

22nd June 2016

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

Sub: Credit Ratings upgraded by CRISIL for Bank Loan Facility & Non - Convertible Debentures

Dear Sir,

In terms of Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 read with corresponding circulars and notifications issued thereunder, it is hereby informed that on the basis of recent developments including operational and financial performance of the company, CRISIL has upgraded the ratings assigned to the Bank Loan Facility & Non - Convertible Debentures of the company as follows:

Facility	Rating	Remarks
Bank Loan Facility	CRISIL AA- (AA Minus)	Revised from CRISIL A+ (A plus)
Non-Convertible Debentures	CRISIL AA- (AA Minus)	Revised from CRISIL A+ (A plus)

We are enclosing the rating rationale issued by CRISIL

This is for your information and records

Thanking You,

Yours faithfully,

For PVR Ltd


Pankaj Dhawan
Sr. VP Secretarial



Ratings

Rating Rationale

June 21, 2016 | Mumbai

PVR Limited

Rating upgraded to 'CRISIL AA-/Stable'

Total Bank Loan Facilities Rated	Rs.3483.3 Million
Long Term Rating	CRISIL AA-/Stable (Upgraded from 'CRISIL A+/Positive')
(Refer to Annexure 1 for Facility-wise details)	
Non-Convertible Debentures Aggregating Rs.3.8 Billion	CRISIL AA-/Stable (Upgraded from CRISIL A+/Positive)

CRISIL has upgraded its rating on the long-term bank facility and non-convertible debenture programme of PVR Ltd (PVRL) to 'CRISIL AA-/Stable' from 'CRISIL A+/Positive'.

The upgrade is driven by CRISIL's belief that improvement in PVRL's financial risk profile will sustain over the medium term, supported by sizeable scale and strong market position in the film exhibition industry. The company's ratio of debt to earnings before interest, tax, depreciation, and amortisation (EBITDA) improved to 2 times as on March 31, 2016, from 3.7 times as on March 31, 2015, backed by healthy operating performance, and no large expansion.

CRISIL believes PVRL will sustain improvement in its debt/EBITDA ratio over the medium term on account of healthy operating efficiency and limited increase in debt as internal accrual will be sufficient to fund organic growth. CRISIL also believes there are few sizeable attractive assets available in the multiplex industry for PVRL, limiting the company's opportunities for inorganic growth. Its improved financial risk profile will help offset the impact of inherent volatility in the film exhibition business, and result in a better credit risk profile.

The rating reflects PVRL's strong market position and established brand, healthy operating efficiency, and comfortable financial risk profile. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

PVRL is the largest multiplex operator in India with strong brand equity. It has 553 screens, and presence in 121 locations and 47 cities across India, accounting for 22-24 percent of box office collection of Hindi films and 38-40 percent of English films. Proposed addition of 60-70 screens per annum over the medium term will help the company sustain market leadership, and hence, healthy business risk profile. Presence in prime locations in major Indian cities helps PVRL command a higher average ticket price than peers, and supports high-margin food and beverages and advertisement revenue, which accounts for almost 35 percent of its total revenue. Healthy operating efficiency is also supported by increasing scale of operations which enables high bargaining power with advertisers and suppliers.

PVRL's financial risk profile is comfortable because of low gearing of 0.7 times as on March 31, 2016 (1.8 times as on March 31, 2015). Debt protection metrics also improved significantly on account for healthy cash accrual. Interest coverage and net cash accrual to total debt ratios improved to 4.3 times and 0.35 time, respectively, for 2015-16 (refers to financial year, April 1 to March 31) from 2.7 times and 0.15 time, respectively, in 2014-15. The sustenance of financial risk profile will be a key rating sensitivity factor. Volatility in profitability, inherent in the film exhibition business, will continue to impact PVRL, though the impact will be cushioned marginally by its scale of operations. Multiplex players, given their high fixed costs, will remain dependent on occupancy, which is driven by success of films (occupancy was 31 percent and 35 percent in 2014-15 and 2015-16, respectively). The availability of other forms of entertainment and new properties expose the company to challenges of sustaining growth and profitability.

For arriving at the rating, CRISIL has combined the business and financial risk profiles of PVRL and its subsidiaries. This is because all the entities, collectively referred to as PVRL, are in related lines of business and have common promoters.

Outlook: Stable

CRISIL believes PVRL will continue to benefit over the medium term from its dominant market position and strong brand equity. The outlook may be revised to 'Positive' if there is sustained improvement in operating profitability and scale of operations, while financial risk profile strengthens. The outlook may be revised to 'Negative' in case of sizeable debt-funded capital expenditure or acquisition, or weaker-than-expected operating performance.

About the Company

PVRL was set up in 1995 as a 60:40 joint venture (JV) between Priya Exhibitors Pvt Ltd and Village Roadshow Ltd (VRL), a world leader in the multiplex business. In the same year, PVRL took a single-screen cinema hall, Anupam,

at Saket in Delhi, on lease, and converted it into a four-screen multiplex. It started operations in 1997 as PVR Anupam and was the first multi-screen cineplex in India. As part of its global business strategy, VRL exited the JV in 2002.

In 2006-07, PVRL, through its subsidiary, PVR Pictures Ltd, entered the film distribution and production business, which it subsequently exited. PVRL has formed a JV with Major Cineplex Group Public Co Ltd, one of the largest entertainment groups of Thailand. As part of the JV, PVRL launched one of India's largest bowling centres, with 24 lanes, in March 2009 in Gurgaon, Haryana, under the Blu-O brand. The company is now engaged in two key businesses: film exhibition and bowling.

In November 2012, PVRL acquired Cinemax, strengthening its presence in western India. Cinemax operated in 39 locations with 138 screens. This acquisition made PVRL the largest multiplex operator in India. In May 2016, PVRL completed the acquisition of DT Cinemas' 32 screens (29 operational and 3 upcoming) for Rs.4.33 billion. PVRL had raised equity of Rs.3.5 billion for the acquisition in 2015-16, and funded the balance through debt and internal cash accrual.

For 2015-16, on a consolidated basis, PVRL's profit after tax (PAT) was Rs.1.2 billion on sales of Rs.18.7 billion, against PAT of Rs.116 million on sales of Rs.14.8 billion for 2014-15.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Long Term Loan	3483.3	CRISIL AA-/Stable	Long Term Loan	3483.3	CRISIL A+/Positive
Total	3483.3	—	Total	3483.3	—

Links to related criteria

CRISILs Approach to Financial Ratios

CRISILs Bank Loan Ratings - process, scale and default recognition

Rating Criteria for Manufacturing Companies

CRISILs Criteria for Consolidation

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