

Revival in occupancy key to earnings...

PVR reported losses for fourth consecutive quarter as expected. While cinemas reopened during the quarter, low footfalls owing to occupancy limit and still prevailing Covid-19 situation led to marginal revenues. Box office revenue of ₹ 13.4 crore was reported while F&B income was ₹ 14 crore. The company has negotiated rentals post reopening with landlords. EBITDA loss (ex-Ind-AS 116) was at ₹ 126.8 crore. It reported a net loss (ex-Ind-AS 116) at ₹ 136.6 crore. On a reported basis, net loss was at ₹ 49.1 crore as it accounted ₹ 266.8 crore of rent concession as other income.

Crowd-pullers awaited...

PVR reopened its screens everywhere except for Rajasthan and Jharkhand. However, limit to occupancy and lack of new releases meant footfalls did not pick up as envisaged. ATP during the quarter was at ₹164, down 22% YoY while SPH was at ₹95, down 5% YoY. The management informed ATP for fresh content has been equal or higher compared to that of pre-Covid level. We believe flow of new releases will be necessary for operating metrics to reach normal levels. We bake in 70 screens addition in FY22E and 90 screens addition in FY23E. Consequently, we build in footfalls growth of 3.3% CAGR in FY20-23E to 112.2 mn (93% decline in FY21 followed by sharp growth thereafter) coupled with 1.3% CAGR in ATP to lead to 4.8% FY20-23E CAGR in net box office revenues to ₹ 1993 crore. F&B revenue CAGR is estimated at 5.1% over FY20-23E leading to a total of ₹ 1100 crore. Ad revenue is expected to take longer to recover and we expect ad revenue of ₹370 crore in FY23E. We incorporate modest occupancy in the rest of FY21E and expect FY22 to witness return to profitability with assumption of good reception to release of big budget movies.

Rent negotiations largely complete; Cash burn increase

The management informed PVR has reached settlements with landlords for 88% of screens for full or partial waiver of rent during lockdown period. Also, the company has negotiated discounts/rebates in form of revenue sharing/reduction in minimum guarantee till end of FY21. The cash burn saw 60% sequential increase in Q3 post reopening (63% drop YoY) due to reversal of salary cuts and other expenses. The management stated 10-15% cost saving is sustainable. The board has enabled resolution to raise up to ₹ 800 crore via equity, if needed, in order to de-leverage balance sheet.

Valuation & Outlook

We continue to believe PVR is a proxy play on urban/semi urban discretionary spends. With recovery being a function of tail of pandemic and content pipeline with streaming platforms lapping up big titles being a risk, occupancy is likely to be limited in near term. We maintain **HOLD** rating and value the stock at 11x FY23E (ex-Ind-AS) EV/EBITDA with a target price of ₹ 1440/share (previous TP: ₹ 1210). We believe most of the positives are already factored in after the sharp run up (up ~39%) in the last ~2.5 months and will await a better entry point before turning buyers.

Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-223)
Net Sales (₹ crore)	3,085.6	3,414.4	282.6	3,289.1	3,812.4	5.7
EBITDA (₹ crore)	586.3	1,076.6	(298.1)	1,111.5	1,343.9	11.7
Net Profit (₹ crore)	183.2	27.3	(561.2)	59.2	193.8	166.5
EPS (₹)	39.2	5.3	(101.7)	10.7	35.1	
P/E (x)	37.6	277.4	(14.5)	137.5	42.0	
Price / Book (x)	5.6	5.1	6.7	6.4	5.6	
EV/EBITDA (x)	16.0	12.0	(43.7)	11.6	6.4	
RoCE (%)	13.8	8.5	(4.9)	8.6	29.8	
RoE (%)	14.8	1.8	(46.0)	4.7	13.4	

Source: Company, ICICI Direct Research *FY20, FY21, FY22 and FY23 EBITDA and PAT estimates are not comparable to earlier year numbers owing to IND AS 116 implementation



Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	8,135.4
Total Debt (FY20) (₹ Crore)	1,294.7
Cash (FY20) (₹ Crore)	322.3
EV	8,932.0
52 week H/L	2082 / 707
Equity capital	5.5
Face value	10.0

Key Highlights

- Q3FY21 saw reopening of cinemas. However, occupancy was limited
- Maintain **HOLD** with revised target price of ₹ 1440 /share

