

PVR

Refer to important disclosures at the end of this report

Visible improvement; content consistency remains key

- PVR's Q3FY23 performance improved on the back of better box-office performance. Footfalls grew 21% QoQ, leading to 37% revenue growth. Operational parameters – ATP and SPH – also improved on a sequential basis, after a disappointing Q2.
- Bollywood failed to live up to expectations in this quarter too, with only one movie performing well, while Hollywood and Regional cinema aided collections. Ad revenue improved, though it remains well below pre-Covid levels.
- We revise down our FY24/25 footfalls by 8-9%, as we believe that the audience content-filtration process has become more stringent. We also modify our synergy estimates to factor-in: i) the SPH growth for Inox; ii) the gradual increase in synergies in FY25.
- With NCLT approval now in the bag, we remove our merger uncertainty weightage, while reducing our target multiple to 11.5x (from 12.5x), to account for the inconsistent content delivery, and arrive at a revised TP of Rs2,050 (roll over to Dec-24E pro forma EBITDA).

Improved operational performance: PVR reported 37% QoQ revenue growth on the back of 21% growth in footfalls, as box-office performance improved post a disappointing Q2FY23. ATP and SPH also improved sequentially, supported by a more favorable mix of higher-budget films. QoQ, ATP increased to Rs244 from Rs224, while SPH increased to Rs133 from Rs129. Ad revenue also rose, by 38.5% QoQ, albeit still clocking below pre-Covid levels. Other operating income was higher due to distribution of some big-budget Bollywood movies. EBITDA grew 88% QoQ to Rs2.9bn, on higher revenue flow-through. Other expenses also surged, by 36% QoQ, largely owing to higher movie-distribution expenses. PVR aims to add 110 screens in FY23 (47 screens to be added in remaining Q4FY23). The NCLT has approved the PVR-Inox merger, which should see consummation in the upcoming quarter.

Outlook: Bollywood's performance remains worrisome, with only one movie managing to break the Rs1-billion barrier in the quarter. With content quality not improving, audiences have become selective about visiting theatres. Further, with ticket and F&B prices being 15-20% higher than pre-Covid levels, the overall experience has become expensive. For subpar content, audiences now prefer to wait for movies to be telecast on OTT instead. Consequently, footfalls continue to be below pre-Covid levels. That said, for quality content, there seems to be no dearth of audience interest; this is evident from the good performance of select movies. Hence, content quality remains key. While the pipeline for the next few quarters stays strong, audience acceptance remains critical and will be the primary factor for PVR's success. Key risks: 1) persistent poor-performance from Bollywood; 2) OTTs grabbing high-quality content; 3) delayed recovery in ad revenues; 4) delay in realizing synergies; and 5) structural increase in revenue share for producers/distributors.

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,800	13,310	36,158	45,491	50,506
EBITDA	(3,349)	1,057	11,425	16,291	17,624
EBITDA Margin (%)	(119.6)	7.9	31.6	35.8	34.9
APAT	(7,480)	(4,888)	339	3,542	4,318
EPS (Rs)	(123.1)	(80.4)	5.6	58.3	71.1
EPS (% chg)	(2,848.1)	0.0	0.0	944.0	21.9
ROE (%)	(45.1)	(30.5)	2.4	22.4	21.9
P/E (x)	(13.6)	(20.9)	300.5	28.8	23.6
EV/EBITDA (x)	(43.2)	140.1	13.0	8.8	7.9
P/BV (x)	5.6	7.4	7.3	5.8	4.7

Source: Company, Emkay Research

CMP	Target Price
Rs 1,678 as of (January 19, 2023)	Rs 2,050 (▼) 12 months
Rating	Upside
BUY (■)	22.2 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(67)/(21)
Target Price change (%)	(12.4)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	5.6	58.3
Consensus	18.6	57.1
Mean Consensus TP (12M)	Rs 2,134	

Stock Details

Bloomberg Code	PVRL IN
Face Value (Rs)	10
Shares outstanding (mn)	61
52 Week H/L	2,215 / 1,477
M Cap (Rs bn/USD bn)	103 / 1.26
Daily Avg Volume (nos.)	590,363
Daily Avg Turnover (USD mn)	12.8

