

PVR

Refer to important disclosures at the end of this report

Weak Bollywood performance a drag

PVR's operating performance reflected the poor box-office collections in Q2FY23. Footfalls declined 28% QoQ, resulting in a 30% decline in revenue. ATP and SPH also declined sequentially from the all-time high in Q1FY23, attributable to weaker movie performance and special promotional offers. Ad revenue held up better, though it continues to be below pre-Covid levels. The company opened only 14 screens in H1FY23, even as Management stays confident of meeting its target of 110-125 screen-additions for FY23. In our view, content acceptance remains the primary factor for PVR's success. Despite the weak performance in the quarter, we maintain our FY24/25 estimates, in the hope of a Bollywood content-reversal. However, if this weakness persists, the risk of an earnings cut and a de-rating looms large. We maintain BUY with an unchanged TP of Rs2,340/share (Sep-24E pro forma EBITDA).

Results Summary: Revenue declined 30% QoQ to Rs6.9bn in Q2FY23, largely attributable to the unrelenting weak Bollywood performance. While regional movies saw robust collections in the quarter, mega blockbusters – which had propelled box-office collections in Q1FY23 – were missing. In Q2FY23, Hollywood saw one of its weakest performances in the last two decades, due to lack of movie releases. Consequently, NBOC declined 38% QoQ to Rs3.3bn. Lower number of blockbuster movies also resulted in moderation of both, ATP and SPH, in the quarter. ATP fell to Rs224 (from Rs250 in Q1FY23) and SPH fell to Rs129 (from Rs134 in Q1FY23) – Both were also affected by the special initiatives aimed at driving-up footfalls. Overall, F&B sales also declined, by 29% QoQ to Rs2.3bn. Advertising revenue fall of 9% QoQ was not as sharp. EBITDA fell 55% QoQ due to flow-through of lower revenue, but still outclassed our estimates, as film exhibition costs and employee expenses were 8% and 12% (respectively) lower than our estimates. PVR reported net loss of Rs712mn vs our estimate of a Rs804mn loss. Net debt at end-Q2 was Rs11bn vs. Rs8.4bn at end-Q1FY23.

Earnings Call KTAs: 1) **Ticket Pricing:** Company is malleable to explore a different pricing mechanism. Pricing is not the sole factor for driving footfalls, with content being the single most-important factor. Q3 ATP should be close to that seen in Q1FY23; SPH should be Rs135-140, going ahead. 2) **Footfalls:** Lower footfalls are not a result of lack of appetite; decline in the quarter was only due to unfavorable content. While PVR's mainstay is feature films, alternative content being screened is also part of its strategy, which is key to attract audiences to theaters. 3) **Regional Cinema:** Seeing support from the regional industry for wider audiences, by dubbing in more languages. Footfalls in South India remain substantially strong. 4) **Ad revenue:** Recovery is taking a bit longer than expected; PVR saw 62% recovery in current quarter compared with 2019; should recover to 70-72% of the 2019 levels by Q4FY23. 5) **Screen Guidance:** PVR is fairly confident about meeting screen-addition guidance of 110-125 in FY23, despite opening only 14 screens in H1FY23. 6) **Merger:** Both PVR and Inox have received shareholder approval. The final leg of NCLT approval will take another 3 months to complete.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Media & Entertainment \(Page 7\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,800	13,310	38,139	49,681	55,304
EBITDA	(3,349)	1,057	12,483	17,633	19,151
EBITDA Margin (%)	(119.6)	7.9	32.7	35.5	34.6
APAT	(7,480)	(4,888)	1,021	4,515	5,423
EPS (Rs)	(123.1)	(80.4)	16.8	74.3	89.3
EPS (% chg)	(2,848.1)	0.0	0.0	342.3	20.1
ROE (%)	(45.1)	(30.5)	7.2	26.6	24.7
P/E (x)	(13.7)	(21.0)	100.5	22.7	18.9
EV/EBITDA (x)	(43.4)	140.7	11.9	8.0	7.2
P/BV (x)	5.6	7.5	7.0	5.3	4.2

Source: Company, Emkay Research

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CMP

Rs 1,689
as of (October 17, 2022)

Rating

BUY (■)

