01st April, 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 31, 2020 by ICRA, 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: 2020.04.01 19:05:48 +05'30'

**Pankaj Dhawan**
**Company Secretary cum Compliance Officer**

March 31, 2020 Revised

# PVR Limited - Update on Material Event; Ratings placed on watch with developing implications

## Summary of Rated Instrument:

| Instrument | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Non-convertible Debenture Programme | 360.0 | 360.0 | [ICRA]AA-&; placed on watch with developing implications |
| Commercial Paper | 200.0 | 200.0 | [ICRA]A1+&; placed on watch with developing implications |
| Fund based-Term Loan | 219.0 | 219.0 | [ICRA]AA-&; placed on watch with developing implications |
| **Total** | **779.0** | **779.0** | |

## Material Event

As a result of the COVID-19 pandemic, there has been an extension in the closure of cinema halls from March 31, 2020 to April 14, 2020, following the nation-wide lockdown announced till April 14, 2020. This has resulted in all PVR Limited's (PVR's) screens being shut down for the stated period.

## Impact of the Material Event and Rationale

The ratings remain unchanged at the earlier ratings of [ICRA]AA-/A1+. However, the ratings have been placed on watch with developing implications following the nation-wide lockdown and consequent extension in the period of shutdown till April 14, 2020., As a result of this extension, and the possibility of further restrictions on cinema halls going forward, the impact on PVR's revenues and cash accruals is expected to be further aggravated, relative to the shorter shut-down period announced earlier. However, the ratings remain supported by PVR's adequate liquidity, with available cash balances of around Rs. 300 crore[1], generated primarily by draw-down of previously unutilized working capital lines and newly sanctioned term loans. Further, the low debt repayment obligations over the next few months, coupled with healthy financial flexibility, provide additional comfort. ICRA also 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; however, on overall basis, the company is expected to report operating losses during the period of shutdown. ICRA will continue to monitor the developments in this regard and the corresponding impact on PVR's liquidity and overall financial position.

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 March, 16 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. 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.

[1] As on 30th March 2020, as per discussion with management

## 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 March 16, 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. Going forward, the proposed addition of around 80-100 screens every year 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 increased to a healthy 36.1% in 9MFY2020 from 35.4% in 9MFY2019. Further, the spend per head also increased to Rs. 100 in 9MFY2020 as compared to Rs. 91 in 9MFY2019[2]. However, the operating metrics over the near future are expected to witness moderation on account of COVID-19.

**High occupancy and average ticket prices in past quarters, along with conclusion of QIP, support the overall financial profile –** 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 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.

## 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 and are expected to remain closed at least till April 14, 2020. This 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, and will continue to monitor the developments in this regard.

**Aggressive planned capex with addition of 80-100 screens per year; budgeted funding from internal accruals enhances content risks for PVR, although some deferment is expected due to the impact of Covid-19 –** The company plans to undertake significant capital expenditure every year, a considerable part of which is expected to be funded through internal accruals. The generation of adequate accruals remains dependent on good box-office performance, resulting in enhanced content risks for PVR. Absence of adequate internal accruals would 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. However, ICRA notes that with the slowdown in operations from March, 2020 onwards because of COVID-19, some capex plans might get deferred.

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

**Repayment obligations remain high over the near-to-medium term –** 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 (Rs. 200 crore and Rs. 223 crore in FY2021 and FY2022, respectively). ICRA also notes that the increased debt availed to meet liquidity requirements because of the impact of COVID-19 would further increase the repayment obligations, although a staggered schedule has resulted in the same remaining limited for Q1FY2021 at Rs. 9.08 crore.

**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.

## Liquidity Position: Adequate

PVR's liquidity is expected to be supported by healthy available cash balances of around Rs. 300 crore, generated primarily by draw-down of previously unutilized working capital lines and newly sanctioned term loans. While the absolute repayment obligations scheduled over the next two fiscals are likely to remain high (Rs. 200 crore and Rs. 223 crore in FY2021 and FY2022, respectively), ICRA draws comfort from the low repayment obligations in Q1FY2021, as well as the healthy financial flexibility enjoyed by the company. ICRA will continue to monitor the developments in this regard and the corresponding impact on PVR's liquidity and overall financial position.

## Rating sensitivities

**Positive Trigger** - The rating may be upgraded if continued growth in OI and profitability, lead to a sustained improvement in leverage and coverage indicators. Specific metrics leading to the upgrade may include a reduction in TD/OPBDITA to below 1.5x on a sustained basis.

**Negative Trigger** – Negative pressure on the rating could arise in case the cinema shut-down extends beyond April 14, 2020, 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.

## Analytical approach:

| Analytical Approach | Comments |
|---|---|
| Applicable Rating Methodologies | Corporate Credit Rating Methodology |
| 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 |

## 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 | | |
| | | | | | 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+ |
| 2 | Term Loans | Long Term | 219 | 29 | [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 | 360 | 185 | [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*

*& - placed on watch with developing implications*

## 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 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 | CP (not placed) | - | - | - | 200 | [ICRA]A1+& |
| INE191H07144 | NCD | 16-Oct-14 | 11.00% | 16-Oct-20 | 25 | [ICRA]AA-& |
| INE191H07151 | NCD | 16-Oct-14 | 11.00% | 16-Oct-21 | 25 | [ICRA]AA-& |
| INE191H07177 | NCD | 24-Nov-14 | 11.00% | 24-Nov-20 | 15 | [ICRA]AA-& |
| INE191H07185 | NCD | 24-Nov-14 | 11.00% | 24-Nov-21 | 20 | [ICRA]AA-& |
| INE191H07193 | NCD | 9-Jan-15 | 10.75% | 8-Jan-21 | 50 | [ICRA]AA-& |
| INE191H07201 | NCD | 9-Jan-15 | 10.75% | 7-Jan-22 | 50 | [ICRA]AA-& |
| NA | NCD (not Placed) | - | - | - | 175 | [ICRA]AA-& |
| NA | Term Loan 1 | Jun-16 | - | May-23 | 4 | [ICRA]AA-& |
| NA | Term Loan 2 | - | - | - | 215 | [ICRA]AA-& |

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 30, 2020

## Corrigendum:

Rationale dated March 31, 2020 has been corrected with revisions as detailed below:

- Update in Annexure – 1: Instrument Details
- Update in Annexure – 2: List of entities considered for consolidated analysis

## Analyst Contacts

**Shubham Jain**
+124-4545 306
shubhamj@icraindia.com

**Rashmi Agarwal**
+124-4545 871
rashmi.agarwal@icraindia.com

**Mahi Agarwal**
+33-7150 1106
mahi.agarwal@icraindia.com

## Relationship Contact

**Jayanta Chatterjee**
+91 80 4332 6401
jayantac@icraindia.com

## Media and Public Relations Contact

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## Helpline for business queries:

+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

**Corporate Office**
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

**Registered Office**
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

**Branches**

| | |
|---|---|
| Mumbai | + (91 22) 24331046/53/62/74/86/87 |
| Chennai | + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294 |
| Kolkata | + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008 |
| Bangalore | + (91 80) 2559 7401/4049 |
| Ahmedabad | + (91 79) 2658 4924/5049/2008 |
| Hyderabad | + (91 40) 2373 5061/7251 |
| Pune | + (91 20) 020 6606 9999 |