PVR (PVRL IN)

Rating: BUY | CMP: Rs1,915 | TP: Rs2,330

July 22, 2022

Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	**BUY**		**BUY**	
Target Price	**2,330**		**2,227**	
Sales (Rs. m)	41,703	49,192	41,863	49,035
% Chng.	*(0.4)*	*0.3*		
EBITDA (Rs. m)	13,903	16,835	13,543	16,260
% Chng.	*2.7*	*3.5*		
EPS (Rs.)	28.8	56.4	25.0	51.3
% Chng.	*15.4*	*9.9*		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,800	13,310	41,703	49,192
EBITDA (Rs. m)	(3,349)	1,057	13,903	16,835
Margin (%)	*NA*	*7.9*	*33.3*	*34.2*
PAT (Rs. m)	(7,478)	(4,882)	1,757	3,435
EPS (Rs.)	(123.1)	(80.1)	28.8	56.4
Gr. (%)	*NA*	*NA*	*NA*	*95.5*
DPS (Rs.)	-	-	2.0	2.5
Yield (%)	*-*	*-*	*0.1*	*0.1*
RoE (%)	*NA*	*NA*	*11.5*	*18.4*
RoCE (%)	*NA*	*NA*	*11.9*	*15.4*
EV/Sales (x)	56.8	12.2	3.9	3.3
EV/EBITDA (x)	NA	NA	11.8	9.7
PE (x)	NA	NA	66.4	34.0
P/BV (x)	6.3	8.5	7.6	6.2

Key Data

Key Data	PVRL.BO | PVRL IN
52-W High / Low	Rs.2,010 / Rs.1,224
Sensex / Nifty	55,682 / 16,605
Market Cap	Rs.117bn/ $ 1,462m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.1090.62m

Shareholding Pattern (%)

Promoter's	16.99
Foreign	36.56
Domestic Institution	26.19
Public & Others	20.26
Promoter Pledge (Rs bn)	1.07

Stock Performance (%)

	1M	6M	12M
Absolute	7.4	24.5	47.3
Relative	1.3	32.0	38.1

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Best ever quarter

Quick Pointers:

- PVR registers highest ever quarterly revenue/pre IND-AS PAT of Rs9,814mn/Rs684mn respectively.
- On track to open 125 screens in FY23E with bulk of the openings lined up in 2HFY23. 82 screens are currently under fit-out.

We increase our EBITDA estimates by 3%/4% for FY23E/FY24E respectively as we re-align our overhead assumptions amid tight cost control (fixed cost per screen is down by 2% over pre-COVID base of 1QFY20) further backed by increase in ATP/SPH estimates by ~1-3%. This was the best ever quarter for PVR and we maintain our positive bias given 1) healthy content pipeline 2) encouraging commentary on ad-revenue recovery 3) strong screen opening outlook 4) noteworthy improvement in KPIs (ATP/SPH was 23%/32% above pre-COVID base) which appear to be sustainable in nature and 5) improved BS strength (debt reduction of Rs911mn in 1QFY23). Further, the announced merger with Inox Leisure is progressing well and an application with NCLT is expected to be filed in the next couple of weeks. Retain BUY on the stock with a TP of Rs2,330 after assigning EV/EBITDA multiple of 15.5x (no change) to the merged entity.

Highest ever quarterly revenue: Top-line increased 1553% YoY to Rs9,814mn (PLe Rs9,198mn) buoyed by strong content like KGF-2, Vikram, Bhool Bhulaiyaa-2 and Dr Strange etc. PVR reported highest ever quarterly revenue aided by 31%/40% growth in ATP/SPH to Rs250/Rs134 respectively. Further, footfalls stood at 25mn (PLe 25mn) in 1QFY23.

Turns Ind-AS PAT positive for the first time post-pandemic: Ind-AS adjusted EBITDA came in at Rs1,888mn (PLe of Rs1,347mn) with a margin of 19.2% (PLe 14.6%) as against Ind-AS adjusted EBITDA loss of Rs1,214mn in 1QFY22. PVR reported Ind-AS adjusted PAT of Rs684mn (PLe of Rs232mn) aided by strong content performance and tight cost control.