Target Price

Rs 2,340 (■)
12 months

Upside

38.6 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	60.9/1.8
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	16.8	74.3
Consensus	37.7	67.3
Mean Consensus TP (12M)	Rs 2,218	

Stock Details

Bloomberg Code	PVRL IN
Face Value (Rs)	10
Shares outstanding (mn)	61
52 Week H/L	2,215 / 1,224
M Cap (Rs bn/USD bn)	103 / 1.25
Daily Avg Volume (nos.)	1,042,491
Daily Avg Turnover (USD mn)	23.7

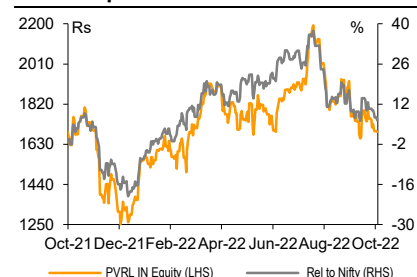
Shareholding Pattern Jun '22

Promoters	17.0%
FIIIs	36.6%
DIIIs	26.2%
Public and Others	20.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(12)	(11)	(1)
Rel. to Nifty	(3)	(19)	(10)	4

Relative price trend



Source: Bloomberg

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Exhibit 1: Actual vs Estimates (Q2FY23)

(Rs mn)	Actual	Estimate		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	6,867	6,822	7,850	1%	-13%	
EBITDA	1,537	1,386	1,514	11%	2%	Lower than estimated film exhibition costs and employee costs
EBITDA margin	22.4%	20.3%	19.3%	206 bps	309 bps	
PAT	-712	-804	-498	-11%	43%	

Source: Company, Emkay Research

Exhibit 2: Summary of quarterly financials

(Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY (%)	QoQ (%)	H1FY23	H1FY22	YoY (%)
Total Revenue	1,203	6,142	5,371	9,814	6,867	471	-30	16,681	1,797	828
Film exhibition cost	263	1182	1322	2389	1462	457	-39	3,852	357	980
as % of sales	21.8	19.2	24.6	24.3	21.3			23.1	19.8	
Cost of materials consumed	138	470	448	765	629	357	-18	1,394	197	607
as % of sales	11.4	7.6	8.3	7.8	9.2			8.4	11.0	
Employee costs	560	788	814	1040	947	69	-9	1,987	1,091	82
as % of sales	46.5	12.8	15.2	10.6	13.8			11.9	60.7	
Repairs & maintenance	925	2054	1788	2204	2292	148	4	4,496	1,743	158
as % of sales	76.9	33.4	33.3	22.5	33.4			27.0	97.0	
Total Expenditure	1,885	4,492	4,373	6,398	5,331	183	-17	11,729	3,388	246
EBITDA	(681)	1,649	999	3,416	1,537	-326	-55	4,952	(1,591)	-411
Depreciation	1,487	1,540	1,687	1,494	1,525	3	2	3,019	2,917	3
EBIT	(2,168)	109	(688)	1,922	11	-101	-99	1,933	(4,508)	-143
Other Income	1,549	956	425	209	164	-89	-21	373	1,881	-80
Interest	1,235	1,257	1,252	1,280	1,277	3	0	2,557	2,472	3
Exceptional item	-	-	-	-	-			0	0	
PBT	(1,855)	(192)	(1,515)	851	(1,102)	-41	-230	(251)	(5,100)	-95
Tax	(322)	(90)	(460)	319	(387)	20	-221	-68	-1,372	-95
PAT before MI	(1,533)	(102)	(1,055)	532	(715)	-53	-234	(183)	(3,728)	-95
Minority interest	(1)	0	-	(2)	(3)	86	18	-5	-3	-
PAT	(1,531)	(102)	(1,055)	534	(712)	-53	-233	(178)	(3,726)	-95
Margins (%)						(bps)	(bps)			(bps)
EBITDA	-56.6	26.9	18.6	34.8	22.4	7,900	-1,243	29.7	-88.5	11,820
EBIT	-180.2	1.8	-12.8	19.6	0.2	18,037	-1,942	11.6	-250.8	26,244
PBT	-154.1	-3.1	-28.2	8.7	-16.0	13,810	-2,472	-1.5	-283.8	28,227
PAT	-127.3	-1.7	-19.6	5.4	-10.4	11,690	-1,581	-1.1	-207.3	20,625
Effective Tax rate	17.4	46.9	30.4	37.5	35.1	1,777	-238	27.1	26.9	16

