



## Press Release

### Rockline Entertainments Private Limited

October 20, 2021

#### Ratings

| Instrument / Facility        | Amount<br>(Rs. crore)  | Ratings  | Rating Action |
|------------------------------|--|--|---------------|
| Long Term Bank<br>Facilities | 34.22  | IVR BB- / Stable<br>(IVR Double B Minus;<br>Outlook: Stable) | Assigned      |
| <b>Total</b>                 | <b>34.22</b><br><b>(Thirty Four Crore and</b><br><b>Twenty Two Lakhs</b><br><b>only)</b> |  |               |

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Rockline Entertainments Private Limited (REPL) factors in the extensive experience of the promoter in the Indian film industry spanning different roles as a producer, director, actor amongst others, also moderate net worth levels. However, the ratings remained constrained with its moderate scale of operations with its revenue mainly remaining contingent to the cash flows from the film projects primarily sale of rights at remunerative realisations. The ratings also factors in the leveraged capital structure along with modest coverage indicators and elongated operating cycle which consists of underproduction film rights.

#### Key Rating Sensitivities:

##### Upward Factors

- Completion of the ongoing film project without any time or cost overrun while maintaining the envisaged profitability.
- Infusion of funds by promoters.

##### Downward Factors

- Inconsistency in the cash flows impeding the company's liquidity and hence the related debt servicing.
- Less than anticipated revenues from the film project constraining profitability.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of promoters in the Indian film industry**

The company promoters are widely experienced in the Indian film industry with presence mainly in the South Indian film industry. The key promoter, Mr. Rockline Venkatesh has a good standing in the industry in various roles like producer, director, actor amongst others. The major film projects concluded by the company include Maas, Lingaa & Bajrangi Bhaijaan. The company currently is executing a film named Madakari Nayaka which is at production stage.

- **Moderate net worth position, adequate operating margins**

The networth of the company has remained moderate at Rs.16.50 crore in FY2020 as compared to Rs. 14.60 crore in FY2019. (Rs.17.87 crore in FY2021P). The operating margins remain adequate at 119.91% in FY20 (84.18% in FY21). The operating margins remain driven by valuations of the underproduction film.

#### Key Rating Weaknesses

- **Modest Scale of Operations, revenues contingent to the cash flows from the film projects**

The company's scale remains currently modest driven by rentals from properties. The revenues remained at Rs. 6.19 crore in FY2021 as compared to Rs. 6.98 crore in FY2020. The revenues declined in FY2021 as against Rs. 42.07 crore given the lockdown and restrictions placed to contain the pandemic. The revenue of this company primarily remains contingent to the cash flows from film the projects. The company has leased out school building for Nexgen Education Trust which realises around ~Rs. 1.38 crore p.a. while it also runs a mall located at Yeshwantpur, Bengaluru which realises around Rs. 5-6 crore p.a. The revenues from film projects mainly remain advances from sale of rights of



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the films produced. The company currently is producing the film Madakari Nayaka which is under production stage with expected date of release in October 2022.

- **Moderate gearing levels and coverage indicators**

The overall gearing levels remained stretched at 3.37 times in FY2020 mainly due to high debt levels. Given the debt levels, the coverage indicators have remained modest in the past fiscals. While interest coverage stood at 1.57 times in FY2020, the same is expected to remain at 1.04 times in FY2021.

- **Elongated operating cycle mainly on inventory holding in the form of rights of the currently under production film**

The operating cycle typically for an entertainment industry remains stretched mainly on motion pictures rights. The operating cycle remained stretched in FY2021P at 5250 days. Sale of rights at remunerative realisations remain crucial to the projects cash flows and thereby the project debt servicing. Similarly, regular stream of cash flows from the let-out school and mall space also remains critical for its debt servicing.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

**Liquidity –Stretched**

The liquidity of the company remained stretched marked with GCA standing at Rs. 3.05 cr in FY20(A) & Rs 0.21 cr in FY21(P). The company's scheduled repayments consist of one time repayment of the entire term loan availed for the current film falling in FY23, prior to its release while for the term loan availed for mall, the repayments are around Rs. 1.26 crore yearly for the period FY2022 to FY2024 which are expected to be serviced by the cash inflows from the projects. The working capital utilisation remained at 95% in the last 12 months ending April



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2021. The cash balances however remained at Rs. 0.42 crore as on March 31,2020 which are expected to be around Rs. 1.12 crore as on March 31,2021.

### **About the Company**

Rockline Entertainments Pvt.Ltd. is an Indian film production and distribution company established in 1996 by Rockline Venkatesh (Thirupathi Narasimhalunaidu Venkatesh). The company was incorporated in May 4, 2005 is headquartered in Bangalore and has produced films in Kannada, Telugu, Tamil, Hindi and Malayalam languages.

Under the banner Rockline Entertainments it has concluded movie projects featuring India's film superstars Salman Khan, Rajinikanth, Vikram, Puneeth Rajkumar and Upendra.

### **Financials: (Rs. Crore)**

| For the year ended*/As on | 31-03-2020 | 31-03-2021  |
|---------------------------|------------|-------------|
|                           | Audited    | Provisional |
| Total Operating Income    | 6.98       | 6.19        |
| EBITDA                    | 8.37       | 5.21        |
| PAT                       | 2.24       | -0.89       |
| Total Debt                | 55.53      | 45.83       |
| Tangible Net Worth        | 16.50      | 17.63       |
| EBITDA Margin (%)         | 119.91     | 84.18       |
| PAT Margin (%)            | 32.05      | -14.40      |
| Overall Gearing Ratio (x) | 3.37       | 2.60        |

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: NIL**

**Any other information: Nil**

**Rating History for last three years:**



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| Sr. No. | Name of Facilities | Current Ratings(Year 2021-22) |                                |                | Rating History for the past 3 years     |   |   |
|---------|--------------------|-------------------------------|--------------------------------|----------------|---|---|---|
|         |                    | Type                          | Amount outstanding (Rs. Crore) | Rating         | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 |
| 1.      | Overdraft          | Long Term                     | 18.25                          | IVR BB-/Stable | --                                      | --                                      | --                                      |
| 2.      | Term Loan          |                               | 15.97                          |                | --                                      | --                                      | --                                      |

**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](http://www.infomerics.com).

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### About Infomerics:

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Overdraft        | -                | -                | -             | 18.25                        | IVR BB- / Stable         |
| Term Loan        | -                | -                | May 2031      | 15.97                        |                          |

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Rockline-lenders-oct21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

| Sr No. | Instrument | Complexity Indicator |
|--------|------------|----------------------|
| 1      | Overdraft  | Simple               |
| 2      | Term Loan  | Simple               |

**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](http://www.infomerics.com).