# PVR Ltd (PVRLIM)

CMP: ₹ 1,627 | Target: ₹ 1,900 (17%) | Target Period: 12 months | **BUY**

October 25, 2021



## Strong content line-up ahead…

**About the stock:** PVR Ltd is the market leader in terms of multiplex screen count in India. Currently, it operates 855 screens in 178 cinemas in 72 cities in India and Sri Lanka with an aggregate seating capacity of ~1.81 lakhs seats.

- With leadership in high realisation key markets of Maharashtra/NCR, it enjoys superior ATP, SPH and advertisement compared to peers

**Q2FY22 Results:** PVR reported weak Q2FY22 results as expected.

- Reported revenue came in at ₹ 120.3 crore, (up ~197% on washout base). PVR reported box office revenue of ₹ 53.1 crore and ad revenues of ₹ 7.7 crore. The company reported ₹ 44.5 crore of F&B revenues and ₹ 5.1 crore of movie distribution revenues
- EBITDA loss (without impact of Ind AS116) was at ₹ 115.4 crore vs. EBITDA loss of ₹ 121.5 crore in Q1. On a reported basis, EBITDA loss was at ₹ 68.1 crore
- The reported net loss was lower at ₹ 153.1 crore largely due to inclusion of rental waiver of ₹ 133.2 crore as other income

**What should investors do?** PVR's share price has grown by ~35% over the past five years (from ~₹ 1204 in October 2016 to ~₹ 1627 levels in October 2021).

- We maintain BUY rating on the company

**Target Price and Valuation:** We value PVR at ₹ 1900 i.e. 15x FY23E EV/EBITDA.

**Key triggers for future price performance:**

- Reopening of theatres to drive recovery in footfalls/revenues with release of big budget Hindi/Hollywood movies lined up
- The company is likely to have ~10% permanent saving in costs (ex-rental) given the rationalisation measures
- Consolidation (10-15% single screens may be shut permanently) which will drive increased market share of multiplexes

**Alternate Stock Idea:** Apart from PVR, among multiplex we like Inox Leisure.

- A play on footfall recovery post pandemic and strong balance sheet
- BUY with a target price of ₹ 495

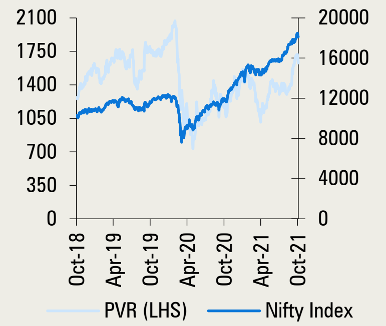
### Particulars

| Particulars | Amount |
|---|---|
| Market Capitalization (₹ Crore) | 9,888 |
| Total Debt (FY21) (₹ Crore) | 1,352 |
| Cash & Equi. (FY21) (₹ Crore) | 732 |
| EV (₹ crore) | 10,685 |
| 52 week H/L (₹) | 1760 / 988 |
| Equity capital (₹ crore) | 6.1 |
| Face value (₹) | 10.0 |

### Shareholding pattern

| | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
|---|---|---|---|---|
| Promoters | 18.8 | 17.1 | 17.1 | 17.0 |
| DII | 13.9 | 16.3 | 18.2 | 17.8 |
| FIIs | 38.5 | 42.6 | 38.2 | 37.8 |
| Other | 28.9 | 24.0 | 26.6 | 27.3 |

### Price Chart




### Key risks

**Key Risk:** (i) Sustained smaller window between OTT and cinema release; (ii) Longer than expected tail of pandemic

### Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

### Key Financial Summary

| (Year-end March) | FY19 | FY20 | FY21E | 5 yr CAGR (FY16-21) | FY22E | FY23E | 3 yr CAGR (FY20-23) |
|---|---|---|---|---|---|---|---|
| Net Sales (₹ crore) | 3,085.6 | 3,414.4 | 280.0 | (60.0) | 1,685.4 | 3,683.2 | 2.6 |
| EBITDA (₹ crore) | 586.3 | 1,076.6 | (334.9) | PL | 401.6 | 1,338.3 | 7.5 |
| Net Profit (₹ crore) | 183.2 | 27.3 | (747.8) | PL | (337.3) | 203.5 | 95.4 |
| EPS (₹) | 39.2 | 5.3 | (123.1) | | (55.5) | 33.5 | |
| P/E (x) | 41.5 | 306.1 | (13.2) | | (29.3) | 48.6 | |
| Price / Book (x) | 5.1 | 5.6 | 5.4 | | 6.7 | 5.9 | |
| EV/EBITDA (x) | 19.0 | 13.6 | (42.3) | | 35.8 | 7.5 | |
| RoCE (%) | 14.1 | 8.5 | (6.3) | | 0.5 | 26.6 | |
| RoE (%) | 12.2 | 1.8 | (40.8) | | (22.8) | 12.2 | |