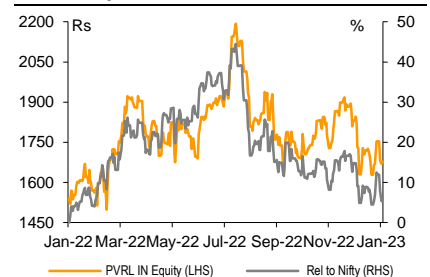
Shareholding Pattern Sep '22

Promoters	17.0%
FIIIs	36.4%
DIIIs	27.1%
Public and Others	19.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(6)	(11)	7
Rel. to Nifty	(8)	(9)	(20)	6

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs Estimates (Q3FY23)

(Rs mn)	Actual	Estimate		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	9,407	8,809	8,911	7%	6%	Higher ATP, SPH and other operating income
EBITDA	2,888	2,784	2,237	4%	29%	
EBITDA margin	30.7%	31.6%	25.1%	-91bps	560bps	
PAT	162	64	166	152%	-3%	

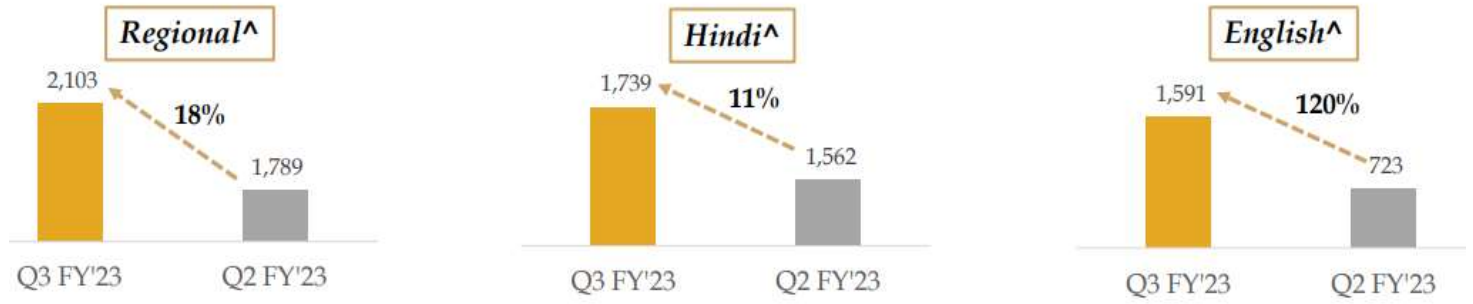
Source: Company, Emkay Research

Exhibit 2: Summary of quarterly financials

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	9MFY23	9MFY22	YoY (%)
Total Revenue	6,142	5,371	9,814	6,867	9,407	53	37	26,088	7,939	229
Film exhibition cost	1182	1322	2389	1462	1677	42	15	5,528	1,538	259
as a % of sales	19.2	24.6	24.3	21.3	17.8			21.2	19.4	
Cost of materials consumed	470	448	765	629	778	66	24	2,172	667	226
as a % of sales	7.6	8.3	7.8	9.2	8.3			8.3	8.4	
Employee costs	788	814	1040	947	943	20	0	2,930	1,878	56
as a % of sales	12.8	15.2	10.6	13.8	10.0			11.2	23.7	
Repairs & maintenance	2054	1788	2204	2292	3122	52	36	7,619	3,797	101
as a % of sales	33.4	33.3	22.5	33.4	33.2			29.2	47.8	
Total Expenditure	4,492	4,373	6,398	5,331	6,519	45	22	18,248	7,880	132
EBITDA	1,649	999	3,416	1,537	2,888	75	88	7,840	59	13,302
Depreciation	1,540	1,687	1,494	1,525	1,552	1	2	4,572	4,457	3
EBIT	109	(688)	1,922	11	1,335	1,123	11,823	3,269	(4,399)	-174
Other Income	956	425	209	164	201	-79	22	573	2,836	-80
Interest	1,257	1,252	1,280	1,277	1,275	1	0	3,832	3,729	3
Exceptional item	-	-	-	-	-			0	0	
PBT	(192)	(1,515)	851	(1,102)	262	-236	-124	10	(5,292)	NA
Tax	(90)	(460)	319	(387)	102	-213	-126	34	-1,462	NA
PAT before MI	(102)	(1,055)	532	(715)	159	-256	-122	(24)	(3,830)	NA
Minority interest	0	-	(2)	(3)	(2)	-1,250	-12	-7	-2	-
PAT	(102)	(1,055)	534	(712)	162	-258	-123	(17)	(3,828)	NA
Margins (%)						(bps)	(bps)			(bps)
EBITDA	26.9	18.6	34.8	22.4	30.7	385	832	30.1	0.7	2,932
EBIT	1.8	-12.8	19.6	0.2	14.2	1,242	1,403	12.5	-55.4	6,794
PBT	-3.1	-28.2	8.7	-16.0	2.8	591	1,883	0.0	-66.7	6,670
PAT	-1.7	-19.6	5.4	-10.4	1.7	338	1,209	-0.1	-48.2	4,815
Effective Tax rate	46.9	30.4	37.5	35.1	39.1	-781	399	336.3	27.6	30,865

