

Cost rationalisation a positive; reopening holds key...

PVR reported a washout Q1FY21, on expected lines, given the complete closure of cinemas throughout the quarter. Revenue came in at ₹ 12.7 crore (98.6% YoY de-growth). While no box office and ad revenues were reported, the company reported ₹ 1.4 crore of F&B revenues and ₹ 2.9 crore of digital rights revenues through its subsidiaries whereas other operating income of ₹ 8.3 crore was reported. The company invoked *Force Majeure* leading to no rental expenses. EBITDA loss (without impact of Ind-AS 116) was at ₹ 116 crore. The company accounted for ₹ 28.1 crore of rent concession as other income. Consequently, PVR reported a net loss (ex-Ind-AS 116) at ₹ 141 crore. On a reported basis, net loss was at ₹ 225.6 crore.

Reopening timeline, customer response important...

PVR (with industry association) is in consistent dialogue with the government but there has been no confirmation on reopening yet. It remains hopeful of getting permission to reopen cinemas in Unlock 5 phase i.e. October. Capex plans have been put on hold currently and will be reviewed when the situation normalises. They indicated 30 screens are in the pipeline for FY21E while another 28 screens are under fit out phase with total capex of ₹ 115 crore. We bake in 20 screens addition for FY21E and 65 screens addition in FY22E. Consequently, we build in marginal footfalls growth of 0.5% CAGR in FY20-22E to 102.6 million (70% decline in FY21 followed by sharp growth thereafter) coupled with 4.4% CAGR in ATP to lead to 5% FY20-22E CAGR (71% decline in FY21, followed by sharp recovery) in net box office revenues to ₹ 1909.4 crore. F&B revenue CAGR of 6.4% in FY20-22 implies 71% decline in FY21 followed by a recovery in FY22. Ad CAGR in FY20-22E is expected at -12.1%, with 65% decline expected in FY21. We incorporate nil exhibition revenues in H1FY20 and modest occupancy in the Q3FY20 post reopening with possibility of box office clash of big movies.

Cost control initiatives provide relief

PVR has reduced monthly opex to ₹ 32 crore following invocation of *Force Majeure* during closure of cinemas and other measure like layoffs/payout. They are in discussions with developers to reduce rentals post reopening for the rest of FY21. The company has guided for further reduction in fixed costs up to ₹ 22-25 crore and said part of savings (15-20%) on employee and other expenses front are sustainable.

Valuation & Outlook

We continue to believe PVR is a proxy play on urban/semi urban discretionary spends but near term outlook remains hazy. Current liquidity of ₹ 550 crore (including undrawn limit of ₹ 150 crore), post rights issue will ensure liquidity in prolonged lockdown. We will closely track the reopening of cinemas in India amid Covid-19 and turn buyer only when we witness footfall revival and stability. The tail of pandemic remains the most important factor. We maintain **HOLD** rating and value the stock at 12x FY22E (ex-Ind-AS) EV/EBITDA with a revised target price of ₹ 1260/share.

Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales (₹crore)	2,334.1	3,085.6	3,414.4	1,086.7	3,596.4	2.6
EBITDA (₹crore)	401.8	586.3	1,076.6	106.9	1,182.7	4.8
Net Profit (₹crore)	123.3	183.2	27.3	(582.8)	108.4	99.3
EPS (₹)	26.4	39.2	5.3	(105.6)	19.6	
P/E (x)	47.9	32.3	237.9	(12.0)	64.4	
Price / Book (x)	5.5	4.8	4.4	5.8	5.4	
EV/EBITDA (x)	19.3	14.0	10.9	110.7	9.8	
RoCE (%)	14.7	13.8	8.5	(5.0)	9.6	
RoE (%)	11.5	14.8	1.8	(48.7)	8.4	

Source: Company, ICICI Direct Research *FY20, FY21 and FY22 EBITDA and PAT estimates are not comparable to earlier year numbers owing to IND AS 116 implementation



