

March 28, 2025

UFO Moviez India Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	68.35	76.51	[ICRA]A (Stable); reaffirmed
Long-term Fund-based – Cash credit	10.00	10.00	[ICRA]A (Stable); reaffirmed
Long-term/Short-term – Unallocated	46.46	38.49	[ICRA]A (Stable)/[ICRA]A2+; reaffirmed
Total	125.00	125.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for UFO Moviez India Limited (UMIL) factors in its comfortable financial profile with low leverage and comfortable debt coverage metrics, along with its dominant position in the digital cinema exhibition industry, a large installed base of its equipment among exhibitors and the acceptance of UMIL as a digital partner by the film producers /distributors. While UMIL's operating margins witnessed a decline by 350 bps YoY in 9M FY2025 due to an increase in expenses on account of minimum guaranteed payments to theatre owners, the margins are expected to rebound marginally in FY2026, backed by growth in revenues and rationalisation of expenses. The total debt outstanding as of December 2024 was Rs. 63.5 crore and with limited debt-funded capex plans, the capital structure is comfortable with an estimated TOL/TNW of 0.5-0.6 times as of March 2025 and March 2026. The company's debt coverage metrics are expected to remain adequate with estimated interest coverage of 5.4 times in FY2025 and 6.4 times in FY2026 (PY: 5.2 times).

ICRA estimates moderate growth in OI in FY2026, driven by the likely increase in advertisement revenues and healthy pipeline of movie releases across various languages. Given the high operating leverage in the business, due to high initial investments in technology and projection systems, sustainability of recovery in the theatrical and corporate advertisement segments remain important for an improvement in the operating profits.

The business profile of UMIL also remains exposed to rapidly evolving consumer preference in the entertainment industry, and competition faced by cinema from OTT platform. The ratings remain constrained by limited potential for increasing the screen base with almost full digitisation of cinema screens in India and the business vulnerability to changes in technology. Further, the projection systems have a life of 6 to 10 years, which necessitates regular maintenance/replacement capital expenditure (capex).

The Stable outlook on the rating reflects ICRA's opinion that the company will continue to benefit from its dominant market position and comfortable financial profile with low leverage and healthy debt coverage metrics.

Key rating drivers and their description

Credit strengths

Leading digital cinema technology and infrastructure provider led by experienced management – UMIL has a dominant position in the digital cinema exhibition industry with a large installed base of its equipment among exhibitors and a digital partner for the film producers/distributors, with a network of 3,543 screens across India as on December 31, 2024. These screens include 3,104 perpetual content delivery charges (CDC) category screens (non-revenue sharing basis) and 439 VPF

category screens (revenue sharing basis). The company is led by Mr. Sanjay Gaikwad, Founder and Managing Director of UMIL, who has an extensive experience of around three decades in the media business.

Wide coverage of theatres across India attracts advertisers – The company has an advertisement network of 3,863 screens (as on December 31, 2024) across India. The wide coverage of screens helped UMIL in attracting advertisers from diverse sectors (corporate and Government). In 9M FY2025, UMIL's operating income (OI) has increased by 13.7% and for full year, FY2025. ICRA estimates moderate growth in OI in FY2026, driven by the likely increase in advertisement revenues and healthy pipeline of movie releases across various languages.

Comfortable capital structure - The total debt outstanding as of December 2024 was Rs. 63.5 crore and with limited debt-funded capex plans, the capital structure is comfortable with estimated TOL/TNW of 0.5-0.6 times as of March 2025 and March 2026. The company's debt coverage metrics are expected to remain adequate with estimated interest coverage of 5.4 times in FY2025 and 6.4 times in FY2026 (PY: 5.2 times).

Credit challenges

High penetration levels of digital cinema in theatres limit growth prospects of screen additions – With almost full digitisation of theatres in India, there is limited potential for increasing the screen base. Though the company has taken initiatives, such as Nova Cinemas, to drive the establishment of new screens in the country. Nevertheless, no major increase in the number of screens is expected over the medium term. Moreover, the business profile of UMIL also remains exposed to rapidly evolving consumer preference in the entertainment industry, and competition faced by cinema from OTT platform.

Risks of changes in technology despite strong installed base of UMIL's systems among film exhibitors in India – UMIL, being present in a technology-intensive media business, is exposed to risks associated with any technological disruptions leading to complete change in the business landscape. However, given that UMIL has established a wide network of digital cinema screens across the country and has efficiently adopted the changes in technologies over a period, it will be difficult for a new player (with new technology) to replace its systems, unless backed by a sustainable business and financial plan for all stakeholders.

Operating lease-based revenue model requires high investments – UMIL's lease-based revenue model requires high initial investments in technology and projection systems, which has historically constrained its return metrics. The projection systems have a life of 6 to 10 years, which necessitates regular maintenance/replacement capital expenditure (capex).

Environmental and social risks

Environmental considerations: Given the service-oriented business of UFO, its direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material. Nonetheless, it is exposed to rapidly evolving consumer preference in the entertainment industry.

Social considerations: As a service company catering to the media sector, from a social standpoint, the company is exposed to the risk of data breaches and cyberattack affecting the large volumes of data that UFO manages. Any material lapses on this front can result in substantive liabilities, fines or penalties and reputational impact.