Con-call highlights: 1) SPH/ATP ratio improved to 54% in 1QFY23 and has further room for improvement 2) Windowing gap will revert to 8 weeks from 1st Aug 2022. 3) Newly launched monthly subscription plan to watch movies on weekdays had met with some regulatory hurdles which are now resolved 4) Debt of Rs14.1bn is unlikely to increase from current levels 5) SPH levels can be sustained while ATP may depress a bit, if content is disappointing 6) Ad-revenue is likely to recover to pre-pandemic levels by 3QFY23 and breach the same by 4QFY23 7) FMCG sector contributes ~15-17% to ad-revenues. 8) Industry GBOC was ~Rs57bn in 1HCY23 9) Count of total seats per screen is on a declining trend due to addition of premium properties which have smaller auditoriums. 10) Premium screen count is expected to increase from 12% to 18-20% In 5 years. 11) Roughly 39 screens have been shut down in last 3 years (23 screens were closed as lease with Cineline expired while balance 16 were shut for operational reasons). 12) Electricity cost was lower by 4% over pre-pandemic base due to temporary reliefs provided from few state governments but is expected to increase going forward.

Exhibit 1: 1QFY23 Result Overview – Consolidated (Rs mn)

Y/e March	1QFY23	1QFY22	YoY gr.	4QFY22	QoQ gr.
Net sales	**9,814**	**594**	***1552.5%***	**5,371**	***82.7%***
Movie exhibition cost	2,389	94	*2441.7%*	1,322	*80.7%*
As a % of sales	*24.3%*	*15.8%*		*24.6%*	
Consumption of F&B	765	60	*1183.4%*	448	*70.7%*
As a % of sales	*7.8%*	*10.0%*		*8.3%*	
Employee expenses	1,040	531	*95.8%*	814	*27.7%*
As a % of sales	*10.6%*	*89.4%*		*15.2%*	
Other expenses	2,204	819	*169.3%*	1,788	*23.3%*
As a % of sales	*22.5%*	*137.8%*		*33.3%*	
EBITDA	**3,416**	**(909)**	***NM***	**999**	***242.0%***
EBITDA margin	*34.8%*	*NM*		*18.6%*	
Depreciation	1,494	1,430	*4.4%*	1,687	*-11.4%*
EBIT	**1,922**	**(2,340)**	***NM***	**(688)**	***NM***
EBIT margin	*19.6%*	*NM*		*NM*	
Interest cost	1,280	1,237	*3.5%*	1,252	*2.2%*
Other income	209	332	*-37.1%*	425	*-50.9%*
PBT	**851**	**(3,245)**	***NM***	**(1,515)**	***NM***
Exceptional items/Share of JVs	-	-	*NM*	-	*NM*
Tax expenses	319	(1,050)	*NM*	(460)	*NM*
Tax rate	37.5%	NM		NM	
PAT	**532**	**(2,196)**	***NM***	**(1,055)**	***NM***
PAT margin	*5.4%*	*NM*		*NM*	
Non-controlling interest	2	1	*100.0%*	-	*NM*
Other comprehensive income (OCI)	(5)	(9)	*NM*	19	*NM*
PAT inclusive of OCI	**539**	**(2,185)**	***NM***	**(1,074)**	***NM***
EPS (Rs)	8.8	(36.1)	*NM*	(17.3)	*NM*

Source: Company, PL

Exhibit 2: Revenue mix (Rs mn)

Y/e March	1QFY23	1QFY22	YoY gr.	4QFY22	QoQ gr.
NBOC	5,302	227	*2236.7%*	2,939	*80.4%*
As a % of total	*54.0%*	*48.8%*		*57.4%*	
Net F&B	3,238	180	*1695.9%*	1,702	*90.2%*
As a % of total	*33.0%*	*38.7%*		*33.2%*	
Advertisement revenue	627	21	*2943.7%*	215	*192.3%*
As a % of total	*6.4%*	*4.4%*		*4.2%*	
Other revenue from operations (including OI)	647	38	*1625.3%*	265	*144.0%*
As a % of total	*6.6%*	*8.1%*		*5.2%*	
Total sales	**9,814.0**	**465.3**	***2009.2%***	**5,120.9**	***91.6%***

