

November 4, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	1,447		1,435	
Sales (Rs. m)	34,144	41,455	33,536	40,721
% Chng.	1.8	1.8		
EBITDA (Rs. m)	10,529	13,441	10,270	13,181
% Chng.	2.5	2.0		
EPS (Rs.)	20.9	50.5	16.3	46.6
% Chng.	28.3	8.6		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	34,144	6,358	34,144	41,455
EBITDA (Rs. m)	10,766	(1,323)	10,529	13,441
Margin (%)	31.5	(20.8)	30.8	32.4
PAT (Rs. m)	273	(7,102)	1,154	2,785
EPS (Rs.)	5.3	(128.9)	20.9	50.5
Gr. (%)	(86.9)	NA	NA	141.4
DPS (Rs.)	4.0	4.0	4.0	4.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	1.4	NA	10.1	20.0
RoCE (%)	8.7	NA	9.1	13.0
EV/Sales (x)	3.0	17.0	3.1	2.5
EV/EBITDA (x)	9.5	NA	10.2	7.7
PE (x)	207.0	NA	52.6	21.8
P/BV (x)	3.8	5.8	5.3	4.3

Key Data

PVRL.BO | PVRL IN

52-W High / Low	Rs.2,087 / Rs.705
Sensex / Nifty	40,261 / 11,814
Market Cap	Rs.61bn/ \$ 817m
Shares Outstanding	55m
3M Avg. Daily Value	Rs.6402.79m

Shareholding Pattern (%)

Promoter's	18.79
Foreign	34.60
Domestic Institution	30.05
Public & Others	16.56
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(15.3)	10.8	(37.0)
Relative	(18.6)	(7.2)	(37.2)

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Costs well-managed; focus shifts to footfalls

Quick Pointers:

- Fixed opex burn was Rs243mn per month (excluding CAM provisions). Inclusive of CAM, burn rate was Rs329mn per month.
- Debt/Cash levels stood at Rs12.7bn/3.7bn respectively.

PVR's Ind-AS adjusted EBITDA loss of Rs810mn was broadly in-line with our estimates of Rs786mn as rigorous cost cutting initiatives resulted in fixed opex burn of Rs243mn per month (excluding CAM provisions), in-line with the guidance of Rs220-250mn, given in 1QFY21. We expect burn rate to increase in the initial few months post re-opening as fixed expenses like rent, CAM, and employee expenses will rise (as compared to the levels prevailing in lockdown) without sufficient corresponding rise in footfalls amid 1) occupancy caps and 2) hesitancy to visit multiplexes. Consequently, we expect EBITDA loss to widen to Rs1.3bn (earlier loss estimate of Rs452mn) in FY21E. However, we expect normalcy to resume in the next 6 months as escapism will become even more relevant post-COVID. We upgrade the stock to a BUY (ACCUMULATE earlier) with a revised TP of Rs1,447 (Rs1,435 earlier). Our EBITDA estimates are broadly unchanged (increase of 2.5%/2.0% for FY22/FY23 respectively) while our target EV/EBITDA multiple is also intact at 12x and our UPGRADE is primarily driven by the recent correction in stock price which provides an attractive entry point. (PVR trades at EV/EBITDA multiple of 10.2x/7.7x our FY22/FY23 estimates; LPA is closer to ~12x).

Revenues fall steeply as multiplexes were shut: Top-line declined 95.8% YoY to Rs405mn (PLe of Rs78mn) as multiplexes were not operational in 2QFY21 due to the ongoing pandemic. PVR recorded F&B sales of Rs37mn while income from sale of movie distribution/rights stood at Rs275mn.

Cost cutting initiatives bears fruits: Ind-AS adjusted EBITDA loss stood at Rs810mn (PLe loss of Rs786mn) with a fixed opex burn of Rs243mn per month (excluding CAM provisions); in line with the guidance of Rs220-250mn given in 1QFY21.

