coverage ratio (ICR) stood at 92.31 times in FY2021 (Provisional) and 119.59 times in the previous year. The company's operations are working capital intensive as film production requires long gestation period. YRF had previously been relying primarily on internal accruals for its working capital funding. However on account of the delay in release of its already produced films in 2020 its reliance external working capital borrowings has increased. The total debt which consists entirely of working capital debt stood at Rs. 231.58 Cr. as on March 31, 2021 (Provisional) and Rs. 91.12 Cr. in the previous year. However, YRF has adequate liquidity cushion in the form of cash equivalents of 99.79 Cr. as on March 31, 2021 (Provisional) and liquid deposits of Rs. 5.75 Cr. as on March 31, 2021. As the film industry gradually returns to normalcy with opening of theatres across the country albeit on a limited basis a gradual improvement is expected in its operating performance which will further boost its financial risk profile.

Acuite expects YRF's financial risk profile to remain healthy over the medium term on account of expected improvement in the operating performance and adequate liquidity.

### **Weakness**

#### **• Risks inherent in the film industry and adverse impact of the COVID -19 pandemic on operations**

The film industry 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 thus creating an inherent fund flow mismatch. Any unexpected delay in releases will have material effect on profitability and liquidity of the producers. Further, the performance of the film is dependent on music, cast, script and reception of audience to it. Acts of piracy can also impact the cash flows of the project.

The pandemic has upended the domestic and global film industry in FY2021 and part of FY2022. Halting film production, content pipeline and closing cinemas has created uncertainty in cash flows required to maintain stable credit risk profiles. YRF's revenues have declined to Rs. 227.63 Cr. in FY2021 (Provisional) against Rs. 613.58 Cr. in the previous year as the revenue from theatrical releases has gone down significantly. As on March 31, 2021 the YRF has Rs. 586.67 Cr. in film under production against Rs. 344.94 Cr. in the previous year. This is because there were no releases in FY2021. This has led increased working capital funding requirement. The company has been able to source this through increased reliance on external

borrowings while it also has relied on its liquid investments for the same. Its cash and bank balance declined to Rs. 99.79 Cr. as on March 31, 2021 (Provisional) against Rs. 106.85 Cr. as on March 31, 2020. Its liquid investments have also depleted to Rs. 5.75 Cr. as on March 31, 2021 (Provisional) against Rs. 78.12 Cr. in the previous year. Now that theatres have gradually opened up across the country albeit with capacity restrictions YRF has four films slated for releases till March 2022 (Bunty and Babli 2, Jayeshbhai Jordaar, Prothviraj and Shamshera). The biggest short term risk still seems to be consumers' dwindling confidence in physical venues due to the ongoing COVID-19 pandemic. However taking this risk into account YRF's management has revised its licensing contracts with Digital and Television Partners for monetization of its content and are expecting better valuation for it. Although there is increased uncertainty in the film industry on account of delays in film releases and hesitancy of audiences to return to theatres; YRF's slated releases and the licensing deals with Digital and Television Licensing Partners are expected to provide mitigation to some extent against it.

Acuité expects timely release of YRF's as per schedule and consequent improvement in operating performance will remain a key rating sensitivity.

### Liquidity Position: Adequate

YRF has no long term repayment obligations. It primarily has short term bank limits to fund its working capital requirement which has increased significantly in FY2021 due to the COVID -19 pandemic. However, YRF also has adequate liquid investment which it has relied on to support its funding requirement. Its cash and bank balance declined to Rs. 99.79 Cr. as on March 31, 2021 (Provisional) against Rs. 106.85 Cr. as on March 31, 2020. Its liquid investments have also depleted to Rs. 5.75 Cr. as on March 31, 2021 (Provisional) against Rs. 78.12 Cr. in the previous year. The company has four films slated for release till March 31, 2022. Although YRF currently has an adequate liquidity profile any further delay in release of films will have an adverse impact on its liquidity profile and will remain a key monitorable. The expected advances before the release of the films from all licensing partners is also expected to have a positive impact on YRF's liquidity profile.

### Rating Sensitivities

- Release of films as scheduled without further delays and improvement in operating performance

### Material Covenants

None

### Outlook: Stable

Acuité believes that YRF will maintain a 'Stable' outlook over medium term on account of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected pick up in revenue. Conversely, the outlook may be revised to 'Negative' in case of further delays in release of films leading to lower than expected pick up in revenues and deterioration of liquidity profile.

### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	227.63	613.58
Profit after Tax (PAT)	Rs. Cr.	19.93	61.06
PAT Margin	(%)	8.75	9.95
Total Debt/Tangible Net Worth	Times	0.47	0.19
PBDIT/Interest	Times	92.31	119.59

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Service Sector – <https://www.acuite.in/view-rating-criteria-50.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of Lender	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Kotak Mahindra Bank	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- / Stable (Assigned)
Yes Bank	Overdraft*	Not Applicable	Not Applicable	Not Applicable	180.00	ACUITE A- / Stable (Assigned)

\*Fully interchangeable with working capital demand loan

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### About Acuité Ratings & Research:

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