Source: Company, Emkay Research

Exhibit 3: Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	37,752	38,139	1.0	49,721	49,681	-0.1	55,441	55,304	-0.2
EBITDA	12,259	12,483	1.8	17,581	17,633	0.3	19,096	19,151	0.3
EBITDA Margin (%)	32.5	32.7	26 bps	35.4	35.5	13 bps	34.4	34.6	19 bps
EBITDA (Adj. for Ind-AS)	5,766	5,937	3.0	10,515	10,501	-0.1	11,677	11,662	-0.1
PAT	634	1,021	61.0	4,435	4,515	1.8	5,340	5,423	1.6
EPS (Rs)	10.4	16.7	60.9	72.7	74.0	1.8	87.5	88.9	1.6

Source: Company, Emkay Research

Exhibit 4: Pro-forma estimates for merged company (with synergies)

FY24 (Rs mn)	PVR	Inox	Synergies	Merged Entity	Comments
Ticket	25,879	16,623		42,502	
F&B	15,582	7,906		23,488	
Ad revenue per screen	3.8	2.5			
Number of Screens	1,065	817		1,882	
Ad revenue	3,899	1,974	736	6,609	Discount for Inox will narrow with scale
Convenience Fee	1,740	670	155	2,565	Better negotiations for Inox
Share of sales	3.5%	2.4%			
Others	2,582	784			
Total Revenue	49,681	27,957	891	78,529	
Opex					
Movie exhibition costs	11,193	7,647		18,839	
F&B	4,051	1,897	77	5,872	Vendor consolidation and scale benefits
Employee Costs	4,682	1,380	388		Removing redundancies
Other Expenses	12,122	7,185	388		Scale benefits
Total Expenses	32,048	18,109	853	49,304	
EBITDA	17,633	9,848	1,676	29,225	
EBITDA adj. for Ind-AS	10,501	5,690	1,676	17,867	
Depreciation	7,289	3,439		10,729	
EBIT	10,344	6,408		18,496	
Other Income	280	100		380	
Interest Cost	4,602	2,792		7,394	
PBT	6,022	3,716		11,482	
Tax	1,516	935	422	2,873	
Tax Rate	25.2%	25.2%			
PAT	4,506	2,781	1254	8,609	

Source: Emkay Research

Exhibit 5: PVR's valuation derived from merged-company financials

Merged company	Sep-24 TP
Target EV/EBITDA (Sep-24)	12.5
Sep-24 EBITDA - excl IndAS (Rs mn)	18,947
Target EV (Rs mn)	236,840
Target Market Cap (Rs mn)	240,178
Number of Equity Shares (mn)	97
Target Price (Rs/share)	2,466
Weightage	80%
TP - without merger announcement (Rs/share)	1,800
Weightage (Risk to merger)	20%
Final TP (Rs/share)	2,340

Source: Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,800	13,310	38,139	49,681	55,304
Expenditure	6,149	12,253	25,656	32,048	36,153
EBITDA	(3,349)	1,057	12,483	17,633	19,151
Depreciation	5,749	6,144	6,695	7,289	8,052
EBIT	(9,097)	(5,087)	5,788	10,344	11,099
Other Income	4,693	3,261	513	280	339
Interest expenses	4,978	4,982	4,902	4,602	4,205
PBT	(9,382)	(6,807)	1,398	6,022	7,233
Tax	(1,906)	(1,922)	379	1,516	1,821
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(4)	(3)	2	9	11
Reported Net Income	(7,480)	(4,888)	1,021	4,515	5,423
Adjusted PAT	(7,480)	(4,888)	1,021	4,515	5,423

