25th June, 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: 022-22723121/1278

Company Code: PVR / 532689

Sub: Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015- Update on Credit Ratings

Dear Sir(s),

In compliance with Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please note that ICRA, on the request of the Company, has agreed for withdrawal of its long term rating of (ICRA) AA- (Negative) (pronounced ICRA double A minus with Negative outlook) assigned to the company's Rs.4 Cr. Term loan bank facilities and Rs.185 Cr. Non- Convertible debenture programme. The company had voluntarily requested for such withdrawal and exposure of above mentioned facilities continues to be rated "AA" (Placed on 'Rating Watch with Negative Implications') by CRISIL Ltd.

Further ICRA continues to rate the Commercial Paper programme of the company with "A1+" of the company.

Copy of letters received from ICRA is attached for your information and records.

This is for your information and records please.

Thanking You.

Yours faithfully

For **PVR Limited**

PANKAJ DHAWAN
Digitally signed by PANKAJ DHAWAN
Date: 2020.06.25 18:05:10 +05'30'

Pankaj Dhawan
Company Secretary cum Compliance Officer

ICRA

Ref: D/RAT/2020-21/P-56/4

June 23, 2020

Mr. Nitin Sood
Chief Financial Officer
PVR Limited
Block A, 4th Floor, Building No. 9,
DLF Cyber City, Phase III,
Gurgaon - 122002

Dear Sir,

Re: Withdrawal of the [ICRA]AA- (Negative) rating assigned to the Rs. 185 crore non-convertible debenture programme and Rs 4.0 crore bank limits of PVR Limited

Please refer to your email dated June 22, 2020 requesting withdrawal of the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) assigned to the Rs 4.0 crore term loan bank facilities and Rs 185.0 crore non-convertible debenture programme of PVR Limited. Please note that the outstanding long-term rating of [ICRA]AA- (Negative) has been withdrawn as desired by you.

We shall be glad to be associated with rating of any future borrowing programme of your company.

With kind regards

For ICRA Limited

Digitally signed by SABYASACHI MAJUMDAR
Date: 2020.06.25 10:44:44 +05'30'

Sabyasachi Majumdar
Senior Vice President
(sabyasachi@icraindia.com)

June 24, 2020

PVR Limited: Ratings reaffirmed and removed from watch with developing implications; long-term rating for non-convertible debenture programme and term loans has been assigned a negative outlook and simultaneously withdrawn

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	360.0	185.0	[ICRA]AA- (Negative); reaffirmed and removed from watch with developing implications, Negative outlook assigned; Rating withdrawn
Commercial Paper	200.0	200.0	[ICRA]A1+; reaffirmed and removed from watch with developing implications
Fund based-Term Loan	219.0	4.0	[ICRA]AA- (Negative); reaffirmed and removed from watch with developing implications, Negative outlook assigned; Rating withdrawn
Total	**779.0**	**389.0**	

Rationale

ICRA has removed its ratings on the facilities of PVR Limited (PVR) from '**Rating Watch with Developing Implication**' and reaffirmed it at [ICRA]AA-/A1+**.** The outlook assigned on the long-term rating is **'Negative'. Further,** ICRA has withdrawn the long-term rating of [ICRA]AA- (Negative) assigned to the term loan bank facilities and non-convertible debenture programme of PVR. The ratings have been withdrawn in accordance with ICRA's policy on withdrawal and suspension, and as desired by the company, on receipt of no objection certificate from the banker and security holders.