Liquidity position: Adequate

As of December 2024, UMIL had free cash and liquid investments of ~Rs. 84 crore and encumbered cash of Rs 7.7 crore compared to its gross debt of Rs 63.5 crore. The scheduled debt repayments for Q4 FY2025 and FY2026 stand at Rs. 4.8 crore and Rs. 19.1 crore, respectively, which can be comfortably met from its estimated cash flow from operations. The company's capex requirement is Rs. 30-40 crore annually in FY2025 and FY2026, which will be funded partly by debt and the remaining from internal accruals.

Rating sensitivities

Positive factors – The ratings may be upgraded, if the company demonstrates a significant increase in its revenues and operating margins while maintaining comfortable debt protection metrics on a sustained basis.

Negative factors – The ratings may be downgraded, in case of sustained weakening in revenue and profitability or any material deterioration in liquidity and/or leverage.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of UMIL. While assessing UMIL, ICRA has factored in various subsidiaries and associate which are all listed in Annexure II.

About the company

UFO India Limited (UIL) was incorporated in 2004 to provide digital cinema services in India. In 2005, UFO Moviez Limited (UML) was formed as a holding company and majority shareholding of UIL was vested in UML. Subsequently, in May 2008, UML was amalgamated with UIL. Following the amalgamation, UIL was renamed as UFO Moviez India Limited (UMIL). While the shareholding has changed over the years, the Indian promoters of the company – Valuable Group and Apollo Group – remain significant shareholders.

UMIL operates as an infrastructure service provider for the film distribution and exhibition industry. The company receives analogue/digital movie prints from film producers/distributors, and then digitises, compresses, encrypts and transmits the same through satellite to authorised exhibitors. It also facilitates the exhibitors to screen digital cinema by providing them with the required infrastructure — such as satellite dishes, servers, digital projectors and UPS. UMIL, thus, offers cost and time arbitrage to the film industry. It also facilitates advertisers to showcase their advertisements on screen during a movie show. UMIL is currently one of the leading digital cinema infrastructure providers to theatres in India. The company is led by Mr. Sanjay Gaikwad, Founder and Managing Director of UMIL, who has an extensive experience of around three decades in the media business.

Key financial indicators

UMIL Consolidated	FY2023 (Audited)	FY2024 (Audited)	9M FY2025 (Unaudited)
Operating income (Rs. crore)	395.9	408.2	329.4
PAT (Rs. crore)	(20.6)	12.3	9.1
OPBDIT/OI	8.2%	16.2%	14.2%
PAT/OI	-5.2%	3.0%	2.8%
Total outside liabilities/Tangible net worth (times)	0.6	0.5	NA
Total debt/OPBDIT (times)	2.5	0.8	NA
Interest coverage (times)	2.9	5.2	NA

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; NA: Not available;
 Note: PAT excludes Share of Profit / (Loss) from associates; Source: Company; ICRA Research; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Mar-28-2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	76.51	[ICRA]A (Stable)	Dec-12-23	[ICRA]A (Stable)	Sep-28-22	[ICRA]A (Stable)	Sep-02-21	[ICRA]A (Negative)
Cash credit	Long-term	10.00	[ICRA]A (Stable)	Dec-12-23	[ICRA]A (Stable)	Sep-28-22	[ICRA]A (Stable)	Sep-02-21	[ICRA]A (Negative)
Unallocated	Short-term	38.49	[ICRA]A (Stable)/[ICRA]A2+	Dec-12-23	[ICRA]A (Stable)/[ICRA]A2+	Sep-28-22	[ICRA]A (Stable)/[ICRA]A2+	Sep-02-21	[ICRA]A (Negative)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term fund-based – Cash credit	Simple
Long-term/Short-term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan II	Aug-22	10.82%	FY2028	14.70	[ICRA]A (Stable)
NA	Term loan III	Aug-23	9.70%	FY2029	8.40	[ICRA]A (Stable)
NA	Term loan - Common Covid-19 Emergency Credit Line	May-21	9.64%	FY2028	13.41	[ICRA]A (Stable)
NA	Term loan	Apr-24	9.95%	FY2031	40.00	[ICRA]A (Stable)
NA	Cash credit	-	10.82%	-	10.00	[ICRA]A (Stable)
NA	Unallocated facility	-	-	-	38.49	[ICRA]A (Stable) / [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	UMIL Ownership	Consolidation Approach
Nova Cinemaz Private Limited (earlier Valuable Digital Screen Private Limited)	100%	Full Consolidation
UFO Lanka Private Limited	100%	Full Consolidation
UFO Software Technologies Private Limited	100%	Full Consolidation
Scrabble Entertainment DMCC	100%	Full Consolidation
Scrabble Entertainment Lebanon SARL	100%	Full Consolidation
Scrabble Digital Inc	100%	Full Consolidation
Scrabble Digital Limited	100%	Full Consolidation
Scrabble Audio Visual Equipment Trading LLC	100%	Full Consolidation
Upmarch Media Network Private Limited	100%	Full Consolidation
Scrabble Digital Services DMCC	18.52%	Equity Method
Scrabble Digital DMCC	33.33%	Equity Method
Scrabble Ventures, S. de R.L. de C.V, Mexico	30.00%	Equity Method
Mukta V N Films Limited (Associate upto 22 December 2024)	48.12%	Equity Method
Cinestaan Digital Private Limited	33.08% of the Voting Rights	Equity Method
Mumbai Movie Studios Private Limited	30.74%	Equity Method

Source: Company, ICRA Research

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