

PVR (PVRL IN)

Rating: ACCUMULATE | CMP: Rs1,265 | TP: Rs1,435

September 16, 2020

Q1FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,435		1,107	
Sales (Rs. m)	33,536	40,721	33,817	40,497
% Chng.	(0.8)	0.6		
EBITDA (Rs. m)	10,270	13,181	10,408	12,245
% Chng.	(1.3)	7.6		
EPS (Rs.)	16.3	46.6	24.1	45.0
% Chng.	(32.3)	3.4		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	34,144	7,809	33,536	40,721
EBITDA (Rs. m)	10,766	(452)	10,270	13,181
Margin (%)	31.5	(5.8)	30.6	32.4
PAT (Rs. m)	273	(6,660)	899	2,565
EPS (Rs.)	5.3	(120.9)	16.3	46.6
Gr. (%)	(86.9)	NA	NA	185.3
DPS (Rs.)	4.0	4.0	4.0	4.0
Yield (%)	0.3	0.3	0.3	0.3
RoE (%)	1.4	NA	7.8	18.4
RoCE (%)	8.7	NA	8.5	12.3
EV/Sales (x)	3.2	14.8	3.4	2.7
EV/EBITDA (x)	10.3	NA	11.1	8.3
PE (x)	237.6	NA	77.5	27.2
P/BV (x)	4.4	6.4	6.0	5.0

Key Data

PVRL.BO | PVRL IN

52-W High / Low	Rs.2,087 / Rs.705
Sensex / Nifty	39,044 / 11,522
Market Cap	Rs.70bn/ \$ 948m
Shares Outstanding	55m
3M Avg. Daily Value	Rs.5174.95m

Shareholding Pattern (%)

Promoter's	18.56
Foreign	36.99
Domestic Institution	29.80
Public & Others	14.65
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	(1.4)	(18.7)
Relative	(1.3)	(13.9)	(22.2)

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Liquidity & cost control are key focus areas

Quick Pointers:

- Fixed opex burn stood at Rs320mn per month, lower than the initial guidance of Rs400-450mn. In 2QFY21, the burn rate is expected to be Rs220-250mn per month.
- Rs5.5bn of liquidity available including undrawn banking lines of Rs1.5bn.

PVR's Ind-AS adjusted EBITDA loss of Rs1,159mn was better than our estimates of Rs1,344mn as rigorous cost cutting initiatives resulted in average fixed opex burn of ~Rs320mn per month in 1QFY21 against a guidance of Rs400-450mn given at the start of the lockdown. Further, management guided for a lower burn rate of Rs220-250mn per month in 2QFY21. With reopening timelines being highly uncertain and rising instances of producers opting for the OTT route, we expect FY21E to be highly unpredictable and a complete wash out. However, we expect normalcy to return by FY22E (escapism will become even more relevant post-COVID) as many production houses have resumed shooting post relaxation in lockdown guidelines. We continue to maintain our positive stance on the multiplex space and retain our ACCUMULATE rating on PVR by raising our target EV/EBITDA multiple to 12x (earlier 10x; LPA is 12x) as 1) recent rights issue of Rs3bn evades near term liquidity concerns and 2) reduction in fixed opex burn to Rs220-250mn per month indicates that cash drain will be lower till the time multiplexes are shut. Further, Tenet's collection of US\$200mn so far and PVR Lanka's SPH/ATP ratio of 60% odd does not indicate any structural behavioral changes in content or F&B consumption pattern, reducing the skepticism on valuation. Maintain ACCUMULATE, with a revised TP of Rs1,435.

Revenues fall steeply: PVR's top-line declined 98.6% YoY to Rs127mn (PLe of NIL) as multiplexes were shut due to the ongoing pandemic.

Cost cutting initiatives bears fruits: Ind-AS adjusted EBITDA loss stood at Rs1,159mn (PLe loss of Rs1,344mn) with a fixed opex burn of Rs320mn per month (initial guidance of Rs400-450mn). PVR has not paid rent in 1QFY21 and accounted for rental waivers (adjusted in other income) of Rs298mn in 1QFY21 based on confirmations received till June end. Additional concessions of Rs543mn will be accounted in subsequent quarters. While there was no actual outgo on CAM expenses, a provision of Rs280mn was created pending final settlement with developers.

