

01st February, 2020

National Stock Exchange of India Limited

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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 by CRISIL Limited, 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
Company Secretary cum Compliance Officer

Ratings

Rating Rationale

January 31, 2020 | Mumbai

PVR Limited

Rating upgraded to 'CRISIL AA/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.823.33 Crore (Enhanced from Rs.648.33 Crore)
Long Term Rating	CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Stable')

Non-Convertible Debentures Aggregating Rs.460 Crore (Reduced from Rs.685 Crore)	CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Stable')
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the non-convertible debentures and long-term bank facilities of PVR Limited (PVR) to 'CRISIL AA/Stable' from 'CRISIL AA-/Stable'.

CRISIL has also withdrawn its ratings on the Rs 225 crore non-convertible debentures as these have been redeemed. The withdrawal is in-line with CRISIL's withdrawal policy.

The rating upgrade is driven by CRISIL's expectation of a sustained improvement in PVR's business risk profile leading to strong cash flows. Also, supported by qualified institutional placement (QIP) of Rs 500 crore in October 2019 along with healthy cash accruals, company's financial risk profile has seen a shift with debt to earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio expected to sustain below 1.5 times for fiscal 2020.

Operating metrics have improved significantly, which should lead to return on capital employed (RoCE) ratio sustaining above 16%, while cash accruals are likely to remain sufficient to fund the planned 80-100 screen addition.

The rating continues to reflect PVR's strong market position and established brand, healthy operating efficiency, and a significantly improved financial risk profile. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of PVR, its subsidiaries, PVR Pictures Ltd, P V R Lanka Ltd, Zea Maize Pvt Ltd, and its joint venture Vkaao Entertainment Pvt Ltd. This is because all these entities, collectively referred to as PVR group, are in the same business and have common promoters.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths

*** Strong market position and established brand:** PVR is the largest multiplex operator in India with a strong brand equity. It has 825 screens and presence in over 173 locations across 71 cities as on January 20, 2020, and has 33% more screens than the second largest player. Addition of screens from SPI Cinemas Pvt Ltd (SPI) has led to significant improvement in market position in South India and helped diversify content as South Indian cinema contributes more than 40% to the overall box office collections. With plans to add 80-100 screens annually, PVR should be able to maintain a strong market position.

*** Healthy operating efficiency:** Presence in prime locations in major cities helps command a higher average ticket price than peers. Moreover, contribution from high-margin food and beverages and advertisement revenue (together contribute 40% of the total income) remains high.

PVR continues to grow significantly across all operating parameters with occupancy of 36.1% for 9 months ended December 31, 2019 (fiscal 2019: 36%; fiscal 2018: 31%), spend per head (SPH) of Rs 100 (Rs 91; Rs 89) and advertisement revenue of Rs 307 crore (Rs 353; Rs 297). As a result, EBITDA margin was 19.9% for the 9 months ended December 31, 2019 (19%; 17.2%). Company should continue to benefit from its strategic locational advantage and premium market position leading to sustained high operating efficiencies.

*** Significantly improved financial risk profile:** PVR's financial risk profile is expected to benefit from strong operating efficiencies and significantly enhanced scale of operations. Moreover with QIP of Rs 500 crore in October 2019, debt protection metrics should see a significant shift. Gearing is expected to improve to below 0.6 time, interest coverage to above 5.5 times and debt to EBITDA ratio to below 1.5 times for fiscal 2020 as against 1.24 times, 4.8 times and 2.2 times, respectively, for fiscal 2019.

Company should generate enough cash to sustain planned 80-100 screen addition. Therefore, CRISIL expects debt to

EBITDA ratio to sustain below 1.75 times over the medium term. However, any plans of inorganic growth and its consequent impact on financial risk profile needs to be closely monitored.

Weakness

* **Exposure to risks inherent in the film exhibition business:** Volatility in profitability, inherent in the film exhibition business, will continue to impact PVR, though will be cushioned marginally by large scale of operations and diversification of content. Multiplex players, given their high fixed costs, will remain dependent on occupancy, which is driven by success of films (occupancy was 36.1% and 35.4% in the nine months ending December 31, 2019, and December 31, 2018, respectively). Other forms of entertainment and new content distribution platforms including over the top will continue to expose the company to challenges of sustaining profitability and growth.