*Source: Company, ICICI Direct Research*

## Key performance highlight and outlook

## Weak Q2; strong growth ahead on washout base

Given that screens had opened in a staggered manner from August, 2021 onwards, the performance of Q2 was weak. Furthermore, closure of Maharashtra screens meant, no major Hindi releases except *Bellbottom*. The management expects big budget releases from November onwards led by festive season and complete reopening of screens. **We bake in 40 screens addition in FY22E and 90 screens addition in FY23E. Consequently, we build in footfalls growth of 2.3% CAGR in FY20-23E to 109 mn coupled with 1% CAGR in ATP to lead to 3.4% FY20-23E CAGR in net box office revenues to ₹ 1915 crore. F&B revenue CAGR is estimated at 4.3% over FY20-23E leading to a total of ₹ 1076 crore. Ad revenue is expected to take longer to recover. We expect ad revenue of ₹ 370 crore in FY23E (similar to FY20). We incorporate strong recovery from H2FY22 and expect FY23 to witness all variables back to pre-Covid levels**.

## Rental waiver renegotiation largely done; liquidity healthy

The company indicated that they have negotiated rent and CAM in ~80% of the properties and expect negotiations for the remaining properties to be completed soon. **The company achieved rental discount of ~75% in H1FY22. Further, the company has also negotiated discounts on rentals on certain properties for Q3, Q4 with no clawback clause. We note that in FY21, waivers on rent and CAM for the majority of their properties resulted in a 71% reduction in charges**. With ₹ 1100 crore of equity raise and new debt raise, the company currently has gross liquidity of ~₹ 713 crore, including undrawn limits (net debt at ~₹ 914 crore), which should help to offset any cash shortfall initially.

## Conference call highlights

- **OTT release window shorter currently; to revert back to eight weeks eventually:** As per the management, the window between theatrical and OTT release is currently four weeks for all Bollywood/regional movies. However, it is likely to revert back to eight weeks once the situation normalises. There has been no meaningful change in PVR's revenue sharing terms with distributors except for few percentage points here and there.
- **KPI:** In Q2FY22, ATP was at ₹ 203, up 5.2% QoQ, while SPH was at ₹ 128, up 33% QoQ. Footfall was at 3.2 mn
- **Screen addition**: The company added seven screens in Q2 and six thereafter in Q3 so far. It indicated that it would recommence capex plan once the business normalises. However, they mentioned that the company would continue to add 80-100 screens per year, going ahead, once the situation normalises.
- **Ad revenues:** The management indicated that ad revenues will take some time for recovery and will be function of how content fares

We continue to believe PVR is a proxy play on urban/semi urban discretionary spends. We expect the recovery to be a function of speed of vaccination and response to new content. We maintain **BUY** as we believe that recovery with increased vaccination push will be sharp. We assign FY23E EV/EBITDA multiple of 15x with a target price of ₹ 1900/share.