Key Risks to Our Call

- Faster than expected recovery in footfalls post vaccination drive, thereby higher earnings
- Leveraged balance sheet and longer than expected tail of pandemic weighing on the performance

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Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	45.4	54.5	915.7	40.5	-95.0	12.2	Cinemas reopened in Q3FY21 registering marginal footfalls
Other Income	274.7	100.0	8.2	70.2	3,270.9	291.6	Company recognised ₹ 266.8 crore out of rent concessions as other income
Employee Expenses	48.6	56.4	106.7	40.7	-54.5	19.4	
Film Distributors share	6.2	6.7	192.7	0.3	-96.8	NA	
F&B Cost	5.7	3.3	68.2	1.7	-91.6	237.6	
Rent	0.0	0.0	0.0	0.0	NA	NA	
Repairs and Maintenance	63.0	84.5	240.8	81.9	-73.8	-23.1	
EBITDA	-78.1	-96.5	307.3	-84.2	-125.4	-7.2	EBITDA loss was lesser than estimated
EBITDA Margin (%)	-172.1	-176.9	33.6	-208.1	20563 bps	3599 bps	
Depreciation	142.5	140.0	134.9	141.9	5.6	0.4	
Interest	127.1	122.0	122.1	122.9	4.1	3.4	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	-23.7	-65.1	22.1	-95.1	-207.4	-75.1	
PAT	-49.1	-193.3	36.3	-184.0	-235.1	-73.3	

Key Metrics

Footfalls (mn)	1.0	1.1	25.9	0.0	-96.1	NA	
Occupancy (%)	1.3	1.4	33.4	0.0	-96.2	NA	
SPH (₹)	95.0	84.0	100.0	0.0	-5.0	NA	
ATP (₹)	164.0	168.0	210.0	0.0	-21.9	NA	ATP for library content was lower while ATP for new films was similar or higher YoY

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY21E			FY22E			FY23E	Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	532.7	282.6	-47.0	3,492.3	3,289.1	-5.8	3,812.4	Realign our estimates post Q3
EBITDA	-229.7	-298.1	NM	1,150.7	1,111.5	-3.4	1,343.9	
EBITDA Margin (%)	-43.1	-105.5	-6236 bps	32.9	33.8	85 bps	35.3	Lower the costs as per management guidance
PAT	-720.9	-561.2	NA	90.7	59.2	-34.7	193.8	
EPS (₹)	-130.7	-101.7	NA	16.4	10.7	-34.7	35.1	

Source: Company, ICICI Direct Research

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

	FY21E			FY22E			FY23E	Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	532.7	282.6	-47.0	3,492.3	3,289.1	-5.8	3,812.4	Realign our estimates post Q3
EBITDA	-383.0	-435.3	NM	606.4	575.5	-5.1	760.8	
EBITDA Margin (%)	-71.9	-154.0	-8215 bps	17.4	17.5	13 bps	20.0	Lower the costs as per management guidance
PAT	-334.1	-494.5	NA	193.9	184.7	-4.8	332.0	
EPS (₹)	-65.1	-96.3	NA	35.1	33.5	-4.8	60.2	

Source: Company, ICICI Direct Research

Exhibit 4: Assumptions

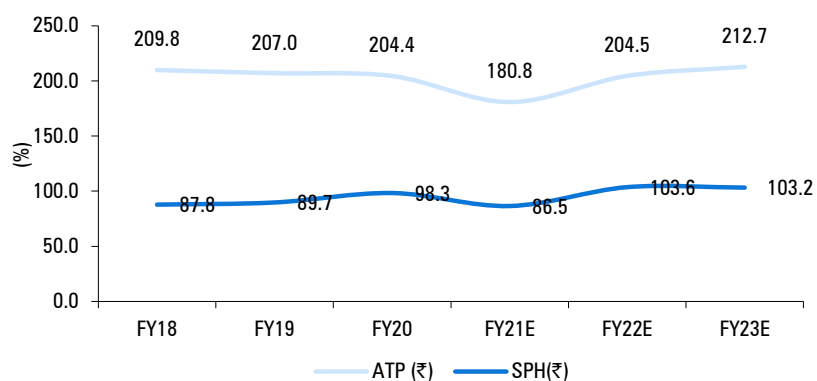
	Current				Earlier		
	FY19E	FY20	FY21E	FY22E	FY23E	FY21E	FY22E
Footfalls (mn)	99.3	101.7	7.0	100.2	112.2	12.9	99.3
SPH (₹)	90	98	87	104	103	85	110
ATP (₹)	207	204	181	205	213	182	223

