20th March, 2020

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051
Fax: 022-26598237/38

BSE Limited
Corporate Relationship Department
1st Floor, New Trading Ring,
PJ Towers, Dalal Street,
Fort, Mumbai - 400 001
Fax: 022-22722061/41/39/37

Company Code: PVR / 532689

Sub: Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed rating published on March 20, 2020 by India Ratings & Research, the Credit Rating Agency.

This is for your information and to all concerned.

Kindly take the same on record.

Thanking You.

Yours faithfully
For PVR Limited

PANKAJ DHAWAN
Digitally signed by PANKAJ DHAWAN
Date: 2020.03.20 19:04:56 +05'30'

Pankaj Dhawan
Company Secretary cum Compliance Officer

India Ratings & Research
A Fitch Group Company

India Ratings Assigns PVR 'IND AA'; Places on RWN

20

MAR 2020

By Aashman Sharma

India Ratings and Research (Ind-Ra) has assigned PVR Limited a Long-Term Issuer Rating of 'IND AA' and simultaneously placed it on Rating Watch Negative (RWN). The instrument-wise ratings are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Fund-based facility	-	-	-	INR650	IND AA/RWN/IND A1+/RWN	Assigned; placed on RWN

Analytical Approach: Ind-Ra has taken a consolidated view of PVR and its subsidiaries while arriving at the rating, due to the close strategic and operational linkages among them.

The rating factors in PVR's strong business profile, supported by its market leadership in the under-penetrated Indian movie exhibition market, and moderate-but-healthy growth in key operational metrics such as admittances, average ticket price and spend per head. PVR's financial profile is supported by strong revenue growth and a robust margin profile, leading to healthy cash flow from operations and return on capital employed. PVR's financial profile is bolstered by its qualified institutional placement (QIP) of INR5 billion in October 2019, which the company shall predominantly utilise to repay debt and fund capex. The rating is constrained by the presence of credit risks in form of PVR's rising exposure to volatile advertisement revenues and high capital expenditure given bullish organic screen growth targets, along with potential adverse regulatory developments.

The RWN reflects the outbreak of novel Coronavirus (COVID-19), in the wake of which the government of India announced the closure of cinema halls in many states till 31 March 2020, which may impact cash flows in the near-term. Ind-Ra shall continue to monitor the situation and its resultant impact on PVR's liquidity and financial position.

KEY RATING DRIVERS

Strong Business Profile and Market Leader Position: PVR leads India's Indian multiplex industry, with presence across 71 cities where it has 176 cinemas and 845 screens as in March 2020. This makes PVR the largest multiplex chain in India with a screen market share of 28% (as of 3QFY20). Ind-Ra expects PVR to maintain its market shares, given the high entry barriers in the movie exhibition industry, such as regulatory approvals; early-mover advantage of incumbents; large scale and the resultant relationships with distributors and producers. PVR's multiplex network is evenly spread-out over north, south and west India, thereby isolating it from any geographic disturbances. The company's guidance for growth is robust at targeted 75-100 screens per annum, with the overarching target of 1,000 operational screens by FY23. PVR has also ventured overseas by opening its first multiplex in Colombo, Sri Lanka, in 3QFY20.

Proven Track Record: PVR's network has expanded to over 821 screens by end-3QFY20 from just 100 screens in 2008, while its revenue and EBITDA have risen at a CAGR of 27% over FY10-FY19. Although India has surpassed developing countries in the number of screens, at 10,000 screens, it remains under-penetrated as compared to the United States (41,000 screens) and China (55,000). With rising disposable incomes and urbanisation, Ind-Ra believes cinema screens, especially multiplex screens, will continue to grow in India, and PVR is well placed to ride this trend, given its strong track record of operating pan-India, established brand and diversified exposure to national and regional cinema.

Healthy Operating Metrics with Diversified Earnings: PVR reported 23% yoy growth in its revenue and EBITDA to INR27.7 billion (FY19: INR30.9 billion) and INR5.3 billion (INR5.9 billion), respectively, in 9MFY20. This growth was driven by a 14% yoy rise in admittance to 82.2 million admits in 9MFY20. The company's EBITDA margin expanded slightly to 19.3% in 9MFY20 (FY19: 19%) due to the improvement in absolute EBITDA.

PVR's total screens and seats for the group rose 10% and 6% yoy in 9MFY20 to 821 screens and 178,000 seats, respectively, due to the acquisition of SPI Cinema in August 2018, a key competitor in south India. The acquisition has given PVR a strong foothold in south India, thus giving it greater exposure to regional cinema and diversifying earnings. Other key operating metrics such as average ticket price and net box-office collection (NBOC), too have remained stable yoy in 9MFY20 at INR204 and INR14.02 billion, respectively.

QIP to Bolster Financial Profile: PVR will use the proceeds of the QIP, worth INR5 billion, to repay debt and fund capex. Resultantly, Ind-Ra expects PVR's net leverage (net debt/EBITDA) to improve to around 1.3x in FY20 (FY19: 2.1x). The agency anticipates PVR to continue its high capex of INR4 billion-5 billion per annum to meet its annual target of adding 75-100 screens. However, the agency believes PVR's cash generation will be sufficient to fund the capex without taking any additional debt.

