03rd February, 2022

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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,

In compliance with Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed the rating published on 02nd February, 2022 by ICRA Limited, the Credit Rating Agency.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

MUKESH KUMAR Digitally signed by MUKESH KUMAR Date: 2022.02.03 12:51:33 +05'30'

Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

February 02, 2022

PVR Limited: Rating downgraded to [ICRA]A1

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	50.0	50.0	[ICRA]A1; downgraded from [ICRA]A1+
Total	**50.0**	**50.0**	

*Instrument details are provided in Annexure-1

Rationale

The downgrade of the short-term rating for the Commercial Paper programme of PVR Limited (PVR) takes into account the prolonged impact of Covid-19 on the PVR's operations, which has significantly affected the company's operational metrics, cash flows and leverage metrics. Prior to the third wave, the performance was on an improvement trajectory. With the support of good content, Q3FY2022, witnessed significant improvement in the operational metrics of the company. With the surge in the Covid cases, many of the key states have imposed restrictions on the cinema operations from end of December 2021, both in terms of time and capacity with states like Delhi & Haryana (where PVR has presence) shutting down cinemas completely. These measures will adversely impact the operations of the company in Q4FY2022 and may result into an additional cash burn during the period. Further, the debt remained elevated to Rs. 1,536 crore as of December 2021, and the repayment obligations scheduled over the next two fiscals (FY2023-FY2024) remained high at Rs. 638 crore. Given the pressure on accruals, the company is expected to be reliant on refinancing to meet part of its repayment obligations. Having said that many states have allowed cinemas to start from January 2022 end onwards. Further, its strong track record in raising debt and equity provides comfort in terms of financial flexibility.

The rating, however, continues to derive comfort from the company's adequate liquidity position, as reflected by cash and equivalents of around Rs. 678 crore and undrawn limits of Rs. 63 crore as of December, 2021. The company has raised incremental debt of around Rs. 430 crore in YTDFY2022 to shore up liquidity. During FY2021, it had successfully concluded the rights issue of Rs. 300 crore in August 2020 and qualified institutional placement (QIP) of Rs. 800 crore in February 2021, enabling the company to fund losses in FY2021. The rating further considers PVR's strong brand and leadership position in the domestic film exhibition industry, with 179 properties and a total of 860 screens across India as on YTD FY2022, which also enables it to tie-up spaces at competitive rates at premium locations across the country. Moreover, the demand for film exhibition and entertainment is expected to remain steady, post the normalisation of operations. Nevertheless, the extent of cinema closures, pace of ramp-up of operations post re-opening, movement in various costs and consequent impact on PVR's liquidity and leverage will remain key rating sensitivities going forward.

Given the impact on its revenues, the management has taken various steps to contain the other expenses—by rationalising personnel costs, and other overheads—which has led to savings of 20% in the Common Area Maintenance (CAM), 41% of personnel cost, 53% of other cost in 9MFY2022 vs 9MFY2020.

Of the fixed expenses, rental is one of the key items for which the company received almost 100% waiver during the lockdown period in FY2021 and around 57% rentals discounts in 9MFY2022, partly due to shift to higher revenue share and lower minimum guaranteed rent with the property owners. Further, for the third wave impact, the company initiated discussions with the lessors for rent waivers.

Key rating drivers and their description

Credit strengths

Leadership position in Indian multiplex industry – PVR is the largest multiplex operator in the industry with 179 properties and a total of 860 screens across India as on YTD FY2022. Despite the pandemic, the company added 13 screens in FY2021 and has 18 screens as on YTD FY2022. Going forward, the company is expected to maintain its leadership position.

Strong brand value – PVR commands a strong brand value on the back of its established track record across the country and premium offering, which enables it to tie-up spaces at competitive rates in key locations and properties. This in turn leads to higher average ticket prices and adequate occupancy levels. On a consolidated basis, the average ticket price (ATP) and spend per head improved to Rs 239 and Rs 129 respectively in 9MFY2022 vs Rs. 204 and Rs. 96, respectively in FY2020

Adequate liquidity with equity and debt capital raised in FY2021 and YTD FY2022 – Despite the losses, PVR's liquidity remains adequate with cash and bank balances of around Rs. 678 crore and Rs 63 crore of undrawn lines as of December 2021. The company has raised incremental debt of Rs 430 crore in YTD FY2022 to shore up liquidity. During FY2021, it had successfully concluded the rights issue of Rs. 300 crore in August 2020 and qualified institutional placement (QIP) of Rs. 800 crore in February 2021, enabling the company to fund losses in FY2021. The multiple rounds of successful equity raising also reflects company's healthy financial flexibility.

