

Healthy recovery seen...

About the stock: PVR Ltd is the market leader in terms of multiplex screen count in India. Currently, it operates 860 screens in 179 cinemas in 73 cities in India and Sri Lanka with an aggregate seating capacity of ~1.82 lakhs seats.

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

Q3FY22 Results: The quarter saw a robust recovery led by healthy content flow.

- Reported revenue came in at ₹ 614.2 crore, (up ~4x QoQ) with box office revenue of ₹ 300.2 crore, ad revenues of ₹ 40.9 crore and ₹ 180.5 crore of F&B revenues. Footfalls were up 3.5x QoQ at 14.5 million and ATP at ₹ 239 was up 18% QoQ owing to slate mix. SPH at ₹ 129 was flattish QoQ
- EBITDA (ex- Ind AS116) was at ₹ 38 crore (margin 6.2%) against EBITDA loss of ₹ 115.1 crore in Q2. On reported basis, EBITDA was at ₹ 164.9 crore
- The reported net loss was lower at ₹ 10.2 crore due to other income of ₹ 67.4 crore with respect to rental waivers received (net of rent paid). The company reported net loss (without impact of Ind AS116) at ₹ 21.9 crore

What should investors do? PVR's share price has grown by ~23% over the past five years (from ~₹ 1253 in January 2017 to ~₹ 1537 levels in October 2021).

- We maintain BUY rating on the company

Target Price and Valuation: We value PVR at ₹ 1870 i.e. 13x FY24E EV/EBITDA.

Key triggers for future price performance:

- We expect recovery in footfalls/revenues with release of big budget Hindi/Hollywood movies lined up post Omicron normalisation
- The company is likely to have ~8-10% 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 target price of ₹ 495



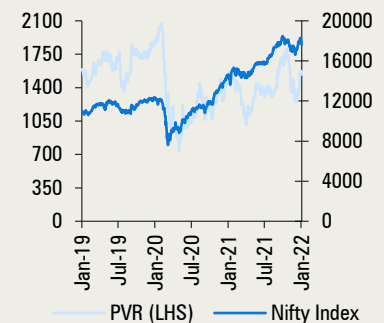
Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	9,341
Total Debt (FY21) (₹ Crore)	1,352
Cash & Equi. (FY21) (₹ Crore)	732
EV (₹ crore)	10,138
52 week H/L (₹)	1839 / 988
Equity capital (₹ crore)	6.1
Face value (₹)	10.0

Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	17.1	17.1	17.0	17.0
DII	16.3	18.2	17.8	20.1
FII	42.6	38.2	37.8	31.9
Other	24.0	26.6	27.3	31.0

Price Chart



Key risks

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

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Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	5 yr CAGR (FY16-21)	FY22E	FY23E	FY24E	4 yr CAGR (FY20-24)
Net Sales (₹ crore)	3,085.6	3,414.4	280.0	(60.0)	981.9	3,839.0	4,447.9	6.8
EBITDA (₹ crore)	586.3	1,076.6	(334.9)	PL	(58.7)	1,285.7	1,518.2	9.0
Net Profit (₹ crore)	183.2	27.3	(747.8)	PL	(590.6)	171.9	265.5	76.6
EPS (₹)	39.2	5.3	(123.1)		(97.2)	28.3	43.7	
P/E (x)	39.2	289.2	(12.5)		(15.8)	54.3	35.2	
Price / Book (x)	4.8	5.3	5.1		7.6	6.7	5.7	
EV/EBITDA (x)	18.1	13.1	(40.6)		(235.8)	11.2	6.5	
RoCE (%)	14.1	8.5	(6.3)		(5.2)	10.5	32.2	
RoE (%)	12.2	1.8	(40.8)		(48.1)	12.4	16.2	