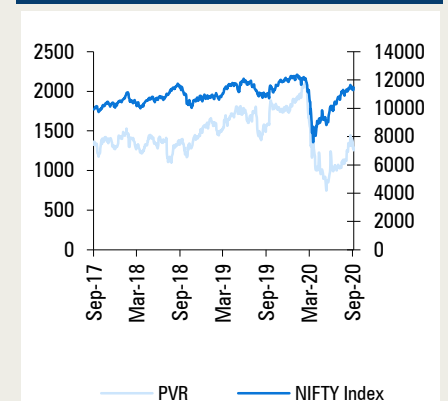
Particulars

Particulars	Amount
Market Capitalization (₹Crore)	6,977.6
Total Debt (FY 20) (₹Crore)	1,294.7
Cash (FY 20) (₹Crore)	322.3
EV	7,774.3
52 week H/L	2104 / 711
Equity capital	5.5
Face value	10.0

Key Highlights

- Q1FY21 was washout as cinemas remain closed. Cost control measures were only positive coupled with rights issue of ₹ 300 crore that assures improved liquidity
- Maintain HOLD with revised target price of ₹ 1260/share

Price Chart



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Exhibit 1: Variance Analysis

	Q1FY21	Q1FY21E	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	12.7	0.0	880.4	645.1	-98.6	-98.0	Cinemas remained shut in Q1FY21 leading to a washout quarter
Other Income	42.7	3.0	6.8	16.7	530.0	156.2	Company recognised ₹ 28.1 crore out of rent concessions as other income
Employee Expenses	68.2	72.9	105.7	76.5	-35.5	-10.9	
Film Distributors share	0.0	0.0	199.1	143.6	-100.0	-100.0	
F&B Cost	0.7	0.0	71.6	51.2	-99.0	-98.6	
Rent	0.0	0.0	0.0	0.0	NA	NA	
Repairs and Maintenance	59.7	42.1	225.4	201.2	-73.5	-70.3	
EBITDA	-115.9	-115.0	278.6	172.7	-141.6	-167.1	EBITDA loss was in line with estimates
EBITDA Margin (%)	-912.7	NA	31.6	26.8	-94432 bps	-93944 bps	
Depreciation	144.5	120.0	125.9	142.2	14.8	1.6	
Interest	124.0	80.0	131.4	117.1	-5.7	5.9	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	-116.2	-78.6	10.4	4.4	-1,214.0	-2,728.7	
PAT	-225.6	-233.4	17.6	-74.5	-1,384.1	202.9	

Key Metrics

Footfalls (mn)	0.0	0.0	27.0	19.5	-100.0	-100.0
Occupancy (%)	0.0	0.0	35.7	31.0	-100.0	-100.0
SPH (₹)	0.0	0.0	102.0	96.0	-100.0	-100.0
ATP (₹)	0.0	0.0	203.0	204.0	-100.0	-100.0

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,148.8	1,086.7	-49.4	3,764.9	3,596.4	-4.5	Realign our estimates post Q1
EBITDA	541.3	106.9	-80.2	1,202.5	1,182.7	-1.6	
EBITDA Margin (%)	25.2	9.8	-1535 bps	31.9	32.9	99 bps	Lower the costs as per management guidance
PAT	-317.6	-582.8	NA	106.2	108.4	2.1	
EPS (₹)	-61.9	-105.6	NA	20.7	19.6	NA	

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates - ex- IND AS 116

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,148.8	1,086.7	-49.4	3,764.9	3,596.4	-4.5	Realign our estimates post Q1
EBITDA	203.0	-151.5	-174.6	627.9	629.9	0.3	
EBITDA Margin (%)	9.4	-13.9	-2339 bps	16.7	17.5	84 bps	Lower the costs as per management guidance
PAT	107.5	-279.2	NA	164.4	212.4	29.2	
EPS (₹)	-20.9	-54.4	NA	32.0	38.5	NA	

Source: Company, ICICI Direct Research

Exhibit 4: Assumptions

	Current				Earlier		
	FY18	FY19E	FY20	FY21E	FY22E	FY21E	FY22E
Footfalls (mn)	76.1	99.3	101.7	30.2	102.6	61.4	110.0
SPH (₹)	88	90	98	94	110	99	111
ATP (₹)	210	207	204	202	223	214	225