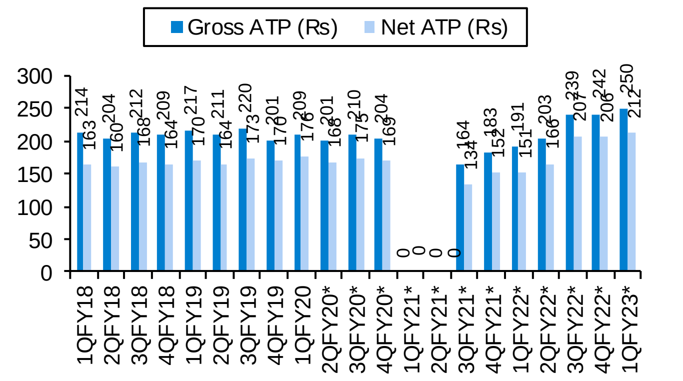
Source: Company, PL

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

Y/e March	4QFY22	4QFY21	YoY	3QFY22	QoQ	FY21	FY22	FY23E	FY24E
Sales	9,814	594	*1552.5%*	5,371	*82.7%*	2,800	13,310	41,703	49,192
Ind-AS Adjusted EBITDA	1,888	(1,214)	*NM*	(342)	*NM*	(4,545)	(2,331)	7,699	9,984
Ind-AS Adjusted EBITDA margin	*19.2%*	*NM*		*NM*		*NM*	*NM*	*18.5%*	*20.3%*
Ind-AS Adjusted PAT	684	(1,419)	*NM*	(956)	*NM*	(6,656)	(4,189)	2,437	3,792
Ind-AS Adjusted PAT margin	*7.0%*	*NM*		*NM*		*NM*	*NM*	*5.8%*	*7.7%*

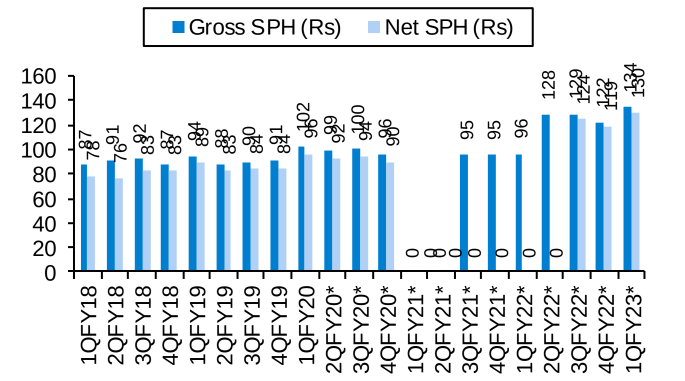
Source: Company, PL

Exhibit 4: Gross ATP trend over the last few quarters



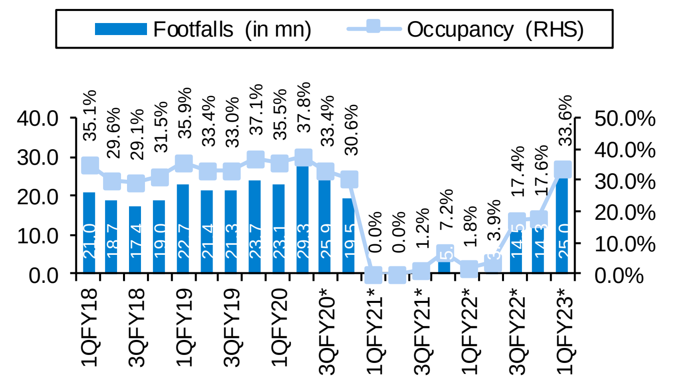
Source: Company, PL **Including SPI Cinema's*

Exhibit 5: Gross SPH trend over the last few quarters



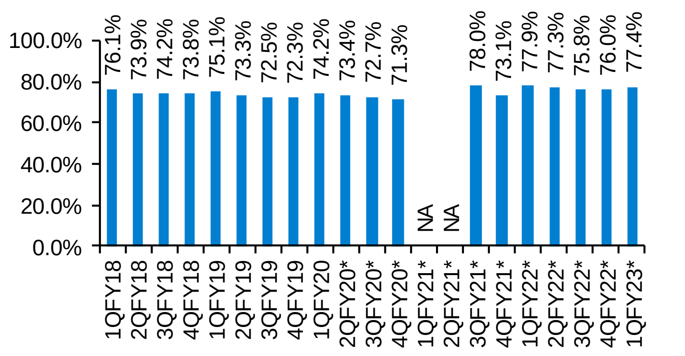
Source: Company, PL **Including SPI Cinema's Note: Net SPH is NM due to sale of other traded goods*