Con-call highlights: 1) Rental negotiations have concluded for 60% of the cinemas but pertain only to FY21E (not long term in nature). Post re-opening, some properties will move to a variable rental model (revenue share) while in some cases there can be a discount of ~50% odd on minimum guarantees committed earlier 2) For CAM, expected discount can range between ~30-50% on final settlement 3) In West Bengal, 6 new films were released, where-in for most shows occupancy was closer to ~100% (within the prescribed 50% cap limit) 4) Sri Lanka operations are shut again due to government directive 5) For library content, ATP is in the range of Rs75-125 (most content was played at sub-Rs100). 6) F&B strike rate (number of people buying F&B as a % of total footfalls) is similar to pre-COVID levels 7) Distributor share can vary till the time there is capacity cap. No long term changes envisaged. 8) As of FY20, ~4-5% of the screens were into losses at EBITDA level 9) Cinemas in Maharashtra are expected to open in Nov (most likely before Diwali) 10) 14 screens were shut-down during 2QFY21 after the lease term expired. Most of them were either into losses or were operating at marginal profits.

Exhibit 1: Q2FY21 Result Overview – Consolidated (Rs mn)

Y/e March	2QFY21	2QFY20	YoY gr.	1QFY21	QoQ gr.	1HFY21	1HFY20	YoY gr.
Net sales	405	9,732	-95.8%	127	218.5%	532	18,536	-97.1%
Movie exhibition cost	3	1,980	-99.8%	-	NM	3	3,971	-99.9%
<i>As a % of sales</i>	<i>0.7%</i>	<i>20.3%</i>		<i>0.0%</i>		<i>0.6%</i>	<i>21.4%</i>	
Consumption of F&B	17	728	-97.7%	7	139.4%	24	1,444	-98.3%
<i>As a % of sales</i>	<i>4.2%</i>	<i>7.5%</i>		<i>5.6%</i>		<i>4.5%</i>	<i>7.8%</i>	
Employee expenses	407	1,049	-61.2%	682	-40.3%	1,089	2,106	-48.3%
<i>As a % of sales</i>	<i>100.6%</i>	<i>10.8%</i>		<i>536.8%</i>		<i>204.8%</i>	<i>11.4%</i>	
Other expenses	819	2,794	-70.7%	597	37.2%	1,417	5,048	-71.9%
<i>As a % of sales</i>	<i>202.5%</i>	<i>28.7%</i>		<i>470.3%</i>		<i>266.5%</i>	<i>27.2%</i>	
EBITDA	(842)	3,181	NM	(1,159)	NM	(2,001)	5,967	NM
<i>EBITDA margin</i>	<i>NM</i>	<i>32.7%</i>		<i>NM</i>		<i>NM</i>	<i>32.2%</i>	
Depreciation	1,419	1,395	1.7%	1,445	-1.8%	2,864	2,654	7.9%
EBIT	(2,260)	1,786	NM	(2,604)	NM	(4,865)	3,313	NM
<i>EBIT margin</i>	<i>NM</i>	<i>18.3%</i>		<i>NM</i>		<i>NM</i>	<i>17.9%</i>	
Interest cost	1,229	1,111	10.6%	1,240	-0.9%	2,469	2,426	1.8%
Other income	702	62	1028.0%	427	64.5%	1,128	130	768.4%
PBT	(2,788)	736	NM	(3,418)	NM	(6,205)	1,017	NM
Exceptional items/Share of JVs	4	2	175.0%	2	193.3%	6	3	126.9%
Tax expenses	(951)	258	NM	(1,162)	NM	(2,113)	363	NM
Tax rate	NM	35.1%		NM		NM	35.7%	
PAT	(1,841)	477	NM	(2,257)	NM	(4,098)	652	NM
<i>PAT margin</i>	<i>NM</i>	<i>4.9%</i>		<i>NM</i>		<i>NM</i>	<i>3.5%</i>	
Noncontrolling interest	1	2	-47.6%	1	0.0%	2	3	-12.0%
Other comprehensive income (OCI)	1	54	-98.3%	(0)	NM	1	85	-99.4%
PAT inclusive of OCI	(1,840)	425	NM	(2,256)	NM	(4,096)	570	NM
EPS (Rs)	(34)	10	NM	(44)	NM	(77)	13.3	NM