Source: Company, ICICI Direct Research

Key performance highlight and outlook

Healthy recovery seen during the quarter

The company indicated that Q3 saw a strong recovery led by consistent and healthy performance of some of the movies such as *Suryavanshii*, *Spiderman*, *Annathe*, *Pushpa* and *'83*. Notably Q3 revenues were 30% below pre-pandemics levels with footfalls down 44% but ATP up 14%, likely a function of content slate and footfalls driven by big releases wherein ticket prices are higher. We highlight that recovery was strong considering delayed reopening of theatres in Maharashtra and occupancy restrictions in some states. December revenues were 92% of pre-Covid levels, which is a relatively robust performance. The management indicated that while producers and distributors have deferred their releases currently, big budget releases are expected from March onwards, when Omicron ebbs led by complete reopening of screens. **We bake in 70 screens addition (net of Cineline screen discontinuance) in FY23E and 90 screens addition in FY24E. Consequently, we build in footfalls growth of 2.7% CAGR in FY20-24E to 113 mn coupled with 4% CAGR in ATP to lead to 7% FY20-24E CAGR in net box office revenues to ₹ 2271 crore. F&B revenue CAGR is estimated at 10.7% over FY20-24E leading to total ₹ 1424 crore. Ad revenue is expected to take longer to recover. We expect ad revenue of ₹ 400 crore in FY24E (~6% higher than FY20). We incorporate strong recovery from FY23 with all variables back to pre-Covid levels.**

Rental waiver benefits seen in M9FY22; liquidity healthy

The company indicated that wave 2 rental negotiations have been concluded for >97% properties. It achieved rental discount of ~57% in 9MFY22. The average rental discount for Q3 was 21% while during December 2021, when cinemas were fully operational, it was ~5%. It also indicated that fresh discussions are under way for the current ongoing wave of Covid. 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 ~₹ 742 crore, including undrawn limits (net debt at ~₹ 858 crore), which should help to offset any cash shortfall amid Omicron disruption.

Conference call highlights

- **OTT release window shorter currently for Hollywood movie; to revert back to eight weeks in FY23:** As per the management, the window between theatrical and OTT release is currently four weeks for a few Hollywood 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, which the management expects to normalise in FY23
- **Screen addition:** The company added 18 screens in 9MFY22 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 in a normalised scenario
- **Ticket Pricing:** While the company alluded to higher ATP to content mix, it indicated that there is enough headroom to growth by giving example of advanced market multiplexes who have undertaken 18-20% ATP hike. **We, however, believe ATP, going ahead, will be a function of type of content**
- **Impact of discontinuance of Cineline lease:** The company indicated that impact of discontinuance of Cineline's 23 screens will be limited to ~3% of the EBITDA

We continue to believe PVR is a proxy play on urban/semi urban discretionary spends. We expect the recovery to be much quicker with wider vaccination coverage and strong content slate. We maintain **BUY** as we believe that recovery post Omicron led scare will be sharp, going ahead. We roll over our valuation to FY24 at 13x EV/EBITDA with a target price of ₹ 1870/share.

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	Q2FY22	YoY (%)	QoQ (%)	Comments
Revenue	614.2	491.0	45.4	120.3	1,252.8	410.4	
Other Income	95.6	25.0	274.7	154.9	-65.2	-38.3	Company recognised ₹ 67.4 crore of net rent concessions as other income
Employee Expenses	78.8	61.7	48.6	56.0	62.1	40.7	
Film Distributors share	118.2	114.1	6.2	26.3	1,815.2	NA	
F&B Cost	47.0	46.4	5.7	13.8	718.1	241.3	
Rent	0.0	0.0	0.0	0.0	NA	NA	
Repairs and Maintenance	205.4	116.9	63.0	92.5	225.8	122.1	
EBITDA	164.9	152.0	-78.1	-68.1	-311.1	-342.1	
EBITDA Margin (%)	26.9	31.0	-172.1	-56.6	19892 bps	8348 bps	
Depreciation	154.0	148.7	142.5	148.7	8.1	3.6	
Interest	125.7	123.5	127.1	123.5	-1.1	1.8	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	-9.0	-31.4	-23.7	-32.2	-61.9	-72.0	
PAT	-10.2	-63.8	-49.1	-153.1	-79.3	-93.4	

