

Retail Equity Research (South India Focus)

PVR Ltd

Media

BSE CODE : 532689 NSE CODE: PVR
BLOOMBERG CODE: PVRL:IN SENSEX : 52,475

Hold

12Month Investment Period Rating as per Small Cap

CMP Rs 1,440 TARGET Rs. 1,555 RETURN 8 % ↑

(Closing: 11-06-21)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↓

Cinemas closed; Vaccination offers hope

PVR Ltd owns and operates multiplexes across 21 States and UT's with 842 screens (including 9 in Colombo). Major income segments for them are Box office, Food & Beverage (F&B) and Advertisement (Ad).

- PVR reported revenue of Rs.181Cr (Q3FY21-Rs.45Cr) from core operations as theatres operated in a staggered manner.
- PVR operated with 50% capacity restrictions during the quarter till restrictions imposed on operations for the last 15 days in some states due to the resurgence of covid-19. As of date, only Maharashtra allowed reopening with various restrictions
- Management is renegotiating rental agreements to save costs and limit cash burn. The company has liquidity of Rs.750Cr to meet its fixed expenses over the next 3-4 quarters
- Management is expecting pent up demand in Indian cinema industry as seen in countries like US and China.
- We expect fair share of footfall from H2FY22 and cinema industry to bounce back in FY23. We are upgrading our recommendation to HOLD with a revised target price of Rs.1,555 at 2.9x FY23E EV/Sales.

Effective cost control

PVR reported revenue of Rs.181Cr (Q3FY21-Rs.45Cr) from core operations as theatres operated with 50% capacity restriction, as per the guidelines by the Ministry of Home Affairs (MHA). In February, MHA removed capacity restrictions even though certain key markets like Maharashtra continued to operate with those restrictions. The last 15 days of the quarter were marked by a resurgence of COVID-19 in Maharashtra, Gujarat, and Madhya Pradesh resulting in restrictions being imposed for operating in these states. The company was able to reduce total fixed costs (rent, common area maintenance, employee expense, electricity, and other expenses) to Rs.636Cr during FY21 from Rs.1,714Cr during FY20, majorly due to the rental waivers and discounts availed through negotiations with landlords. Management has started renegotiations as the last negotiations were only valid till FY21. The management expects fixed costs to fall by 10-15% permanently. The company has raised Rs.1,600Cr in FY21, out of which Rs.1,100Cr is through equity and Rs.500Cr through debt.

Restrictions sedate recovery

During the quarter, PVR reported a total footfall of Rs.58 lakhs (-70% YoY) and has generated revenue of Rs.88Cr from the sale of movie tickets. The Average Ticket Price (ATP) touched Rs.183 from Rs.164 during Q3FY21 largely due to majority of releases in regional languages and promotional activities. QoQ growth on Spend Per Head (SPH) remained flat at Rs.95. Advertisement income reached Rs.14Cr from Rs.4Cr during Q3FY21. Management expects that advertisement revenue will reach post-pandemic levels with recovery in footfalls.

Awaiting pent up demand

Witnessing the demand for regional releases before the second wave, management continues to be confident of fast recovery post-pandemic. In FY21 PVR opened 13 new screens and shut operations in 16 screens. An additional 19 screens have been completed and ready to commence operations after normalcy. A strong movie content line up is expected post relaxation of lockdown restrictions. Management believes the release of blockbusters on OTT platforms were only experimental and they do not pose a significant threat to multiplex industry. Management expects the content production to reach above the pre-pandemic level once conditions normalize.

Valuations

We believe the recovery of the multiplex industry depends on the pace of vaccination drives and relaxation in government restrictions. We expect fair share of footfall from H2FY22 and full recovery in FY23. However due to continuing uncertainty we recommend a HOLD rating, valuing the stock at 2.9x FY23 EV/Sales with a target price of Rs.1,555.