Source: Company, PL

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

Y/e March	2QFY21	2QFY20	YoY
NBOC	6	4,918	-99.9%
<i>As a % of total</i>	<i>1.4%</i>	<i>50.2%</i>	
Net F&B	37	2,728	-98.6%
<i>As a % of total</i>	<i>8.6%</i>	<i>27.9%</i>	
Advertisement revenue	-	938	-100.0%
<i>As a % of total</i>	<i>0.0%</i>	<i>9.6%</i>	
Other revenue from operations	393	1,209	-67.5%
<i>As a % of total</i>	<i>90.1%</i>	<i>12.3%</i>	
Total sales	435.9	9,794.0	-95.5%

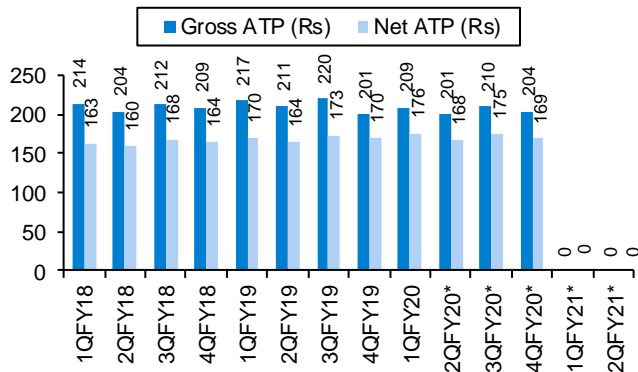
Source: Company, PL

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

Y/e March	2QFY21	2QFY20	YoY	1QFY21	QoQ	FY20	FY21E	FY22E	FY23E
Sales	405	9,732	-95.8%	127	218.5%	34,144	6,358	34,144	41,455
Ind-AS Adjusted EBITDA	(842)	1,944	NM	(1,159)	NM	5,762	(3,324)	5,342	7,721
Ind-AS Adjusted EBITDA margin	NM	20.0%		NM		16.9%	NM	15.6%	18.6%
Ind-AS Adjusted PAT	(1,162)	660	NM	(1,411)	NM	1,310	(4,629)	1,154	2,785
Ind-AS Adjusted PAT margin	NM	6.8%		NM		3.8%	NM	3.4%	6.7%

Source: Company, PL

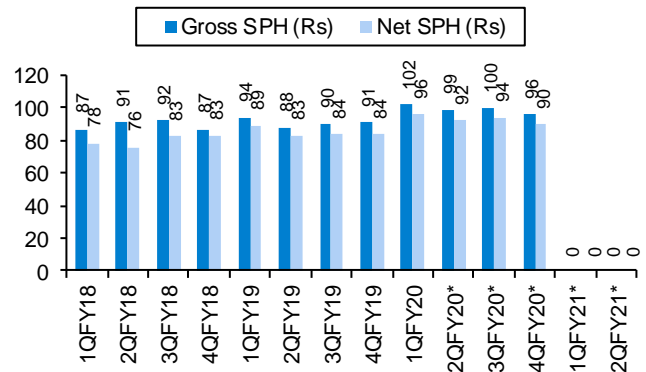
Exhibit 4: Gross ATP trend over the last few quarters



Source: Company, PL

*Including SPI Cinema's

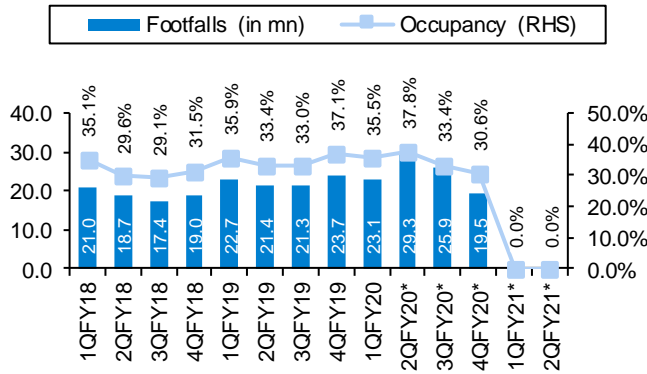
Exhibit 5: Gross SPH trend over the last few quarters



