

Press Release

Yash Raj Films Private Limited

January 18, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	280.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	280.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for Rating Reaffirmation

The rating reaffirmation factors the experienced management and established presence of YRF in the film industry. The rating also derives strength from YRF's comfortable financial risk profile and recovery of revenues in FY2022 post impact of Covid 19 lockdowns. However, the underperformance of all the films released post the opening of lockdowns. Further long gestation period for projects with relative uncertainty of returns in the film industry and high dependence of working capital funds funding the projects also imparts a negative bias to rating. These are mitigated to some extent on account of YRF's adequate liquidity profile. Going forward, release of YRF's key projects and improvement in YRF's revenue and profitability will remain key rating sensitivity. YRF's ability to maintain its capital structure will also remain key monitorable.

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. Acuité 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 improved to Rs. 614 Cr. in FY2022 from Rs. 228 crore in FY2021 and Rs. 613 crore in FY2020. The improvement in revenues is primarily on account of opening up of theatres and release of films and other related revenues. However, the underperformance of four films released post the lockdowns has led to YRF incurring of loss in H1 FY2023. 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, 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 FY2022. Going forward with the tow key releases in FY2023 and FY2024 respectively revenue from productions is expected to improve significantly. However there is inherent uncertainty attached to revenues from films and YRF still remains susceptible to underperformance of the films. 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. 615 Cr. as on March 31, 2022 and Rs. 500 Cr. as on March 31, 2021. YRF has followed a comfortable gearing policy with peak gearing of 0.67 times for three years through FY2022. However, it has increasingly relied on bank borrowing to fund its projects which is reflected in the increased gearing. It increased to 0.67 times as on March 31, 2022 against 0.19 times as on March 31, 2020. 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 and their underperformance at the box office its reliance external working capital borrowings has increased. YRF's ability to restrict further increase in gearing will remain a key monitorable. The total debt which consists entirely of working capital limits stood at Rs. 412.18 Cr. as on March 31, 2022 and Rs. 257.60 in the previous year. However, YRF has adequate liquidity cushion in the form of cash and cash equivalents of ~70 Cr. and liquid deposits of Rs. 152 Cr. as on March 31, 2022.

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

Weaknesses

Risks inherent in the film industry on account of changing preferences of audiences and long project gestation period

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. The lockdown has left a significant impact on the preferences of audience with content on streaming platforms posing as an alternative to theatrical releases. This has led to increased competition for theatrical releases. Although YRF's revenues have recovered to some extent in FY2022 post opening up of lockdowns the underperformance of films released since led to adverse impact on their operating performance. This has led to continued dependence on external borrowing for working capital funding requirement. The company has also relied on its liquid investments for the same. However YRF's management has been able to monetize its content with Digital and Television Partners mitigating significant impact on its financial risk profile. Although there is increased uncertainty in the film industry on account of delays in film releases and increased competitive business environment; 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.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

Going forward liquidity will be critical rating factor. YRF's operating performance has been subdued in FY2023 despite opening up of theatres and release of films. The underperformance of these films has led to decline in profitability. However, despite this the company has adequate liquidity profile manage the debt servicing. The company has primarily availed working capital limits and does not have significant repayment obligations for FY2022-24. Against it is expected generate net cash accruals in an average of around Rs 70 Cr. Further, it has liquid deposits of Rs. 152 Cr. This the team expects YRF to maintain a adequate liquidity profile.

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.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

Particulars	Unit	FY2022 (Actual)	FY2021 (Actual)
Operating Income	Rs. Cr.	613.99	228.26
Profit after Tax (PAT)	Rs. Cr.	114.71	18.53
PAT Margin	(%)	18.68	8.12
Total Debt/ Tangible Networth	Times	0.67	0.51
PBDIT/ Interest	Times	1948.26	86.40

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

None

Any other information

None

Applicable Criteria

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2021	Secured Overdraft	Long Term	180.00	ACUITE A- Stable (Assigned)
	Dropline Overdraft	Long Term	100.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	180.00	ACUITE A- Stable Reaffirmed

*Overdraft from Yes Bank is fully interchangeable with working capital demand loan/FDOD.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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