Exhibit 1: Variance Analysis

| | Q2FY22 | Q2FY22E | Q2FY21 | Q1FY21 | YoY (%) | QoQ (%) | Comments |
|---|---|---|---|---|---|---|---|
| Revenue | 120.3 | 101.0 | 40.5 | 12.7 | 197.5 | 847.4 | |
| Other Income | 154.9 | 12.0 | 70.2 | 42.7 | 120.8 | 263.2 | Company recognised ₹ 133.2 crore out of rent concessions as other income |
| Employee Expenses | 56.0 | 51.3 | 40.7 | 68.2 | 37.6 | -17.9 | |
| Film Distributors share | 26.3 | 20.8 | 0.3 | 0.0 | 8,650.0 | NA | |
| F&B Cost | 13.8 | 9.3 | 1.7 | 0.7 | 709.4 | 1,838.0 | |
| Rent | 0.0 | 0.0 | 0.0 | 0.0 | NA | NA | |
| Repairs and Maintenance | 92.5 | 85.0 | 81.9 | 59.7 | 12.9 | 54.8 | |
| EBITDA | -68.1 | -65.4 | -84.2 | -115.9 | -19.0 | -41.2 | |
| EBITDA Margin (%) | -56.6 | -64.7 | -208.1 | -912.7 | 15144 bps | 85605 bps | |
| Depreciation | 148.7 | 143.0 | 141.9 | 144.5 | 4.8 | 2.9 | |
| Interest | 123.5 | 123.7 | 122.9 | 124.0 | 0.5 | -0.4 | |
| Less: Exceptional Items | 0.0 | 0.0 | 0.0 | 0.0 | NA | NA | |
| Total Tax | -32.2 | -105.6 | -95.1 | -116.2 | -66.2 | -72.3 | |
| PAT | -153.1 | -214.9 | -184.0 | -225.6 | -16.8 | -32.1 | |
| **Key Metrics** | | | | | | | |
| Footfalls (mn) | 3.2 | 3.0 | 0.0 | 1.5 | | 113.3 | |
| Occupancy (%) | 4.0 | 3.8 | 0.0 | 1.9 | | | |
| SPH (₹) | 128.0 | 100.3 | 0.0 | 96.0 | | 33.3 | |
| ATP (₹) | 203.0 | 193.0 | | 191.0 | | 6.3 | |

*Source: Company, ICICI Direct Research*

Exhibit 2: Change in estimates

| | FY22E | | | FY23E | | | Comments |
|---|---|---|---|---|---|---|---|
| (₹ Crore) | Old | New | % Change | Old | New | % Change | |
| Revenue | 1,857.6 | 1,685.4 | -9.3 | 3,699.4 | 3,683.2 | -0.4 | |
| EBITDA | 459.2 | 401.6 | -12.6 | 1,348.8 | 1,338.3 | -0.8 | |
| EBITDA Margin (%) | 24.7 | 23.8 | -89 bps | 36.5 | 36.3 | -13 bps | |
| PAT | -366.6 | -337.3 | NM | 204.9 | 203.5 | -0.7 | |
| EPS (₹) | -60.3 | -55.5 | NM | 33.7 | 33.5 | -0.7 | |

*Source: Company, ICICI Direct Research*

Exhibit 3: Change in estimates - ex- Ind-AS 116

| | FY22E | | | FY23E | | | Comments |
|---|---|---|---|---|---|---|---|
| (₹ Crore) | Old | New | % Change | Old | New | % Change | |
| Revenue | 1,857.6 | 1,685.4 | -9.3 | 3,699.4 | 3,683.2 | -0.4 | |
| EBITDA | 190.3 | 163.6 | -14.0 | 791.5 | 781.0 | -1.3 | |
| EBITDA Margin (%) | 10.2 | 9.7 | -54 bps | 21.4 | 21.2 | -19 bps | |
| PAT | -89.6 | -129.9 | NM | 344.1 | 337.1 | -2.0 | |
| EPS (₹) | -17.4 | -25.3 | NM | 56.6 | 55.5 | -2.0 | |

*Source: Company, ICICI Direct Research*

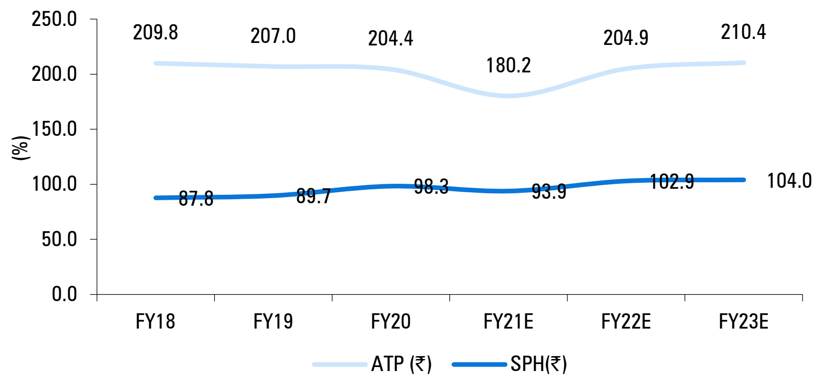
Exhibit 4: Assumptions

| | | | | Current | | Earlier | |
|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | FY21 | FY22E | FY23E | FY22E | FY23E |
| Footfalls (mn) | 99.3 | 101.7 | 6.8 | 51.9 | 109.0 | 58.1 | 110.5 |
| SPH (₹) | 90 | 98 | 94 | 103 | 104 | 102 | 102 |
| ATP (₹) | 207 | 204 | 180 | 205 | 210 | 206 | 210 |

