Press Release

Miraj Entertainment Limited (MEL)

October 03, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	70.19	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	**Rs. 70.19 crore (Rupees Seventy Crore and Nineteen Lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Miraj Entertainment Limited (MEL). The reaffirmation takes into account the improvement in company's financial performance in FY23 (refers to period from April 1, 2022, to March 31, 2023) and FY24 (Provisional) (refers to period from April 1, 2023 to March 31, 2024). The ratings continue to factor in the established track record of operations, extensive experience of the promoters & management team and improvement in business performance. However, the rating strengths are partially offset by leveraged capital structure and weak debt coverage indicators. Further, the industry is exposed to stiff competition and inherent risks of film exhibition industry.

The outlook is stable in view of extensive experience of the management and sustained improvement in company's financial performance.

Key Rating Sensitivities:

Upward Factors

- Significant growth in revenues & profitability with higher-than-expected screen additions leading to an overall improvement in the operational performance
- Significant improvement in the overall financial risk profile and the overall liquidity position

Downward Factors

- Any significant decline in revenues & profitability leading to an overall deterioration in the operational performance.
- Any significant debt-funded capital expenditure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter group & established brand name

Miraj Entertainment Ltd is a part of Miraj Group which is promoted by Mr. Madal Paliwal. The Miraj Group came into existence in 1987. Mr. Madal Paliwal has diversified experience in various industries as the business has diversified verticals like Tobacco, Cinema Exhibition, Cinema Production & Distribution, Printing & Packaging, FMCG, manufacturing of Pipes & Fittings, Hospitality, Real Estate, retails, Digital etc. Miraj Entertainment Ltd commenced cinema exhibition business in the year 2012 under the brand name “MIRAJ CINEMAS”. Promoters have support company’s operations as well as its capex requirement from time to time by infusing funds thereby demonstrating its resourcefulness of promoters.

Miraj Cinemas has made their identity in 15 different states and across 37 cities of India, at present Miraj cinema serves more than 15 million patrons annually under the leadership of Mr. Amit Sharma who is the Managing Director of the company with an experience of two decades. The company is also supported by a group of qualified professionals. With the support of such extensive domain experience coupled with a professional management team, enhances the competitive position of the company in the industry.

Improvement in business performance

Miraj posted ~154% increase in revenue during FY23 as compared to FY22, with TOI increasing to Rs. 304.83 crore as against Rs. 119.92 crore in FY22 on account of recovery in the cinema industry with removal of Covid related restrictions and increased occupancy. It further improved by ~24% in FY24 (Prov.) to reach Rs. 377.71 crore led by stabilisation in cinema industry. MEL posted operating profit post Covid-19 impact and the EBITDA stood at Rs. 3.70 crore in FY23 as against operating losses of Rs. 6.51 crore in FY22. It has further registered a sharp increase of over 500% to stand at Rs. 22.30 crore in FY24 (Prov.). Consequently, the margins improved during FY24 (Prov.) to 5.94% as against 1.21% in FY23 on account of improved business. However, the company continued to net losses due to high finance cost and depreciation. However, net loss witnessed a declining trend and stood at Rs. 10.33 crore in FY24 (Prov.) as against Rs. 25.05 crore for FY23.

Operating parameters such as average ticket price (ATP) and spend per head (SPH) on food and beverages for the company rose to Rs. 207 and Rs. 71, respectively during FY24 from Rs 146 and Rs 44, respectively, for the corresponding period of FY20 i.e., pre-pandemic period and Rs. 188 and Rs 66 respectively during FY23. The revenue stream also improved with better content performance and more film releases during year.

