

October 17, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	2,119		2,153	
Sales (Rs. m)	46,707	53,189	47,523	53,950
% Chng.	(1.7)	(1.4)		
EBITDA (Rs. m)	16,308	18,538	16,208	18,382
% Chng.	0.6	0.9		
EPS (Rs.)	55.5	76.7	53.9	74.5
% Chng.	3.0	3.0		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	13,310	37,807	46,707	53,189
EBITDA (Rs. m)	1,057	12,639	16,308	18,538
Margin (%)	7.9	33.4	34.9	34.9
PAT (Rs. m)	(4,882)	1,163	3,385	4,672
EPS (Rs.)	(80.1)	19.1	55.5	76.7
Gr. (%)	NA	NA	191.2	38.0
DPS (Rs.)	-	2.0	2.5	2.5
Yield (%)	-	0.1	0.1	0.1
RoE (%)	NA	7.9	18.8	20.8
RoCE (%)	NA	9.9	14.7	16.7
EV/Sales (x)	11.2	4.0	3.2	2.8
EV/EBITDA (x)	140.7	12.0	9.3	8.2
PE (x)	NA	88.5	30.4	22.0
P/BV (x)	7.5	7.0	5.7	4.6

Key Data

PVRL.BO | PVRL IN

52-W High / Low	Rs.2,215 / Rs.1,224
Sensex / Nifty	58,411 / 17,312
Market Cap	Rs.103bn/ \$ 1.253m
Shares Outstanding	61m
3M Avg. Daily Value	Rs.1951.25m

Shareholding Pattern (%)

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

Stock Performance (%)

	1M	6M	12M
Absolute	(4.1)	(11.3)	(1.5)
Relative	(3.4)	(11.4)	3.4

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Bollywood fiasco proves to be a drag

Quick Pointers:

- Average gross collection of top 5 Bollywood movies for PVR dropped by 37% over the pre-pandemic base to Rs256mn.
- On track to open 110-125 screens in FY23E with bulk of the openings lined up in 2HFY23.

Along expected lines, PVR reported a dismal performance in 2QFY23 with Ind-AS adjusted loss of Rs567mn (PLe loss of Rs617mn) given weak content performance. Nonetheless, we remain confident of future prospects as 1) 2QFY23 was an aberration marred by negative social media drive against Bollywood movies 2) content slate for near term is healthy with releases like Ram Setu, Thank God, Drishyam-2, Avatar and Black Panther in pipeline 3) ad-revenue, a key margin lever, is showing signs of recovery and 4) regional content (share increased to 44% in 2QFY23 as compared to 28% in 2QFY20) has gradually started finding pan-India acceptance diversifying genre risk. Anticipating a back ended recovery we expect footfalls in FY23E to be at par over pre-pandemic base and largely keep our sales/EBITDA estimates intact. We expect sales/EBITDA CAGR of 19%/21% over FY23-25E and retain our BUY rating on the stock with a TP of Rs2,119 after assigning EV/EBITDA multiple of 15.5x (no change) to the merged entity.

Revenue declines sequentially as well as over pre-COVID base: Although top-line increased 471% YoY (base impact) to Rs6,867mn (PLe Rs6,841mn), it declined 29%/30% over 2QFY20/1QFY23 respectively due to poor content. Additionally, footfalls were 39% lower than comparable pre-COVID quarter at 18mn (PLe of 17.6mn). ATP increased 10% YoY to Rs224 (PLe of Rs235) while SPH remained flat at Rs129 (PLe of Rs130).

Ind-AS adjusted EBITDA at breakeven levels: Ind-AS adjusted EBITDA loss stood at Rs23mn (PLe loss of Rs87mn) as against Ind-AS adjusted EBITDA loss of Rs1,154mn in 2QFY22. Ind-AS adjusted loss stood at Rs567mn (PLe loss of Rs617mn) in comparison with Ind-AS adjusted loss of Rs1,595mn in 2QFY22.