Con-call highlights: 1) Capex for 30 screens, where 70-95% of the work is complete, is pegged at Rs400mn. In addition, 28 screens are under fit outs which will require capex of Rs750mn 2) There have been salary cuts in the range of ~25-50% across the organization. For 2QFY21, average employee expense is expected to be in the range of Rs130-140mn per month (1QFY21 run rate was Rs230mn) 3) In Sri Lanka, the SPH/ATP ratio is ~60% (better than pre-COVID). 4) Break-even occupancy is 18-20% on the current low cost base 5) Employee cost savings of 15-20% is expected due to the current restructuring exercise 6) Movie pipeline appears strong with Sooryavanshi, 83, and KGF Chapter 2 in the offing. Further most regional films have held back their releases and are waiting for multiplexes to open.

Exhibit 1: Q1FY21 Result Overview – Consolidated (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr.	Q4FY20	QoQ gr.
Net sales	127	8,804	-98.6%	6,451	-98.0%
Movie exhibition cost	-	1,991	-100.0%	1,436	-100.0%
<i>As a % of sales</i>	<i>0.0%</i>	<i>22.6%</i>		<i>22.3%</i>	
Consumption of F&B	7	716	-99.0%	512	-98.6%
<i>As a % of sales</i>	<i>5.6%</i>	<i>8.1%</i>		<i>7.9%</i>	
Employee expenses	682	1,057	-35.5%	765	-10.9%
<i>As a % of sales</i>	<i>536.8%</i>	<i>12.0%</i>		<i>11.9%</i>	
Other expenses	597	2,254	-73.5%	2,012	-70.3%
<i>As a % of sales</i>	<i>470.3%</i>	<i>25.6%</i>		<i>31.2%</i>	
EBITDA	(1,159)	2,786	NM	1,727	NM
<i>EBITDA margin</i>	<i>NM</i>	<i>31.6%</i>		<i>26.8%</i>	
Depreciation	1,445	1,259	14.8%	1,422	1.6%
EBIT	(2,604)	1,527	NM	304	NM
<i>EBIT margin</i>	<i>NM</i>	<i>17.3%</i>		<i>4.7%</i>	
Interest cost	1,240	1,314	-5.7%	1,171	5.9%
Other income	427	68	530.0%	167	156.2%
PBT	(3,418)	281	NM	(701)	NM
Exceptional items/Share of JVs	2	1	50.0%	1	15.4%
Tax expenses	(1,162)	104	NM	44	NM
Tax rate	NM	37.3%		NM	
PAT	(2,257)	175	NM	(746)	NM
<i>PAT margin</i>	<i>NM</i>	<i>2.0%</i>		<i>NM</i>	
Noncontrolling interest	1	0	NM	1	-8.3%
Other comprehensive income (OCI)	(0)	31	NM	(20)	NM
PAT inclusive of OCI	(2,256)	145	NM	(725)	NM
EPS (Rs)	(44)	4	NM	(15)	NM

Source: Company, PL

Exhibit 2: Revenue mix (Rs mn) (Inclusive of SPI Cinema's)

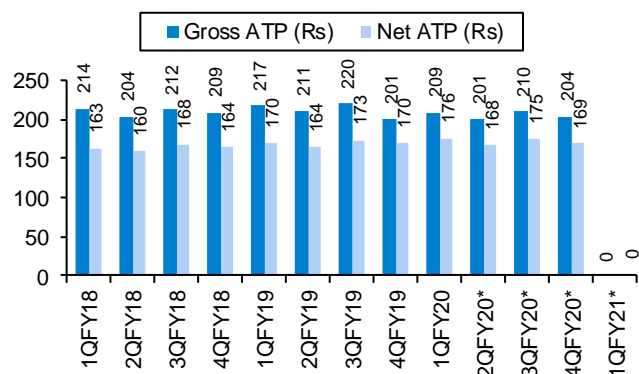
Y/e March	Q1FY21	Q1FY20	YoY gr.
NBOC	-	4,566	NA
<i>As a % of total</i>	<i>NA</i>	<i>51.5%</i>	
Net F&B	14	2,634	-99.5%
<i>As a % of total</i>	<i>10.7%</i>	<i>29.7%</i>	
Advertisement revenue	-	916	-100.0%
<i>As a % of total</i>	<i>0.0%</i>	<i>10.3%</i>	
Other revenue from operations	112	757	-85.2%
<i>As a % of total</i>	<i>89.3%</i>	<i>8.5%</i>	
Total sales	125.8	8,871.6	-98.6%