Key Metrics

Footfalls (mn)	14.5	13.1	1.0	3.2		353.1
Occupancy (%)	18.2	16.3	1.3	4.1		
SPH (₹)	129.0	122.0	95.0	128.0		0.8
ATP (₹)	239.0	222.0	164.0	203.0		17.7

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	1,685.4	981.9	-41.7	3,683.2	3,839.0	4.2	4,447.9	
EBITDA	401.6	-58.7	-114.6	1,338.3	1,285.7	-3.9	1,518.2	
EBITDA Margin (%)	23.8	-6.0	-2981 bps	36.3	33.5	-285 bps	34.1	
PAT	-337.3	-590.6	NM	203.5	171.9	-15.5	265.5	
EPS (₹)	-55.5	-97.2	NM	33.5	28.3	-15.5	43.7	

Source: Company, ICICI Direct Research

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

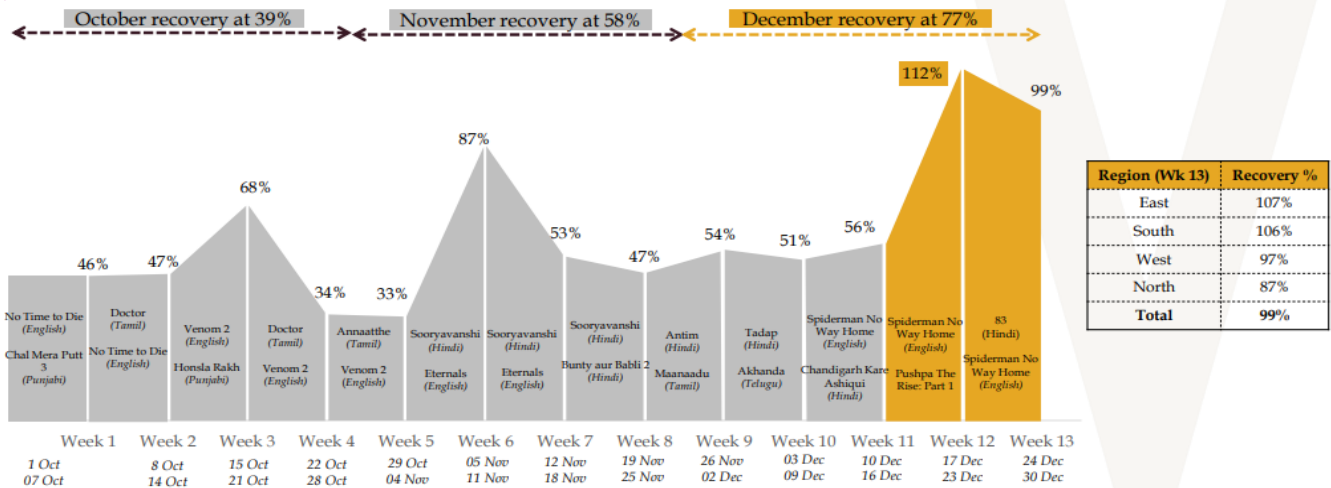
(₹ Crore)	FY22E			FY23E			FY24E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	1,685.4	981.9	-41.7	3,683.2	3,839.0	4.2	4,447.9	
EBITDA	163.6	-386.6	-336.3	781.0	730.9	-6.4	913.1	
EBITDA Margin (%)	9.7	-39.4	-4908 bps	21.2	19.0	-217 bps	20.5	
PAT	-129.9	-529.9	NM	337.1	291.9	-13.4	404.9	
EPS (₹)	-25.3	-103.2	NM	55.5	48.0	-13.4	66.6	

Source: Company, ICICI Direct Research

Exhibit 1: Weekly footfall recovery status in Q3

BROADBASED DEMAND RECOVERY ON THE BACK OF NEW CONTENT

% Weekly footfalls vis à vis average weekly footfalls for Pre Pandemic period (average of FY'20)*



Admissions reached a peak of 112% of pre-pandemic levels in Week 12

*Comparison of weekly admissions from 1st Oct'21 to 30th Dec'21 with average weekly admissions during FY'20 for properties that were operational during both the periods

