23rd September, 2021

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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 September 23, 2021 by CRISIL Ratings 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: 2021.09.23 16:04:26 +05'30'

Mukesh Kumar
SVP- Company Secretary
& Compliance Officer

Rating Rationale

September 23, 2021 | Mumbai

PVR Limited

Ratings downgraded to 'CRISIL A+/CRISIL PPMLD A+r/Negative/CRISIL A1'; 'CRISIL PPMLD A+r/Negative' assigned to Long Term Principal Protected Market Linked Debentures

Rating Action

Total Bank Loan Facilities Rated	**Rs.1033.33 Crore**
Long Term Rating	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Short Term Rating	**CRISIL A1 (Downgraded from 'CRISIL A1+')**

Rs.250 Crore Long Term Principal Protected Market Linked Debentures	**CRISIL PPMLD A+ r /Negative (Assigned)**
Rs.50 Crore Long Term Principal Protected Market Linked Debentures	**CRISIL PPMLD A+ r /Negative (Downgraded from 'CRISIL PPMLD AA-r/ Negative')**
Rs.5 Crore (Reduced from Rs.25 Crore) Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Rs.10 Crore (Reduced from Rs.35 Crore) Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Rs.50 Crore (Reduced from Rs.100 Crore) Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Rs.50 Crore (Reduced from Rs.100 Crore) Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Rs.5 Crore Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**
Rs.30 Crore Non Convertible Debentures	**CRISIL A+/Negative (Downgraded from 'CRISIL AA-/Negative')**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its ratings on the bank facilities and debt programmes of PVR Limited (PVR) to **'CRISIL A+/CRISIL PP-MLD A+r/Negative/CRISIL A1'**.from 'CRISIL AA-/CRISIL PPMLD AA-r/Negative/CRISIL A1+' CRISIL Ratings has assigned its '**CRISIL PP-MLD A+r/Negative**' rating to the Rs.250 crore long-term principal-protected market-linked debentures.

Furthermore, the rating on the Rs 145 crore NCDs has been withdrawn as the instruments have been fully repaid. CRISIL Ratings has received confirmation of no dues pending against these NCDs. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of NCDs.

The rating action reflects CRISIL Ratings' expectation of weakening of PVR's business risk profile over the medium term. Prolonged restriction on operations both in terms of time and capacity along with delayed opening of key states such as Maharashtra has led to deferment in release of hindi content impacting the overall footfalls.

While cinema halls have been allowed to open in majority of the states across the country, but they are operating at varied level of restriction in terms of both time and capacity. Since Hindi content has been limited therefore regional and English movie releases have supported the operations so far.

PVR has undertaken steps to reduce cost and augment liquidity over the past 18 months. After the second wave of Covid-19, it has been successful in negotiating with majority of mall owners, wherever operations have been resumed, for waiving off rentals for the entire closure period along with revenue sharing arrangements or lower guaranteed payments from second quarter of fiscal 2022 onwards. Besides, the company has also conserved cash by reducing its workforce and deferring maintenance outlay and capital expenditure (capex).

In August 2020 and February 2021, the company raised Rs 300 crore (rights issue) and Rs 800 crore (qualified institutional placement [QIP]), respectively, which augmented liquidity. Cash and bank balance, undrawn committed bank lines and other liquid investments stood at above Rs 570 crore as on August 31, 2021.

Improvement in the current situation, leading to return of content, relaxation in restrictions in key states and ramp-up in occupancies, while operators continue to contain operating costs and maintain liquidity, will remain a key monitorable.

The ratings continue to reflect the company's strong market position and established brand, healthy operating efficiency prior to the pandemic, strong financial risk profile and ample liquidity. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PVR; its subsidiaries, PVR Pictures Ltd, PVR Lanka Ltd, Zea Maize Pvt Ltd, SPI Entertainment Projects (Tirupati) Private Limited; and the joint venture (JV), Vkaao Entertainment Pvt Ltd. The entities, collectively referred to herein as PVR, 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 strong brand equity. It had 849 screens with operations in 177 locations across 72 cities as on date. It has around 30% more screens than the second-largest player. Addition of screens from SPI Cinemas Pvt Ltd has led to significant improvement in the market position in south India and helped diversify content, as cinema from the region contributes over 35% to the overall box office collection. Any capex plan to add screens have been put on hold temporarily. Addition of screens is likely to remain low for some time and will depend on ramp-up in occupancy over the next 2 quarters, post lifting of restrictions over operations.

Healthy operating efficiency before the pandemic

Presence in prime locations in major cities helps command higher average ticket price than peers. Moreover, contribution from the high-margin food and beverages segment and advertisement revenue (together comprising around 40% of the total income) remains high.