Company Data

Market Cap (Rs.cr)	8,749
Enterprise Value (cr)	9,041
Outstanding Shares (cr)	6.1
Free Float (%)	70
Dividend Yield (%)	0
52 week high	1,592
52 week low	925
6m average volume (cr)	0.16
Beta	1.26
Face value	10

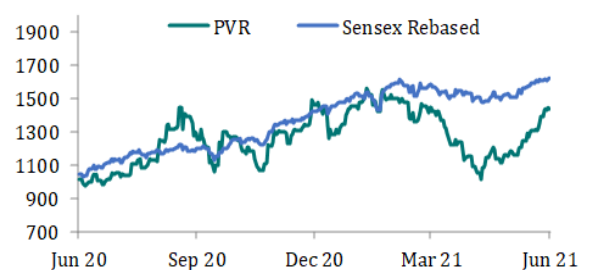
Shareholding (%)

	Q2FY21	Q3FY21	Q4FY21
Promoters	18.5	18.8	17.1
FII's	38.4	38.5	42.6
MFs/Institutions	34.7	26.6	24.5
Public	8.4	16.1	15.8
Total	100.0	100.0	100.0
Promoter pledge	0	0	0

Price Performance

	3 month	6 Month	1 Year
Absolute Return	1.10%	-1.97%	38.44%
Absolute Sensex	3.31%	13.83%	56.46%
Relative Return*	-2.21%	-15.80%	-18.02%

*over or under performance to benchmark index



Consolidated(cr)

	FY21A	FY22E	FY23E
Sales	280	1,168	3,358
Growth (%)	-99	317	187
EBITDA	-335	257	1,140
EBITDA Margin(%)	-	22	34
PAT Adj.	-748	-578	97
Growth (%)	-	-	-
Adjusted EPS	-123	-95	16
Growth (%)	-	-	-
P/E	-123	-95	16
P/B	5.0	4.8	5.8
EV/Sales	2.4	32.6	8.2
ROE (%)	6.6	-12.7	-7
D/E	0.6	0.7	0.6

Quarterly Financials

Profit & Loss

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Sales	181	645	-72	45	300	280	3,414	-92
EBITDA	-567	1,727	-	-781		-335	1,077	-
EBITDA margins(%)	-	27	-		-	-	32	-
Depreciation	146	142	2.6	142	2	238	232	3
EBIT	-203	30	-	-221		-910	534	-
Interest	124	117	5.7	127	-2	498	482	3
Other Income	818	166	-	2747	-70	469	38	-
Exceptional Items	-	-	-	-		0	0	-
PBT	-245	-70	-	-73		-938	90	-
Tax	-44	4	-	-24		-191	-1,445	-
Share of profit from Associate	0	0	-	0		0	0	-
Reported PAT	-200	-75	-	-49		-748	27	-
Adjustments	-	-	-	-		-	-	-
Adj PAT	-200	-75	-	-49		-748	27	-
No. of Shares								-
EPS (Rs)	-33	-15	-	-8		-123	5	-

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	2,986	3,752	1,168	3,358	-61%	-11%
EBITDA	997	1,221	257	1,140	-74%	-7%
Margin (%)	33.4	32.54	22.03	33.97	-1,137bps	-143bps
Adj. PAT	3	157	-578	97	-	-38%
EPS	0.5	28.5	-95.1	15.9	-	-44%

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Sales	3,086	3,414	280	1,168	3,358
% change	32.2	10.7	-91.8	317.2	187.4
EBITDA	586	1,077	-335	257	1,140
% change	45.9	83.6	-131.1	-176.8	343.1
Depreciation	191	542	575	558	581
EBIT	395	534	-910	-301	559
Interest	128	482	498	491	504
Other Income	33	38	469	70	74
PBT	300	90	-938	-722	129
% change	53.8	-70.0	-1141.0	-23.0	-117.9
Tax	110	63	-191	-144	32
Tax Rate (%)	37	-	-	20	25
Reported PAT	184	27	-748	-578	97
Adj.*	0	0	0	0	0
Adj. PAT	184	27	-748	-578	97
% change	46.5	-85.3	-2873.7	-22.7	-116.7
No. of shares (cr)	5	5	6	6	6
Adj EPS (Rs)	39	6	-123	-95	16
% change	47	-85	-2,444	-23	-117
DPS (Rs)	3	2	0	0	1

CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	467	295	-705	-20	678
Non-cash adj.	64	757	372	421	430
Changes in W.C	298	-265	-80	-138	-41
C.F. Operation	830	787	-413	264	1,067
Capital exp.	-972	-385	-117	-220	-333
Change in inv.	-2	0	-169	122	124
Other invest.CF	-42	-5	-3	70	74
C.F - Investment	-1,015	-390	-289	-397	-414
Issue of equity	0	504	1,093	0	0
Issue/repay debt	257	-67	177	-11	-111
Dividends paid	-11	-36	0	0	-7
Other finance.CF	-103	-612	-194	-131	-124
C.F - Finance	142	-211	1,075	-142	-242
Chg. in cash	-43	186	374	-275	411
Closing cash	26	178	552	277	688