Source: Company, PL

*Including SPI Cinema's

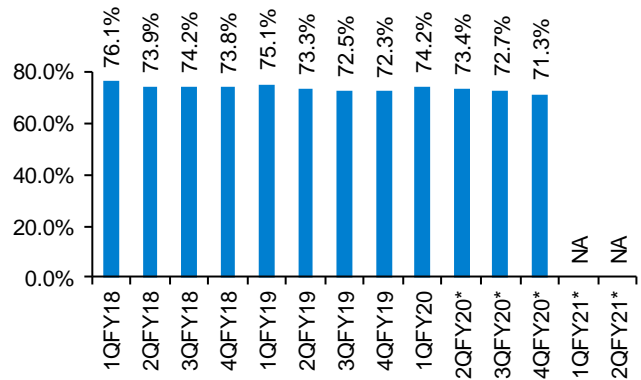
Exhibit 6: Footfalls are volatile, driven by content



Source: Company, PL

*Including SPI Cinema's

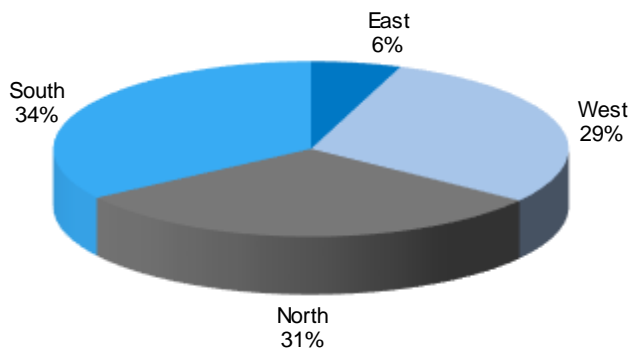
Exhibit 7: F&B GM has remained in the steady range of ~73-75%



Source: Company, PL

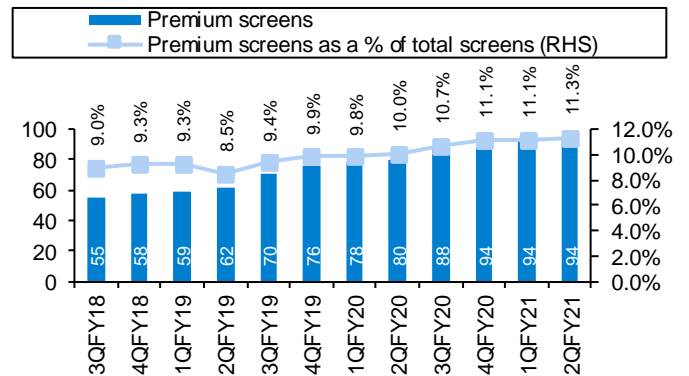
*Including SPI Cinema's

Exhibit 8: Screen mix as of 2QFY21



Source: Company, PL

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



Source: Company, PL

Exhibit 10: Relative valuation EV/EBITDA

Particulars (Rs mn)	FY22E*
EV/EBITDA	12.0
EBITDA	10,529
EV	1,26,349
Less: Debt	51,884
Add: Cash	5,248
Equity Value	79,713
No of shares	55
Per share value (Rs)	1,447
CMP (Rs)	1,102
Upside	31.3%