Source: Company, PL

Exhibit 3: Ind-AS 116 Adjusted Consolidated Financials (Rs mn)

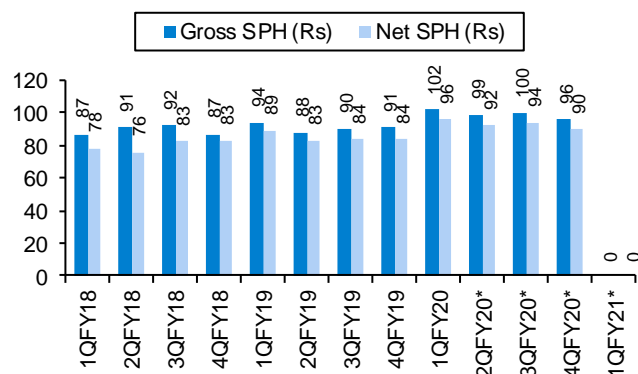
Y/e March	Q1FY21	Q1FY20	YoY gr.	Q4FY20	QoQ gr.	FY20	FY21E	FY22E	FY23E
Sales	127	8,804	-98.6%	6,451	-98.0%	34,144	7,809	33,536	40,721
Ind-AS Adjusted EBITDA	(1,159)	1,587	NM	428	NM	5,762	(2,487)	5,001	7,428
Ind-AS Adjusted EBITDA margin	NM	18.0%		6.6%		16.9%	NM	14.9%	18.2%
Ind-AS Adjusted PAT	(1,411)	442	NM	(479)	NM	1,310	(3,730)	899	2,565
Ind-AS Adjusted PAT margin	NM	5.0%		NM		3.8%	NM	2.7%	6.3%