Con-call highlights: 1) Rental cost declined 6% sequentially as few screens carry minimum guarantee and are on revenue sharing clause. 2) ~70-80% of new screen addition is happening on revenue sharing mechanism. 3) ATP in 3QFY23E is expected to bounce back to 1QFY23 levels of Rs250. 4) SPH to remain in the range of Rs135-140. 5) Windowing gap has reverted to pre-pandemic levels. 6) By FY23E end, ad-revenue recovery is expected to be at ~70-72% of pre-pandemic levels. 7) Ad revenue is expected to surpass pre-COVID base in 4QFY23E. 8) Occupancy in premium screens is ~5-7% higher than normal screens 9) In 2QFY23, occupancy levels in South stood at 30-35% and ~22-22.5% in North and West. 10) Industry NBOC's in 2QFY23 declined by ~15% each month over the 1HCY22 monthly run rate of ~Rs10bn. 11) EBITDA breakeven is achievable at ~20-21% occupancy levels provided there is complete recovery in ad-revenues. 12) Proposed amalgamation scheme of PVR and Inox has received shareholders' approval and it is expected to be completed in 3 months.

Exhibit 1: 2QFY23 Result Overview – Consolidated (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr.	1QFY23	QoQ gr.	1HFY23	1HFY22	YoY gr.
Net sales	6,867	1,203	470.7%	9,814	-30.0%	16,681	1,797	828.2%
Movie exhibition cost	1,462	263	457.1%	2,389	-38.8%	3,852	357	980.4%
<i>As a % of sales</i>	<i>21.3%</i>	<i>21.8%</i>		<i>24.3%</i>		<i>23.1%</i>	<i>19.8%</i>	
Consumption of F&B	629	138	357.3%	765	-17.7%	1,394	197	606.9%
<i>As a % of sales</i>	<i>9.2%</i>	<i>11.4%</i>		<i>7.8%</i>		<i>8.4%</i>	<i>11.0%</i>	
Employee expenses	947	560	69.3%	1,040	-8.9%	1,987	1,091	82.2%
<i>As a % of sales</i>	<i>13.8%</i>	<i>46.5%</i>		<i>10.6%</i>		<i>11.9%</i>	<i>60.7%</i>	
Other expenses	2,292	925	147.9%	2,204	4.0%	4,496	1,743	157.9%
<i>As a % of sales</i>	<i>33.4%</i>	<i>76.9%</i>		<i>22.5%</i>		<i>27.0%</i>	<i>97.0%</i>	
EBITDA	1,537	(681)	NM	3,416	-55.0%	4,952	(1,591)	NM
<i>EBITDA margin</i>	<i>22.4%</i>	<i>NM</i>		<i>34.8%</i>		<i>29.7%</i>	<i>NM</i>	
Depreciation	1,525	1,487	2.6%	1,494	2.1%	3,019	2,917	3.5%
EBIT	11	(2,168)	NM	1,922	-99.4%	1,933	(4,508)	NM
<i>EBIT margin</i>	<i>0.2%</i>	<i>NM</i>		<i>19.6%</i>		<i>11.6%</i>	<i>NM</i>	
Interest cost	1,277	1,235	3.4%	1,280	-0.2%	2,557	2,472	3.4%
Other income	164	1,549	-89.4%	209	-21.3%	373	1,881	-80.2%
PBT	(1,102)	(1,855)	NM	851	NM	(251)	(5,100)	NM
Exceptional items/Share of JVs	-	-	NM	-	NM	-	-	NM
Tax expenses	(387)	(322)	NM	319	NM	(68)	(1,372)	NM
Tax rate	NM	NM		37.5%		NM	NM	
PAT	(715)	(1,533)	NM	532	NM	(183)	(3,728)	NM
<i>PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>5.4%</i>		<i>NM</i>	<i>NM</i>	
Non-controlling interest	3	1	85.7%	2	18.2%	5	3	92.0%
Other comprehensive income (OCI)	4	(7)	NM	(5)	NM	(2)	(16)	NM
PAT inclusive of OCI	(716)	(1,524)	NM	539	NM	(177)	(3,709)	NM
EPS (Rs)	(11.7)	(25.2)	NM	8.8	NM	(2.9)	(61.3)	NM