Source: Company, ICICI Direct Research

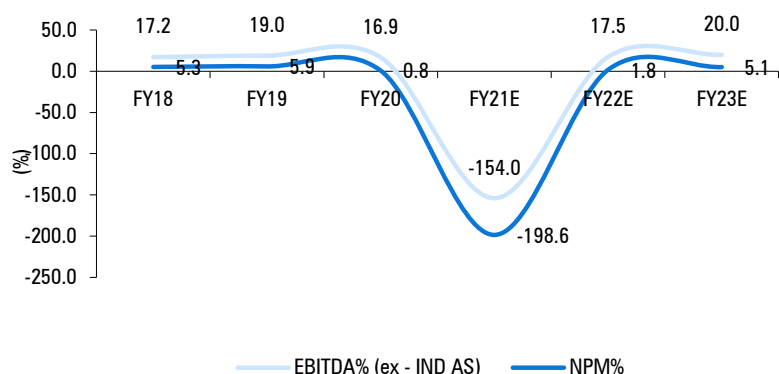
Conference call highlights

- **New Hindi releases awaited:** PVR has reopened its theatres in all states where it has presence except for Rajasthan and Jharkhand. Occupancy has been limited due to staggered reopening and other social distance restrictions. This led to no big budget Hindi film releases. The management said closure in Rajasthan and Jharkhand has not affected the releases schedule as both the states combined contribute only 6-7% to total box office collections. They are also hopeful of a relaxation in the 50% limit to occupancy in a couple of months. The management informed new releases in southern states have received very good response. While commenting on global scenario, the management said new movies have done well in the countries where virus is contained, citing Japan and China.
- **Negotiations with landlords nearly complete; arrangement with distributors:** The management informed PVR has reached settlements with landlords for 88% of screens for full or partial waiver of rent during lockdown period. Also, the company has negotiated discounts/rebates in form of revenue sharing/ reduction in minimum guarantee till end of FY21. They added that the lease structure for new properties could undergo a change. On distribution front, the management said while distributor share could vary a little in the initial period, no meaningful deviation from earlier agreed arrangement is expected.
- **Enabling resolution to raise capital:** The company has cash and cash equivalent of ₹ 373 crore as of 31st December. The board has provided an enabling resolution to raise capital in form of equity up to ₹ 800 crore. The management stated additional liquidity will be needed in case recovery takes longer. Also, the management was of the view that growth opportunity could arise as consolidation is likely in the exhibition industry. However, they clarified that no inorganic expansion opportunity is presented to them as of now.
- **Revenue affected; focus on cost reduction:** The management said limited content and staggered opening led to lesser revenue. They also informed that ATP has been similar or higher than pre-Covid level for new releases down south and few Hollywood releases. Once normalcy settles, ATP could be at 4-5% above previous level. The management was of the view that slightly higher ATP was also one of the reasons for good collections in China. On expenses front, fixed cost reduced by 63% YoY in Q3FY21 due to lesser headcount, salary cuts and negotiated rent/CAM expenses. The management added that cash burn per month is likely to be ₹ 35-36 crore discounting rent and CAM. They also expect 10-15% cost reduction in employee costs and other overheads to be sustainable in the long term. Per screen capex will not change significantly as per management.
- **Hopeful of stimulus measures:** The management said Kerala has exempted entertainment tax in the state and few other states might provide similar relief. They are also hopeful of an announcement of stimulus for entire service sector in upcoming annual budget.
- **Other points:**
 - i) The management reiterated that direct streaming releases will not come at the cost of theatrical releases.
 - ii) PVR will start sale of F&B on one of the aggregator platforms on 18th January and will scale up in two to three weeks
 - iii) In Q3FY21, ATP at ₹ 164, down 22% YoY while SPH at ₹ 95, down 5% YoY

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)