Source: Company, PL

Exhibit 4: Gross ATP trend over the last few quarters


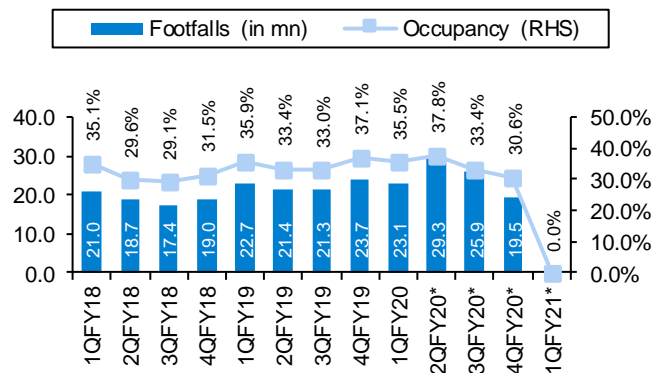
Source: Company, PL

*Including SPI Cinema's

Exhibit 5: Gross SPH trend over the last few quarters


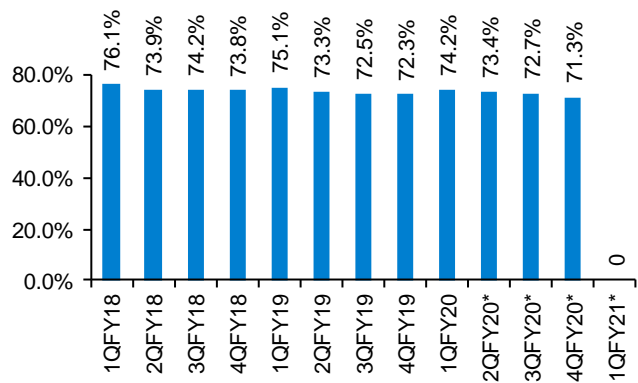
Source: Company, PL

*Including SPI Cinema's

Exhibit 6: Footfalls are volatile, driven by content


Source: Company, PL

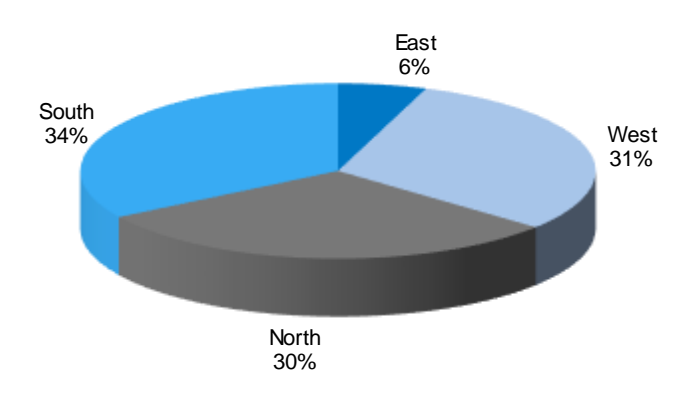
*Including SPI Cinema's

Exhibit 7: F&B GM has remained in the steady range of ~73-75%


Source: Company, PL

*Including SPI Cinema's

Exhibit 8: Screen mix as of 4QFY20



Source: Company, PL

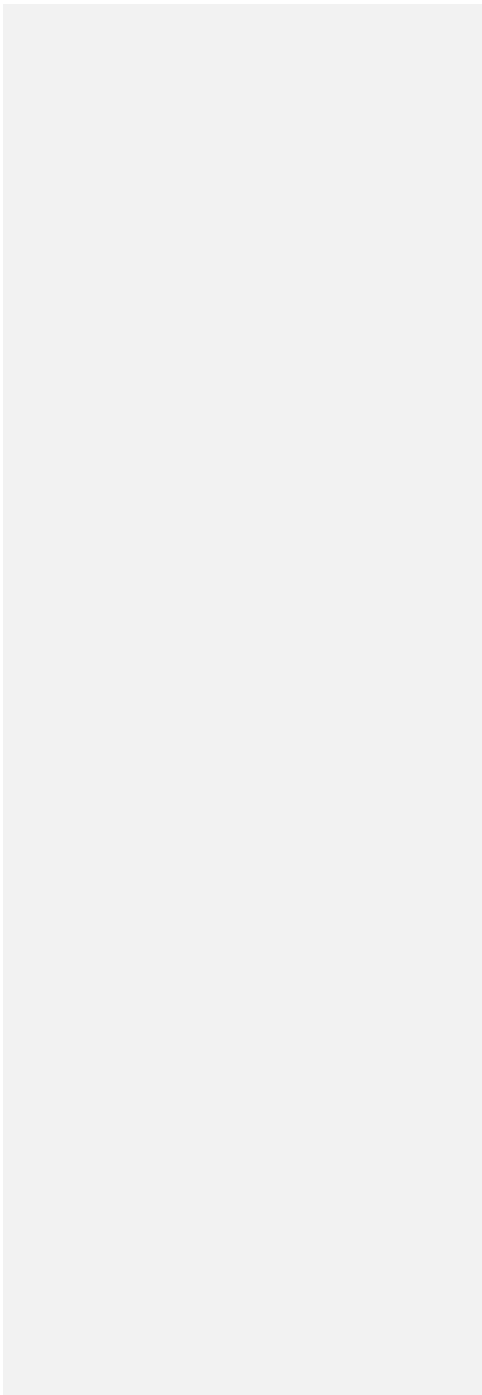
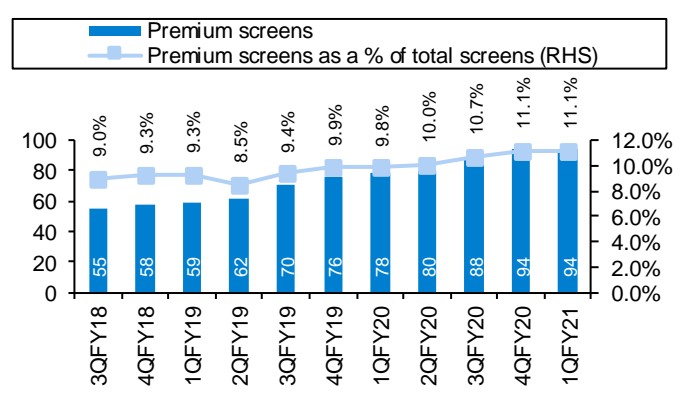