Source: Company, PL

Exhibit 2: Revenue mix (Rs mn)

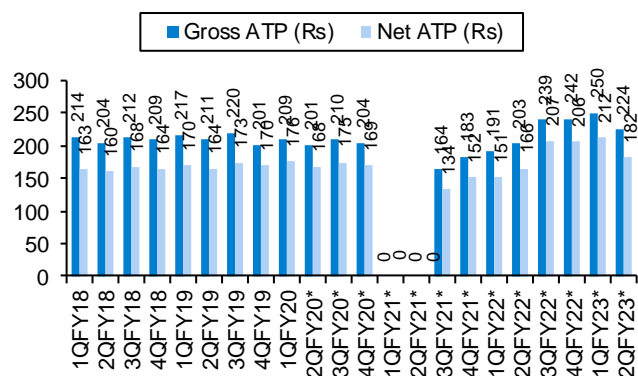
Y/e March	2QFY23	2QFY22	YoY gr.	1QFY23	QoQ gr.
NBOC	3,268	531	515.9%	5,302	-38.4%
<i>As a % of total</i>	<i>47.6%</i>	<i>49.2%</i>		<i>54.0%</i>	
Net F&B	2,303	445	417.2%	3,238	-28.9%
<i>As a % of total</i>	<i>33.5%</i>	<i>41.3%</i>		<i>33.0%</i>	
Advertisement revenue	572	77	646.7%	627	-8.8%
<i>As a % of total</i>	<i>8.3%</i>	<i>7.1%</i>		<i>6.4%</i>	
Other revenue from operations	724	25	2796.0%	647	11.9%
<i>As a % of total</i>	<i>10.5%</i>	<i>2.3%</i>		<i>6.6%</i>	
Total sales	6,867.0	1,077.5	537.3%	9,814.0	-30.0%

Source: Company, PL

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

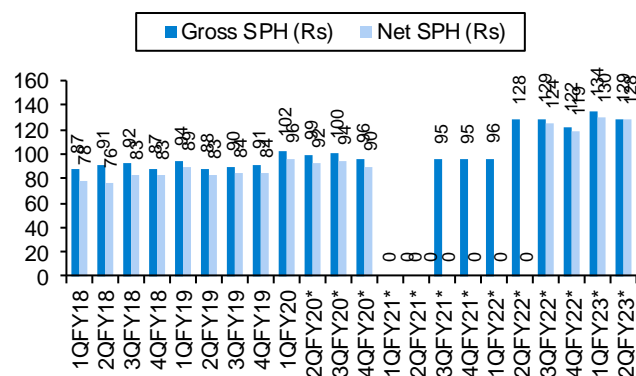
Y/e March	2QFY23	2QFY22	YoY	1QFY23	QoQ	FY21	FY22	FY23E	FY24E	FY25E
Sales	6,867	1,203	470.7%	9,814	-30.0%	2,800	13,310	37,807	46,707	53,189
Ind-AS Adjusted EBITDA	(23)	(1,154)	NM	1,888	NM	(4,545)	(2,331)	6,087	9,290	11,211
Ind-AS Adjusted EBITDA margin	NM	NM		19.2%		NM	NM	16.1%	19.9%	21.1%
Ind-AS Adjusted PAT	(567)	(1,595)	NM	684	NM	(6,656)	(4,189)	1,519	3,569	4,785
Ind-AS Adjusted PAT margin	NM	NM		7.0%		NM	NM	4.0%	7.6%	9.0%