Exhibit 6: Footfalls are volatile, driven by content



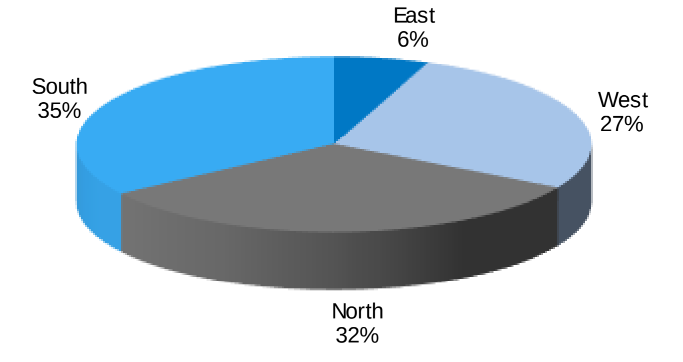
Source: Company, PL **Including SPI Cinema's Note: Occupancy calculated based on 4-5 shows per day with no caps*

Exhibit 7: F&B GM is in the steady range of ~73-77%



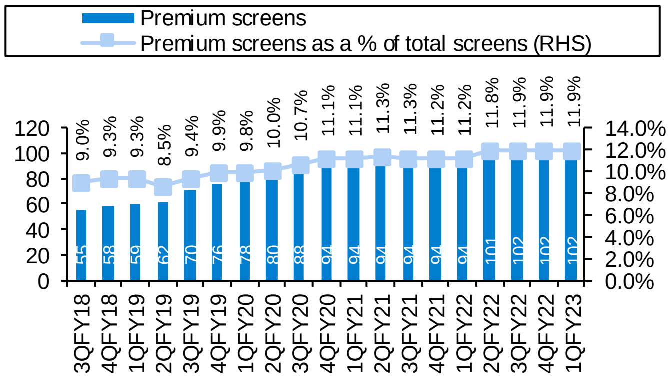
Source: Company, PL **Including SPI Cinema's*

Exhibit 8: Screen mix as of 1QFY23



Source: Company, PL

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



Source: Company, PL

Exhibit 10: Relative valuation EV/EBITDA of merged entity

Particulars (Rs mn)	FY24E
EV/EBITDA	15.5
EBITDA*	15,201
EV	2,35,622
Less: Debt*	15,017
Add: Cash	6,955
Equity Value	2,27,560
No of shares	97.7
Per share value of merged entity (Rs)	2,330