Source: Company, Emkay Research

Exhibit 3: Sequential improvement across industries – Bollywood, Hollywood and Regional cinema



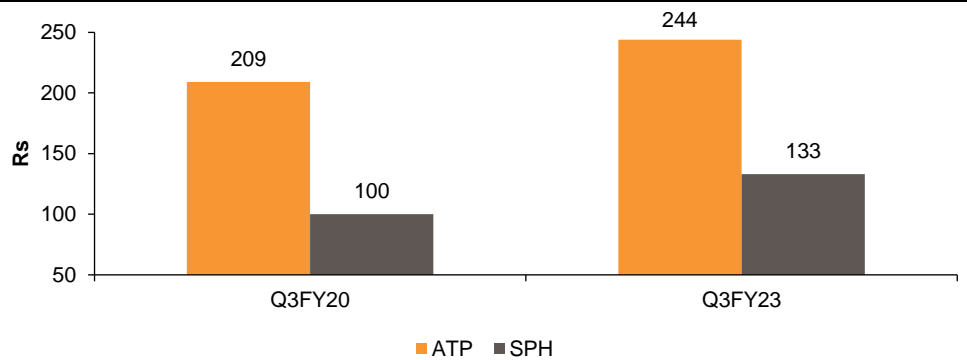
Source: Company, Emkay Research

Exhibit 4: Box-office collections supported by strong content



Source: Company, Emkay Research

Exhibit 5: ATP and SPH well above pre-Covid levels



Source: Company, Emkay Research

Exhibit 6: Key revenue assumptions

Revenue assumptions (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Ticketing	12,481	16,374	17,326	1,023	6,699	18,053	23,199	25,856
YoY growth		31%	6%	-94%	555%	170%	29%	11%
F&B	6,077	8,461	9,511	705	4,133	11,487	13,969	15,569
YoY growth		39%	12%	-93%	487%	178%	22%	11%
Ad	2,949	3,528	3,850	178	721	2,941	3,823	4,397
YoY growth		20%	9%	-95%	305%	308%	30%	15%
Others	2,033	2,533	3,459	934	1,758	3,676	4,500	4,685
YoY growth		25%	37%	-73%	88%	109%	22%	4%
Total	23,539	30,896	34,145	2,840	13,310	36,158	45,491	50,506
YoY growth		31%	11%	-92%	369%	172%	26%	11%

Source: Company, Emkay Research

Exhibit 7: Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	38,139	36,158	-5.2	49,681	45,491	-8.4	55,304	50,506	-8.7
EBITDA	12,483	11,425	-8.5	17,633	16,291	-7.6	19,096	17,624	-7.7
EBITDA Margin (%)	32.7	31.6	-113 bps	35.5	35.8	32 bps	34.5	34.9	37 bps
EBITDA (Adj. for Ind-AS)	5,937	4,995	-15.9	10,501	9,483	-9.7	11,662	10,476	-10.2
PAT	1,021	339	-66.8	4,515	3,542	-21.5	5,423	4,318	-20.4
EPS (Rs/sh)	16.7	5.6	-66.7	74.0	58.1	-21.5	88.9	70.8	-20.4

Source: Emkay Research

Exhibit 8: Pro-forma estimates for the merged company (with synergies)

FY24E (Rs mn)	PVR	Inox	Synergies	Merged Entity	Comments
Ticket	23,199	15,320		38,519	
F&B	13,969	7,715	125	21,809	Larger food variety for Inox
Ad revenue per screen	3.9	2.4			
Number of Screens	1,024	817		1,841	
Ad revenue	3,823	1,876	244	5,943	Discount for Inox will narrow with scale
Convenience Fee	1,740	670	136	2,546	Better negotiations for Inox
% Sales	3.8%	2.5%			
Others	2,760	806			
Total Revenue	45,491	26,387	505	72,384	
Opex					
Distributor	10,034	7,735		17,769	
F&B	3,632	1,919		5,551	
Employee Costs	4,435	1,335	108		Removing redundancies
Other Expenses	11,100	7,330	108		Scale benefits
Total Expenses	29,200	18,320	216	47,305	
EBITDA	16,291	8,067	650	25,078	
EBITDA, adj. for Ind-AS	9,483	5,194	650	15,326	
Depreciation	7,245	3,354		10,599	
EBIT	9,046	4,713		14,479	
Other Income	280	100		380	
Interest Cost	4,602	3,070		7,672	
PBT	4,724	1,743		7,188	
Tax	1,189	439	164	1,791	
Tax Rate	25.2%	25.2%			
PAT	3,535	1,304	486	5,396	

