Press Release

Cineline India Limited (CIL)

January 25th, 2024

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	117.00	IVR BBB-/ Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Total	**Rs.117.00 Crore (Rupees One Hundred & Seventeen Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank loan facilities of Cineline India Limited (CIL) derive strength from significant revenue growth in FY23 and expected to maintain similar growth in medium term, improved profitability during 1HFY24, comfortable capital structure, established track record of operations coupled with renowned group presence thereby supporting the re-entry into the film exhibition business. However, the rating strengths are partially offset by significant project execution risk associated with expansion project for addition of new screens, exposure to stiff competition from other renowned & established players in the film exhibition business.

Key Rating Sensitivities:

Upward Factors

- Successful monetization of non-core assets resulting in significant debt reduction.
- Successful planned addition of screens during FY24 and/or sustained improvement in revenue and profitability while maintaining the current credit profile and the liquidity.

Downward Factors

- Any declined in revenue and profitability and/or any unplanned large debt funded capex or acquisition leading to deterioration in credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Change in business profile and revenue growth:

CIL has changed its business profile to full-fledged film exhibition business from revenue sharing of screens during FY23, which lead to y-o-y growth of 6x growth during FY23 to Rs.85.57 crore, which further improved to Rs.162.96 crore in 1HFY24 this growth is also attributed to additions of screens. CIL has added total 38 screens during FY23 and 3 screens during 1HFY24. CIL is planning to take total screen tally to 125 screens by FY26 which would be funded through promoters' contribution and internal accruals. Timely addition of screens and higher occupancy at screens will be key monitorable.

Improved profitability in 1HFY24, after registering lower profitability during FY23:

CIL's EBITDA margins were low during FY23 and at 6.27% due to lower occupancy and relatively lower average ticket price as CIL was trying to establish its presence in film exhibition business, as most of the screens became operational in Q4FY24. However, EBITDA margins have improved to 25.15% during 1HFY24 led by higher occupancy, higher average ticket prices and higher spending per head, Infomerics expects CIL to maintain similar level of margins through FY24-FY25 with upcoming movies from Bollywood and dubbed Hindi movies.

Comfortable capital structure and periodic capital infusion by promoters:

The capital structure of CIL stood comfortable with an overall gearing of 0.69x as on March 31, 2023, as against 1.36x as on March 31, 2022, owing to significant reduction on overall debt as well as increase in the tangible net-worth base on the back of infusion of fresh equity share capital during FY23. CIL promoter has infused additional capital of Rs.60.60 crore till December 31st, 2023. TOL/TNW marginally increased to 1.76x in FY23 (FY22: 1.44x) this was due to increase in lease liability. (Excluding such lease liability, adjusted TOL/TNW stands at 1.08x as of March 2023.)

Established track record of operations coupled with renowned group presence thereby supporting the re-entry into the film exhibition business.

CIL is a part of the larger & renowned Kanakia Group which has interests into various activities viz. residential & corporate real estate development & construction in various parts of Mumbai, hospitality, education, entertainment, etc. CIL owned & operated one of the reputed multiplex chains – moviemax, with 61 screens at the end of FY23 in various states including Maharashtra, Delhi at the end of FY23.

Key Rating Weaknesses

Significant project execution risk associated with expansion project for addition of new screens.

CIL is planning to add 61 screens through FY24-FY26 with total cost of Rs.113.79 crore funded through mix of internal accruals and promoters' contribution. Timely addition of screens and timely support from the promoters will be key monitorable. Any delay in screen additions and/or any additional significant debt would impact the credit profile.

Delay in monetization of non-core assets

CIL was planning to monetize its non-core assets during FY23 particularly Goa Hotel business which has debt of Rs.115.00 crore. However, CIL did not able to monetize this asset due to lower valuation. As per management, CIL will monetize this asset during FY25.

Exposure to stiff competition from other renowned & established players in the film exhibition business

CIL is exposed to stiff competition from other renowned & established players in the film exhibition business. Moviemax, as a new brand, needs to create its awareness and familiarity to the common masses, which will essentially be driven by the screen additions. Moreover, the company's efforts to provide the similar theatre experience at Moviemax as available at PVRINOX or other established brands, and at lower ticket prices shall be critical. Hence, as a part of its marketing strategy, the company is adopting a light marketing model, wherein most of the cinema halls shall be located in the malls, thereby delivering higher footfalls. Moreover, the company shall resort to low-cost marketing model viz. promoting the brand on social media, offering discounts & other offers on the tickets, offering low ticket prices as compared to other renowned & established players, etc.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for rating Outlook]

[Rating Methodology for Service Companies]

[Financial Ratios & Interpretation (Non-Financial Sector)]

Liquidity – Adequate

The liquidity position of CIL stood adequate marked by expected healthy gross cash accruals vis-à-vis debt repayment obligations, assets monetization developments, and healthy free cash & bank balance and liquid investments. The gross cash accruals are expected to be in the range of Rs.36-74 crore over FY24-FY26 as against debt repayment obligations ranging from Rs.6-10 crore over the same period. Furthermore, the free cash & bank balance and liquid investments stood healthy at Rs.22.61 crore as on March 31, 2023, thereby providing healthy liquidity.

About the Company

CIL incorporated in May 2002 by Mr. Rasesh Kanakia and Mr. Himanshu Kanakia. CIL is a part of the larger & renowned Kanakia Group which has interests into various activities viz. residential & corporate real estate development & construction in various parts of Mumbai, hospitality, education, entertainment, etc. The group marked its foray into the film exhibition business in 2002 through CIL owning & operating one of the reputed multiplex chains – Cinemax. Currently CIL is running 64 screens. The premier multiplexes are located in major metropolitan cities, including Mumbai, NCR, and Hyderabad. Additionally, Cineline runs single screen theatres, catering to various towns and cities. All the multiplexes and theatres run under their brand name Moviemax.

Financials (Standalone)*: **(In Crore)**

For the year ended / As on	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	12.34	85.57
EBITDA	3.24	5.37

PAT	(7.38)	10.66
Total Debt	190.78	120.64
Tangible Net-Worth	140.19	175.89
Ratios		
EBITDA Margin (%)	26.28	6.27
PAT Margin (%)	(29.77)	11.17
Overall Gearing Ratio (x)	1.36	0.69

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickworks Ratings in its press release dated March 08, 2023, has downgrade the ratings for the bank loan facilities of Cineline India Limited and continues under "ISSUER NOT COOPERATING" category on account of nonavailability of information.

Any other information: None

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (November 02nd, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities	Long Term	117.00	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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	January 2032	73.00	IVR BBB-/ Stable Outlook
Long Term Bank Facilities – Dropline Line of Credit	-	-	January 2034	44.00	IVR BBB-/ Stable Outlook
Total				**117.00**	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-cineline-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

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.