The negative outlook follows the extended closure of cinema halls due to the nation-wide lockdown on account of the Covid-19 pandemic, as well as the expected restrictions on cinema halls going forward on account of social distancing measures, even post resumption of operations. Also, cinema-goers may continue to have health concerns, thus delaying their visit to the theatres, resulting in lower occupancy levels. Consequently, the impact on PVR's business operations and overall revenues and cash accruals is expected to remain aggravated, at least over the short term, as was reflected in the recently announced Q4FY2020 results. ICRA notes that a significant part of the operating cost of the company is variable in nature, which will enable it to reduce costs to a large extent during this period of screen closure. Of the fixed expenses, rental is one of the key items for which PVR is in discussion with the developers for a waiver during the lockdown period, as well as reduction in the same during the ramp-up period post resumption; however, any decision on the same is yet to be arrived at. Further, the management has taken various steps to contain the expenses by rationalising personnel costs and other overheads. Nonetheless, the company is expected to report operating losses during the period of shutdown, as well as during the initial ramp-up period post resumption of operations. The extent of ramp-up of operations, reduction in various costs, and consequent improvement in its profitability, will remain key rating monitorables going forward. ICRA has also taken note of the recent incidents of direct release of movies on OTT platforms, which, if continued over the long term, can have a negative structural impact on multiplex players. However, PVR's management believes that this won't be a long-term phenomenon, as movie patrons will continue to prefer the theatrical experience, and also theatrical release gives better opportunity to producers to generate returns on their investment, especially in case of the big budget movies.

However, the ratings remain supported by PVR's adequate liquidity of around Rs. 227 crore[1], inclusive of cash generated primarily by draw-down of previously unutilized working capital lines and newly sanctioned term loans, as well as undrawn bank lines. Further, moratorium availed on bank debt obligations from March – August, 2020, as a part of the Covid-19 - Regulatory Package announced by the Reserve Bank of India (RBI), coupled with healthy financial flexibility, provide additional comfort. ICRA also notes that the company has recently received board approval for raising equity of around Rs. 300 crore. Successful conclusion of the same would further support cash flows while also enabling the company to absorb the expected losses during shutdown/ramp-up period. ICRA will continue to monitor the developments and their corresponding impact on PVR's overall liquidity and financial risk profile.

The ratings continue to factor in PVR's position as the market leader in the domestic film exhibition industry. PVR is the largest multiplex operator in the industry with 176 properties and a total of 845 screens across India as on June 08, 2020. The acquisition of SPI Cinemas having 76 screens (68 Operational Screens and 8 screens under construction) in August, 2018 had significantly strengthened PVR's leadership position. The company commands strong brand value and has established strong relationships with various real-estate developers, which enables it to launch properties at premium locations.

Key rating drivers and their description

Credit strengths

Sustained leadership position in the Indian multiplex industry, despite significant consolidation in the industry over the last two years – PVR is the largest multiplex operator in the industry with 176 properties and a total of 845 screens across India as on June 08, 2020. The acquisition of SPI Cinemas having 76 screens (68 Operational Screens and 8 screens under construction) in August, 2018 further strengthened PVR's leadership position. In FY2020, the company added 87 screens, which is the highest by any multiplex player in India in any financial year thus far. Going forward, the continued screen opening momentum, excluding the impact of Covid-19 pandemic, is expected to help maintain the company's market position.

Strong brand value and established relationships with various real-estate developers leads to healthy operating metrics, notwithstanding the impact of screen closure due to Covid-19 – PVR, being the market leader, is able to command strong brand value and has established strong relationships with various real-estate developers, which enables it to launch properties at premium locations. This in turn leads to higher average ticket prices and adequate occupancy levels. On a consolidated basis, the occupancy for PVR remained at a healthy 34.9% in FY2020, notwithstanding the slight decline from 36.2% in FY2019, largely due to the screen closures from mid-March, 2020 onwards on the back of Covid-19. Further, the average ticket price (ATP) and spend per head also remained healthy in FY2020 at Rs. 204 and Rs. 99 respectively, relative to Rs. 207 and Rs. 91 in FY2019[2]. However, the operating metrics over the near future are expected to witness considerable moderation on account of COVID-19.