Source: Company, ICICI Direct Research

Exhibit 2: December 2021 revenue performance almost equal to pre-pandemic levels

DEC-21 REVENUE PERFORMANCE ALMOST EQUAL TO PRE PANDEMIC

Particulars (in Lacs)*	Dec-21	Dec-19 (Pre Pandemic)	Growth %
Admits	65.5	87.6	-25%
Gross ATP (INR)	255	213	20%
SPH (INR)	128	105	22%
NBOC	14,574	15,924	-8%
Net F&B	7,924	8,617	-8%
Ad Income	2,205	4,574	-52%
Other Income	5,241	3,481	51%
Revenue	29,944	32,596	-8%

- December 2021 witnessed strong business recovery with Exhibition revenue and EBITDA margin being very close to Pre Pandemic levels.
- Even though the admissions were 65.5 Lacs during the month (lower by 25% as compared to December 2019), higher ATP of INR 255 (+20%) and SPH of INR 128 (+22%) resulted in revenue being only 8% lower than December 2019.
- Advertising income, as anticipated continues to lag in recovery as compared to F&B & Box Office income.

Source: Company, ICICI Direct Research

Exhibit 3: Current screen restriction status – state wise

STATE WISE RESTRICTIONS AS ON DATE (20.1.22)

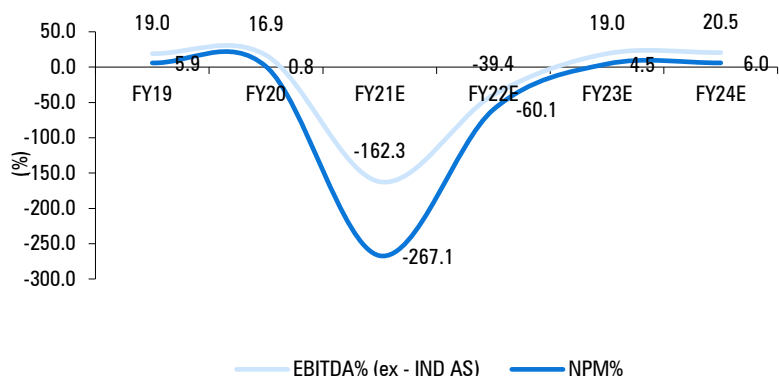
States	Conditional Approval	Properties	Screens
Telangana	100% capacity.	11	62
Madhya Pradesh	100% capacity. Fully vaccinated staff. Night curfew from 11pm to 5am.	4	18
Andhra Pradesh	100% capacity. Night curfew from 11pm to 5am.	3	13
Maharashtra	50% capacity. No F&B in audis. Fully vaccinated staff. Night curfew 10pm-8am.	38	158
Karnataka	50% capacity. Fully vaccinated patrons, Night curfew 10pm-5am. Weekend shutdown.	16	109
Uttar Pradesh	50% capacity. Night curfew from 10pm to 6am.	18	83
Tamil Nadu	50% capacity. Night curfew (10pm-5am). Fully vaccinated staff, Sunday lockdown	13	83
Gujarat	50% capacity. Only Vaccinated Staff. Night curfew from 10pm to 6am.	15	68
Punjab	50% capacity. Night curfew from 10pm to 5am.	10	53
Chhattisgarh	33% capacity. Night curfew from 10pm to 6am.	4	17
West Bengal	50% capacity. Open till 10pm.	4	16
Chandigarh - UT	50% capacity. Only Fully Vaccinated people allowed. Night curfew (10pm to 5am)	3	15
Kerala	50% capacity. Fully vaccinated guests & staff.	3	15
Rajasthan	50% capacity and only fully vaccinated people allowed. Open till 8 pm. Sunday shutdown.	3	10
Jharkhand	50% capacity. Open till 8pm	2	7
Uttarakhand	50% capacity. Night curfew from 10pm to 6am.	1	5
Puducherry - UT	50% capacity. Fully vaccinated staff	1	5
Assam	50% capacity. Open till 9pm. Fully vaccinated guests only	1	5
Jammu & Kashmir - UT	25% capacity. Open till 10pm	1	2
Haryana	Cinema Shutdown in Gurgaon, Faridabad & Panipat. Night curfew 11pm - 5am.	10	39
Delhi - UT	Cinema Shutdown. Night curfew from 11pm to 5am.	17	68
Colombo, SriLanka	75% capacity.	1	9

