June 30, 2026

UFO Moviez India Limited: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	76.51	93.70	[ICRA]A (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term Fund-based – Cash credit	10.00	10.00	[ICRA]A (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term/Short-term – Unallocated	38.49	21.30	[ICRA]A (Positive)/[ICRA]A2+; reaffirmed and outlook revised to Positive from Stable
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure II*

Rationale

The revision in outlook to Positive for the long-term rating of UFO Moviez India Limited (UMIL) factors in the improvement in its operational performance, along with comfortable financial profile with low leverage and adequate debt coverage metrics in FY2026, which is likely to be maintained in FY2027. UMIL's operating income (OI) grew by 14% to Rs. 482.0 crore in FY2026, driven by strong operating performance in all three segments – exhibitor, distributor and advertisement. UMIL's operating margins improved by 210 bps to 15.7% in FY2026, backed by healthy growth in advertisement revenues. ICRA expects the company's OI to grow by 4-6%, with operating margins around 16.0-16.5% in FY2027, aided by continued growth momentum in advertisement revenues and healthy pipeline of movie releases across various languages. The total debt outstanding as of March 2026 was Rs. 77.2 crore. Further, the company had free cash and liquid investments of Rs. 133.0 crore as of March 2026 resulting in net cash of Rs. 55.8 crore as of March 2026. With limited debt-funded capex plans, the leverage is expected to remain comfortable as reflected by total external debt/OPBITDA of 0.8-1.0 times as of March 2027 (PY: 1.0 times). The company's debt coverage metrics are likely to remain adequate with estimated interest coverage of ~7.0 times in FY2027 (PY: 5.7 times) and debt service coverage ratio (DSCR) of ~2.0 times in FY2027. The company's operations are supported by 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.

The business profile of UMIL, however, remains exposed to rapidly evolving consumer preference in the entertainment industry, and competition faced by cinema from over-the-top (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).

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 3,540 screens across India as on March 31, 2026. These screens include 3,058 perpetual content delivery charges (CDC) category screens (non-revenue sharing basis) and 482 virtual print fee (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 4,049 screens (as on March 31, 2026) across India. The wide coverage of screens helped UMIL in attracting advertisers from diverse sectors (corporate and Government). UMIL's OI grew by 14% to Rs. 482.0 crore in FY2026, driven by strong operating performance in all three segments – exhibitor, distributor and advertisement. UMIL's operating margins improved by 210 bps to 15.7% in FY2026, backed by healthy growth in advertisement revenues. ICRA expects the company's OI to grow by 4-6%, with operating margins around 16.0-16.5% in FY2027, aided by continued growth momentum in advertisement revenues and healthy pipeline of movie releases across various languages.

Comfortable leverage and adequate coverage metrics – The total debt outstanding as of March 2026 was Rs. 77.2 crore. Further, the company had free cash and liquid investments of Rs. 133 crore as of March 2026 resulting in net cash of Rs. 55.8 crore as of March 2026. With limited debt-funded capex plans, the leverage is expected to remain comfortable as reflected by external debt/OPBITDA of 0.8-1.0 times as of March 2027 (PY:1.0 times). The company's debt coverage metrics are likely to remain adequate with estimated interest coverage of ~7.0 times in FY2027 (PY: 5.7 times) and DSCR of ~2.0 times in FY2027.

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. However, 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 remains exposed to rapidly evolving consumer preference in the entertainment industry, and competition faced by cinema from the OTT platforms.

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 vulnerable 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 March 2026, UMIL had free cash and liquid investments of ~Rs. 133 crore compared to its gross debt of Rs 77.2 crore. The scheduled debt repayments for FY2027 stand at Rs. 28.4 crore, which can be comfortably met from its estimated cash flow from operations. The company's capex requirement of Rs. 50-60 crore annually, will be funded partly by debt and the remaining from internal accruals. The company is expected to continue to maintain net cash position in the medium term.

Rating sensitivities

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

Negative factors – The outlook will be revised to Stable, in case of weaker than expected growth in revenue and profitability and consequent moderation in coverage metrics or in case of any material weakening of its liquidity position.

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 III.

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 Valuable Group remains significant shareholder.

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 allows 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 (audited)

UMIL Consolidated	FY2025	FY2026
Operating income (Rs. crore)	422.4	482.0
PAT (Rs. crore)	7.9	23.0
OPBDIT/OI	13.6%	15.7%
PAT/OI	1.9%	4.8%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	1.2	1.0
Interest coverage (times)	4.7	5.7

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 rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	June 30, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	93.70	[ICRA]A (Positive)	-	-	Mar 28, 2025	[ICRA]A (Stable)	Dec 12, 2023	[ICRA]A (Stable)
Cash credit	Long-term	10.00	[ICRA]A (Positive)	-	-	Mar 28, 2025	[ICRA]A (Stable)	Dec 12, 2023	[ICRA]A (Stable)
Unallocated	Long-term/ Short-term	21.30	[ICRA]A (Positive)/ [ICRA]A2+	-	-	Mar 28, 2025	[ICRA]A (Stable)/ [ICRA]A2+	Dec 12, 2023	[ICRA]A (Stable)/ [ICRA]A2+

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) *Includes securitisation transactions involving assignee payout, acquirer's payout.*
($) *Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.*
(%) *These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side FSRs have been mentioned.*

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI

5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) *The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.*

(#) *Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

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 II: 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	NA	FY2028	9.35	**[ICRA]A (Positive)**
NA	**Term loan III**	Aug-23	NA	FY2029	6.25	**[ICRA]A (Positive)**
NA	**Term loan - Common Covid-19 Emergency Credit Line**	May-21	NA	FY2028	7.86	**[ICRA]A (Positive)**
NA	**Term loan**	Apr-24	NA	FY2030	30.24	**[ICRA]A (Positive)**
NA	**Term loan**	Apr-24	NA	FY2031	40.00	**[ICRA]A (Positive)**
NA	**Cash credit**	-	NA	-	10.00	**[ICRA]A (Positive)**
NA	**Unallocated facility**	-	NA	-	21.30	**[ICRA]A (Positive) /[ICRA]A2+**

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: 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
Scrabble Entertainment DMCC	100%	Full Consolidation
Scrabble Entertainment Lebanon SARL	100%	Full Consolidation
Scrabble Digital Inc	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
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; As of March 2026

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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