High occupancy and average ticket prices in past quarters, along with conclusion of QIP, have supported the overall financial profile; successful equity raising through the planned rights issue would provide comfort going forward as well – Healthy occupancy levels and high average ticket prices have led to strong growth in OI and strong profitability over the years. Also, PVR completed a Qualified Institutional Placement (QIP) in October 2019, with the same leading to

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[1] As on June 07, 2020, as per PVR's Investor Presentation for Q4 FY2020

[2] The figures are not comparative as they include financials of SPI Cinemas from August 17, 2018 onwards.

an inflow of Rs. 500 crore. A significant part of the proceeds have been utilised towards prepayment of existing debt obligations thereby keeping the capital structure healthy. However, lower occupancies/temporary screen closures and increased debt availed to maintain liquidity because of the impact of COVID-19 may result in some deterioration in the financial profile over the near term. ICRA notes that the company has recently received board approval for raising equity of around Rs. 300 crore. Successful conclusion of the same would provide significant support to cash flows.

Credit challenges

Disruption in business operations due to screen closure on account of Covid-19 expected to adversely impact revenues and cash accruals over the near term – In line with Government announced closures of cinema halls and the nation-wide lockdown, all 845 screens of PVR have been closed from mid/end-March 2020 onwards. This alongwith the expected restrictions on cinema halls going forward on account of social distancing measures, even post resumption of operations is expected to adversely impact the revenues of the company and lead to operating losses during the period of shutdown. Any further restrictions imposed on cinema halls going forward will exacerbate the financial impact. ICRA, however, draws comfort from the adequate liquidity position of the company at present, as well as the planned rights issue, and will continue to monitor the developments in this regard.

Aggressive capex budgeted from internal accruals enhances content risks for PVR, although some deferment is expected due to the impact of Covid-19 – PVR added 87 screens in FY2020, which is the highest by any multiplex player in India in any financial year thus far. The company had earlier planned significant further capital expenditure every year, but with the slowdown in operations from March, 2020 onwards because of COVID-19, some capex plans are likely to get deferred. The balance capex finally being undertaken is expected to be funded though internal accruals. ICRA notes that the generation of adequate accruals remains dependent on good box-office performance, resulting in enhanced content risks for PVR. Absence of adequate internal accruals could make the company dependent on additional borrowings, thereby increasing the debt level and impacting the debt-coverage indicators. Additionally, any further debt-funded inorganic growth plans would also have an impact on credit metrics.

Repayment obligations remain high over the near-to-medium term, though moratorium availed on bank lines is expected to ease cash flows to some extent – Despite the reduction in debt levels on the back of QIP proceeds, the debt remained elevated at the end of February 2020 with total debt amounting to Rs. 1,011 crore. Further, the absolute repayment obligations scheduled over the next two fiscals are likely to remain high, with increased debt availed to meet liquidity requirements because of the impact of COVID-19. However, ICRA notes that the company has availed moratorium on bank debt obligations from March – August, 2020, as a part of the Covid-19 - Regulatory Package announced by the Reserve Bank of India (RBI), which, coupled with healthy financial flexibility, provides comfort.

Exposed to risks inherent in the movie-exhibition industry like piracy and substitution risks – PVR continues to be exposed to the inherent risks in the movie-exhibition industry such as availability of online content and other forms of entertainment. These pose the challenge of sustaining profitability and growth. The risk is further exacerbated by the high fixed-cost nature of the business. ICRA has also taken note of the recent incidents of direct release of movies on OTT platforms, which, if continued over the long term, can have a negative structural impact on multiplex players. However, PVR's management believes that this won't be a long-term phenomenon as movie patrons will continue to prefer the theatrical experience, and also theatrical release gives better opportunity to producers to generate returns on their investment, especially in case of the big budget movies.

Liquidity Position: Adequate

PVR has adequate liquidity of around Rs. 227 crore as on June 07, 2020, inclusive of cash generated primarily by draw-down of previously unutilized working capital lines and newly sanctioned term loans, as well as undrawn bank lines. Further, moratorium availed on bank debt obligations from March – August, 2020, as a part of the Covid-19 - Regulatory Package announced by the Reserve Bank of India (RBI), coupled with healthy financial flexibility, provide additional comfort. ICRA also notes that the company has recently received board approval for raising equity of around Rs. 300 crore. Successful conclusion of the same would further support cash flows. ICRA will continue to monitor the developments and their corresponding impact on PVR's overall liquidity and financial position.