Exhibit 9: PVR's premium screen count is on a rise



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	34,144	7,809	33,536	40,721
YoY gr. (%)	10.7	(77.1)	329.5	21.4
Cost of Goods Sold	9,971	2,083	9,908	11,977
Gross Profit	24,173	5,726	23,628	28,745
Margin (%)	70.8	73.3	70.5	70.6
Employee Cost	3,938	2,292	4,070	4,618
Other Expenses	9,469	3,886	9,288	10,945
EBITDA	10,766	(452)	10,270	13,181
YoY gr. (%)	83.6	NA	NA	28.3
Margin (%)	31.5	NA	30.6	32.4
Depreciation and Amortization	5,425	5,821	5,184	5,527
EBIT	5,341	(6,273)	5,086	7,654
Margin (%)	15.6	NA	15.2	18.8
Net Interest	4,818	5,082	4,284	4,627
Other Income	378	1,162	400	400
Profit Before Tax	901	(10,193)	1,201	3,428
Margin (%)	2.6	NA	3.6	8.4
Total Tax	627	(3,533)	302	863
Effective tax rate (%)	69.6	NA	25.2	25.2
Profit after tax	274	(6,660)	899	2,565
Minority interest	(5)	(1)	-	-
Share Profit from Associate	(5)	(2)	-	-
Adjusted PAT	273	(6,660)	899	2,565
YoY gr. (%)	(85.6)	NA	NA	185.3
Margin (%)	0.8	(85.3)	2.7	6.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	273	(6,660)	899	2,565
YoY gr. (%)	(85.6)	NA	NA	185.3
Margin (%)	0.8	NA	2.7	6.3
Other Comprehensive Income	(66)	0	-	-
Total Comprehensive Income	207	(6,660)	899	2,565
Equity Shares O/s (m)	51	55	55	55
EPS (Rs)	5.3	(120.9)	16.3	46.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	55,512	56,029	59,118	62,263
Tangibles	52,797	53,314	56,402	59,548
Intangibles	2,715	2,715	2,715	2,715
Acc: Dep / Amortization	7,172	12,993	18,177	23,704
Tangibles	6,392	12,212	17,396	22,923
Intangibles	781	781	781	781
Net fixed assets	48,340	43,037	40,941	38,560
Tangibles	46,405	41,102	39,006	36,625
Intangibles	1,935	1,935	1,935	1,935
Capital Work In Progress	1,547	1,547	1,547	1,547
Goodwill	10,520	10,520	10,520	10,520
Non-Current Investments	2,618	1,372	2,788	3,141
Net Deferred tax assets	2,049	2,049	2,049	2,049
Other Non-Current Assets	1,668	1,752	2,582	3,135
Current Assets				
Investments	12	12	12	12
Inventories	307	107	459	558
Trade receivables	1,893	556	2,481	3,012
Cash & Bank Balance	3,223	3,498	6,287	9,883
Other Current Assets	1,764	976	2,348	2,850
Total Assets	74,292	65,643	72,598	75,973
Equity				
Equity Share Capital	514	552	552	552
Other Equity	14,289	10,350	11,028	13,373
Total Network	14,802	10,901	11,580	13,924
Non-Current Liabilities				
Long Term borrowings	46,849	47,349	48,349	48,349
Provisions	136	47	134	163
Other non current liabilities	571	312	671	814
Current Liabilities				
ST Debt / Current of LT Debt	1,873	1,973	2,073	1,873
Trade payables	3,124	877	3,675	4,463
Other current liabilities	5,884	3,131	5,064	5,334
Total Equity & Liabilities	74,292	65,644	72,599	75,973