*Source: Company, ICICI Direct Research*

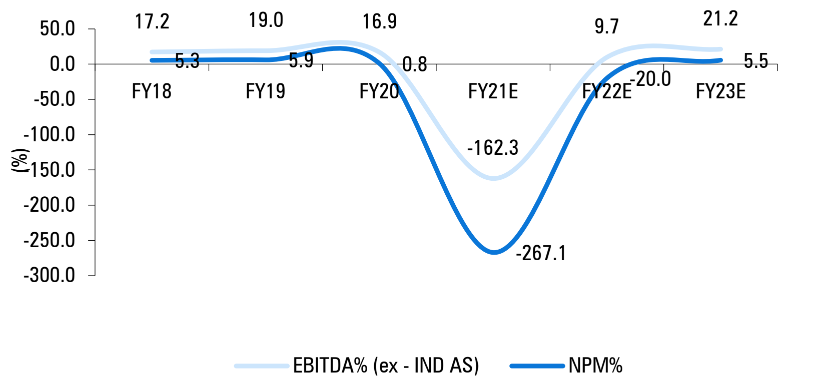
## Financial story in charts

### Exhibit 5: ATP and SPH trend




*Source: Company, ICICI Direct Research*

### Exhibit 6: EBITDA and PAT margin trend




*Source: Company, ICICI Direct Research*

### Exhibit 7: Proforma P&L (ex- Ind-AS)

| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
|---|---|---|---|---|
| **Total operating Income** | **3,414.4** | **280.0** | **1,685.4** | **3,683.2** |
| Growth (%) | 10.7 | -91.8 | 501.9 | 118.5 |
| Film Distributors Cost | 733.5 | 47.2 | 383.7 | 823.4 |
| F&B Cost | 263.7 | 25.8 | 147.2 | 301.4 |
| Employee Expenses | 393.8 | 217.1 | 237.2 | 289.7 |
| Other Expenses | 1,447.4 | 444.5 | 753.7 | 1,487.8 |
| Total Operating Expenditure | 2,838.3 | 734.5 | 1,521.7 | 2,902.3 |
| **EBITDA** | **576.1** | **-454.5** | **163.6** | **781.0** |
| Growth (%) | -1.7 | -178.9 | NM | 377.3 |
| **Margins (%)** | **16.9** | **-162.3** | **9.7** | **21.2** |
| Depreciation | 232.4 | 238.3 | 236.0 | 243.1 |
| Interest | 152.1 | 149.0 | 156.0 | 147.2 |
| Other Income | 37.8 | 30.4 | 57.2 | 60.0 |
| Exceptional Items | 0.0 | 0.0 | 0.0 | 0.0 |
| PBT | 229.4 | -811.4 | -171.1 | 450.6 |
| MI/PAT from associates | 0.1 | 0.2 | -0.3 | 0.8 |
| Total Tax | 97.8 | -146.3 | -41.0 | 113.6 |
| **PAT** | **131.5** | **-665.2** | **-129.9** | **337.1** |
| Growth (%) | -28.2 | NM | NM | NM |
| **EPS (₹)** | **25.6** | **-109.5** | **-21.4** | **55.5** |

*Source: Company, ICICI Direct Research*

Exhibit 8: KPI

| (Year-end March) | FY20 | FY21 | FY22E | FY23E |
|---|---|---|---|---|
| Box office Revenues | 1,732 | 102 | 885 | 1,915 |
| *YoY* | 6% | -94% | 769% | 116% |
| F&B | 949 | 76 | 518 | 1,076 |
| *YoY* | 12% | -92% | 585% | 108% |
| Ad | 376 | 18 | 115 | 370 |
| *YoY* | 6% | -95% | 544% | 223% |
| Others | 358 | 85 | 168 | 322 |
| *YoY* | 43% | -76% | 98% | 92% |
| ATP | 204 | 180 | 205 | 210 |
| *YoY* | -1% | -12% | 14% | 3% |
| Footfalls (mn) | 102 | 7 | 52 | 109 |
| *YoY* | 2% | -93% | 663% | 110% |
| Screens | 845 | 842 | 882 | 972 |
| | | | | |
| Net Debt | 971 | 620 | 286 | 142 |
| | | | | |
| RoCE (post tax) | 11.1 | (14.9) | 5.3 | 18.7 |
| RoE | 8.1 | (52.7) | (11.5) | 22.9 |

