

Retail Equity Research (South India Focus)

PVR Ltd

Media

BSE CODE : 532689

NSE CODE: PVR

BLOOMBERG CODE: PVRL:IN

SENSEX : 49,792

Reduce

12M Investment Period

Rating as per Mid Cap

CMP Rs 1,566 TARGET Rs. 1,403 RETURN -10

(Closing: 20-01-21)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↓

Lack of content drags recovery

PVR Ltd owns and operates multiplexes across 21 States and UT's with a total of 831 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.45.4Cr (Q2FY21-Rs.40.4Cr) from core operations as theatres were allowed to reopen from Oct 15th, 2020.
- Company has been implementing cost control measures to bring down fixed cost. As a result fixed cost was reduced by 64% YoY. However, it is expected to reach near pre-covid levels from FY22.
- Though reopened, lack of content availability is dragging the pace of recovery. Decisions on release of big budget films will determine the recovery in occupancy.
- PVR has decided to raise further equity capital of Rs.800 Cr to manage its liquidity. PVR had raised Rs.300Cr during July 2020 through right issue.
- Considering current valuation and slower pace of recovery, we remain cautious on the stock. Therefore, we downgrade our rating to REDUCE with a revised roll forward target price of Rs.1403 at 2.2x FY23E EV/Sales.

Though reopened, content availability remains a concern

Ministry of Home Affairs allowed cinemas to reopen from Oct 15th, 2020 with 50% capacity. As on date, all states except Rajasthan and Jharkhand (6-7% of total Bollywood revenue) where PVR has presence, have allowed cinemas to reopen. Though theatres are allowed to operate in majority of states, availability of content and lower footfall is dragging the recovery. However, recently released 'Master' had seen the second best opening day collection in Tamil Nadu even with restricted capacity. This shows a strong pent up demand for quality content. Vaccine roll out and success of 'Master' is expected to push more producers to release big budget movies, especially in Bollywood.

Revenue to pick up gradually

During the quarter, PVR reported total footfall of 10 lakhs and have generated revenue of Rs.13.35 Cr from sale of movie tickets, Rs.14.02Cr from sale of F&B, Rs.4.2Cr from advertisement income. The Average Ticket Price (ATP) stood at Rs.164 against Rs.210 during Q3FY20. Spend Per Head (SPH) is close to pre-covid levels and stands at Rs.95 against Rs.100 during Q3FY20. However, ATP of Tamil movie 'Master' is higher than the pre-covid levels.

Effective cost control to reduce working capital stress

During the quarter, company was able to reduce its fixed cost by 64% YoY. Improvement in cost control was on account of reduced staff cost because of manpower and cost rationalisation. Company has taken further steps to keep fixed cost under control with negotiations completed with 88% of properties for rent waiver during non-operational period and discounted rent until March 2021. Salary cut for front line staffs has been reversed once theatres reopened while pay cut for corporate and other staffs will be rolled back in staggered manner.

Plan to raise further equity capital to manage liquidity

PVR has decided to raise additional equity of Rs.800Cr over and above Rs.300Cr raised during July 2020. Though the timing of the fund raising is yet to be decided, the raised capital is expected to be used to manage the current liquidity crunch arising from possible losses in coming quarter and to spend on screen additions in order to get advantage of industry consolidation.

Valuations

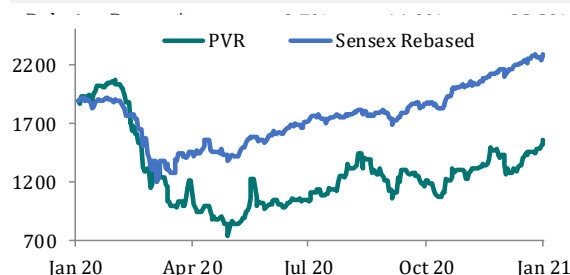
Although theatres are allowed to open in most of the states, non-availability of content is dragging recovery. We expect muted occupancy at least till H1FY22 while a strong comeback can be expected in FY23. Considering the current valuation and slow pace of recovery, we take a cautious stand and therefore downgrade our rating to REDUCE with a roll forward target price of Rs.1403 at 2.2x FY23E EV/Sales.