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	608	610	610	610	610
Reserves & surplus	17,728	13,093	14,114	18,629	24,053
Net worth	18,335	13,703	14,724	19,239	24,663
Minority Interest	0	(3)	(3)	(3)	(3)
Loan Funds	50,031	51,959	49,328	44,701	41,077
Net deferred tax liability	(3,987)	(5,925)	(5,925)	(5,925)	(5,925)
Total Liabilities	64,380	59,734	58,124	58,012	59,812
Net block	54,752	54,073	53,331	52,308	50,607
Investment	12	5	5	5	5
Current Assets	14,098	12,586	11,618	16,637	16,973
Cash & bank balance	7,311	5,798	3,695	5,665	4,846
Other Current Assets	401	476	411	536	596
Current liabilities & Provision	6,654	7,573	7,473	11,583	8,418
Net current assets	7,444	5,013	4,145	5,054	8,555
Misc. exp	0	0	0	0	0
Total Assets	64,380	59,735	58,125	58,012	59,811

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	(14,076)	(10,068)	885	5,742	6,894
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,305)	(1,021)	(1,234)	1,060	(4,320)
Operating Cashflow	(4,040)	233	6,482	12,865	9,155
Capital expenditure	(2,265)	(3,938)	(5,953)	(6,266)	(6,351)
Free Cash Flow	(6,305)	(3,705)	528	6,598	2,805
Investments	11	7	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	2,439	(669)	(5,441)	(5,986)	(6,012)
Equity Capital Raised	94	2	0	0	0
Loans Taken / (Repaid)	(631)	1,928	(2,631)	(4,627)	(3,624)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	11,204	2,065	4,352	3,927	3,927
Financing Cashflow	5,689	(987)	(3,181)	(5,302)	(3,902)
Net chg in cash	4,089	(1,423)	(2,140)	1,576	(759)
Opening cash position	3,223	7,311	5,798	3,695	5,665
Closing cash position	7,311	5,888	3,658	5,271	4,906

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	(119.6)	7.9	32.7	35.5	34.6
EBIT Margin	(324.9)	(38.2)	15.2	20.8	20.1
Effective Tax Rate	20.3	28.2	27.1	25.2	25.2
Net Margin	(267.0)	(36.7)	2.7	9.1	9.8
ROCE	(6.9)	(2.9)	10.7	18.3	19.4
ROE	(45.1)	(30.5)	7.2	26.6	24.7
RoIC	(12.8)	(6.7)	7.9	14.7	15.7

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	(123.1)	(80.4)	16.8	74.3	89.3
CEPS	(28.5)	20.7	127.0	194.3	221.8
BVPS	301.8	225.5	242.3	316.6	405.9
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	(13.7)	(21.0)	100.5	22.7	18.9
P/CEPS	(59.2)	81.7	13.3	8.7	7.6
P/BV	5.6	7.5	7.0	5.3	4.2
EV / Sales	51.9	11.2	3.9	2.9	2.5
EV / EBITDA	(43.4)	140.7	11.9	8.0	7.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	2.3	3.4	3.1	2.0	1.5
Net Debt/EBIDTA	(12.8)	43.7	3.7	2.2	1.9
Working Cap Cycle (days)	17.3	(21.5)	4.3	(4.5)	24.5

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(91.8)	375.3	186.5	30.3	11.3
EBITDA	(131.1)	0.0	1,080.5	41.3	8.6
EBIT	(270.3)	0.0	0.0	78.7	7.3
PAT	(2,848.1)	0.0	0.0	342.3	20.1

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	1,203	6,142	5,371	9,814	6,867
EBITDA	(681)	1,649	999	3,416	1,537
EBITDA Margin (%)	(56.6)	26.9	18.6	34.8	22.4
PAT	(1,531)	(102)	(1,055)	534	(712)
EPS (Rs)	(25.2)	(1.7)	(17.4)	8.8	(11.7)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	17.1	17.0	17.0	17.0	17.0
FII	38.2	37.8	31.9	33.3	36.6
DII	18.2	26.0	28.3	27.4	26.2
Public and Others	26.6	19.1	22.8	22.2	20.3