Source: Company, PL

*Ind AS 116 compliant projections

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	34,144	6,358	34,144	41,455
YoY gr. (%)	10.7	(81.4)	437.0	21.4
Cost of Goods Sold	9,971	1,492	10,148	12,290
Gross Profit	24,173	4,866	23,995	29,165
Margin (%)	70.8	76.5	70.3	70.4
Employee Cost	3,938	2,136	4,092	4,741
Other Expenses	9,469	4,054	9,374	10,983
EBITDA	10,766	(1,323)	10,529	13,441
YoY gr. (%)	83.6	NA	NA	27.7
Margin (%)	31.5	NA	30.8	32.4
Depreciation and Amortization	5,425	5,776	5,144	5,510
EBIT	5,341	(7,099)	5,385	7,931
Margin (%)	15.6	NA	15.8	19.1
Net Interest	4,818	4,994	4,244	4,610
Other Income	378	1,263	400	400
Profit Before Tax	901	(10,830)	1,542	3,721
Margin (%)	2.6	NA	4.5	9.0
Total Tax	627	(3,732)	388	937
Effective tax rate (%)	69.6	NA	25.2	25.2
Profit after tax	274	(7,098)	1,154	2,785
Minority interest	(5)	(2)	-	-
Share Profit from Associate	(5)	(6)	-	-
Adjusted PAT	273	(7,102)	1,154	2,785
YoY gr. (%)	(85.6)	NA	NA	141.4
Margin (%)	0.8	NA	3.4	6.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	273	(7,102)	1,154	2,785
YoY gr. (%)	(85.6)	NA	NA	141.4
Margin (%)	0.8	NA	3.4	6.7
Other Comprehensive Income	(66)	(1)	-	-
Total Comprehensive Income	207	(7,102)	1,154	2,785
Equity Shares O/s (m)	51	55	55	55
EPS (Rs)	5.3	(128.9)	20.9	50.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	55,512	54,983	58,086	61,248
Tangibles	52,797	52,267	55,371	58,533
Intangibles	2,715	2,715	2,715	2,715
Acc: Dep / Amortization	7,172	12,948	18,092	23,602
Tangibles	6,392	12,168	17,311	22,821
Intangibles	781	781	781	781
Net fixed assets	48,340	42,034	39,994	37,646
Tangibles	46,405	40,100	38,060	35,712
Intangibles	1,935	1,935	1,935	1,935
Capital Work In Progress	1,547	2,086	2,086	2,086
Goodwill	10,520	10,520	10,520	10,520
Non-Current Investments	2,618	2,802	2,839	3,197
Net Deferred tax assets	2,049	4,157	4,157	4,157
Other Non-Current Assets	1,668	1,765	2,905	3,652
Current Assets				
Investments	12	12	12	12
Inventories	307	87	468	568
Trade receivables	1,893	453	2,526	3,067
Cash & Bank Balance	3,223	3,166	5,315	7,996
Other Current Assets	1,764	1,589	2,561	2,902
Total Assets	74,292	69,068	74,079	76,646
Equity				
Equity Share Capital	514	552	552	552
Other Equity	14,289	9,907	10,840	13,404
Total Networkth	14,802	10,459	11,392	13,956
Non-Current Liabilities				
Long Term borrowings	46,849	48,810	49,810	49,310
Provisions	136	38	137	166
Other non current liabilities	571	572	683	829
Current Liabilities				
ST Debt / Current of LT Debt	1,873	1,973	2,073	1,773
Trade payables	3,124	714	3,742	4,543
Other current liabilities	5,884	5,449	5,190	5,016
Total Equity & Liabilities	74,292	69,068	74,079	76,646

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	896	(10,836)	1,542	3,721
Add. Depreciation	2,282	5,776	5,144	5,510
Add. Interest	4,730	4,994	4,244	4,610
Less Financial Other Income	378	1,263	400	400
Add. Other	2,905	(2,358)	(2,031)	(1,050)
Op. profit before WC changes	10,812	(2,424)	8,898	12,791
Net Changes-WC	(2,647)	(751)	574	160
Direct tax	(295)	3,732	(388)	(937)
Net cash from Op. activities	7,870	557	9,084	12,015
Capital expenditures	(3,838)	529	(3,104)	(3,162)
Interest / Dividend Income	26	-	-	-
Others	(92)	(767)	(338)	(504)
Net Cash from Inv. activities	(3,903)	(238)	(3,441)	(3,666)
Issue of share cap. / premium	-	38	-	-
Debt changes	(674)	164	1,100	(800)
Dividend paid	(360)	(220)	(220)	(220)
Interest paid	(1,151)	(4,994)	(4,244)	(4,610)
Others	75	4,637	(130)	(37)
Net cash from Fin. activities	(2,110)	(376)	(3,494)	(5,667)
Net change in cash	1,857	(57)	2,149	2,681
Free Cash Flow	4,020	1,086	5,981	8,853

