Crisil downgrades its PVR's long-term rating to AA-minus negative

Crisil has downgraded its rating on long-term bank facilities and non-convertible debentures (NCDs) of PVR Ltd to AA-minus negative from AA negative.

The rating on short-term bank facility has been reaffirmed at A1-plus and the rating on Rs 75 crore NCDs has been withdrawn as the instruments have been fully repaid.

The rating actions reflect Crisil's expectation of weakening of PVR's business risk profile over the medium term. It was earlier expected that with resumption of operations in

October 2020, the occupancy will improve gradually with return of content to the multiplexes.

However, with the recent spike in COVID-19 cases, recovery in operating performance of multiplexes will be delayed. Many states have already announced localised lockdowns, night curfews and restrictions over occupancy levels in cinemas.

These restrictions will also result in deferment of the release of strong content, which was earlier scheduled to be released in the first quarter of fiscal 2022, thereby impacting operations, said Crisil.

PVR had undertaken steps to reduce cost and augment liquidity over the past one year. It has negotiated with majority of mall developers for waiving off rentals for the entire period of closure of operations with revenue sharing arrangements from resumption of operations until March 31.

In fact, rentals for the nine months ended fiscal 2021 was lowered by 89 per cent as compared to the corresponding period of the previous fiscal. 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) respectively, which augmented liquidity.

Cash and bank balance, undrawn committed bank lines and other liquid investments stood at above Rs 790 crore as on March 31 should be adequate to cover operating costs and debt obligation for the next few months.

However, Crisil said the credit profile of multiplex operators including PVR may further weaken if the Covid-19 pandemic worsens. Moreover, multiplex operators will have to initiate fresh negotiations with mall owners, given new restrictions to contain the pandemic.

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

PVR