Operating margin was healthy at 17.6% in fiscal 2020, compared with 19% and 17.2% in fiscals 2019 and 2018, respectively, despite the lockdown. Besides box-office collections, revenue from other segments was also healthy. For instance, spend per head was Rs 99 in fiscal 2020 (Rs 91 in fiscal 2019; Rs 89 in fiscal 2018). Similarly, advertisement revenue was Rs 376 crore in fiscal 2020 (Rs 354 crore in fiscal 2019; Rs 297 crore in fiscal 2018).

While operating performance has been impacted in fiscal 2021 and is likely to remain impacted in the first half of fiscal 2022, owing to the 2nd wave of Covid-19. The company's ability to sustain growth in occupancy post lifting of restrictions, leading to healthy operating margin, will remain critical.

Strong financial risk profile

The financial risk profile is supported by a strong ability to raise funds from capital markets. The company has raised Rs 1,600 crore through rights issue and QIP since October 2019. QIP of Rs 500 crore in October 2019 led to significant improvement in debt protection metrics. Net debt for the company has largely remained stable at ~Rs 869 crore as of August 31, 2021 as against ~Rs 971 cr as of March 31, 2020.

Despite the cash losses in fiscal 2021, the gearing has remain healthy due to Rs 1100 crore equity raise during the fiscal. However, if occupancy continues to be sub-optimal for a prolonged period in fiscal 2022, there could be an impact on the debt profile, with continued cash losses weakening the financial risk profile. Any sustained impact on operations and subsequently on the financial risk profile will remain key monitorables.

Weakness

Exposure to risks inherent in the film exhibition business

Volatility in profitability, inherent in the film exhibition business, will continue to affect operations, though the impact should be cushioned marginally by the large scale of operations and diversified revenue. Multiplex players, given their high fixed costs, should remain dependent on occupancy, which is driven by the success of films (occupancy was 34.9% in fiscal 2020 compared with 36.2% in fiscal 2019). Other forms of entertainment and new content distribution platforms, including over-the-top, will expose the company to challenges of sustaining profitability and growth.

Liquidity: Strong

Liquidity was more than Rs 570 crore as on August 31, 2021, including cash and bank balance, undrawn committed bank lines and other liquid investments. For the period from September 1, 2021 upto March 31, 2022, the company has a total debt repayment obligation of approximately Rs. 147 crores. Therefore, while the company has sufficient liquidity to manage cash loss and debt obligation, turnaround in operations along with the ability to curtail operating costs while maintaining healthy liquidity amid restrictions over operations will be a key monitorable.

Outlook: Negative

CRISIL Ratings believe there could be weakening of the company's credit profile over the next 3-4 months if local restrictions hinder opening of operations pan-India or occupancy remains subdued despite resumption of operations.

Rating Sensitivity Factors

Upward Factors

- Resumption of operations and relaxations in restrictions along with a faster than expected recovery in occupancy leading to quarterly operating profits sustaining above Rs 100 crore
- Significant reduction in debt and improvement in cash accrual, restricting the net debt to EBITDA ratio to below 2.5 times
- Improvement in the revenue resulting in EBITDA margin (ex-Ind AS-116 adjustment) sustaining above 15%

Downward Factors

- Lower-than-expected ramp-up in occupancy post lifting of restriction or significant rise in operating costs, resulting in higher-than-expected cash losses
- Lower-than-expected recovery in operations leading to weakening of the capital structure with net debt sustaining above Rs 1300 crore and net debt to EBITDA (computed on annualised basis for the recent quarter post Q3 fiscal 2022) sustaining above 3.5 times

About the Company

PVR was established in 1995 as a 60:40 JV between Priya Exhibitors Pvt Ltd and Village Roadshow Ltd (VRL), a world leader in the multiplex business. In 1995, PVR took a single-screen cinema hall, Anupam, in Saket, Delhi, on lease and converted it into a four-screen multiplex. The hall started operations in 1997 as PVR Anupam and was the first multiscreen 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 west 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 three upcoming) for a consideration of Rs 433 crore. PVR had raised equity of Rs 350 crore in fiscal 2016 to partly fund the acquisition. The balance was to be funded through debt and internal cash accrual. In January 2017, Warburg Pincus Llc acquired a 14% stake in the company, with 9% from its current shareholders (Multiples Private Equity Fund I Ltd) and 5% from the promoters.

Net loss was Rs 219 crore on operating revenue of Rs 59 crore for the Q1 ended June 30, 2021, as compared to net loss of Rs 226 crore on operating revenue of Rs 13 crore in the corresponding period of the previous fiscal.

