CRISIL Ratings

Rating Rationale

February 16, 2024 | Mumbai

PVR INOX Limited

Long-term rating upgraded to 'CRISIL AA/CRISIL PPMLD AA/Stable'; short-term rating reaffirmed

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Rating Action

Total Bank Loan Facilities Rated	**Rs.1753.01 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

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Rs.100 Crore Long Term Principal Protected Market Linked Debentures	**CRISIL PPMLD AA/Stable (Upgraded from 'CRISIL PPMLD AA-/Positive')**
Rs.5 Crore Non Convertible Debentures	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Rs.5 Crore Non Convertible Debentures	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Rs.10 Crore Non Convertible Debentures	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Rs.50 Crore Non Convertible Debentures	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Rs.30 Crore Non Convertible Debentures	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Rs.150 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

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

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the long-term bank facilities, non-convertible debentures and long-term principal-protected market-linked debentures of PVR Inox Ltd (PVRINOX) to **â€˜CRISIL AA/CRISIL PPMLD AA/Stableâ€™** from â€˜CRISIL AA-/CRISIL PPMLD AA-/Positiveâ€™. CRISIL Ratings has reaffirmed its â€˜CRISIL A1+â€™ rating on the short term bank facilities and commercial paper of the company.

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The rating upgrade reflects the strong market position of PVRNOX (largest multiplex operator with nearly four times the screens vis-Ã -vis its nearest competitor), improving operating efficiency aided by synergy benefits and premiumisation, and healthy financial risk profile. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

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A refreshed content pipeline helped increase footfall during the first nine months of fiscal 2024 on an expanded screen base and improved occupancy to 26.6% (26.2% for the corresponding period of the previous fiscal). The company reported its best-quarter-ever in terms of box-office collections (BOC) during the second quarter of fiscal 2024, supported by record collections from movies like *Gadar 2*, *Jailer* and *Jawaan*. It reported operating profit (ex-Ind AS-116 adjustment) of Rs 711 crore (operating margin of 14.6%) during the first nine months of fiscal 2024 against Rs 516 crore (proforma PVR INOX combined margin of 13.0%) for the corresponding period the previous fiscal. Healthy cash accrual on account of strong operating performance helped the company prepay some of its debt, with net debt falling to Rs 1,212 crore as on December 31, 2023, from Rs 1,430 crore as on March 31, 2023. The company had cash and equivalents of Rs 396 crore against external debt of Rs 1,608 crore as on December 31, 2023.

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CRISIL Ratings expects net addition of 100-120 screens every year, which, along with maintenance-related capital expenditure (capex), will entail total annual capex of Rs 650-750 crore. This is expected to be funded largely through internal accrual and prudent use of debt.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PVRINOX; its subsidiaries, PVR INOX Pictures Ltd, PVR INOX Lanka Ltd, Zea Maize Pvt Ltd and joint venture (JV) Vkaao Entertainment Pvt Ltd. The entities, collectively referred to as PVRINOX, operate similar businesses and have common promoters.

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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

PVRINOX is the largest multiplex player in the country with a screen portfolio of 1,708 screens across 113 cities including 9 screens in Sri Lanka as on December 31, 2023. The second largest player in this segment is around one-fourth its size.

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It has a geographically diversified screen portfolio with around 32% screens in south India, 27% in west, 20% in north, 13% in central and 8% in east India. PVRINOX should benefit from its strong and established market position