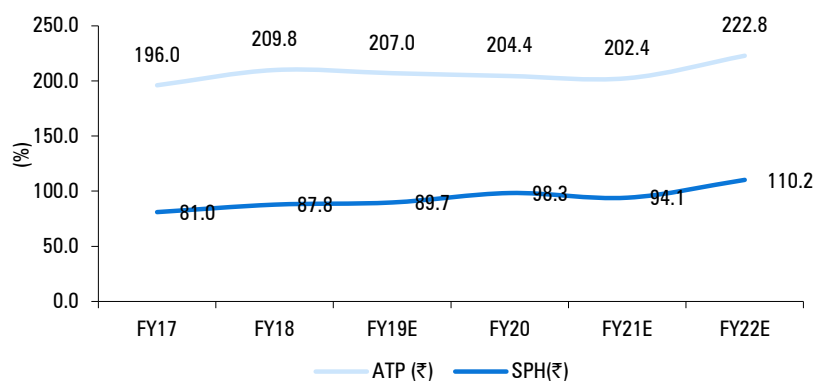
Source: Company, ICICI Direct Research

Conference call highlights

- **Promising response for cinema reopening worldwide; no decision on reopening in India yet:** The management said that cinemas have opened in 80 countries where the initial response to Hollywood as well as domestic films has been promising. PVR Lanka has also resumed operations with a good response. Currently, occupancy is at 65-70% of pre-Covid level. F&B revenue witnessed a major uptick and is higher than pre-Covid (60% of ATP) while ad revenue is yet to pick up. As far as the Indian scenario concerned, the industry body is in constant dialogue with the government but no there is no directive yet on reopening
- **Cost control initiatives undertaken; capex suspended:** The company has liquidity of ₹ 550 crore post rights issue of ₹ 300 crore during the quarter. Monthly fixed cost has reduced to ₹ 32 crore (excluding CAM provision) as the company has invoked *Force Majeure* and rationalised employee costs (via layoffs/salary cuts) and other fixed costs. The management guided for further cost saving of 15-20% and opex could reduce to ₹ 22-25 crore. The company has reduced workforce by ~4800 to 6376 in FY21 and will maintain that level for the next three months. PVR will take a call on hiring of workforce once business ramps up. The management has put capex plans of ~₹ 115 crore on hold currently. It will be reviewed when the situation normalises. They said that 30 screens are in the pipeline while 70-95% work is completed and will incur ₹ 40 crore additional capex. Another 28 screens are under fit-out for which ₹ 75 crore capex is required. They added that FY22 and medium term guidance of ~90-10 screens addition per annum still stands given the availability of space/development of malls
- **Post reopening scenario:** The management said proposed safety measures have already been submitted to the government. Show-timings will be staggered with extended gap of 10-15 minutes in consecutive shows. The management said that once central government permits reopening, state governments are likely to take a call in respective states. They also added that first two to three months will be 'tricky' and they expect to achieve breakeven occupancy of 18-20% in the initial stage itself. Also, content will not be an issue as big/mid-sized Hindi and regional movies are in the pipeline. The Indian box office is not dependent on Hollywood films as it only contributes minor portion of ~10% of revenue mix. F&B chain will not be disrupted as the company is in dialogue with providers and necessary arrangements are made
- **Recent trends; OTT not a threat:** The management said footfalls are on the rise in malls and people will prefer outdoor activities such as visiting cinemas post normalcy. They were of view that Covid-19 led pandemic may accelerate industrywide consolidation once cinemas reopen. The management reiterated that OTT platforms are not a threat to exhibition business. In fact, cinema has grown considerably in the last 10 years during the time when OTT viewing has also increased

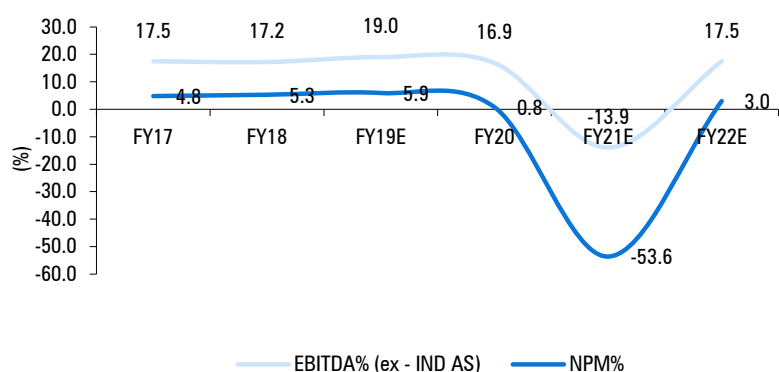
Financial story in charts

Exhibit 5: ATP and SPH trend



Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 7: Proforma P&L (ex - Ind-AS)