Source: Company, Emkay Research

Exhibit 9: PVR's valuation derived from merged-company financials

Merged company (Rs mn)	
Target EV/EBITDA (Dec-24)	11.5x
Dec-24 EBITDA (Ex- Ind-AS)	17,262
Target EV	198,517
Net Debt	1,429
Target Market Cap	199,946
Number of Equity Shares (mn)	97
Dec-23 Target Price (Rs/share)	2,050

Source: Emkay Research

Con-Call Highlights

- **Quarter Update and outlook:** Company saw a sharp resurgence in Hollywood this quarter. *Avatar*, *Black Panther* and *Black Adam* have all done well. *Avatar* was the highest-grossing movie for PVR, with 3.7mn admits. Regional cinema continued to do well, with *PS-1*, *Kantara* and *Love Today* faring well. *Pathaan* booking looks to be remarkable and there are also multiple number of other Bollywood movies in the pipeline. The number of Hindi movies is likely to increase in FY24.
- **Partnership:** ICE format – Only purchased equipment from CGR Cinemas. For any ticket sold, a small percentage will be shared with the company. Already launched two ICE format theatres. *Pathaan* has also been converted to the ICE format.
- **PVR Pictures:** PVR Pictures clocked Rs1.14bn revenue (best quarter ever), which appears lower on a consolidated basis due to inter-company transactions. While taking a decision about distribution, PVR takes into account the track record of the producer as well as the latter's upcoming movie pipeline. There are mainly two distribution segments: i) Foreign language (PVR takes all rights), generating a margin of 25-30% spread over multiple years; ii) Hindi film margin is ~5-10% in the same year.
- **Content issues and pricing:** See some cyclical issues every 5-10 years, but do not view this as a structural issue. Mgmt does not believe that a 20% increase in pricing has had any impact on occupancy. It will continue experimenting with different pricing. Company has not taken any price hike since the 2019 GST rate-cut before the onset of Covid.
- **Ad revenues:** 3Q has seen some improvement in ad revenues. A substantial increase is expected, once big movies starts clocking a consistently good performance. Ad revenues are marginally lower (20% lower) in the South due to weakness in the retail industry.
- **Screen Opening:** Company is on track to open 100-110 screens in FY23. PVR currently has 903 screens across 181 cinemas. Post-merger, the combined screen count would be 1,623 across 350 cinemas in 115 cities, as on date. It will look to add 150-200 screens every year, post the merger. It has shut down 47 screens since 2020.
- **Merger:** On 12-Jan-2023, the NCLT, Mumbai Bench allowed the Proposed Scheme of Amalgamation between PVR Ltd and INOX Leisure. The merger should be consummated this quarter. Current screens would continue to operate as independent brands. New cinemas will open with the revised branding.
- **Film Industry:** Producers continue to make money, with multiple monetization opportunities. Company does not see any weakness in the health in film producers. Ability of single screens is limited in terms of monetization; they remain under pressure post Covid as well, with regard to generation of profit.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,800	13,310	36,158	45,491	50,506
Expenditure	6,149	12,253	24,733	29,200	32,882
EBITDA	(3,349)	1,057	11,425	16,291	17,624
Depreciation	5,749	6,144	6,675	7,245	7,999
EBIT	(9,097)	(5,087)	4,750	9,046	9,625
Other Income	4,693	3,261	643	280	339
Interest expenses	4,978	4,982	4,856	4,602	4,205
PBT	(9,382)	(6,807)	537	4,724	5,758
Tax	(1,906)	(1,922)	199	1,189	1,449
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(4)	(3)	1	7	9
Reported Net Income	(7,480)	(4,888)	339	3,542	4,318
Adjusted PAT	(7,480)	(4,888)	339	3,542	4,318