Credit challenges

Prolonged impact of Covid-19 on the operations – The prolonged impact of Covid-19 on the PVR's operations has significantly affected the company's operational metrics, cash flows and leverage metrics. Further, prior to the third wave, the cinemas' performance was on an improvement trajectory. With the support of good content and improved vaccination coverage, Q3FY2022 has witnessed significant improvement in the company's operational metrics. However, with the recent surge in the Covid cases, many of the key states have imposed restrictions on the cinema operations from late December 2021, both in terms of time and capacity with some states like Delhi & Haryana (where PVR has presence) shutting down cinemas completely. These measures will adversely impact the operations of the company in Q4FY2022 and may result into an additional cash burn during the period. Having said that many states have allowed cinemas to start from January 2022 end onwards.

Repayment obligations remain high for near to medium term – PVR's debt remained elevated as of December 2021 with the total debt amounting to Rs. 1,536 crore. Further, the repayment obligations scheduled over the next two fiscals (FY2023-FY2024) are high at Rs. 638 crore. Given the pressure on accruals, the company is expected to be reliant on debt refinancing to meet part of its repayment obligations. Nonetheless, its strong track record in raising debt and equity provides comfort in terms of financial flexibility.

Exposed to risks inherent in movie exhibition industry like piracy, substitution and high operating leverage – PVR continues to be exposed to the inherent risks in the movie exhibition industry, such as increased availability of online content and other forms of entertainment. These pose challenges in sustaining profitability and growth. The risk is further exacerbated by the high fixed-cost nature of the business. ICRA also takes note of the direct release of movies on over-the-top (OTT) platforms during the pandemic, if continued over the long term, can have a negative structural impact on multiplex players.

Liquidity position: Adequate

PVR has adequate liquidity, as reflected by the cash and equivalents of around Rs. 678 crore and undrawn limits of Rs. 63 crore as of December 2021, which provides adequate buffer to fund expected operational losses during the time of restrictions on operations and meet upcoming repayments over the near term.

Rating sensitivities

Positive factors – The rating may be upgraded in case of significant improvement in operating metrics and consequently the debt protection metrics post the normalisation of operations while maintaining adequate liquidity position.

Negative factors – Negative pressure on the rating could arise in case the cinema restrictions are extended or the footfalls remain impacted for a prolonged period due to the pandemic. Additionally, slower-than-expected ramp-up in operating metrics resulting in continuing weakness in PVR's debt protection metrics or liquidity position would also be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Media - Film Production, Distribution and Exhibition
Parent/Group Support	Not applicable
Consolidation/Standalone	Consolidated

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 179 properties and a total of 860 screens.

Key financial indicators - Consolidated

	FY2020	FY2021	9M FY2022
	Audited	Audited	Unaudited
Operating Income (Rs. crore)	3414.4	280.0	1077.5
PAT (Rs. crore)	26.8	-748.2	-383.0
OPBDIT/OI (%)	31.53%	-119.61%	26.86%
PAT/ OI (%)	0.79%	-267.21%	-35.55%
Total Outside Liabilities/Tangible Net Worth (times)	3.88	2.87	-
Total Debt/OPBDIT (times)	1.20	-4.04	-
Interest Coverage (times)	2.23	-0.67	0.78

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)					Chronology of Rating History for the past 3 years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020			Date & Rating in FY2019		
					Feb 2, 2022	Jun 25, 2021	Jun 24, 2020	Mar 31, 2020	Mar 17, 2020	Dec 31, 2019	Mar 15, 2019	Aug 17, 2018	Jun 6, 2018
1	Commercial Paper	Short Term	50.0	-	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+&	[ICRA]A1+
2	Term Loans	Long Term	-	-		-	[ICRA]AA- (Negative); Withdrawn	[ICRA]AA-&	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA-&	[ICRA]AA- (Stable)
3	NCD	Long Term	-	-		-	[ICRA]AA- (Negative); Withdrawn	[ICRA]AA-&	[ICRA]AA- (Positive)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA-&	[ICRA]AA- (Stable)

& - placed on watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

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	Commercial Paper (not placed)	-	-	-	50.0	[ICRA]A1

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	PVR Shareholding	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	88.65%	Full Consolidation

Source: *PVR report as on December 31, 2021*

ANALYST CONTACTS

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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.

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