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	896	(10,195)	1,201	3,428
Add. Depreciation	2,282	5,821	5,184	5,527
Add. Interest	4,730	5,082	4,284	4,627
Less Financial Other Income	378	1,162	400	400
Add. Other	2,905	(1,050)	(788)	(780)
Op. profit before WC changes	10,812	(343)	9,882	12,801
Net Changes-WC	(2,647)	(711)	521	157
Direct tax	(295)	3,533	(302)	(863)
Net cash from Op. activities	7,870	2,480	10,101	12,096
Capital expenditures	(3,838)	(517)	(3,088)	(3,146)
Interest / Dividend Income	26	-	-	-
Others	(92)	1,381	(1,784)	(474)
Net Cash from Invst. activities	(3,903)	864	(4,872)	(3,620)
Issue of share cap. / premium	-	38	-	-
Debt changes	(674)	600	1,100	(200)
Dividend paid	(360)	(220)	(220)	(220)
Interest paid	(1,151)	(5,082)	(4,284)	(4,627)
Others	75	1,596	965	168
Net cash from Fin. activities	(2,110)	(3,068)	(2,440)	(4,879)
Net change in cash	1,857	275	2,788	3,596
Free Cash Flow	4,020	1,962	7,012	8,950

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	5.3	(120.9)	16.3	46.6
CEPS	111.1	(15.2)	110.4	146.9
BVPS	288.6	197.9	210.2	252.8
FCF	78.4	35.6	127.3	162.5
DPS	4.0	4.0	4.0	4.0
Return Ratio(%)				
RoCE	8.7	NA	8.5	12.3
ROIC	14.5	NA	14.1	17.3
RoE	1.4	NA	7.8	18.4
Balance Sheet				
Net Debt : Equity (x)	3.1	4.2	3.8	2.9
Net Working Capital (Days)	(10)	(10)	(8)	(8)
Valuation(x)				
PER	237.6	NA	77.5	27.2
P/B	4.4	6.4	6.0	5.0
P/CEPS	11.4	NA	11.5	8.6
EV/EBITDA	10.3	NA	11.1	8.3
EV/Sales	3.2	14.8	3.4	2.7
Dividend Yield (%)	0.3	0.3	0.3	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	9,732	9,157	6,451	127
YoY gr. (%)	37.3	8.6	(23.0)	(98.6)
Raw Material Expenses	2,708	2,609	1,948	7
Gross Profit	7,024	6,549	4,504	120
Margin (%)	72.2	71.5	69.8	94.4
EBITDA	3,181	3,073	1,727	(1,159)
YoY gr. (%)	156.5	87.0	7.4	NA
Margin (%)	32.7	33.6	26.8	NA
Depreciation / Depletion	1,395	1,349	1,422	1,445
EBIT	1,786	1,724	304	(2,604)
Margin (%)	18.3	18.8	4.7	NA
Net Interest	1,111	1,221	1,171	1,240
Other Income	62	82	167	427
Profit before Tax	735	583	(702)	(3,419)
Margin (%)	7.6	6.4	NA	NA
Total Tax	258	221	44	(1,162)
Effective tax rate (%)	35.1	37.8	(6.3)	NA
Profit after Tax	477	363	(746)	(2,257)
Minority interest	(2)	(1)	(1)	(1)
Share Profit from Associates	-	-	-	-
Adjusted PAT	479	363	(745)	(2,256)
YoY gr. (%)	35.0	(34.3)	NA	NA
Margin (%)	4.9	4.0	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	479	363	(745)	(2,256)
YoY gr. (%)	35.0	(34.3)	NA	NA
Margin (%)	4.9	4.0	NA	NA
Other Comprehensive Income	(54)	(2)	20	-
Total Comprehensive Income	425	361	(725)	(2,256)
Avg. Shares O/s (m)	48	51	51	51
EPS (Rs)	9.9	7.1	(14.5)	(44.0)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	Accumulate	1,107	1,073
2	10-Jun-20	Accumulate	1,131	1,087
3	09-Apr-20	BUY	1,518	1,002
4	23-Jan-20	Accumulate	2,053	1,900
5	03-Jan-20	Accumulate	2,013	1,875
6	17-Oct-19	Accumulate	2,131	1,835
7	03-Oct-19	Accumulate	2,099	1,834
8	24-Sep-19	Accumulate	2,099	1,810

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	157	129
3	Indian Railway Catering and Tourism Corporation	Accumulate	1,495	1,401
4	Inox Leisure	Accumulate	262	235
5	Music Broadcast	Hold	18	16
6	Navneet Education	Accumulate	94	81
7	PVR	Accumulate	1,107	1,073
8	S Chand and Company	BUY	87	70
9	V.I.P. Industries	Hold	240	262

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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