



Press Release
Yash Raj Films Private Limited
April 17, 2024
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	-	-

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 in the experienced management and established presence of YRF in the film industry. The rating also derives strength from YRF's healthy financial risk profile. However, the estimated moderation in operating income during the period FY2024-FY2025 constrain the rating. The company generated revenue of Rs. 1466.84 Cr. in FY2023 as against Rs. 613.99 Cr. in FY2022 and is estimated to close FY2024 in the range of Rs.700-750 Cr. In FY2025, the revenue is estimated to moderate further due to limited line up of planned releases during this period. Acuite believes fluctuations in operating income is inherent to the film industry and incase of YRF, the expected moderation will have limited impact on the financial risk profile and liquidity position of the company. The overall gearing of the company is estimated to remain low and debt protection metrics comfortable over the near to medium term, in the absence of any major debt funded capex plan. Further, the company's liquidity position is adequate supported by healthy cash accruals against negligible repayment obligations and liquid investments. Going forward, timely release of its planned projects and improvement in revenue and profitability such that the capital structure is maintained will remain key rating 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 Dulhaniya 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.

Unsupported Rating

Not Applicable

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 theatrical, licensing, talent management and others. YRF's total revenues improved to Rs. 1466.84 Cr. in FY2023 as against Rs. 613.99 Cr. in FY2022. The improvement in revenues is primarily on account improved licensing and theatrical income driven by success of Pathaan film. 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. Revenue from talent management division moderated in FY2023 as compared to FY2022.

In 9MFY2024, the overall revenue stood at Rs.635.22 Cr. and is expected to close the year in the range of Rs.700-750 Cr. and decline further in FY2025. Moderation is estimated in licensing and theatrical segment due to lack of major releases whilst revenue from talent management division is estimated to increase.

Acuite believes fluctuations in operating income is inherent to the film industry and in case of YRF, the expected moderation will have limited impact on the financial risk profile and liquidity position of the company.

Healthy financial risk profile

YRF's financial risk profile remains healthy with adequate tangible net worth. Tangible net worth stood at Rs. 728.19 Cr. as on March 31, 2023 against Rs. 614.52 Cr. as on March 31, 2022. YRF has followed a comfortable gearing policy with peak gearing of 0.67 times for three years through FY2023. The overall gearing declined to 0.20 times as on March 31, 2023 as against 0.67 times as on March 31, 2022. The company's operations are working capital intensive as film production requires long gestation period. However, with limited line up of planned releases, the overall bank limit utilisation is low. YRF's total debt of Rs. 148.34 Cr as on March 31, 2023 constitutes only of working capital facilities. The interest coverage ratio stood at 81.03 times and Debt to EBITDA at 0.94 times for FY2023.

Acuite believes in the absence of any major debt funded capex plan the overall financial risk profile of the company will remain healthy over the near to medium term.

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. Thus timely release of produced films become critical for cash flow management of an studio house. YRF is one of the legacy studios in the industry and its rich library of produced movie provides a certain regular licensing income which partly mitigate cashflow risks. However, timely release of planned projects as per schedule and consequent improvement in operating performance will remain a key rating sensitivity.

Rating Sensitivities

Release of films as scheduled and improvement in operating performance
Maintenance of capital structure and liquidity position

Liquidity Position

Adequate

YRF's liquidity position is adequate marked by sufficient net cash accruals against negligible repayment obligations and significant liquid investments. The company generated net cash accruals in the range of Rs. 115-118 Cr. in the period FY2022-FY2023 as against negligible repayment obligations as the company avails only working capital facility. The net cash accruals are estimated to range between Rs. 45-65 Cr. during the period FY2024-FY2025. Further, the company doesn't plan any debt funded capex plan, hence the debt obligations are estimated to remain negligible during this period. The company held liquid investment of Rs. 331.96 Cr. and its cash and bank balance stood at Rs.44.92 Cr. as on March 31, 2023.

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 and sustainable improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of delays in release of planned projects leading to lower than expected revenue generation impacting the financial risk profile and liquidity profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1466.84	613.99
PAT	Rs. Cr.	115.28	114.71
PAT Margin	(%)	7.86	18.68
Total Debt/Tangible Net Worth	Times	0.20	0.67
PBDIT/Interest	Times	81.03	1948.26

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
18 Jan 2023	Dropline Overdraft	Long Term	100.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	180.00	ACUITE A- Stable (Reaffirmed)
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 avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	180.00	ACUITE A- Stable Reaffirmed

Note - Secured Overdraft facility 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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