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	13,433	16,975	21,293
Net worth	18,335	13,703	14,043	17,585	21,903
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	57,443	56,358	57,052
Net block	54,752	54,073	52,927	51,886	50,165
Investment	12	5	5	5	5
Current Assets	14,098	12,586	11,153	11,991	14,673
Cash & bank balance	7,311	5,798	3,064	2,700	4,233
Other Current Assets	401	476	462	491	545
Current liabilities & Provision	6,654	7,573	7,286	8,169	8,436
Net current assets	7,444	5,013	3,867	3,822	6,237
Misc. exp	0	0	0	0	0
Total Assets	64,380	59,735	57,443	56,357	57,052

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	(14,076)	(10,068)	(106)	4,444	5,420
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,305)	(1,021)	(1,588)	(319)	(882)
Operating Cashflow	(4,040)	233	5,426	10,468	11,435
Capital expenditure	(2,265)	(3,938)	(5,529)	(6,204)	(6,279)
Free Cash Flow	(6,305)	(3,705)	(103)	4,265	5,156
Investments	11	7	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	2,439	(669)	(4,885)	(5,924)	(5,940)
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	1,974	4,390	4,321	3,866
Financing Cashflow	5,689	(1,077)	(3,098)	(4,908)	(3,962)
Net chg in cash	4,089	(1,514)	(2,557)	(364)	1,532
Opening cash position	3,223	7,311	5,798	3,064	2,700
Closing cash position	7,311	5,798	3,241	2,700	4,233

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	(119.6)	7.9	31.6	35.8	34.9
EBIT Margin	(324.9)	(38.2)	13.1	19.9	19.1
Effective Tax Rate	20.3	28.2	37.0	25.2	25.2
Net Margin	(267.0)	(36.7)	0.9	7.8	8.5
ROCE	(6.9)	(2.9)	9.2	16.4	17.6
ROE	(45.1)	(30.5)	2.4	22.4	21.9
RoIC	(12.8)	(6.7)	5.6	12.7	13.7

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	(123.1)	(80.4)	5.6	58.3	71.1
CEPS	(28.5)	20.7	115.4	177.5	202.7
BVPS	301.8	225.5	231.1	289.4	360.5
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	(13.6)	(20.9)	300.5	28.8	23.6
P/CEPS	(58.9)	81.2	14.5	9.5	8.3
P/BV	5.6	7.4	7.3	5.8	4.7
EV / Sales	51.7	11.1	4.1	3.2	2.7
EV / EBITDA	(43.2)	140.1	13.0	8.8	7.9
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	3.3	2.4	1.7
Net Debt/EBIDTA	(12.8)	43.7	4.0	2.6	2.1
Working Cap Cycle (days)	17.3	(21.5)	8.1	9.0	14.5

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(91.8)	375.3	171.7	25.8	11.0
EBITDA	(131.1)	0.0	980.5	42.6	8.2
EBIT	(270.3)	0.0	0.0	90.4	6.4
PAT	(2,848.1)	0.0	0.0	944.0	21.9

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	6,142	5,371	9,814	6,867	9,407
EBITDA	1,649	999	3,416	1,537	2,888
EBITDA Margin (%)	26.9	18.6	34.8	22.4	30.7
PAT	(102)	(1,055)	534	(712)	162
EPS (Rs)	(1.7)	(17.4)	8.8	(11.7)	2.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	17.0	17.0	17.0	17.0	17.0
FII	37.8	31.9	33.3	36.6	36.4
DII	26.0	28.3	27.4	26.2	27.1
Public and Others	19.1	22.8	22.2	20.3	19.6

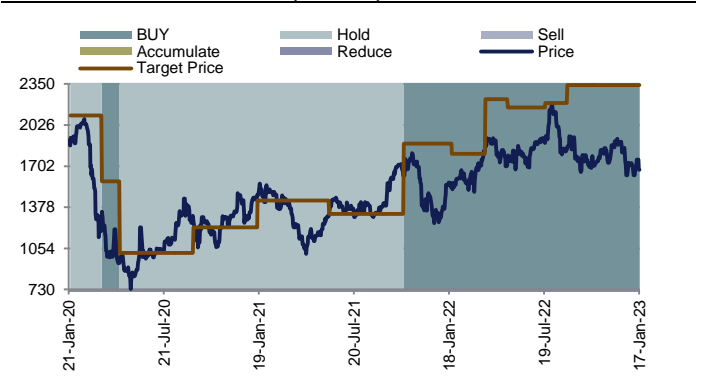
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
17-Oct-22	1,689	2,340	12m	Buy	Naval Seth
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

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

Completed Date: 20 Jan 2023 01:27:26 (SGT)

Dissemination Date: 20 Jan 2023 01:28:26 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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