over the medium term.
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Improving operating efficiency aided by premiumisation and synergy benefits
PVRINOX saw average ticket price (ATP) and spend per head (SPH) on food and beverages rise to Rs 264 and Rs 133, respectively, during the first nine months of fiscal 2024 from Rs 202 and Rs 94, respectively, for the corresponding period of fiscal 2020 (pre-pandemic). The improvement in operating metrics was also aided by synergy benefits arising from the merger with Inox Leisure Ltd (INOX) in January 2023.
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During the first nine months of fiscal 2024, PVRINOX reported a healthy operating margin of 14.6% (ex-Ind AS-116 adjustment) with occupancy of 26.6%, compared with 13.0% during the corresponding period of the previous fiscal (with occupancy of 26.2%). Occupancy is expected to moderate in the fourth quarter (seasonally weak quarter). The operating margin for fiscal 2024 is expected at 13-14%. Over the medium term, margins are expected to sustain at 14.4-15.4% with occupancy level rangebound at 26-27%, which while being healthy, would be lower compared to pre-pandemic levels. This improvement will be supported by increase in share of premium formats like *Directorâ€™s Cut*, *Insignia, IMAX, 4DX*, etc share of which rose from 9.8% at the end of fiscal 2019 to 13.5% as on December 31, 2023, improved F&B offerings and further synergy benefits from the merger. Moreover, with a wider screen portfolio, PVRINOX will benefit through higher advertising revenue over the medium term.
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The healthy content pipeline and increased number of releases should further improve the operating metrics as occupancy improves.
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Healthy financial risk profile
Higher cash accrual on account of improved operating performance during the first nine months of fiscal 2024, resulted in net debt falling to Rs 1,212 crore as on December 31, 2023, from Rs 1,430 crore as on March 31, 2023. The ratio of net debt to the trailing 12 months earnings before interest, tax, depreciation and amortisation (Ebitda; ex-Ind AS-116 adjustment) stood at 1.69 times as on December 31, 2023.
The company is expected to incur an annual capex of Rs 650-750 crore towards net addition of 100-120 screens and maintenance capex. Bulk of the capex is expected to be funded through internal accrual. Resultantly, the debt protection metrics will remain healthy with net debt to Ebitda (ex-Ind AS-116 adjustment) below 1.5 times over the medium term.
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Moreover, PVRINOX has a strong ability to raise funds from capital markets as exhibited through Rs 1,100 crore of equity raised during fiscals 2021 and 2022 when the operations were impacted by the pandemic.
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Weakness:
Exposure to risks inherent in the film exhibition business
The film exhibition business is susceptible to fluctuations in profitability due to variability in the performance of content and such fluctuations impact the Multiplex players, given their high fixed costs, remain dependent on occupancy levels. The extent of variability in profitability has increased in the post-pandemic era, with varying occupancy. For example, in fiscal 2024, the first quarter saw subdued occupancy of 22.3% with weak content. Occupancy rose sharply to 32.3% in the second quarter on the back on strong content performance but fell to 25.2% in the third quarter (this was despite a strong December 2023). The harsher impact of weak content on occupancy post-pandemic has made the film exhibition business much riskier. Resultantly, supply of good content spread across the year will be key to ensuring healthy occupancy levels and thus is a key monitorable.
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Furthermore, multiplex players will have to contend with other forms of out-of-home entertainment and new content distribution platforms, including over-the-top (OTT). Also, several small and mid-budget movies are being directly released on OTT platforms while high budget movies are still following the theatre route for releases. While the eight-week theatrical run for Hindi movies and the relative affordable nature of multiplex offerings should continue to hold players in good stead, any change in demand/viewership patterns impacting occupancy in the longer run will remain monitorable.

Liquidity: Strong
Liquidity in the form of cash and equivalents at the consolidated level stood around Rs 396 crore as on December 31, 2023. Moreover, cash accrual is expected to remain healthy over Rs 650 crore during the next fiscal. The company had unutilised fund-based facilities of Rs 293 crore as on December 31, 2023. Capex planned over the medium term will likely be funded prudently with a major part being through internal accrual and resultantly debt levels are not expected to increase materially.

Outlook: Stable
CRISIL Ratings believes PVRINOX will continue to benefit from its established market position and brand equity, while the financial risk profile should remain supported by strong accrual.

Rating Sensitivity Factors
Upward Factors
- Sustained increase in occupancy leading to higher revenue with ebitda margin (ex-Ind AS-116 adjustment) sustaining above 17-18%
- Sustained improvement in the financial risk profile

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Downward Factors
- Weakening capital structure, with net debt to ebtida (ex-Ind AS-116 adjustment) ratio above 2.0 times
- Sustained impact on occupancy leading to lower revenue and profitability

About the Company
PVR Ltd (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, which 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.
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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, PVR completed the acquisition of 32 screens (29 operational and 3 upcoming) of DT Cinemas for Rs 433 crore. In January 2017, Warburg Pincus LLC acquired a 14% stake in PVR â€” 9% from the current shareholders (Multiples Private Equity Fund I Ltd) and 5% from the promoters. In August 2018, PVR acquired SPI Cinemas, which added 76 screens to the companyâ€™s portfolio. In January 2023, the NCLT Mumbai Bench approved the proposed scheme of

amalgamation of INOX with PVR and the merger was effective from February 6, 2023. The combined entity, PVRINOX, is the largest multiplex operator in India, with 1,708 screens as on December 31, 2023.