Liquidity Strong

PVR has strong liquidity, driven by expected cash accrual of more than Rs 500 crore each in fiscals 2020 and 2021. Company is expected to have debt of Rs 950-1000 crore with cash and cash equivalents of Rs 100-150 crore by the end of fiscal 2020. The company has long-term debt repayment obligation of around Rs 178 crore and Rs 203 crore in fiscals 2020 and 2021, respectively, which should be easily met from internal accruals while capital expenditure of around Rs 450 crore per annum should be prudently funded through mix of debt and internal accruals. Further, strong established brand provides the company access to capital markets and banks to raise additional funds at competitive rates thereby aiding financial flexibility.

Outlook: Stable

CRISIL believes PVR will continue to benefit from its dominant market position and robust brand equity. Financial risk profile should remain supported by strong cash accruals sufficient to fund organic expansion plans.

Rating Sensitivity Factors

Upward Factors

- *Sustained improvement in scale of operations including revenue leading to significant improvement in operating profitability
- *Significant reduction in debt leading to debt to EBITDA ratio sustaining around 0.75-0.9 times

Downward Factors

- *Sizeable, debt-funded capex or acquisitions, weakening the capital structure with debt to EBITDA ratio sustaining above 2 times
- *Sustained weaker-than-expected operating performance.

About the Company

PVR was set up in 1995 as a 60:40 joint venture (JV) between Priya Exhibitors Pvt Ltd and Village Roadshow Ltd (VRL), a world leader in the multiplex business. In the same year, PVR took a single-screen cinema hall, Anupam, at Saket in Delhi, on lease and converted it into a four-screen multiplex. It started operations in 1997 as PVR Anupam and was the first multi-screen cineplex in India. As part of its global business strategy, VRL exited the JV in 2002.

In November 2012, PVR acquired Cinemax, strengthening its presence in western India. Cinemax operated in 39 locations with 138 screens. This acquisition made PVR the largest multiplex operator in India. In May 2016, it completed the acquisition of DT Cinemas' 32 screens (29 operational and 3 upcoming) for a consideration of Rs 433 crore. PVR had raised equity of Rs 350 crore in fiscal 2016 to part-fund the acquisition. The balance was to be funded through debt and internal cash accrual. During January 2017, Warburg Pincus Llc acquired 14% stake in the company, 9% from its existing shareholders (Multiples Private Equity Fund I Ltd), and 5% from promoters.

For the nine months ended December 31, 2019, operating income was Rs 2,769 crore and profit after tax Rs 101 crore, against Rs 2,248 crore and Rs 143 crore, respectively, for the corresponding period of the previous fiscal.

Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating revenue	Rs crore	3,086	2,334
Profit After Tax (PAT)	Rs crore	189	124
PAT Margin	%	6.1	5.3
Adjusted debt/adjusted networkth	Times	1.24	0.87
Interest coverage	Times	4.84	5.17

Numbers as reported by the company

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
INE191H07136	Debentures	16-Oct-14	11.00%	16-Oct-20	25	CRISIL AA/Stable
INE191H07144	Debentures	16-Oct-14	11.00%	16-Oct-21	25	CRISIL AA/Stable
INE191H07177	Debentures	24-Nov-14	11.00%	24-Nov-20	15	CRISIL AA/Stable