*Source: Company, ICICI Direct Research*

# Financial Summary

**Exhibit 9: Profit and loss statement** ₹ crore

| (Year-end March) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| **Total operating Income** | **3,414.4** | **280.0** | **1,685.4** | **3,683.2** |
| Growth (%) | 10.7 | -91.8 | 501.9 | 118.5 |
| Film Distributors Cost | 733.5 | 47.2 | 383.7 | 823.4 |
| F&B Cost | 263.7 | 25.8 | 147.2 | 301.4 |
| Employee Expenses | 393.8 | 217.1 | 237.2 | 289.7 |
| Other Expenses | 946.9 | 324.9 | 515.7 | 930.5 |
| Total Operating Expenditure | 2,337.9 | 614.9 | 1,283.8 | 2,345.0 |
| **EBITDA** | **1,076.6** | **-334.9** | **401.6** | **1,338.3** |
| Growth (%) | 83.6 | -131.1 | -219.9 | 233.3 |
| Depreciation | 542.5 | 574.8 | 576.6 | 611.3 |
| Interest | 481.8 | 497.8 | 494.3 | 486.5 |
| Other Income | 37.8 | 469.3 | 212.1 | 60.0 |
| Exceptional Items | 0.0 | 0.0 | 0.0 | 0.0 |
| PBT | 90.1 | -938.3 | -457.3 | 300.5 |
| MI/PAT from associates | 0.1 | 0.2 | -0.3 | 0.8 |
| Total Tax | 62.7 | -190.6 | -119.8 | 96.2 |
| **PAT** | **27.3** | **-747.8** | **-337.3** | **203.5** |
| Growth (%) | -85.1 | -2,839.2 | -54.9 | -160.4 |
| **EPS (₹)** | **5.3** | **-123.1** | **-55.5** | **33.5** |

*Source: Company, ICICI Direct Research*

**Exhibit 10: Cash flow statement** ₹ crore

| (Year-end March) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| **PAT** | **27.3** | **-747.8** | **-337.3** | **203.5** |
| Add: Depreciation | 542.5 | 574.8 | 576.6 | 611.3 |
| Add: Interest Paid | 481.8 | 497.8 | 494.3 | 486.5 |
| (Inc)/dec in Current Assets | -49.6 | 160.2 | -52.1 | -135.1 |
| Inc/(dec) in CL and Provisions | -87.3 | -185.5 | -76.9 | 227.4 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| **CF from operating activities** | **914.6** | **299.5** | **604.6** | **1,393.6** |
| (Inc)/dec in Investments | 8.3 | 0.5 | 0.0 | 0.0 |
| (Inc)/dec in Fixed Assets | -306.4 | -139.2 | -200.0 | -500.0 |
| Others | 183.9 | -412.1 | 437.5 | -249.1 |
| **CF from investing activities** | **-114.2** | **-550.8** | **237.5** | **-749.1** |
| Issue/(Buy back) of Equity | 500.0 | 305.4 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | 12.3 | 57.2 | -50.0 | -150.0 |
| Dividend paid & dividend tax | -36.0 | 0.0 | -14.2 | -14.2 |
| Less: Interest Paid | 481.8 | 497.8 | 494.3 | 486.5 |
| Others | -1470.3 | -200.1 | -988.6 | -973.0 |
| **CF from financing activities** | **-512.3** | **660.4** | **-558.5** | **-650.7** |
| Net Cash flow | 288.1 | 409.1 | 283.6 | -6.3 |
| Opening Cash | 34.1 | 322.3 | 731.4 | 1015.0 |
| **Closing Cash** | **322.3** | **731.4** | **1015.0** | **1008.8** |