*Source: Company, PL *Pre IND-AS figures*

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	**2,800**	**13,310**	**41,703**	**49,192**
YoY gr. (%)	*(91.8)*	*375.3*	*213.3*	*18.0*
Cost of Goods Sold	730	3,975	12,931	14,918
Gross Profit	2,071	9,335	28,772	34,274
Margin (%)	*73.9*	*70.1*	*69.0*	*69.7*
Employee Cost	2,171	2,693	4,430	5,368
Other Expenses	3,249	5,585	10,439	12,071
EBITDA	**(3,349)**	**1,057**	**13,903**	**16,835**
YoY gr. (%)	*NA*	*NA*	*1,215.0*	*21.1*
Margin (%)	*NA*	*7.9*	*33.3*	*34.2*
Depreciation and Amortization	5,748	6,144	6,350	6,500
EBIT	**(9,098)**	**(5,087)**	**7,553**	**10,335**
Margin (%)	*NA*	*NA*	*18.1*	*21.0*
Net Interest	4,978	4,982	5,300	5,400
Other Income	4,693	3,261	450	350
Profit Before Tax	**(9,383)**	**(6,807)**	**2,703**	**5,285**
Margin (%)	*NA*	*NA*	*6.5*	*10.7*
Total Tax	(1,906)	(1,922)	946	1,850
Effective tax rate (%)	*20.3*	*28.2*	*35.0*	*35.0*
Profit after tax	**(7,476)**	**(4,885)**	**1,757**	**3,435**
Minority interest	(4)	(3)	-	-
Share Profit from Associate	(6)	-	-	-
Adjusted PAT	**(7,478)**	**(4,882)**	**1,757**	**3,435**
YoY gr. (%)	*NA*	*NA*	*NA*	*95.5*
Margin (%)	*NA*	*NA*	*4.2*	*7.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**(7,478)**	**(4,882)**	**1,757**	**3,435**
YoY gr. (%)	*NA*	*NA*	*NA*	*95.5*
Margin (%)	*NA*	*NA*	*4.2*	*7.0*
Other Comprehensive Income	5	(22)	-	-
Total Comprehensive Income	(7,473)	(4,904)	1,757	3,435
Equity Shares O/s (m)	**61**	**61**	**61**	**61**
EPS (Rs)	**(123.1)**	**(80.1)**	**28.8**	**56.4**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	**53,657**	**55,386**	**59,253**	**62,241**
Tangibles	50,964	52,611	56,478	59,466
Intangibles	2,694	2,775	2,775	2,775
Acc: Dep / Amortization	**9,426**	**11,833**	**18,183**	**24,683**
Tangibles	8,506	10,648	16,998	23,498
Intangibles	920	1,185	1,185	1,185
Net fixed assets	**44,231**	**43,553**	**41,070**	**37,558**
Tangibles	42,458	41,963	39,480	35,968
Intangibles	1,773	1,590	1,590	1,590
Capital Work In Progress	2,172	645	645	645
Goodwill	10,520	10,520	10,520	10,520
Non-Current Investments	2,691	2,586	3,566	4,206
Net Deferred tax assets	3,987	5,926	8,009	12,025
Other Non-Current Assets	1,395	1,342	1,718	2,023
Current Assets				
Investments	9	5	5	5
Inventories	250	342	343	404
Trade receivables	307	707	2,856	3,369
Cash & Bank Balance	7,314	5,781	3,298	4,196
Other Current Assets	1,867	1,447	2,294	3,443
Total Assets	**75,026**	**73,258**	**74,892**	**79,060**
Equity				
Equity Share Capital	608	610	610	610
Other Equity	17,726	13,094	14,729	18,012
Total Networth	**18,334**	**13,704**	**15,339**	**18,622**
Non-Current Liabilities				
Long Term borrowings	46,315	47,240	46,340	46,340
Provisions	182	97	209	197
Other non current liabilities	524	121	209	246
Current Liabilities				
ST Debt / Current of LT Debt	3,716	4,718	4,718	4,718
Trade payables	2,032	3,001	3,770	4,447
Other current liabilities	3,137	3,856	3,787	3,970
Total Equity & Liabilities	**75,026**	**73,258**	**74,892**	**79,060**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(9,388)	(6,807)	2,703	5,285
Add. Depreciation	2,341	2,605	6,350	6,500
Add. Interest	4,949	4,938	5,300	5,400
Less Financial Other Income	4,693	3,261	450	350
Add. Other	(1,297)	399	(3,266)	(5,487)
Op. profit before WC changes	(3,396)	1,136	11,087	11,698
Net Changes-WC	(803)	434	(1,381)	103
Direct tax	72	99	(946)	(1,850)
Net cash from Op. activities	**(4,127)**	**1,668**	**8,760**	**9,951**
Capital expenditures	(1,166)	(1,245)	(3,867)	(2,988)
Interest / Dividend Income	28	270	-	-
Others	(1,748)	947	(1,142)	(738)
Net Cash from Invt. activities	**(2,886)**	**(28)**	**(5,010)**	**(3,725)**
Issue of share cap. / premium	-	-	-	-
Debt changes	1,768	1,553	(900)	-
Dividend paid	-	-	(122)	(152)
Interest paid	(982)	(1,246)	(5,300)	(5,400)
Others	9,969	(2,475)	89	225
Net cash from Fin. activities	**10,755**	**(2,168)**	**(6,233)**	**(5,328)**
Net change in cash	**3,742**	**(528)**	**(2,483)**	**898**
Free Cash Flow	(5,294)	419	4,893	6,963