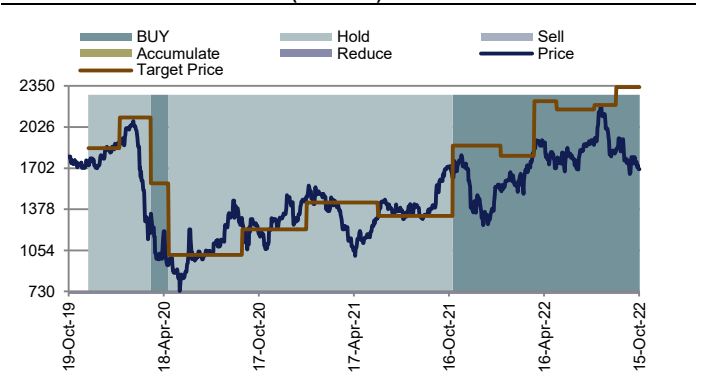
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
1-Sep-22	1,855	2,340	12m	Buy	Naval Seth
21-Jul-22	1,915	2,200	12m	Buy	Naval Seth
6-Jul-22	1,874	2,165	12m	Buy	Naval Seth
21-Jun-22	1,782	2,165	12m	Buy	Naval Seth
10-May-22	1,772	2,165	12m	Buy	Naval Seth
28-Mar-22	1,883	2,230	12m	Buy	Naval Seth
23-Jan-22	1,537	1,800	12m	Buy	Naval Seth
23-Oct-21	1,627	1,880	12m	Buy	Naval Seth
2-Jun-21	1,321	1,325	12m	Hold	Naval Seth
21-Feb-21	1,477	1,430	12m	Hold	Naval Seth
16-Jan-21	1,475	1,430	12m	Hold	Naval Seth
4-Nov-20	1,116	1,220	12m	Hold	Naval Seth
15-Sep-20	1,265	1,220	12m	Hold	Naval Seth
10-Jun-20	986	1,017	12m	Hold	Naval Seth
27-Apr-20	947	1,017	12m	Hold	Naval Seth
24-Mar-20	1,343	1,582	12m	Buy	Naval Seth
24-Mar-20	1,343	1,582	12m	Buy	Naval Seth
24-Jan-20	1,924	2,101	12m	Hold	Naval Seth
25-Nov-19	1,758	1,860	12m	Hold	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Media & Entertainment



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Contact Details

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 14 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Media & Entertainment	0.29	0.29	0%	0	100.00	
Inox Leisure	0.00	0.00	NA	0	0.00	0
PVR	0.00	0.00	NA	0	0.00	0
Sun TV Network	0.04	0.04	0%	0	14.65	0
Zee Entertainment	0.25	0.25	0%	0	85.35	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base 1-Apr-19	14-Oct-21	13-Apr-22	14-Jul-22	14-Sep-22	Latest 14-Oct-22
EAP - Media & Entertainment	100.0	84.2	74.1	59.7	74.3	71.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	76.0	66.9	53.9	67.1	64.9

*Performance measurement base date 1st April 2019

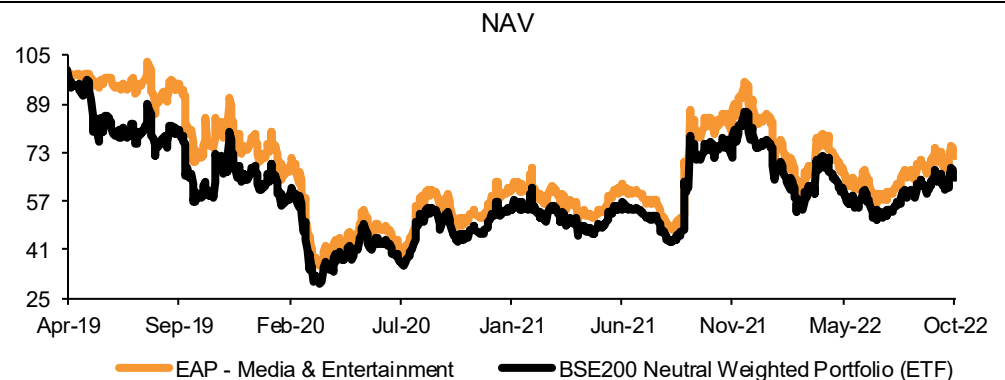
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Media & Entertainment	-3.3%	20.4%	-3.0%	-14.6%
BSE200 Neutral Weighted Portfolio (ETF)	-3.2%	20.4%	-3.0%	-14.6%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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