Source: Company, PL

Exhibit 4: Gross ATP trend over the last few quarters


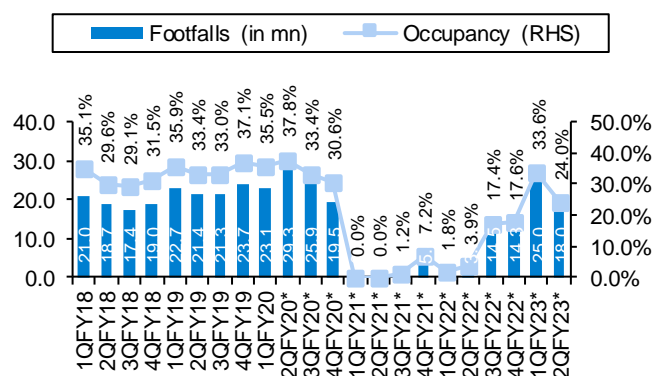
Source: Company, PL

*Including SPI Cinema's

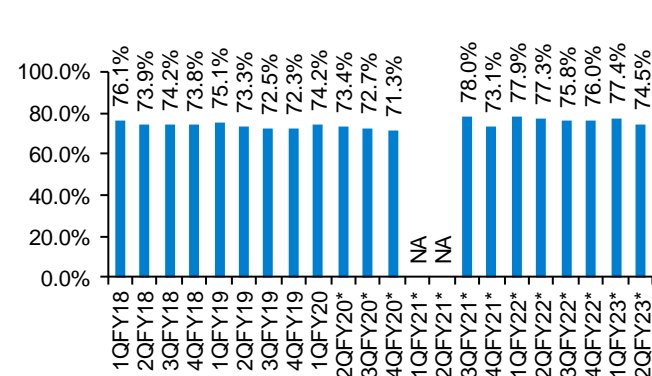
Exhibit 5: Gross SPH trend over the last few quarters


Source: Company, PL

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

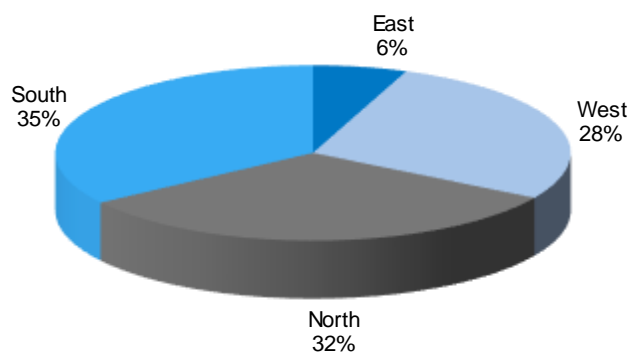
Exhibit 6: Footfalls are volatile, driven by content


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

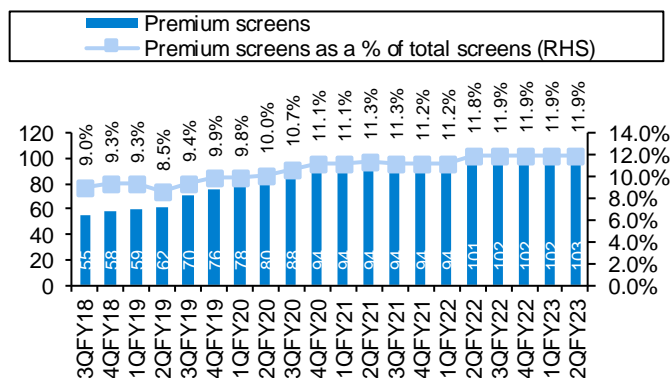
Exhibit 7: F&B GM is in the steady range of ~73-77%


Source: Company, PL

*Including SPI Cinema's

Exhibit 8: Screen mix as of 2QFY23


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*	13,999
EV	2,16,987
Less: Debt*	15,917
Add: Cash	5,885
Equity Value	2,06,955
No of shares	97.7
Per share value of merged entity (Rs)	2,119