(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating income	3,085.6	3,414.4	1,086.7	3,596.4
Growth (%)	32.2	10.7	-68.2	231.0
Film Distributors Cost	701.9	733.5	219.3	821.0
F&B Cost	238.7	263.7	76.2	300.9
Employee Expenses	337.3	393.8	301.1	385.4
Other Expenses	1,221.3	1,447.4	641.5	1,459.1
Total Operating Expenditure	2,499.2	2,838.3	1,238.2	2,966.5
EBITDA	586.3	576.1	(151.5)	629.9
Growth (%)	45.9	-1.7	-126.3	-515.8
Margins (%)	19.0	16.9	(13.9)	17.5
Depreciation	191.3	232.4	239.1	251.7
Interest	128.0	152.1	146.9	134.2
Other Income	33.1	37.8	126.7	40.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	300.2	229.4	-410.9	284.0
M/PAT from associates	7.3	0.1	0.0	0.2
Total Tax	109.7	97.8	-131.7	71.6
PAT	183.2	131.5	(279.2)	212.4
Growth (%)	48.5	-28.2	-312.3	-176.1
EPS (₹)	39.2	25.6	(50.6)	38.5

Source: Company, ICICI Direct Research

Exhibit 8: KPI

(Year-end March)	FY19	FY20	FY21E	FY22E
Box office Revenues	1,636	1,732	510	1,909
YoY		6%	-71%	274%
F&B	847	949	271	1,075
YoY		12%	-71%	297%
Ad	354	376	130	290
YoY		6%	-65%	123%
Others	250	358	175	322
YoY		43%	-51%	84%
ATP	207	204	202	223
YoY		-1%	-1%	10%
Footfalls (mn)	99	102	30	103
YoY		2%	-70%	240%
Screens	763	845	865	930
Net Debt	1,247	971	947	613
RoCE (post tax)	11.4	12.2	1.0	12.7
RoE	14.8	9.6	(20.1)	13.2

Source: Company, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoter	20.2	19.6	18.4	18.5	18.6
FII	44.9	42.9	42.9	38.4	37.0
DII	12.4	10.5	15.5	20.0	14.9
Others	22.4	27.0	23.1	23.1	29.5

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating income	3,085.6	3,414.4	1,086.7	3,596.4
Growth (%)	32.2	10.7	-68.2	231.0
Film Distributors Cost	701.9	733.5	219.3	821.0
F&B Cost	238.7	263.7	76.2	300.9
Employee Expenses	337.3	393.8	301.1	385.4
Other Expenses	1,221.3	946.9	383.1	906.3
Total Operating Expenditure	2,499.2	2,337.9	979.7	2,413.7
EBITDA	586.3	1,076.6	106.9	1,182.7
Growth (%)	45.9	83.6	-90.1	1,006.1
Depreciation	191.3	542.5	561.1	591.7
Interest	128.0	481.8	491.7	485.9
Other Income	33.1	37.8	126.7	40.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	300.2	90.1	-819.3	145.1
MI/PAT from associates	7.3	0.1	0.0	0.2
Total Tax	109.7	62.7	-236.5	36.6
PAT	183.2	27.3	(582.8)	108.4
Growth (%)	48.5	-85.1	-2,234.8	-118.6
EPS (₹)	39.2	5.3	(105.6)	19.6

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
PAT	183.2	27.3	-582.8	108.4
Add: Depreciation	191.3	542.5	561.1	591.7
Add: Interest Paid	128.0	481.8	491.7	485.9
(Inc)/dec in Current Assets	-95.4	-70.8	251.5	-263.2
Inc/(dec) in CL and Provisions	366.2	-87.2	-470.4	582.8
Others	0.0	0.0	0.0	0.0
CF from operating activities	773.2	893.5	251.1	1,505.7
(Inc)/dec in Investments	8.7	8.3	0.0	0.0
(Inc)/dec in Fixed Assets	-844.2	-246.8	-40.0	-400.0
Others	-241.2	-110.7	4.7	-272.9
CF from investing activities	-1076.7	-349.3	-35.3	-672.9
Issue/(Buy back) of Equity	0.0	500.0	299.8	0.0
Inc/(dec) in loan funds	451.9	12.3	0.0	-150.0
Dividend paid & dividend tax	-13.3	-36.0	0.0	-12.9
Less: Interest Paid	128.0	481.8	491.7	485.9
Others	-261.7	-1214.2	-983.5	-971.8
CF from financing activities	304.9	-256.2	-191.9	-648.8
Net Cash flow	1.5	288.1	23.9	184.0
Opening Cash	32.8	34.2	322.3	346.2
Closing Cash	34.2	322.3	346.2	530.2