Rating sensitivities

Positive Trigger - An upgrade in the rating is unlikely in the near term. The outlook may be revised to stable if adequate ramp up in OI and profitability, post resumption of operations, together with successful equity raising through the planned rights issue, leads to improved leverage and coverage indicators on a sustained basis.

Negative Trigger – Negative pressure on the rating could arise in case the cinema shut-down extends for a prolonged period, or the ramp-up in operating metrics post resumption of operations is slower than expected, resulting in moderation in PVR's financial risk profile and higher than expected debt levels. Specific metrics leading to a downward revision may include an increase in TD/OPBDITA to above 2.25x on a sustained basis.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	-
Consolidation / Standalone	Consolidated Financial Statements

About the Company:

PVR is a leading film exhibition company in India. It pioneered the multiplex industry in the country by establishing the first multiplex cinema (four screens) in 1997. At present, it has a geographically-diverse presence in India with 176 properties and a total of 845 screens.

Key financial indicators (audited) – Consolidated

	FY2018	FY2019
Operating Income (Rs. crore)	2334.1	3085.6
PAT (Rs. crore)	124.0	189.4
OPBDIT/OI (%)	17.22%	19.00%
RoCE (%)	15.94%	19.51%
Total Outside Liabilities/Tangible Net Worth (times)	1.17	1.61
Total Debt/OPBDIT (times)	2.07	2.19
Interest Coverage (times)	4.80	4.58
DSCR	2.21	1.74

Note: Detailed results for FY2020 are not available as yet

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2020)							Chronology of Rating History for the past 3 years							
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Earlier Rating			Date & Rating in FY2019			Date & Rating in FY2018		Date & Rating in FY2017		
					24-Jun-20	31-Mar-20	17-Mar-20	31-Dec-19	15-Mar-19	17-Aug-18	6-Jun-18	8-Feb-18	23-May-17	16-Jan-17	25-Oct-16	12-Jul-16
1	Commercial Paper	Short Term	200	-	[ICRA]A1+	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Term Loans	Long Term	4	4	[ICRA]AA-(Negative); Withdrawn	[ICRA]AA-&	[ICRA]AA-(Positive)	[ICRA]AA-(Positive)	[ICRA]AA-(Stable)	[ICRA]AA-&	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3	NCD Programme	Long Term	185	185	[ICRA]AA-(Negative); Withdrawn	[ICRA]AA-&	[ICRA]AA-(Positive)	[ICRA]AA-(Positive)	[ICRA]AA-(Stable)	[ICRA]AA-&	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	[ICRA]AA-(Stable)

Amount in Rs. Crore

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	CP (not placed)	-	-	-	200	[ICRA]A1+
INE191H07136	NCD	16-Oct-14	11.00%	16-Oct-20	25	[ICRA]AA- (Negative); Withdrawn
INE191H07144	NCD	16-Oct-14	11.00%	16-Oct-21	25	[ICRA]AA- (Negative); Withdrawn
INE191H07177	NCD	24-Nov-14	11.00%	24-Nov-20	15	[ICRA]AA- (Negative); Withdrawn
INE191H07185	NCD	24-Nov-14	11.00%	24-Nov-21	20	[ICRA]AA- (Negative); Withdrawn
INE191H07193	NCD	9-Jan-15	10.75%	8-Jan-21	50	[ICRA]AA- (Negative); Withdrawn
INE191H07201	NCD	9-Jan-15	10.75%	7-Jan-22	50	[ICRA]AA- (Negative); Withdrawn
NA	Term Loan 1	Jun-16	-	May-23	4	[ICRA]AA- (Negative); Withdrawn

Source: PVR

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
PVR Pictures Limited	100.00%	Full Consolidation
SPI Entertainment Projects (Tirupati) Private Limited	100.00%	Full Consolidation
PVR Lanka Limited	100.00%	Full Consolidation
Zea Maize Private Limited	79.87%	Full Consolidation

Source: PVR; as on March 31, 2020

Analyst Contacts

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+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

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