Source: Company, PL *Pre IND-AS figures

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	13,310	37,807	46,707	53,189
YoY gr. (%)	375.3	184.0	23.5	13.9
Cost of Goods Sold	3,975	11,721	14,122	16,168
Gross Profit	9,335	26,086	32,584	37,021
Margin (%)	70.1	69.0	69.8	69.6
Employee Cost	2,693	4,219	5,037	5,638
Other Expenses	5,585	9,228	11,239	12,844
EBITDA	1,057	12,639	16,308	18,538
YoY gr. (%)	NA	NA	29.0	13.7
Margin (%)	7.9	33.4	34.9	34.9
Depreciation and Amortization	6,144	6,300	6,450	6,600
EBIT	(5,087)	6,339	9,858	11,938
Margin (%)	NA	16.8	21.1	22.4
Net Interest	4,982	5,150	5,300	5,450
Other Income	3,261	600	650	700
Profit Before Tax	(6,807)	1,789	5,208	7,188
Margin (%)	NA	4.7	11.1	13.5
Total Tax	(1,922)	626	1,823	2,516
Effective tax rate (%)	28.2	35.0	35.0	35.0
Profit after tax	(4,885)	1,163	3,385	4,672
Minority interest	(3)	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(4,882)	1,163	3,385	4,672
YoY gr. (%)	NA	NA	191.2	38.0
Margin (%)	NA	3.1	7.2	8.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(4,882)	1,163	3,385	4,672
YoY gr. (%)	NA	NA	191.2	38.0
Margin (%)	(36.7)	3.1	7.2	8.8
Other Comprehensive Income	(22)	-	-	-
Total Comprehensive Income	(4,904)	1,163	3,385	4,672
Equity Shares O/s (m)	61	61	61	61
EPS (Rs)	(80.1)	19.1	55.5	76.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	55,386	59,600	63,370	67,825
Tangibles	52,611	56,825	60,595	65,050
Intangibles	2,775	2,775	2,775	2,775
Acc: Dep / Amortization	11,833	18,133	24,583	31,183
Tangibles	10,648	16,948	23,398	29,998
Intangibles	1,185	1,185	1,185	1,185
Net fixed assets	43,553	41,467	38,787	36,642
Tangibles	41,963	39,877	37,197	35,052
Intangibles	1,590	1,590	1,590	1,590
Capital Work In Progress	645	645	645	645
Goodwill	10,520	10,520	10,520	10,520
Non-Current Investments	2,586	3,232	3,993	4,548
Net Deferred tax assets	5,926	8,009	12,025	16,846
Other Non-Current Assets	1,342	1,571	1,949	2,602
Current Assets				
Investments	5	5	5	5
Inventories	342	311	384	437
Trade receivables	707	2,590	3,199	3,643
Cash & Bank Balance	5,781	3,506	3,458	3,033
Other Current Assets	1,447	2,079	3,269	4,255
Total Assets	73,258	74,452	78,868	83,892
Equity				
Equity Share Capital	610	610	610	610
Other Equity	13,094	14,134	17,367	21,887
Total Network	13,704	14,744	17,977	22,497
Non-Current Liabilities				
Long Term borrowings	47,240	47,240	47,240	47,240
Provisions	97	189	187	213
Other non current liabilities	121	189	234	266
Current Liabilities				
ST Debt / Current of LT Debt	4,718	4,718	4,718	4,718
Trade payables	3,001	3,418	4,223	4,517
Other current liabilities	3,856	3,433	3,769	3,920
Total Equity & Liabilities	73,258	74,452	78,868	83,892