Source: Company Data, PL Research

Key Financial Metrics

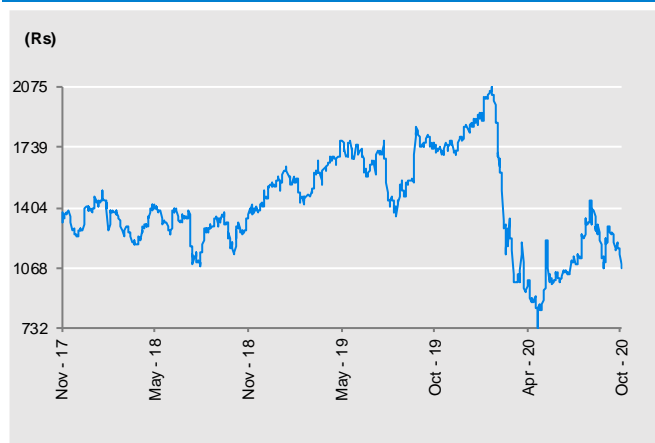
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	5.3	(128.9)	20.9	50.5
CEPS	111.1	(24.1)	114.3	150.6
BVPS	288.6	189.8	206.8	253.3
FCF	78.4	19.7	108.6	160.7
DPS	4.0	4.0	4.0	4.0
Return Ratio(%)				
RoCE	8.7	NA	9.1	13.0
ROIC	14.5	NA	14.2	17.5
RoE	1.4	NA	10.1	20.0
Balance Sheet				
Net Debt : Equity (x)	3.1	4.6	4.1	3.1
Net Working Capital (Days)	(10)	(10)	(8)	(8)
Valuation(x)				
PER	207.0	NA	52.6	21.8
P/B	3.8	5.8	5.3	4.3
P/CEPS	9.9	NA	9.6	7.3
EV/EBITDA	9.5	NA	10.2	7.7
EV/Sales	3.0	17.0	3.1	2.5
Dividend Yield (%)	0.4	0.4	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	9,157	6,451	127	405
YoY gr. (%)	8.6	(23.0)	(98.6)	(95.8)
Raw Material Expenses	2,609	1,948	7	20
Gross Profit	6,549	4,504	120	385
Margin (%)	71.5	69.8	94.4	95.1
EBITDA	3,073	1,727	(1,159)	(842)
YoY gr. (%)	87.0	7.4	NA	NA
Margin (%)	33.6	26.8	NA	NA
Depreciation / Depletion	1,349	1,422	1,445	1,419
EBIT	1,724	304	(2,604)	(2,260)
Margin (%)	18.8	4.7	NA	NA
Net Interest	1,221	1,171	1,240	1,229
Other Income	82	167	427	702
Profit before Tax	583	(702)	(3,419)	(2,792)
Margin (%)	6.4	NA	NA	NA
Total Tax	221	44	(1,162)	(951)
Effective tax rate (%)	37.8	(6.3)	34.0	34.1
Profit after Tax	363	(746)	(2,257)	(1,841)
Minority interest	(1)	(1)	(1)	(1)
Share Profit from Associates	-	-	-	-
Adjusted PAT	363	(745)	(2,256)	(1,840)
YoY gr. (%)	(34.3)	NA	NA	NA
Margin (%)	4.0	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	363	(745)	(2,256)	(1,840)
YoY gr. (%)	(34.3)	NA	NA	NA
Margin (%)	4.0	NA	NA	NA
Other Comprehensive Income	(2)	20	-	(1)
Total Comprehensive Income	361	(725)	(2,256)	(1,840)
Avg. Shares O/s (m)	51	51	51	55
EPS (Rs)	7.1	(14.5)	(44.0)	(33.4)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	Accumulate	1,435	1,255
2	16-Sep-20	Accumulate	1,435	1,265
3	08-Jul-20	Accumulate	1,107	1,073
4	10-Jun-20	Accumulate	1,131	1,087
5	09-Apr-20	BUY	1,518	1,002
6	23-Jan-20	Accumulate	2,053	1,900
7	03-Jan-20	Accumulate	2,013	1,875

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	154
3	Indian Railway Catering and Tourism Corporation	BUY	1,647	1,356
4	Inox Leisure	Accumulate	323	281
5	Music Broadcast	Hold	20	21
6	Navneet Education	Accumulate	95	76
7	PVR	Accumulate	1,435	1,255
8	S Chand and Company	BUY	89	66
9	V.I.P. Industries	Hold	288	291

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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