May 27, 2022(Revised)

# PVR Limited: Rating reaffirmed and withdrawn

## 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| Commercial Paper | 50.0 | 50.0 | [ICRA]A1; rating reaffirmed and withdrawn |
| **Total** | **50.0** | **50.0** | |

**Instrument details are provided in Annexure-1*

# Rationale

ICRA has reaffirmed and withdrawn the rating assigned to the commercial paper (CP) programme of PVR Limited (PVR). There is no amount outstanding against the rated instrument and the rating has been withdrawn at the company's request. The rating action is in accordance with ICRA's policy on withdrawal of credit rating.

The rating reaffirmation factors in PVR's strong brand and leadership position in the domestic film exhibition industry, with 173 properties and a total of 854 screens across India as on date and the expected rebound in its performance going forward owing to the waning impact of Covid-19 pandemic and strong content pipeline, sans any additional Covid-19 wave. The rating notes the company's comfortable liquidity position and strong financial flexibility. PVR has successfully raised equity of Rs. 1,100 crore during the last two years through rights issue and qualified institutional placement (QIP). ICRA notes that the proposed amalgamation of PVR and INOX Leisure Ltd (subject to required approvals) will make the merged entity the largest film exhibition company in India, commanding a significant market share. Further, the merged entity will be able to better withstand the headwinds in the movie exhibition industry with expected synergies.

The rating, however, is constrained by the significant impact of the pandemic on PVR's operations, which has significantly affected its operational metrics, cash flows and leverage metrics leading to deterioration of credit risk profile over the last two years. Thus, a sustained recovery in operational metrics and impact of any further waves of the pandemic remain crucial for its credit risk profile. Additionally, the debt remained elevated at Rs. 1,505 crore as of March 2022, with high repayment obligations scheduled during FY2023-FY2024 worth ~Rs. 650 crore, which may expose the company to refinancing risks, to meet a part of its repayment obligations. Further, PVR continues to be exposed to inherent risks in the movie exhibition industry, such as increased availability of online content and other forms of entertainment. These pose challenges in sustaining the profitability and growth. The risk is further exacerbated by the high fixed cost nature of the business.

# Key rating drivers and their description

## Credit strengths

**Leadership position in Indian multiplex industry –** PVR is the largest multiplex operator in the industry with 173 properties and a total of 854 screens across India as on date. Despite the pandemic, the company added 13 and 29 screens in FY2021 and FY2022, respectively. Going forward, it is likely to maintain its leadership position. Moreover, the proposed amalgamation of PVR and INOX Leisure Ltd (subject to required approvals) will make the merged entity the largest film exhibition company in India commanding a significant market share. Further, the merged entity will be able to better withstand the headwinds in movie exhibition industry with expected synergies.

**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 healthy average ticket prices and adequate occupancy levels (barring the period of Covid-19 impact). On a consolidated basis, the average ticket price (ATP) and spend per head stood at Rs. 242 and Rs. 122, respectively, in Q4 FY2022.

**Healthy financial flexibility –** Despite the losses in FY2021 and FY2022, PVR's liquidity remains adequate with cash and bank balances of around Rs. 579 crore and Rs. 89 crore of undrawn lines as of March 2022 on the back of Rs. 1,100-crore equity raised through rights issue, QIP during the last two years and debt tie-ups. The multiple rounds of successful fund raising reflects the company's healthy financial flexibility.

## Credit challenges

**Significant impact of pandemic on operations and financial risk profile –** The prolonged impact of the Covid-19 pandemic on PVR's operations significantly affected its operational metrics, cash flows and leverage metrics and led to deterioration in credit risk profile in that period. Thus, a sustained recovery in operational metrics and impact, if any, of further waves of the pandemic will be a critical determinant of PVR's credit risk profile going forward.

**Repayment obligations remain high for near to medium term –** PVR's debt remained elevated as of March 2022 with the total debt of Rs. 1,505 crore. Further, it has high repayment obligations during FY2023-FY2024 worth ~Rs. 650 crore, which may expose the company to refinancing risks. 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, which 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 cash and equivalents of around Rs. 579 crore and Rs. 89 crore of undrawn lines as of March 2022. Additionally, with the expected rebound in the company's performance going forward owing to the waning impact of the pandemic and strong content pipeline, the cash flows and liquidity position are likely to remain comfortable.

## Rating sensitivities

**Positive factors –** Not captured as the rating has been withdrawn.

**Negative factors –** Not captured as the rating has been withdrawn.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable Rating Methodologies** | Corporate Credit Rating Methodology<br>Media - Film Production, Distribution and Exhibition<br>Policy on Withdrawal of Credit Ratings |
| **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 173 properties and a total of 854 screens.

### Key financial indicators - Consolidated

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| | Audited | Audited | Audited |
| Operating Income (Rs. crore) | 3414.4 | 280.0 | 1331.0 |
| PAT (Rs. crore) | 26.8 | -748.2 | -488.5 |
| OPBDIT/OI (%) | 31.53% | -119.61% | 7.94% |
| PAT/ OI (%) | 0.79% | -267.21% | -36.70% |
| Total Outside Liabilities/Tangible Net Worth (times) | 3.88 | 2.87 | 3.91 |
| Total Debt/OPBDIT (times) | 1.20 | -4.04 | 14.24 |
| Interest Coverage (times) | 2.23 | -0.67 | 0.21 |

*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 (FY2023) | | Chronology of Rating History for the Past 3 Years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in | Date & Rating in FY2022 | | Date & Rating in FY2021 | Date & Rating in FY2020 | | |
| | | | | | May 27, 2022 | Feb 2, 2022 | Jun 25, 2021 | Jun 24, 2020 | Mar 31, 2020 | Mar 17, 2020 | Dec 31, 2019 |
| 1 | Commercial Paper | Short Term | 50.0 | - | [ICRA]A1; withdrawn | [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) |
| 3 | NCD | Long Term | - | - | - | | - | [ICRA]AA- (Negative); Withdrawn | [ICRA]AA-& | [ICRA]AA- (Positive) | [ICRA]AA- (Positive) |

*& - 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 analysing 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 are available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

| ISIN | 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; withdrawn |

***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*

### Corrigendum

The amount of repayment obligations scheduled during FY2023-FY2024 and the date as on which the number of properties and screens had been mentioned in the Rationale have been revised in the relevant sections.

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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.

For more information, visit www.icra.in

## ICRA Limited

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### Branches