Key Financial Indicators

As on/for the period ended March 31	Unit	2021	2020
Operating revenue	Rs.Crore	274	3,404
Profit After Tax (PAT)	Rs.Crore	-762	23.27
PAT margin	%	-277.9	0.68
Adjusted debt/adjusted networth	Times	2.24	1.09
Interest coverage	Times	-0.67	2.19

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
INE191H07268	Debentures	03-Apr-17	8.15%	02-Apr-22	50	Simple	CRISIL A+/Negative
INE191H07276	Debentures	18-Aug-17	7.85%	18-Aug-22	50	Simple	CRISIL A+/Negative
NA	Debenture*	NA	NA	NA	50	Simple	CRISIL A+/Negative
INE191H07318	Long-term principal protected market linked debentures	09-Oct-20	Linked to 5.77% G-Sec 2030	07-Jan-22	50	Highly complex	CRISIL PP-MLD A+r/Negative
NA	Long-term principal protected market linked debentures*	NA	NA	NA	250	Highly complex	CRISIL PP-MLD A+r/Negative
NA	Term loan	NA	NA	20-Mar-27	273.90	NA	CRISIL A+/Negative
NA	Term loan	NA	NA	31-Oct-27	268.29	NA	CRISIL A+/Negative
NA	Term loan	NA	NA	26-Oct-27	150.00	NA	CRISIL A+/Negative
NA	Term loan	NA	NA	30-Sep-26	100.89	NA	CRISIL A+/Negative
NA	Term loan	NA	NA	29-Dec-25	64.46	NA	CRISIL A+/Negative
NA	Term loan	NA	NA	28-Jun-26	59.38	NA	CRISIL A+/Negative
NA	Short term loan	NA	NA	29-Oct-21	25.00	NA	CRISIL A1
NA	Overdraft facility	NA	NA	NA	9.00	NA	CRISIL A+/Negative
NA	Overdraft	NA	NA	NA	14.00	NA	CRISIL A+/Negative

	facility						
NA	Proposed Long Term loan facility	NA	NA	NA	68.41	NA	CRISIL A+/Negative

**Not yet issued*

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level
INE191H07144	Debentures	16-Oct-14	11.00%	16-Oct-21	25	Simple
INE191H07185	Debentures	24-Nov-14	11.00%	24-Nov-21	20	Simple
INE191H07201	Debentures	09-Jan-15	10.75%	07-Jan-22	50	Simple
INE191H07284	Debentures	03-Apr-17	8.72%	16-Apr-21	10	Simple
INE191H07292	Debentures	16-Apr-18	8.72%	15-Apr-22	20	Simple
INE191H07300	Debentures	16-Apr-18	8.72%	14-Apr-23	20	Simple

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	JV
SPI Entertainment Projects (Tirupati) Private Limited	Full consolidation	Subsidiaries

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	1033.33	CRISIL A+/Negative / CRISIL A1	16-04-21	CRISIL AA-/Negative / CRISIL A1+	07-12-20	CRISIL AA/Negative / CRISIL A1+	08-01-19	CRISIL AA-/Stable	06-11-18	CRISIL AA-/Stable	CRISIL AA-/Stable
			--		--	06-10-20	CRISIL AA/Negative		--	17-08-18	CRISIL AA-/Stable	--
			--		--	14-09-20	CRISIL AA/Watch Negative		--		--	--
			--		--	23-03-20	CRISIL AA/Watch Negative		--		--	--
			--		--	31-01-20	CRISIL AA/Stable		--		--	--
Non Convertible Debentures	LT	150.0	CRISIL A+/Negative	16-04-21	CRISIL AA-/Negative	07-12-20	CRISIL AA/Negative	08-01-19	CRISIL AA-/Stable	06-11-18	CRISIL AA-/Stable	CRISIL AA-/Stable
			--		--	06-10-20	CRISIL AA/Negative		--	17-08-18	CRISIL AA-/Stable	--
			--		--	14-09-20	CRISIL AA/Watch Negative		--		--	--
			--		--	23-03-20	CRISIL AA/Watch Negative		--		--	--
			--		--	31-01-20	CRISIL AA/Stable		--		--	--
Long Term Principal Protected Market Linked Debentures	LT	300.0	CRISIL PPMLD A+ r /Negative	16-04-21	CRISIL PPMLD AA- r /Negative	07-12-20	CRISIL PPMLD AA r /Negative		--		--	--
			--		--	06-10-20	CRISIL PPMLD AA r /Negative		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Overdraft Facility	**9**	**CRISIL A+/Negative**
Overdraft Facility	**14**	**CRISIL A+/Negative**
Proposed Term Loan	**68.41**	**CRISIL A+/Negative**
Short Term Loan	**25**	**CRISIL A1**
Term Loan	**273.9**	**CRISIL A+/Negative**

Term Loan	**268.29**	**CRISIL A+/Negative**
Term Loan	**100.89**	**CRISIL A+/Negative**
Term Loan	**59.38**	**CRISIL A+/Negative**
Term Loan	**64.46**	**CRISIL A+/Negative**
Term Loan	**150**	**CRISIL A+/Negative**

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation

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About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

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CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011 to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratiings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: www.crisil.com/ratings/credit-rating-scale.html