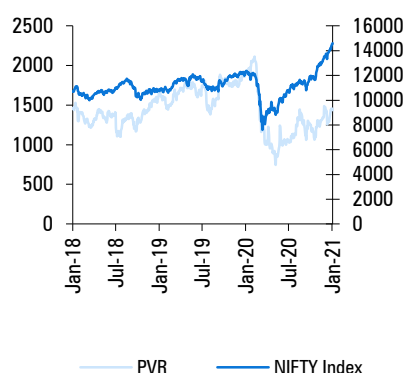
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	3,414.4	282.6	3,289.1	3,812.4
Growth (%)	10.7	-91.7	1,063.9	15.9
Film Distributors Cost	733.5	47.6	735.6	857.0
F&B Cost	263.7	27.5	276.2	308.1
Employee Expenses	393.8	218.0	327.0	388.4
Other Expenses	1,447.4	424.7	1,374.7	1,498.1
Total Operating Expenditure	2,838.3	717.9	2,713.6	3,051.6
EBITDA	576.1	-435.3	575.5	760.8
Growth (%)	-1.7	-175.6	-232.2	32.2
Margins (%)	16.9	-154.0	17.5	20.0
Depreciation	232.4	183.7	230.2	251.6
Interest	152.1	150.7	146.4	125.4
Other Income	37.8	41.0	48.0	60.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	229.4	-728.7	246.9	443.9
MI/PAT from associates	0.1	0.3	0.6	0.8
Total Tax	97.8	-234.2	62.2	111.9
PAT	131.5	-494.5	184.7	332.0
Growth (%)	-28.2	NM	NM	79.8
EPS (₹)	25.6	-89.6	33.5	60.2

Source: Company, ICICI Direct Research

Exhibit 8: KPI

(Year-end March)	FY20	FY21E	FY22E	FY23E
Box office Revenues	1,732	105	1,711	1,993
YoY	6%	-94%	1522%	16%
F&B	949	67	986	1,100
YoY	12%	-93%	1362%	12%
Ad	376	19	260	370
YoY	6%	-95%	1253%	42%
Others	358	90	332	349
YoY	43%	-75%	267%	5%
ATP	204	181	205	213
YoY	-1%	-12%	13%	4%
Footfalls (mn)	102	7	100	112
YoY	2%	-93%	1337%	12%
Screens	845	855	925	1,015
Net Debt	971	867	623	411
RoCE (post tax)	12.2	(13.9)	13.9	18.0
RoE	9.6	(42.0)	13.6	19.6

Source: Company, ICICI Direct Research

Exhibit 9: Price Performance


Source: Company, ICICI Direct Research

Exhibit 10: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	18.4	18.5	18.6	18.8	18.8
FII	42.9	38.4	37.0	34.6	38.5
DII	15.5	20.0	14.9	15.7	13.9
Others	23.1	23.1	29.5	30.9	28.9

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	3,414.4	282.6	3,289.1	3,812.4
Growth (%)	10.7	-91.7	1,063.9	15.9
Film Distributors Cost	733.5	47.6	735.6	857.0
F&B Cost	263.7	27.5	276.2	308.1
Employee Expenses	393.8	218.0	327.0	388.4
Other Expenses	946.9	287.5	838.7	915.0
Total Operating Expenditure	2,337.9	580.6	2,177.6	2,468.5
EBITDA	1,076.6	-298.1	1,111.5	1,343.9
Growth (%)	83.6	-127.7	-472.9	20.9
Depreciation	542.5	520.5	585.0	642.7
Interest	481.8	499.5	494.6	501.0
Other Income	37.8	487.5	48.0	60.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	90.1	-830.5	79.9	260.2
MI/PAT from associates	0.1	0.3	0.6	0.8
Total Tax	62.7	-269.6	20.1	65.6
PAT	27.3	-561.2	59.2	193.8
Growth (%)	-85.1	-2,155.7	-110.5	227.5
EPS (₹)	5.3	-101.7	10.7	35.1

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
PAT	27.3	-561.2	59.2	193.8
Add: Depreciation	542.5	520.5	585.0	642.7
Add: Interest Paid	481.8	499.5	494.6	501.0
(Inc)/dec in Current Assets	-70.8	191.4	-152.5	-80.7
Inc/(dec) in CL and Provisions	-87.2	-436.3	406.0	120.9
Others	0.0	0.0	0.0	0.0
CF from operating activities	893.5	213.9	1,392.3	1,377.8
(Inc)/dec in Investments	8.3	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-246.8	-50.0	-400.0	-400.0
Others	-110.7	140.5	-241.3	-252.0
CF from investing activities	-349.3	90.5	-641.3	-652.0
Issue/(Buy back) of Equity	500.0	299.8	0.0	0.0
Inc/(dec) in loan funds	12.3	0.0	-150.0	-200.0
Dividend paid & dividend tax	-36.0	0.0	-12.9	-12.9
Less: Interest Paid	481.8	499.5	494.6	501.0
Others	-1214.2	-999.0	-989.3	-1002.1
CF from financing activities	-256.2	-199.7	-657.5	-713.9
Net Cash flow	288.1	104.7	93.5	11.8
Opening Cash	34.2	322.3	427.0	520.4
Closing Cash	322.3	427.0	520.4	532.3