Liquidity Indicator - Adequate: PVR generated strong, stable cash flow from operations of INR3.7 billion in FY19 (FY18: INR3.6 billion), against the annual capex of INR4.4 billion (INR3.4 billion). However, PVR has a negative working capital cycle and roughly INR1.5 billion of unutilised working capital lines, which are only occasionally utilised to plug any short-term cash flow mismatches. PVR has established links to both equity and debt capital markets, having just concluded a QIP, and has outstanding non-convertible debentures of INR4.1 billion. PVR has large debt repayments of close to INR2.1 billion in the next two fiscal years. However, repayment risk remains limited, in view of the QIP proceeds and strong cash flows. As of 3QFY20, the company had cash of INR2.95 billion on its balance sheet. Furthermore, Ind-Ra believes the healthy movie pipeline should ensure sufficient box office collections to meet any near-term payments.

Measures Implemented to Combat COVID-19 Risk: The multiplex sector has been adversely hit by the recent global COVID-19 outbreak, subsequent to which the group shut down all its screens across the country. PVR has responded to this with a slew of measures to sharply lower the cost base and conserve liquidity. In a conference call on March 19, PVR guided that measures implemented will likely lead to fixed cost run-rate being cut to INR0.5 billion per month (pre-COVID outbreak 3QFY20: INR1.4 billion). The key steps taken in this regard include: invoking force majeure clause leading to suspension of rent and common area maintenance payments till the multiplexes are closed; decreasing the wage bill by an estimated 30% due to compensation reduction implemented across the organisation, and reducing operational expenses (e.g. electricity and repair and maintenance charges) substantially. The management also clarified to the agency that there is no major debt repayments scheduled over the next three months and the company has suspended all capital expenditure activity till the situation normalises. Ind-Ra shall continue to monitor the situation and its resultant impact on PVR’s liquidity and financial position.

Capital-Intensive Business: PVR has expanded its screen network via a combination of organic and inorganic growth and plans to expand to 1,000 screens in the next few years. Setting up and operating a multiplex business is capital intensive given the initial set-up capex as well as refurbishment costs, which typically kick in six to eight years after a multiplex begins operations. Given India’s under-penetration in terms of screens (versus other countries), Ind-Ra believes the company has sufficient scope to continue to invest and grow screen footprint for the next many years. Thus, the agency expects the group’s investment to remain elevated. While the company’s cash flows are sufficient to meet the capex requirement, any weak operating performance could necessitate raising of further debt to support the growth plans.

Exposure to Potentially-Volatile Box Office Performance: PVR's chief sources of revenue are NBOC from cinema goers, food and beverage revenue and advertisement revenue. Strong performance of films screened in multiplexes is a key factor for driving footfalls, which drives strong NBOC and food and beverage sales. While consistent footfalls and high occupancy levels lead to strong advertisement revenues, a weak movie pipeline or overall macroeconomic slowdown could result in weak advertisement revenue growth. While the box office collections depend on a strong pipeline of films being released over a particular period, PVR benefits from having exposure to Bollywood, Hollywood and regional cinema, which derisks revenues, should a particular segment have a weak performance.

Potential Risk from Over-The-Top Players: In recent years, over-the-top content has grown strongly and is now competing, to a certain extent, with traditional cinema. However, this poses a limited immediate threat, given the low internet penetration in India and the multiplex experience remaining an integral and affordable entertainment option in India. Furthermore, developed markets, which have significantly higher internet penetration, have continued to witness strong box office collections, despite strong growth from digital platforms. Therefore, the agency believes the growth in the overall content pie should augur strong NBOC for PVR.

RATING SENSITIVITIES

The RWN indicates that rating may be either affirmed or downgraded. Ind-Ra shall resolve the RWN by June 2020 once the agency receives clarity on the impact of COVID-19 on the company’s financial and liquidity profile.

COMPANY PROFILE

PVR was set up in 1995 as a joint-venture before starting operations in 1997 at its first screen in Saket, Delhi. The company’s screen network has now spread across India (mainly north, south and west) with about 11% of the screen portfolio classified as premium portfolio.

FINANCIAL SUMMARY

Financials (INR billion)	**FY19**	**FY18**
Revenue	30.9	23.3
EBITDA	5.9	4.0
EBITDA margin (%)	19.0	17.2
Interest expense	1.3	0.8
Total debt	12.8	8.3

Source: Company financials

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS’ CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

Corporate Rating Methodology
Cash Flow Measures in Corporate Analysis

Analyst Names

Primary Analyst

Aashman Sharma

Analyst
India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block. Bandra Kurla Complex Bandra (East), Mumbai 400051
+91 22 40001783

Secondary Analyst

Abhishek Nigam

Associate Director
+91 22 40356194

Committee Chairperson

Abhishek Bhattacharya

Director and Co Head Corporates
+91 22 40001786

Media Relation

Ankur Dahiya

Manager – Corporate Communication
+91 22 40356121