

Shree Venkatesh Films Private Limited

Instrument	Amount	Rating Action
Proposed Bank Facilities	Rs. 10.00 crore	[ICRA]BBB+(Stable)/ [ICRA]A2+ assigned

ICRA has assigned a long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and a short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 10.00-crore¹ proposed bank facilities of Shree Venkatesh Films Private Limited (SVF)². The outlook on the long-term rating is stable.

The ratings factor in the experience of promoters in the media and entertainment industry (M&E) and the diversified revenue base with presence in movie production, distribution, content production for TV, exhibition, digital cinema and trading in satellite rights of movies. The ratings draw comfort from SVF's track record in producing commercially successful Bengali movies, some of which have also won National awards. ICRA notes SVF's contract with a major National TV broadcaster for the sale of satellite rights of movies under production / to be produced, which not only provides revenue visibility but also helps de-risk the film production business to a large extent. Receipts from such contracts are expected to cover a significant portion of the cost of movie production. Additionally, another contract, with the same TV broadcaster, for the licensing rights of its film library is expected to further support the profitability as well as the liquidity position of the company, going forward. ICRA also notes that the entity has signed a contract with two leading entities for selling the internet rights of its movies that would further boost the liquidity position of the company. ICRA notes that the contract for film library is up for renewal in FY2018 and the renewal of the same at a favourable contract value would be critical for the comfortable liquidity position of the entity.

The ratings are also supported by the company's favourable financial profile, as reflected by conservative capital structure and strong debt coverage indicators. The ratings also note that SVF has plans to expand its reach in its exhibition business by setting up multiplexes in tier-II and III cities in West Bengal, which would further support its revenue growth. The overall capex towards the same is likely to be minimal and would be funded through a mix of debt and equity.

The ratings are, however, constrained by the small scale of SVF's operations at present, its limited geographical diversification with presence limited largely to the state of West Bengal and the exposure to the inherent industry risks associated with the film production and distribution business, such as piracy, seasonality in business, and audience rejection risks. The ratings take note of SVF's low operating profitability at present, although partly due to its policy to write off the entire cost of movie production in the very first year. Moreover, low box office collection has also adversely impacted its profitability, as has been the case in the past few years. Coupled with high non-income generating investments in group entities, this has kept the business return indicators moderate.

In ICRA's opinion, the ability of the entity to improve its box office collection, while maintaining a healthy liquidity position and conservative capital structure, would be the key rating sensitivities, going forward.

Company Profile

Incorporated in 1995, SVF has been promoted by Mr. Shrikant Mohta and Mr. Mahendra Soni. SVF is engaged in the business of producing, and distributing movie content. The company is also involved in the production of television serials, trading in satellite rights of movies, digital cinema, music and exhibition segments.

Recent Results

The company posted a net profit of Rs. 4.72 crore (provisional) on an operating income of Rs. 159.36 crore (provisional) in FY2016, compared to a net profit of Rs. 3.12 crore on an operating income of Rs. 142.28 crore in FY2015.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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