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	46.7	51.4	55.2	55.2
Reserve and Surplus	1,192.8	1,428.9	1,142.0	1,237.5
Total Shareholders funds	1,239.5	1,480.2	1,197.2	1,292.7
Total Debt	1,282.4	1,294.7	1,294.7	1,144.7
Others	579.2	3,933.8	4,078.5	4,158.1
Total Liabilities	3,101.1	6,708.7	6,570.4	6,595.5
Assets				
Total Fixed Assets	2,336.6	2,351.0	2,151.9	2,300.2
Investments	9.9	1.7	1.7	1.7
Right of Use	-	3,004.7	2,762.7	2,715.2
Goodwill on Consolidation	685.0	685.0	685.0	685.0
Debtors	183.9	189.3	64.0	211.8
Inventory	30.3	30.7	9.8	34.5
Loans and Advances	1.2	8.7	8.7	8.7
Other Current Assets	143.9	201.5	96.2	186.8
Cash	34.1	322.3	346.2	530.2
Total Current Assets	393.5	752.4	524.9	972.0
Total Current Liabilities	807.7	720.5	250.1	832.9
Net Current Assets	-414.3	31.9	274.8	139.1
Other Non Current Asset	483.9	634.4	694.4	754.4
Application of Funds	3,101.1	6,708.7	6,570.4	6,595.5

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
EPS (Diluted)	39.2	5.3	-105.6	19.6
Cash EPS	80.2	111.0	-3.9	126.9
BV	265.3	288.3	217.0	234.3
DPS	2.8	2.6	2.4	2.4
Cash Per Share	7.3	62.8	62.8	96.1
Operating Ratios (%)				
EBITDA Margin	19.0	31.5	9.8	32.9
EBIT / Net Sales	12.8	15.6	-41.8	16.4
PAT Margin	5.9	0.8	-53.6	3.0
Inventory days	3.6	3.3	3.3	3.5
Debtor days	21.7	20.2	21.5	21.5
Creditor days	43.5	33.4	40.0	40.5
Return Ratios (%)				
RoE	14.8	1.8	-48.7	8.4
RoCE	13.8	8.5	-5.0	9.6
RoIC	18.9	23.3	-22.2	27.3
Valuation Ratios (x)				
P/E	32.3	237.9	-12.0	64.4
EV / EBITDA	14.0	10.9	110.7	9.8
EV / Net Sales	2.7	3.4	10.9	3.2
Market Cap / Sales	2.3	2.0	6.4	1.9
Price to Book Value	4.8	4.4	5.8	5.4
Solvency Ratios				
Net Debt/EBITDA	2.1	0.9	8.9	0.5
Net Debt / Equity	1.0	0.7	0.8	0.5
Current Ratio	0.9	1.3	1.4	1.0
Quick Ratio	0.8	1.2	1.3	1.0

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Inox Leisure	292	250	Hold	2,997	1.5	-23.5	6.9	200.1	NM	42.3	9.7	103.7	8.8	10.0	-6.4	10.5	2.4	-44.9	12.1
PVR	1,265	1,260	Hold	6,978	5.3	-105.6	19.6	237.9	NM	64.4	10.9	110.7	9.8	8.5	-5.0	9.6	1.8	-48.7	8.4
Sun TV	496	490	Buy	19,538	35.1	38.7	40.8	14.1	12.8	12.1	7.4	7.0	5.9	31.2	30.9	29.1	24.2	23.3	22.0
TV Today	226	240	Buy	1,345	23.4	22.6	29.9	9.7	10.0	7.5	5.6	5.5	4.3	24.7	22.1	24.5	16.0	15.0	18.3
ZEE Ent.	217	195	Hold	20,884	5.5	11.1	17.6	39.7	19.7	12.3	12.2	10.4	7.3	13.9	15.1	21.0	16.7	11.3	14.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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