Company Data

Market Cap (Rs.cr)	8,635
Enterprise Value (cr)	9,357
Outstanding Shares (cr)	5.1
Free Float (%)	81.6
Dividend Yield (%)	0.5
52 week high	2,083
52 week low	706
6m average volume (cr)	0.05
Beta	1.21
Face value	10

Shareholding (%)	Q1FY21	Q1FY21	Q3FY21
Promoters	18.5	18.5	18.8
FII's	37	37	38.5
MFs/Institutions	29.8	29.8	26.6
Public	14.7	14.7	16.1
Total	100	100	100
Promoter pledge	0	0	0

Price Performance	3 month	6 Month	1 Year
Absolute Return	32.2%	41.3%	-18.1%
Absolute Sensex	22.5%	30.3%	20.2%



Standalone (cr)	FY21E	FY22E	FY23E
Sales	301	2,986	3,752
Growth (%)	-91.2	890.6	25.7
EBITDA	-224	997	1,221
EBITDA Margin(%)	-	33.4	32.5
PAT Adj.	-838	3	157
Growth (%)	-	-	-
Adjusted EPS	-179	1	34
Growth (%)	-	-	-
P/E	-10.3	-	55
P/B	7.1	7.1	6.4
EV/Sales	26.9	2.7	2.1
ROE (%)	-62.0	0.2	12.2
D/E	0.9	0.8	0.7

Cyril Charly
Research Analyst

Quarterly Financials

Profit & Loss

	Q3FY21	Q3FY20	YoY Growth %	9MFY21	9MFY20	YoY Growth %
Sales	45	916	<i>-95.0</i>	99	2769	<i>-96.4</i>
EBITDA	-78	307	-	-278	904	-
EBITDA margins(%)	-	33.6		-	32.6	-
Depreciation	142	135	5.6	429	400	7.3
EBIT	-221	172	-	-707	504	-
Interest	127	122	4.0	374	365	2.4
Other Income	275	8	-	388	21	-
Exceptional Items	-	-	-	-	-	-
PBT	-73	58	-	-694	160	-
Tax	-24	22	-	-235	58	-
Share of profit from Associate	1.1	-0.2	-	-0.5	-0.4	-
Reported PAT	-49	36	-	-459	101	-
Adjustments	-	-	-	-	-	-
Adj PAT	-49	36	-	-459	101	-
No. of Shares						
EPS (Rs)	-8	7	-	-85	20	-

Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change %	
	FY21E	FY22E	FY21E	FY22E	FY23E	FY21E	FY22E
Revenue	652	3,159	301	2,986	3,752	-54%	-5%
EBITDA	-78	1,031	-224	997	1,221	-	-3%
Margin (%)	-	32.6	-	33.40	32.54	-	80bps
Adj. PAT	-916	32	-838	3	157	-	-91%
EPS	-166	5.7	-151.9	0.5	28.5	-	-91%

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	3,086	3,414	301	2,986	3,752
% change	32.2	10.7	-91.2	890.6	25.7
EBITDA	586	1,077	-224	997	1,221
% change	45.9	83.6	-120.8	-544.9	22.4
Depreciation	191	533	565	568	604
EBIT	395	544	-789	430	617
Interest	128	482	506	493	490
Other Income	33	38	457	66	83
PBT	300	100	-838	3	209
% change	53.8	-66.7	-	-100.3	7520.2
Tax	110	36	0	0	52
Tax Rate (%)	37%	36%	0%	0%	25%
Reported PAT	184	64	-838	3	157
Adj.*	0	0	0	0	0
Adj. PAT	184	64	-838	3	157
% change	46.5	-65.2	-	-100.3	5615.1
No. of shares (cr)	5	5	6	6	6
Adj EPS (Rs)	39	14	-179	1	34
% change	47	-65	-1,412	-100	5,615
DPS (Rs)	3	2	0	2	2

BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	34	322	252	201	355
Accounts Receivable	184	189	80	184	231
Inventories	30	31	24	31	40
Other Cur. Assets	396	471	415	358	449
Investments	11	2	2	2	2
Gross Fixed Assets	2017	2267	2317	2667	3017
Net Fixed Assets	1486	1636	1333	1452	1537
CWIP	221	155	186	223	267
Intangible Assets	1311	1246	1246	1275	1308
Def. Tax (Net)	-85	253	235	235	235
Other Assets	221	3123	2775	2555	2334
Total Assets	3809	7428	6548	6514	6758
Current Liabilities	965	896	712	818	1044
Provisions	21	18	21	16	21
Debt Funds	1331	1101	1051	960	869
Other Liabilities	257	3932	3541	3506	3467
Equity Capital	47	51	55	55	55
Reserves & Surplus	1162	1429	1168	1159	1303
Shareholder's Fund	1208	1480	1224	1214	1358
Total Liabilities	3782	7428	6548	6514	6758
BVPS	259	288	222	220	246

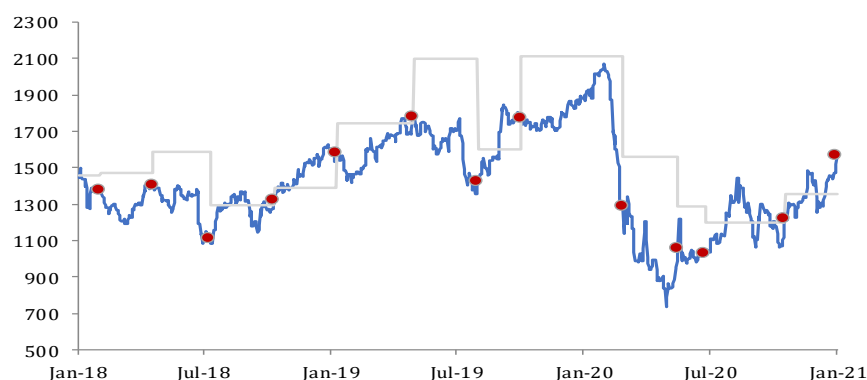
CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	467	295	-273	570	761
Non-cash adj.	64	757	67	427	407
Changes in W.C	298	-265	-10	48	83
C.F. Operation	830	787	-216	1045	1251
Capital exp.	-972	-385	-81	-416	-428
Change in inv.	-2	0	349	120	121
Other invest.CF	-42	-5	457	66	83
C.F - Investment	-1015	-390	415	-501	-504
Issue of equity	0	504	300	0	0
Issue/repay debt	257	-67	-50	-91	-91
Dividends paid	-11	-36	0	-13	-13
Other finance.CF	-103	-612	-506	-492	-489
C.F - Finance	142	-211	-256	-596	-593
Chg. in cash	-43	186	-57	-51	154
Closing cash	26	309	252	201	355

RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
Profitab & Return					
EBITDA margin (%)	19.0	31.5	-	33.4	32.5
EBIT margin (%)	12.8	15.9	-	14.4	16.4
Net profit mgn.(%)	5.9	1.9	-	0.1	4.2
ROE (%)	16.1	4.8	-62.0	0.2	12.2
ROCE (%)	11.8	14.2	-13.7	22.3	23.8
W.C & Liquidity					
Receivables (days)	20.1	19.9	-	16.2	20.2
Inventory (days)	3.0	3.3	-	3.4	3.4
Payables (days)	92.4	99.5	-	93.5	90.5
Current ratio (x)	0.7	1.1	1.1	0.9	1.0
Quick ratio (x)	0.2	0.2	0.5	0.5	0.6
Turnover & Leverage					
Gross asset T.O (x)	1.8	1.6	0.1	1.2	1.3
Total asset T.O (x)	1.0	0.6	0.0	0.5	0.6
Int. covge. ratio (x)	3.1	1.1	-1.6	0.9	1.3
Adj. debt/equity (x)	1.2	0.7	0.9	0.8	0.6
Valuation					
EV/Sales (x)	2.8	2.4	26.9	2.7	2.1
EV/EBITDA (x)	14.9	7.5	-36.2	8.1	6.4
P/E (x)	39.9	125.8	-10.3	3141.2	55.0
P/BV (x)	6.1	5.4	7.1	7.1	6.4

Recommendation summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
1st Aug 2017	Reduce	1,251
3rd Nov 2017	Hold	1,459
21st Feb 2018	Hold	1,474
8 th May 2018	Accumulate	1,587
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

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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