Key Rating Weaknesses

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company remained leveraged with adjusted long term debt equity ratio of 2.70x and 4.73x as on March 31, 2023 and March 31, 2024 respectively. Further, adjusted overall gearing ratio of 2.98x as on March 31, 2023 and 5.11x as on March 31, 2024. Interest coverage ratio stood at 0.31x as on March 31, 2023 while it improved to 1.73x as on March 31, 2024. Furthermore, the Total debt to GCA remained negative as on March 31, 2023 due to its negative cash accruals and leveraged capital structure. It however, improved to 8.10 times as on March 31, 2024. Also, the TOL/ adj. TNW stood elevated at 12.10x as on March 31, 2024 as against 5.88x as on March 31, 2023. DSCR stood at 1.72x during the year as against 0.32x in FY23. Going forward, Total debt/GCA, interest coverage & other debt protection metrics are expected to remain comfortable driven by scheduled repayment of term loans and accretion of profit to reserves.

Exposure to stiff competition and risks inherent in the film exhibition business

The company is exposed to stiff competition from other renowned & established players in the film exhibition business. Company’s ability to provide the similar theatre experience as available at established brands like PVR or Cinepolis or other established brands, and at competitive ticket prices shall remain critical. In order to remain familiar among the populace the company will be required to maintain the screen additions. Fluctuations in profitability are inherent in the film exhibition business and will continue to affect operations, though the impact should be cushioned marginally by the large scale of operations and diversified revenue streams. The revenue streams are majorly dependent on occupancy rate which is driven by the success of movies. Easy access to other forms of entertainment such as OTT platforms and new content distribution platforms expose the company to challenges of sustaining profitability and growth.

Vulnerability to cyclicality in the business operations in the events of economic slowdowns and various government regulations

The film exhibition business is vulnerable to cyclicality, wherein the per head spends on the entertainment highly depends upon the economic stability of the country. Hence, any economic slowdowns arising out of any uncertain events like the Covid-19 pandemic situation in the recent past, may have a direct impact on the footfalls. Moreover, as a cascading effect leading to intervention of the government, the restrictions imposed by the government regarding 50% occupancy in the cinema halls post the second wave of Covid-19 had only added to the financial stress underwent by the film exhibition players, which were shut down for a very long period of time since the first wave of Covid-19. Any such uncertainty arising in the country or any such government intervention in the future may have a direct bearing on the overall operational performance of the company, thereby affecting the profitability and the overall financial risk profile.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service sector Companies
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

In view of improvement in the revenue from operations and profitability, the company's cash flow from operations is estimated to improve in projected tenure. The cash accruals vis a vis debt repayment obligations are adequate. The average working capital utilization stood at a moderate level of around 45% and maximum monthly utilisation at ~90% during the last twelve months ended August 2024.

About the Company

The Miraj Group came into existence in 1987 and started by Mr. Madanlal Paliwal. The business has diversified verticals like Tobacco, Cinema Exhibition, Cinema Production & Distribution, Printing & Packaging, FMCG, manufacturing of Pipes & Fittings, Hospitality, Real Estate, retails, Digital etc. All the verticals have been managed by separate professional who has experience and knowledge in the particulars business.

Cinema exhibition business was started in the year 2012 under the brand name "MIRAJ CINEMAS", having its registered office at Eureka Tower, B - wing, 7th Floor, Mind Space, off Link Road, Malad (West), Mumbai. MEL is headed by Mr. Amit Sharma as Managing Director of the company. Miraj Cinemas made their identity in 15 different states and across 40 cities of India, at present Miraj cinema serves more than 15 million patrons annually.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	304.38	375.55
EBITDA	3.70	22.30
PAT	-25.05	-10.33
Total Debt	91.78	93.91
Tangible Net Worth	-49.61	-14.44
EBITDA Margin (%)	1.21	5.94
PAT Margin (%)	-8.22	-2.73
Overall Gearing Ratio (x)	-3.47	-8.77
Interest Coverage (x)	0.31	1.73

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23
					Date (August 08, 2023)	**Date**	**Date**
1.	Long Term Fund Based Bank Facilities	Long Term	70.19	IVR BBB-/Stable	IVR BBB-/Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities - Term Loan	-	-	-	Up to March 2032	65.19	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Long Term Fund Based Bank Facilities - Cash Credit	-	-	-	Revolving	5.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Miraj-oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.