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(6,807)	1,789	5,208	7,188
Add. Depreciation	2,605	6,300	6,450	6,600
Add. Interest	4,938	5,150	5,300	5,450
Less Financial Other Income	3,261	600	650	700
Add. Other	399	(3,180)	(5,473)	(6,338)
Op. profit before WC changes	1,136	10,058	11,485	12,900
Net Changes-WC	434	(1,434)	122	(203)
Direct tax	99	(626)	(1,823)	(2,516)
Net cash from Op. activities	1,668	7,998	9,784	10,182
Capital expenditures	(1,245)	(4,214)	(3,770)	(4,455)
Interest / Dividend Income	270	-	-	-
Others	947	(759)	(877)	(639)
Net Cash from Invt. activities	(28)	(4,972)	(4,647)	(5,093)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,553	-	-	-
Dividend paid	-	(122)	(152)	(152)
Interest paid	(1,246)	(5,150)	(5,300)	(5,450)
Others	(2,475)	(28)	267	88
Net cash from Fin. activities	(2,168)	(5,300)	(5,185)	(5,514)
Net change in cash	(528)	(2,275)	(48)	(426)
Free Cash Flow	419	3,784	6,014	5,727

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	(80.1)	19.1	55.5	76.7
CEPS	20.8	122.8	161.9	185.5
BVPS	225.5	242.7	295.9	370.3
FCF	6.9	62.3	99.0	94.3
DPS	-	2.0	2.5	2.5
Return Ratio(%)				
RoCE	NA	9.9	14.7	16.7
ROIC	1.4	17.0	20.7	22.1
RoE	NA	7.9	18.8	20.8
Balance Sheet				
Net Debt : Equity (x)	3.4	3.3	2.7	2.2
Net Working Capital (Days)	(54)	(5)	(5)	(3)
Valuation(x)				
PER	NA	88.5	30.4	22.0
P/B	7.5	7.0	5.7	4.6
P/CEPS	81.3	13.7	10.4	9.1
EV/EBITDA	140.7	12.0	9.3	8.2
EV/Sales	11.2	4.0	3.2	2.8
Dividend Yield (%)	-	0.1	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	6,142	5,371	9,814	6,867
YoY gr. (%)	1,252.8	196.0	1,552.5	470.7
Raw Material Expenses	1,651	1,770	3,154	2,092
Gross Profit	4,490	3,601	6,660	4,776
Margin (%)	73.1	67.0	67.9	69.5
EBITDA	1,649	999	3,416	1,537
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	26.9	18.6	34.8	22.4
Depreciation / Depletion	1,540	1,687	1,494	1,525
EBIT	109	(688)	1,922	11
Margin (%)	1.8	(12.8)	19.6	0.2
Net Interest	1,257	1,252	1,280	1,277
Other Income	956	425	209	164
Profit before Tax	(192)	(1,515)	851	(1,102)
Margin (%)	NA	NA	8.7	NA
Total Tax	(90)	(460)	319	(387)
Effective tax rate (%)	46.9	30.4	37.5	35.1
Profit after Tax	(102)	(1,055)	532	(715)
Minority interest	-	-	(2)	(3)
Share Profit from Associates	-	-	-	-
Adjusted PAT	(102)	(1,055)	534	(712)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	5.4	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(102)	(1,055)	534	(712)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	5.4	NA
Other Comprehensive Income	(19)	(19)	5	(4)
Total Comprehensive Income	(121)	(1,074)	539	(716)
Avg. Shares O/s (m)	61	61	61	61
EPS (Rs)	(1.7)	(17.3)	8.7	(11.7)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	2,153	1,786
2	22-Jul-22	BUY	2,330	1,915
3	07-Jul-22	BUY	2,227	1,886
4	10-May-22	BUY	2,227	1,706
5	08-Apr-22	BUY	2,272	1,882
6	23-Jan-22	BUY	1,891	1,537
7	10-Jan-22	BUY	1,881	1,367
8	25-Oct-21	BUY	1,896	1,627

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	190	167
2	Indian Railway Catering and Tourism Corporation	Hold	635	731
3	Inox Leisure	BUY	646	514
4	Music Broadcast	Hold	24	24
5	Navneet Education	BUY	170	130
6	Nazara Technologies	BUY	1,031	740
7	PVR	BUY	2,153	1,786
8	S Chand and Company	BUY	234	187
9	Safari Industries (India)	BUY	2,062	1,852
10	V.I.P. Industries	BUY	1,020	699
11	Zee Entertainment Enterprises	BUY	302	280

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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