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	51.4	55.2	55.2	55.2
Reserve and Surplus	1,428.9	1,163.6	1,209.9	1,390.8
Total Shareholders funds	1,480.2	1,218.8	1,265.1	1,446.0
Total Debt	1,294.7	1,294.7	1,144.7	944.7
Others	3,933.8	4,174.3	4,308.0	4,521.0
Total Liabilities	6,708.7	6,687.7	6,717.8	6,911.7
Assets				
Total Fixed Assets	2,351.0	2,217.3	2,387.1	2,535.5
Investments	1.7	1.7	1.7	1.7
Right of Use	3,004.7	2,707.9	2,668.2	2,682.1
Goodwill on Consolidation	685.0	685.0	685.0	685.0
Debtors	189.3	77.4	180.2	208.9
Inventory	30.7	2.5	31.5	36.6
Loans and Advances	8.7	8.7	8.7	8.7
Other Current Assets	201.5	150.1	170.8	217.8
Cash	322.3	427.0	520.4	532.3
Total Current Assets	752.4	665.7	911.7	1,004.2
Total Current Liabilities	720.5	284.2	690.2	811.1
Net Current Assets	31.9	381.5	221.5	193.1
Other Non Current Assets	634.4	694.4	754.4	814.4
Application of Funds	6,708.7	6,687.7	6,717.8	6,911.7

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS (Diluted)	5.3	-101.7	10.7	35.1
Cash EPS	111.0	-7.4	116.8	151.6
BV	288.3	220.9	229.3	262.1
DPS	2.6	2.4	2.4	2.4
Cash Per Share	62.8	77.4	94.3	96.5
Operating Ratios (%)				
EBITDA Margin	31.5	-105.5	33.8	35.3
EBIT / Net Sales	15.6	-289.7	16.0	18.4
PAT Margin	0.8	-198.6	1.8	5.1
Inventory days	3.3	3.3	3.5	3.5
Debtor days	20.2	100.0	20.0	20.0
Creditor days	33.4	150.0	33.0	34.0
Return Ratios (%)				
RoE	1.8	-46.0	4.7	13.4
RoCE	8.5	-4.9	8.6	29.8
RoIC	23.3	-37.6	22.8	28.3
Valuation Ratios (x)				
P/E	277.4	-14.5	137.5	42.0
EV / EBITDA	12.0	-43.7	11.6	6.4
EV / Net Sales	3.8	46.1	3.9	2.2
Market Cap / Sales	2.4	28.8	2.5	2.1
Price to Book Value	5.1	6.7	6.4	5.6
Solvency Ratios				
Net Debt/EBITDA	0.9	-2.9	0.6	0.3
Net Debt / Equity	0.7	0.7	0.5	0.3
Current Ratio	1.3	1.9	1.2	1.3
Quick Ratio	1.2	1.9	1.1	1.2

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Inox Leisure	333	250	Hold	3,677	1.5	-23.2	6.7	228.0	NM	49.9	10.4	106.9	9.5	10.0	-6.1	10.4	2.4	-43.9	11.7
PVR	1,475	1,440	Hold	8,138	5.3	-134.7	21.6	277.4	NM	68.3	12.0	-81.9	10.8	8.5	-9.0	10.0	1.8	-71.7	10.4
Sun TV	517	480	Hold	20,374	35.1	36.2	39.9	14.7	14.3	12.9	7.8	8.0	6.4	31.2	29.2	28.9	24.2	22.1	21.9
TV Today	246	240	Hold	1,467	23.4	21.6	30.0	10.5	11.4	8.2	6.1	6.2	4.8	24.7	22.2	24.7	16.0	14.4	18.4
ZEE Ent.	225	195	Hold	21,609	5.5	9.0	17.7	41.0	25.1	12.7	12.6	11.7	7.8	13.9	13.8	20.8	16.7	10.1	15.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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