*Source: Company, ICICI Direct Research*

**Exhibit 11: Balance Sheet** ₹ crore

| (Year-end March) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Equity Capital | 51.4 | 60.8 | 60.8 | 60.8 |
| Reserve and Surplus | 1,428.9 | 1,772.6 | 1,421.1 | 1,610.5 |
| Total Shareholders funds | 1,480.2 | 1,833.4 | 1,481.9 | 1,671.2 |
| Total Debt | 1,294.7 | 1,351.9 | 1,301.9 | 1,151.9 |
| Others | 3,933.8 | 3,782.3 | 4,320.5 | 4,536.4 |
| **Total Liabilities** | **6,708.7** | **6,967.6** | **7,104.4** | **7,359.6** |
| | | | | |
| **Assets** | | | | |
| Total Fixed Assets | 1,984.0 | 1,884.8 | 1,848.9 | 2,105.8 |
| Investments | 1.7 | 1.2 | 1.2 | 1.2 |
| Right of Use | 3,004.7 | 2,755.4 | 2,455.6 | 2,492.4 |
| Goodwill on Consolidation | 1,052.0 | 1,052.0 | 1,052.0 | 1,052.0 |
| Debtors | 189.3 | 30.7 | 92.3 | 201.8 |
| Inventory | 30.7 | 25.0 | 23.1 | 30.3 |
| Loans and Advances | 8.7 | 7.6 | 7.6 | 7.6 |
| Other Current Assets | 201.5 | 206.7 | 199.0 | 217.4 |
| Cash | 322.3 | 731.4 | 1,015.0 | 1,008.8 |
| Total Current Assets | 752.4 | 1,001.4 | 1,337.1 | 1,465.9 |
| Total Current Liabilities | 720.5 | 535.0 | 458.1 | 685.4 |
| Net Current Assets | 31.9 | 466.4 | 879.0 | 780.5 |
| Other Non Current Assets | 634.4 | 807.7 | 867.7 | 927.7 |
| **Application of Funds** | **6,708.7** | **6,967.6** | **7,104.4** | **7,359.6** |

*Source: Company, ICICI Direct Research*

**Exhibit 12: Key ratios**

| (Year-end March) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| **Per share data (₹)** | | | | |
| EPS (Diluted) | 5.3 | -123.1 | -55.5 | 33.5 |
| Cash EPS | 111.0 | -28.5 | 39.4 | 134.1 |
| BV | 288.3 | 301.7 | 243.9 | 275.1 |
| DPS | 2.6 | 2.2 | 2.2 | 2.2 |
| Cash Per Share | 62.8 | 120.4 | 167.1 | 166.0 |
| **Operating Ratios (%)** | | | | |
| EBITDA Margin | 31.5 | -119.6 | 23.8 | 36.3 |
| EBIT / Net Sales | 15.6 | -324.9 | -10.4 | 19.7 |
| PAT Margin | 0.8 | -267.1 | -20.0 | 5.5 |
| Inventory days | 3.3 | 32.5 | 5.0 | 3.0 |
| Debtor days | 20.2 | 40.0 | 20.0 | 20.0 |
| Creditor days | 33.4 | 264.8 | 33.0 | 33.0 |
| **Return Ratios (%)** | | | | |
| RoE | 1.8 | -40.8 | -22.8 | 12.2 |
| RoCE | 8.5 | -6.3 | 0.5 | 26.6 |
| RoIC | 27.7 | -53.1 | -9.8 | 36.8 |
| **Valuation Ratios (x)** | | | | |
| P/E | 306.1 | -13.2 | -29.3 | 48.6 |
| EV / EBITDA | 13.6 | -42.3 | 35.8 | 7.5 |
| EV / Net Sales | 4.3 | 50.6 | 8.5 | 2.7 |
| Market Cap / Sales | 2.9 | 35.3 | 5.9 | 2.7 |
| Price to Book Value | 5.6 | 5.4 | 6.7 | 5.9 |
| **Solvency Ratios** | | | | |
| Net Debt/EBITDA | 0.9 | -1.8 | 0.7 | 0.1 |
| Net Debt / Equity | 0.7 | 0.3 | 0.2 | 0.1 |
| Current Ratio | 1.3 | 1.2 | 1.9 | 1.2 |
| Quick Ratio | 1.2 | 1.1 | 1.8 | 1.2 |

*Source: Company, ICICI Direct Research*

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Sell: <-15%

**Pankaj Pandey** **Head – Research** **pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,**
**ICICI Securities Limited,**
**1st Floor, Akruti Trade Centre,**
**Road No 7, MIDC,**
**Andheri (East)**
**Mumbai – 400 093**
**research@icicidirect.com**

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