Key Financial Indicators â€“ PVRINOX (Consolidated) â€“ CRISIL Ratings adjusted figures

As on/for the period ended March 31	Unit	2023*	2022*
Operating revenue	Rs crore	3,741	1,322
Profit After Tax (PAT)	Rs crore	-336	-494
PAT Margin	%	-9	-37.4
Adjusted debt/adjusted networth	Times	1.25	9.46
Interest coverage	Times	1.94	0.82

**Represents reported number for PVR Ltd for fiscal 2022 and PVR INOX Ltd for fiscal 2023*

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 and are included (where applicable) in the 'Annexure -Â Details of Instrument'Â in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities -Â including those that are yet to be placed -Â based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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 sizeÂ (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Debentures***	NA	NA	NA	100	Simple	CRISIL AA/Stable
NA	Long-term principal protected market-linked debentures***	NA	NA	NA	100	Highly Complex	CRISIL PPMLD AA/Stable
NA	Term loan	*NA*	*NA*	9-May-2028	435.91	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	21-Feb-2029	87.61	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	31-May-2028	185	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	16-Feb-2029	273.33	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	30-Jun-2028	335.18	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	30-Sep-2027	90	NA	CRISIL AA/Stable
NA	Overdraft facility	NA	NA	NA	94	NA	CRISIL AA/Stable
NA	Overdraft facility^	NA	NA	NA	25	NA	CRISIL A1+
NA	Proposed long-term bank loan facility	NA	NA	NA	171.13	NA	CRISIL AA/Stable
NA	Commercial paper	NA	NA	7-365 days	150	Simple	CRISIL A1+
NA	Bank guarantee	NA	NA	NA	20	NA	CRISIL A1+
NA	Bank guarantee&	NA	NA	NA	23.85	NA	CRISIL A1+
NA	Short-term loan%	NA	NA	NA	12	NA	CRISIL A1+

****Not yet issued*
&Bank guarantee of Rs 23.85 crore has a sublimit of Rs 16.44 crore issued to M/s Shouri Properties Pvt
^Letter of credit of Rs 10 crore as a sublimit and working capital demand loan for Rs 25 crore as a sublimit
%Letter of credit of Rs 10 crore as a sublimit and overdraft of Rs 12 crore as a sublimit

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
PVR INOX Pictures Ltd	Full	Subsidiary
PVR INOX Lanka Ltd	Full	Subsidiary
Zea Maize Pvt Ltd	Full	Subsidiary
Vkaao Entertainment Pvt Ltd	In proportion of equity shareholding	JV

Annexure - Rating History for last 3 Years

Â	Current			2024 (History)		2023Â		2022Â		2021Â		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based			CRISIL				CRISIL AA-		CRISIL		CRISIL	CRISIL