Barring Delhi and Haryana, cinemas across the country continue to operate with capacity restrictions

Source: Company, ICICI Direct Research

Financial story in charts

Exhibit 4: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 5: Proforma P&L (ex- Ind-AS)

(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	280.0	981.9	3,839.0	4,447.9
Growth (%)	-91.8	250.7	291.0	15.9
Film Distributors Cost	47.2	186.2	890.3	1,033.5
F&B Cost	25.8	79.9	335.0	398.9
Employee Expenses	217.1	267.0	389.1	457.2
Other Expenses	444.5	835.5	1,493.7	1,645.2
Total Operating Expenditure	734.5	1,368.5	3,108.2	3,534.8
EBITDA	-454.5	-386.6	730.9	913.1
Growth (%)	-178.9	NM	-289.0	24.9
Margins (%)	-162.3	-39.4	19.0	20.5
Depreciation	238.3	245.5	253.4	293.6
Interest	149.0	155.0	147.2	138.2
Other Income	30.4	73.3	60.0	60.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	-811.4	-713.8	390.3	541.3
MI/PAT from associates	0.2	-0.3	0.8	0.8
Total Tax	-146.3	-183.6	98.3	136.4
PAT	-665.2	-529.9	291.9	404.9
Growth (%)	NM	NM	NM	NM
EPS (₹)	-109.5	-87.2	48.0	66.6

Source: Company, ICICI Direct Research

Exhibit 6: KPI

(Year-end March)	FY21	FY22E	FY23E	FY24E
Box office Revenues	102	451	1,935	2,271
YoY	-94%	343%	329%	17%
F&B	76	294	1,197	1,424
YoY	-92%	289%	307%	19%
Ad	18	73	360	400
YoY	-95%	308%	396%	11%
Others	85	164	347	352
YoY	-76%	94%	111%	1%
ATP	180	225	229	239
YoY	-12%	25%	2%	4%
Footfalls (mn)	7	24	101	113
YoY	-93%	246%	328%	12%
Screens	842	864	934	1,024
Net Debt	620	468	662	530
RoCE (post tax)	(14.9)	(16.4)	20.2	25.3
RoE	(52.7)	(72.4)	28.5	28.3

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	280.0	981.9	3,839.0	4,447.9
Growth (%)	-91.8	250.7	291.0	15.9
Film Distributors Cost	47.2	186.2	890.3	1,033.5
F&B Cost	25.8	79.9	335.0	398.9
Employee Expenses	217.1	267.0	389.1	457.2
Other Expenses	324.9	507.6	938.9	1,040.1
Total Operating Expenditure	614.9	1,040.6	2,553.4	2,929.6
EBITDA	-334.9	-58.7	1,285.7	1,518.2
Growth (%)	-131.1	-82.5	-2,289.7	18.1
Depreciation	574.8	582.9	610.6	687.2
Interest	497.8	493.4	481.0	499.4
Other Income	469.3	295.6	60.0	60.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	-938.3	-839.4	254.0	391.7
MI/PAT from associates	0.2	-0.3	0.8	0.8
Total Tax	-190.6	-248.5	81.3	125.3
PAT	-747.8	-590.6	171.9	265.5
Growth (%)	-2,839.2	-21.0	-129.1	54.4
EPS (₹)	-123.1	-97.2	28.3	43.7