INE191H07185	Debentures	24-Nov-14	11.00%	24-Nov-21	20	CRISIL AA/Stable
INE191H07193	Debentures	09-Jan-15	10.75%	08-Jan-21	50	CRISIL AA/Stable
INE191H07201	Debentures	09-Jan-15	10.75%	07-Jan-22	50	CRISIL AA/Stable
INE191H07243	Debentures	12-Jan-17	7.84%	10-Jul-20	50	CRISIL AA/Stable
INE191H07250	Debentures	03-Apr-17	8.05%	02-Apr-21	25	CRISIL AA/Stable
INE191H07268	Debentures	03-Apr-17	8.15%	02-Apr-22	50	CRISIL AA/Stable
INE191H07276	Debentures	18-Aug-17	7.85%	18-Aug-22	50	CRISIL AA/Stable
INE191H07284	Debentures	16-Apr-18	8.72%	16-Apr-21	10	CRISIL AA/Stable
INE191H07292	Debentures	16-Apr-18	8.72%	15-Apr-22	20	CRISIL AA/Stable
INE191H07300	Debentures	16-Apr-18	8.72%	14-Apr-23	20	CRISIL AA/Stable
NA	Debentures**	NA	NA	NA	50	CRISIL AA/Stable
NA	Long-term loan	NA	NA	Sep-2019	25.73	CRISIL AA/Stable
NA	Long-term loan	NA	NA	May-2024	170.4	CRISIL AA/Stable
NA	Long-term loan	NA	NA	May-2025	127.2	CRISIL AA/Stable
NA	Long-term loan	NA	NA	Sep-2025	100	CRISIL AA/Stable
NA	Long-term loan	NA	NA	Nov-2025	100	CRISIL AA/Stable
NA	Long-term loan	NA	NA	Dec-2025	100	CRISIL AA/Stable
NA	Term loan	NA	NA	Oct-2025	175	CRISIL AA/Stable
NA	Working Capital Facility	NA	NA	NA	25.00	CRISIL AA/Stable

**Yet not issued

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)
INE191H07011	Debentures	01-Jan-10	11.40%	01-Jan-17	2
INE191H07029	Debentures	01-Jan-10	11.40%	01-Jan-18	2
INE191H07037	Debentures	01-Jan-10	11.40%	01-Jan-19	3
INE191H07045	Debentures	01-Jan-10	11.40%	01-Jan-20	3
INE191H07060	Debentures	25-Feb-14	10.95%	25-Feb-19	50
INE191H07078	Debentures	10-Jun-14	10.75%	10-Jun-19	50
INE191H07128	Debentures	16-Oct-14	11.00%	16-Oct-18	25
INE191H07151	Debentures	16-Oct-14	11.00%	16-Oct-19	25
INE191H07169	Debentures	24-Nov-14	11.00%	24-Nov-19	15
INE191H07219	Debentures	29-Jul-16	8.90%	31-Jul-17	16.5
INE191H07227	Debentures	29-Jul-16	8.90%	31-Jul-18	16.5
INE191H07235	Debentures	29-Jul-16	8.90%	31-Jul-19	17

Annexure - List of Entities Consolidated

Entity consolidated	Extent of consolidation	Rationale for consolidation
PVR Pictures Ltd	Full Consolidation	Subsidiaries
P V R Lanka Ltd	Full Consolidation	Subsidiaries
Zea Maize Pvt Ltd	Full Consolidation	Subsidiaries
Vkaao Entertainment Pvt Ltd	Equity Method	Joint Ventures

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	410.00 31-01-20	CRISIL AA/Stable			08-01-19	CRISIL AA-/Stable	06-11-18	CRISIL AA-/Stable	26-12-17	CRISIL AA-/Stable	CRISIL AA-/Stable
								17-08-18	CRISIL AA-/Stable	10-08-17	CRISIL AA-/Stable	
										24-03-17	CRISIL AA-/Stable	
										06-01-17	CRISIL AA-/Stable	
Fund-based Bank Facilities	LT/ST	823.33	CRISIL AA/Stable			08-01-19	CRISIL AA-/Stable	06-11-18	CRISIL AA-/Stable	26-12-17	CRISIL AA-/Stable	CRISIL AA-/Stable
								17-08-18	CRISIL AA-/Stable	10-08-17	CRISIL AA-/Stable	
										24-03-17	CRISIL AA-/Stable	
										06-01-17	CRISIL AA-/Stable	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Long Term Loan	623.33	CRISIL AA/Stable	Long Term Loan	623.33	CRISIL AA-/Stable
Term Loan	175	CRISIL AA/Stable	Working Capital Facility	25	CRISIL AA-/Stable
Working Capital Facility	25	CRISIL AA/Stable	--	0	--
Total	823.33	--	Total	648.33	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Criteria for Consolidation](#)

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