Facilities	LT/ST	1709.16	A1+ / CRISIL AA/Stable	Â	--	19-04-23	/Positive / CRISIL A1+	21-12-22	AA- /Watch Positive	23-09-21	A+/Negative / CRISIL A1	AA/Negative / CRISIL A1+
Â	Â	Â	--	Â	--	12-04-23	CRISIL AA- /Positive / CRISIL A1+	06-10-22	CRISIL AA- /Watch Positive	16-04-21	CRISIL AA- /Negative / CRISIL A1+	CRISIL AA/Stable
Â	Â	Â	--	Â	--	03-02-23	CRISIL AA- /Watch Positive	19-09-22	CRISIL AA- /Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	01-04-22	CRISIL A+/Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	23-03-22	CRISIL A+/Stable	Â	--	--
Non-Fund Based Facilities	ST	43.85	CRISIL A1+	Â	--	19-04-23	CRISIL AA- /Positive	Â	--	Â	--	--
Â	Â	Â	--	Â	--	12-04-23	CRISIL AA- /Positive	Â	--	Â	--	--
Commercial Paper	ST	150.0	CRISIL A1+	Â	--	19-04-23	CRISIL A1+	21-12-22	CRISIL A1+	Â	--	--
Â	Â	Â	--	Â	--	12-04-23	CRISIL A1+	06-10-22	CRISIL A1+	Â	--	--
Â	Â	Â	--	Â	--	03-02-23	CRISIL A1+	Â	--	Â	--	--
Non Convertible Debentures	LT	100.0	CRISIL AA/Stable	Â	--	19-04-23	CRISIL AA- /Positive	21-12-22	CRISIL AA- /Watch Positive	23-09-21	CRISIL A+/Negative	Withdrawn
Â	Â	Â	--	Â	--	12-04-23	CRISIL AA- /Positive	06-10-22	CRISIL AA- /Watch Positive	16-04-21	CRISIL AA- /Negative	--
Â	Â	Â	--	Â	--	03-02-23	CRISIL AA- /Watch Positive	19-09-22	CRISIL AA- /Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	01-04-22	CRISIL A+/Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	23-03-22	CRISIL A+/Stable	Â	--	--
Long Term Principal Protected Market Linked Debentures	LT	100.0	CRISIL PPMLD AA/Stable	Â	--	19-04-23	CRISIL PPMLD AA- /Positive	21-12-22	CRISIL PPMLD AA- r /Watch Positive	23-09-21	CRISIL PPMLD A+ r /Negative	CRISIL PPMLD AA r /Negative
Â	Â	Â	--	Â	--	12-04-23	CRISIL PPMLD AA- /Positive	06-10-22	CRISIL PPMLD AA- r /Watch Positive	16-04-21	CRISIL PPMLD AA- r /Negative	--
Â	Â	Â	--	Â	--	03-02-23	CRISIL PPMLD AA- /Watch Positive	19-09-22	CRISIL PPMLD AA- r /Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	01-04-22	CRISIL PPMLD A+ r /Watch Positive	Â	--	--
Â	Â	Â	--	Â	--	Â	--	23-03-22	CRISIL PPMLD A+ r /Stable	Â	--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee[&]	**23.85**	**Axis Bank Limited**	**CRISIL A1+**
Bank Guarantee	**20**	**YES Bank Limited**	**CRISIL A1+**
Overdraft Facility[^]	**25**	**Axis Bank Limited**	**CRISIL A1+**
Overdraft Facility	**9**	**IndusInd Bank Limited**	**CRISIL AA/Stable**
Overdraft Facility	**80**	**ICICI Bank Limited**	**CRISIL AA/Stable**
Overdraft Facility	**5**	**IDFC FIRST Bank Limited**	**CRISIL AA/Stable**
Proposed Long Term Bank Loan Facility	**171.13**	**Not Applicable**	**CRISIL AA/Stable**
Short Term Loan[%]	**12**	**YES Bank Limited**	**CRISIL A1+**
Term Loan	**273.33**	**ICICI Bank Limited**	**CRISIL AA/Stable**
Term Loan	**335.18**	**Axis Bank Limited**	**CRISIL AA/Stable**

Term Loan	**435.91**	**HDFC Bank Limited**	**CRISIL AA/Stable**
Term Loan	**87.61**	**Kotak Mahindra Bank Limited**	**CRISIL AA/Stable**
Term Loan	**185**	**IDFC FIRST Bank Limited**	**CRISIL AA/Stable**
Term Loan	**90**	**IndusInd Bank Limited**	**CRISIL AA/Stable**

&Bank guarantee of Rs 23.85 crore has a sublimit of Rs 16.44 crore issued to M/s Shouri Properties Pvt
^Letter of credit of Rs 10 crore as a sublimit and working capital demand loan for Rs 25 crore as a sublimit
%Letter of credit of Rs 10 crore as a sublimit and overdraft of Rs 12 crore as a sublimit

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
CRISILs Criteria for rating short term debt

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