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
PAT	-747.8	-590.6	171.9	265.5
Add: Depreciation	574.8	582.9	610.6	687.2
Add: Interest Paid	497.8	493.4	481.0	499.4
(Inc)/dec in Current Assets	160.2	-13.6	-199.1	-75.3
Inc/(dec) in CL and Provisions	-185.5	-57.4	-5.2	39.6
Others	0.0	0.0	0.0	0.0
CF from operating activities	299.5	414.7	1,059.3	1,416.4
(Inc)/dec in Investments	0.5	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-139.2	-100.0	-500.0	-500.0
Others	-412.1	344.3	-257.5	-271.5
CF from investing activities	-550.8	244.3	-757.5	-771.5
Issue/(Buy back) of Equity	305.4	0.0	0.0	0.0
Inc/(dec) in loan funds	57.2	-50.0	-150.0	-150.0
Dividend paid & dividend tax	0.0	-14.2	-14.2	-14.2
Less: Interest Paid	497.8	493.4	481.0	499.4
Others	-200.1	-986.7	-962.0	-998.8
CF from financing activities	660.4	-557.6	-645.2	-663.6
Net Cash flow	409.1	101.5	-343.5	-18.7
Opening Cash	322.3	731.4	832.9	489.4
Closing Cash	731.4	832.9	489.4	470.7

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Liabilities				
Equity Capital	60.8	60.8	60.8	60.8
Reserve and Surplus	1,772.6	1,167.8	1,325.5	1,576.8
Total Shareholders funds	1,833.4	1,228.6	1,386.3	1,637.6
Total Debt	1,351.9	1,301.9	1,151.9	1,001.9
Others	3,782.3	4,164.3	4,281.8	4,475.3
Total Liabilities	6,967.6	6,694.9	6,820.0	7,114.8
Assets				
Total Fixed Assets	1,884.8	1,739.4	1,986.0	2,192.4
Investments	1.2	1.2	1.2	1.2
Right of Use	2,755.4	2,395.7	2,353.5	2,364.8
Goodwill on Consolidation	1,052.0	1,052.0	1,052.0	1,052.0
Debtors	30.7	53.8	210.4	243.7
Inventory	25.0	13.5	31.6	36.6
Loans and Advances	7.6	7.6	7.6	7.6
Other Current Assets	206.7	208.6	233.1	270.0
Cash	731.4	832.9	489.4	470.7
Total Current Assets	1,001.4	1,116.4	972.0	1,028.6
Total Current Liabilities	535.0	477.6	472.3	512.0
Net Current Assets	466.4	638.8	499.6	516.6
Other Non Current Assets	807.7	867.7	927.7	987.7
Application of Funds	6,967.6	6,694.9	6,820.0	7,114.8

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS (Diluted)	-123.1	-97.2	28.3	43.7
Cash EPS	-28.5	-1.3	128.8	156.8
BV	301.7	202.2	228.2	269.5
DPS	2.2	2.2	2.2	2.2
Cash Per Share	120.4	137.1	80.5	77.5
Operating Ratios (%)				
EBITDA Margin	-119.6	-6.0	33.5	34.1
EBIT / Net Sales	-324.9	-65.3	17.6	18.7
PAT Margin	-267.1	-60.1	4.5	6.0
Inventory days	32.5	5.0	3.0	3.0
Debtor days	40.0	20.0	20.0	20.0
Creditor days	264.8	60.0	15.0	15.0
Return Ratios (%)				
RoE	-40.8	-48.1	12.4	16.2
RoCE	-6.3	-5.2	10.5	32.2
RoIC	-53.1	-39.9	32.4	35.5
Valuation Ratios (x)				
P/E	-12.5	-15.8	54.3	35.2
EV / EBITDA	-40.6	-235.8	11.2	6.5
EV / Net Sales	48.6	14.1	3.7	2.2
Market Cap / Sales	33.4	9.5	2.4	2.1
Price to Book Value	5.1	7.6	6.7	5.7
Solvency Ratios				
Net Debt/EBITDA	-1.8	-8.0	0.5	0.3
Net Debt / Equity	0.3	0.4	0.5	0.3
Current Ratio	1.2	1.4	2.9	2.9
Quick Ratio	1.1	1.4	2.7	2.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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