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	**1,203**	**6,142**	**5,371**	**9,814**
YoY gr. (%)	*197.5*	*1,252.8*	*196.0*	*1,552.5*
Raw Material Expenses	400	1,651	1,770	3,154
Gross Profit	803	4,490	3,601	6,660
Margin (%)	*66.7*	*73.1*	*67.0*	*67.9*
EBITDA	**(681)**	**1,649**	**999**	**3,416**
YoY gr. (%)	*NA*	*NA*	*NA*	*NA*
Margin (%)	*NA*	*26.9*	*18.6*	*34.8*
Depreciation / Depletion	1,487	1,540	1,687	1,494
EBIT	**(2,168)**	**109**	**(688)**	**1,922**
Margin (%)	*NA*	*1.8*	*NA*	*19.6*
Net Interest	1,235	1,257	1,252	1,280
Other Income	1,549	956	425	209
Profit before Tax	**(1,855)**	**(192)**	**(1,515)**	**851**
Margin (%)	*NA*	*NA*	*NA*	*8.7*
Total Tax	(322)	(90)	(460)	319
Effective tax rate (%)	*17.4*	*46.9*	*30.4*	*37.5*
Profit after Tax	**(1,533)**	**(102)**	**(1,055)**	**532**
Minority interest	(1)	-	-	(2)
Share Profit from Associates	-	-	-	-
Adjusted PAT	**(1,531)**	**(102)**	**(1,055)**	**534**
YoY gr. (%)	*NA*	*NA*	*NA*	*NA*
Margin (%)	*NA*	*NA*	*NA*	*5.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**(1,531)**	**(102)**	**(1,055)**	**534**
YoY gr. (%)	*NA*	*NA*	*NA*	*NA*
Margin (%)	*NA*	*NA*	*NA*	*5.4*
Other Comprehensive Income	7	(19)	(19)	5
Total Comprehensive Income	**(1,524)**	**(121)**	**(1,074)**	**539**
Avg. Shares O/s (m)	61	61	61	61
EPS (Rs)	**(25.2)**	**(1.7)**	**(17.3)**	**8.7**

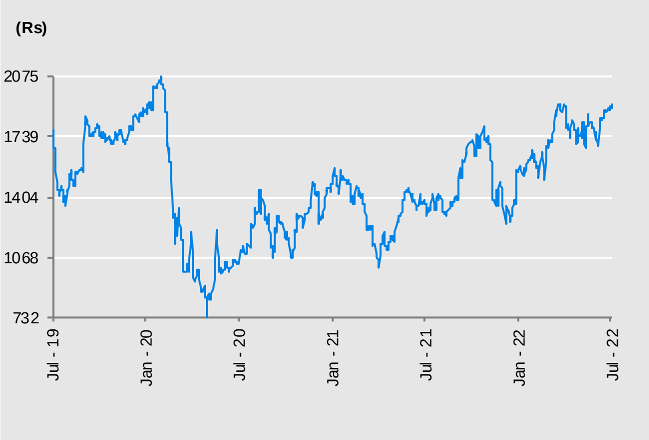
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(123.1)	(80.1)	28.8	56.4
CEPS	(28.5)	20.8	133.4	163.5
BVPS	301.7	225.5	252.4	306.5
FCF	(87.1)	6.9	80.5	114.6
DPS	-	-	2.0	2.5
Return Ratio(%)				
RoCE	NA	NA	11.9	15.4
ROIC	NA	1.4	18.6	21.3
RoE	NA	NA	11.5	18.4
Balance Sheet				
Net Debt : Equity (x)	2.3	3.4	3.1	2.5
Net Working Capital (Days)	(192)	(54)	(5)	(5)
Valuation(x)				
PER	NA	NA	66.4	34.0
P/B	6.3	8.5	7.6	6.2
P/CEPS	NA	92.2	14.3	11.7
EV/EBITDA	NA	NA	11.8	9.7
EV/Sales	56.8	12.2	3.9	3.3
Dividend Yield (%)	-	-	0.1	0.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	BUY	2,227	1,886
2	10-May-22	BUY	2,227	1,706
3	08-Apr-22	BUY	2,272	1,882
4	23-Jan-22	BUY	1,891	1,537
5	10-Jan-22	BUY	1,881	1,367
6	25-Oct-21	BUY	1,896	1,627
7	07-Oct-21	BUY	1,906	1,679
8	31-Jul-21	BUY	1,625	1,400

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	184	180
2	Indian Railway Catering and Tourism Corporation	Hold	648	583
3	Inox Leisure	BUY	668	523
4	Music Broadcast	Hold	24	23
5	Navneet Education	BUY	121	97
6	Nazara Technologies	BUY	901	635
7	PVR	BUY	2,227	1,886
8	S Chand and Company	BUY	156	115
9	Safari Industries (India)	BUY	1,288	931
10	V.I.P. Industries	BUY	817	614
11	Zee Entertainment Enterprises	BUY	358	223

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Shweta Shekhawat- MBA Finance & MCom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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