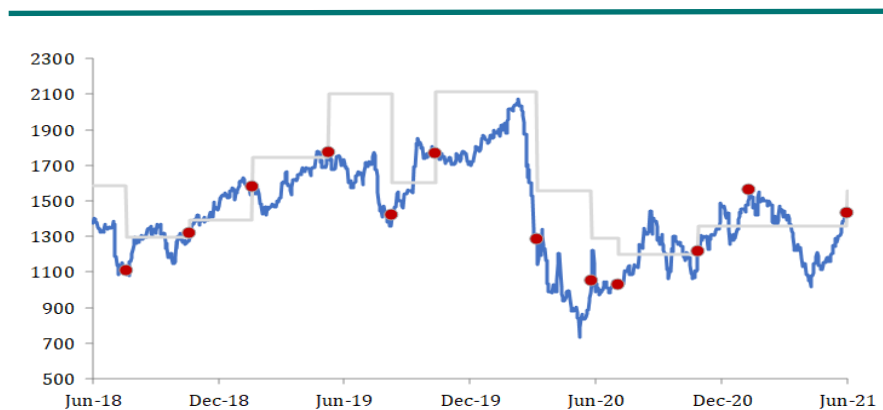
BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	34	322	731	277	688
Account Receivable	184	189	31	72	138
Inventories	30	31	25	11	34
Other Cur. Assets	396	471	483	528	537
Investments	11	2	2	2	2
Net Fixed Assets	1,486	1,636	1,490	1,252	1,261
CWIP	221	155	217	261	313
Intangible Assets	1,311	1,246	1,229	1,256	1,287
Def. Tax (Net)	-85	253	450	450	450
Other Assets	221	3,123	2,845	2,668	2,414
Total Assets	3,809	7,428	7,503	6,776	7,124
Current Liabilities	965	896	763	714	879
Provisions	21	18	22	6	18
Debt Funds	1,331	1,101	1,101	1,090	979
Other Liabilities	283	3,932	3,783	3,466	3,653
Equity Capital	47	51	61	61	61
Reserves & Surplus	1,162	1,429	1,773	1,439	1,534
Shareholder's Fund	1,208	1,480	1,833	1,500	1,590
Total Liabilities	3,809	7,428	7,503	6,776	7,124
BVPS	259	288	302	247	262

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	19.0	31.5	-119.6	22.0	34.0
EBIT margin (%)	12.8	15.6	-324.9	-25.8	16.7
Net profit mgn.(%)	5.9	0.8	-267.2	-49.5	2.9
ROE (%)	16.1	2.0	-45.2	-34.7	6.3
ROCE (%)	11.8	6.6	-12.7	-6.7	18.4
W.C & Liquidity					
Receivables (days)	20.1	19.9	143.4	16.0	11.4
Inventory (days)	3.0	3.3	36.3	5.6	2.5
Payables (days)	92.4	99.5	1081.7	230.8	83.4
Current ratio (x)	0.7	1.1	1.6	1.2	1.7
Quick ratio (x)	0.2	0.2	0.3	0.5	1.0
Turnover & Leverage					
Gross asset T.O (x)	1.8	1.6	0.1	0.5	1.3
Total asset T.O (x)	1.0	0.6	0.0	0.2	0.5
Int. covge. ratio (x)	3.1	1.1	-1.8	-0.6	1.1
Adj. debt/equity (x)	1.2	0.7	0.6	0.7	0.6
Valuation					
EV/Sales (x)	2.6	2.4	32.6	8.2	2.7
EV/EBITDA (x)	13.9	7.6	-27.2	37.2	7.9
P/E (x)	36.7	274.2	-11.7	-15.1	90.5
P/BV (x)	5.5	5.0	4.7	5.8	5.5

Recommendation summary (Last 3 year)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
30 th July 2018	Buy	1,293
30 th October 2018	Hold	1,389
29 th January 2019	Accumulate	1,742
20 th May 2019	Buy	2,100
20 th Aug 2019	Accumulate	1,604
22 nd October 2019	Buy	2,115
17 th March 2020	Buy	1,558
4 th June 2020	Buy	1,289
15 th July, 2020	Buy	1,197
6 th November, 2020	Hold	1,295
21 st January, 2021	Reduce	1,403
12 th June, 2021	Hold	1,555

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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