

## PVR Limited

Instrument	Amount	Rating
	In Crore	
Long term fund based facilities	262.3	[ICRA]AA-(stable) assigned
NCD Programme	360.0	[ICRA]AA-(stable) assigned
Commercial paper	80.0	[ICRA]A1+ (outstanding)

ICRA has assigned [ICRA]AA- (pronounced ICRA double A minus) <sup>\*</sup> rating to the Rs 262.3 crore long term fund based limits and Rs 360.0 crore NCD programme of PVR Limited (PVR). The outlook on the long term rating is 'stable'. ICRA also has an outstanding short term rating of [ICRA] A1+ (pronounced ICRA A one plus) for the Rs 80.0 crore commercial paper programme of PVR.

The assigned rating takes into account the strengths derived from PVR's leadership position in the Indian multiplex industry and the successful business integration of Cinemax India Limited as witnessed in the ramp up of revenues and operating profits in recent years. The rating draws comfort from PVR's strong management and established track record which has enabled it to witness better operating metrics compared to most of its peers. The ratings favourably factors in strong operating performance of the company in 9m, FY16 and significant improvement in operating metrics led by strong box office performance of released films during the same period.

The rating takes a note of PVR's proposed acquisition of 'DT Cinemas', the cinema exhibition business of DLF Utilities Limited on a slump sale basis for an aggregate amount of Rs 500 crore. The proposed transaction is awaiting approval from applicable statutory and regulatory bodies and is expected to be concluded by the end of this financial year. The acquisition is being funded by Rs 350 crore of fresh equity and rest from a mix of debt and internal accruals. While Rs 350 crore of equity was raised in July 2015 from Multiple Alternate Asset Management Private Limited, a private equity firm which was an existing shareholder, against dilution of 10.7% stake, remaining Rs 150 crore is expected to be raised in CY2016 given the staggered nature of payment schedule.

With acquisition of DT Cinemas having 36 existing screens and 3 under-construction screens, PVR's network will increase to 527 screens (excluding under-construction screens) while maintaining its position as the market leader in an industry which has witnessed significant consolidation in recent years. While the presence of DT's concentrated portfolio in high-paying markets such as NCR Region and Chandigarh will improve the overall operating metrics of PVR, the shift from fixed rentals to revenue sharing for acquired screens would also result in cost savings. Further the synergy derived from the acquisition in the medium term is likely to improve the profitability of the consolidated entity.

Rating also draws comfort from the improvement in financial risk profile of the company as reflected by deleveraging of capital structure post significant equity infusion, albeit to fund acquisition, and improvement in profitability led by higher occupancies and consistently increasing average ticket price and spend per head. The higher fund generation has allowed PVR to fund the capex done in 9m, FY16 thereby reducing dependence on external debt. Nevertheless, PVR continues to be under organic expansion mode as it plans to add 60-70 screens annually and any unexpected deterioration in fund generation or any additional inorganic growth plan could also increase the reliance on external debt thereby impacting the credit profile of the company. Further, content risk assumes significance considering that the company plans to fund its ongoing capex largely through internal accruals and is therefore dependent on good content at box office coupled with scaling up of performance of new properties in order to generate the expected accruals. Further, as is typical of the industry, PVR continues to be exposed to risks associated with the movie business like piracy, regulatory risks, substitution risk from competing distribution platforms.

<sup>\*</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



The company's working capital requirements is negative owing to cash receipt nature of multiplex operations; however it resorts to short term borrowings for managing temporary cashflow mismatches given the seasonal nature of the movie industry. With a steady ongoing expansion plan and the seasonal nature of business, the company's ability to manage its cashflows while improving the debt coverage indicators will be a key rating sensitivity. This apart the company's ability to obtain pending approvals for proposed acquisition, execute its planned capex in a timely manner and generate commensurate returns from the new screens would continue to be rating sensitivities.

#### **Recent results**

On a consolidated basis, in FY2015, PVR reported an operating income of Rs 1477.12 crore with a profit after tax of Rs 11.6 crore translating to a net margin of 0.8%. In 9m, FY16, PVR reported an operating income of Rs 1458.37 crore with a profit after tax of Rs 129.64 crore. PAT margins were aided by low tax outgo on account of reversal of deferred tax liability pursuant to a favourable legal ruling with regard to treatment of entertainment tax subsidy in recent past.

#### **About the Company:**

PVR Limited (PVR) is a leading "Film Exhibition" company in India. It pioneered the multiplex industry in the country by establishing the first multiplex cinema (4 screens) in 1997 and the largest (11-screen) multiplex cinema in the country in 2004. Currently, it has a geographically diverse cinema circuit in India consisting of 109 theatres with a total of 491 screens. PVR's other businesses include movie distribution business through its wholly owned subsidiary PVR Pictures, bowling alley business through PVR Bluo Entertainment Ltd & gourmet popcorn business through Zea Maize Pvt Ltd.

**February 2016**

*For further details please contact:*

*Analyst Contacts:*

**Mr. Rohit Inamdar** (Tel. No. +91-124-4545847)  
rohit.inamdar@icraindia.com

*Relationship Contacts:*

**Mr. Vivek Mathur** (Tel. No. +91-124-4545310)  
vivek@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500