

June 10, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	ACCUMULATE		BUY	
Target Price	1,131		1,518	
Sales (Rs. m)	14,724	33,817	34,006	45,113
% Chng.	(56.7)	(25.0)		
EBITDA (Rs. m)	1,448	10,408	10,263	14,513
% Chng.	(85.9)	(28.3)		
EPS (Rs.)	(58.0)	24.1	13.2	54.2
% Chng.	NA	(55.5)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	30,856	34,144	14,724	33,817
EBITDA (Rs. m)	5,863	10,766	1,448	10,408
Margin (%)	19.0	31.5	9.8	30.8
PAT (Rs. m)	1,898	273	(2,977)	1,237
EPS (Rs.)	40.6	5.3	(58.0)	24.1
Gr. (%)	51.5	(86.9)	NA	NA
DPS (Rs.)	2.0	4.0	4.0	4.0
Yield (%)	0.2	0.4	0.4	0.4
RoE (%)	14.3	1.4	NA	9.8
RoCE (%)	16.9	8.7	NA	8.9
EV/Sales (x)	2.0	3.0	6.9	3.0
EV/EBITDA (x)	10.5	9.4	70.6	9.8
PE (x)	26.8	204.3	NA	45.1
P/BV (x)	4.1	3.8	4.8	4.4

Key Data

PVRL.BO | PVRL IN

52-W High / Low	Rs.2,125 / Rs.718
Sensex / Nifty	33,957 / 10,047
Market Cap	Rs.56bn / \$ 738m
Shares Outstanding	51m
3M Avg. Daily Value	Rs.5264.75m

Shareholding Pattern (%)

Promoter's	18.54
Foreign	38.35
Domestic Institution	34.69
Public & Others	8.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	21.7	(37.4)	(38.0)
Relative	13.4	(25.4)	(27.7)

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Liquidity management will be key

Quick Pointers:

- Fixed cost reduction of 70-75% is envisaged during lockdown.
- Board has approved rights issue of Rs3bn to enhance liquidity.
- Tax adjustment of Rs317mn on account of re-measurement of DTA/DTL led to a loss of Rs746mn during the quarter.

PVR's performance was marred (revenue/Ind-AS adjusted EBITDA miss by 8%62% respectively) by weak content (only 2 movies viz; Tanhaji and Baghi 3 crossed Rs1bn in box office collections during 4QFY20 versus ~4/5 movies in 4QFY19) and COVID-19 led shutdown (loss of revenue for 15-20 days without complete rationalization of fixed cost). We have drastically cut our sales/EBITDA estimates for FY21 and FY22 as 1) occupancy in 1HFY21 is likely to be negligible with a gradual recovery in 2HFY21 resulting in ~60% decline in footfalls over FY20 2) cautious screen expansion strategy (committed capex is only Rs0.5-1bn for FY21) to conserve cash is expected to keep growth under check and 3) rising instances of producers opting for OTT route can potentially disrupt the content pipeline. While we continue to maintain our positive stance on the multiplex space (low ticket consumer discretionary play) near term challenges with respect to fixed cost and liquidity management persist given the leveraged BS of PVR (D/E of 0.9x as of FY20). As a result, we downgrade the stock to ACCUMULATE (BUY earlier) effectively valuing it at EV/EBITDA multiple of 10x (earlier 8.5x; long period average is 12x) with a TP of Rs1,131 (Rs1,518 earlier).

Revenues decline 23% YoY: PVR's top-line declined 23% YoY to Rs6,451mn (PLe of Rs7,046mn) due to weak content and COVID-19 led shutdown. Revenues from NBOC, F&B and advertising declined 26.9% YoY to Rs3,300mn, 24.5% YoY to Rs1,746mn and 22.2% YoY to Rs685mn respectively. Footfalls declined 29% YoY to 19.5mn. Gross ATP and SPH increased 4% YoY to Rs204 and 6% YoY to Rs96 respectively.

Poor operating performance: Ind-AS adjusted EBITDA declined 73% YoY to Rs428mn with a margin of 6.6%. PVR reported a loss of Rs746mn, due to tax adjustment of Rs317mn resulting from re-measuring DTA/DTLs.

Con-call highlights: 1) All production houses may not opt for OTT route as it would result in foregoing music rights and overseas theatrical revenue 2) Rent for the month of March was paid in advance, and hence is reflected in the P&L. Once formal credit note is received, a reverse charge would be taken 3) Rent & CAM bill is ~Rs650mn per month. 4) PVR already has variable rental clauses with quite a few developers 5) ~20-50 screens are under fit outs and committed capex for FY21 is in the range of Rs0.5-1bn 6) Due to waiver in rental obligations by invoking force majeure, RoU and lease capitalization figures on the BS will get realigned 7) Weekend occupancy is ~50-55% while weekday occupancy is ~25-27% 8) Recognition for convenience income is not expected during lockdown 9) Few Hollywood movies like Tenet and Mulan are expected to release in the month of July.

Exhibit 1: Q4FY20 Result Overview – Consolidated (Rs mn)

Y/e March	4QFY20	4QFY19	YoY gr.	3QFY20	QoQ gr.	FY20	FY19	YoY gr.
Net sales	6,451	8,376	-23.0%	9,157	-29.6%	34,144	30,856	10.7%
Movie exhibition cost	1,436	1,856	-22.6%	1,927	-25.5%	7,335	7,019	4.5%
<i>As a % of sales</i>	<i>22.3%</i>	<i>22.2%</i>		<i>21.0%</i>		<i>21.5%</i>	<i>22.7%</i>	
Consumption of F&B	512	679	-24.6%	682	-24.9%	2,637	2,387	10.5%
<i>As a % of sales</i>	<i>7.9%</i>	<i>8.1%</i>		<i>7.4%</i>		<i>7.7%</i>	<i>7.7%</i>	
Employee expenses	765	904	-15.4%	1,067	-28.3%	3,938	3,373	16.8%
<i>As a % of sales</i>	<i>11.9%</i>	<i>10.8%</i>		<i>11.7%</i>		<i>11.5%</i>	<i>10.9%</i>	
Other expenses	2,012	3,330	-39.6%	2,408	-16.4%	9,469	12,213	-22.5%
<i>As a % of sales</i>	<i>31.2%</i>	<i>39.8%</i>		<i>26.3%</i>		<i>27.7%</i>	<i>39.6%</i>	
EBITDA	1,727	1,608	7.4%	3,073	-43.8%	10,766	5,863	83.6%
<i>EBITDA margin</i>	<i>26.8%</i>	<i>19.2%</i>		<i>33.6%</i>		<i>31.5%</i>	<i>19.0%</i>	
Depreciation	1,422	549	158.9%	1,349	5.5%	5,425	1,913	183.6%
EBIT	304	1,059	-71.3%	1,724	-82.4%	5,341	3,951	35.2%
<i>EBIT margin</i>	<i>4.7%</i>	<i>12.6%</i>		<i>18.8%</i>		<i>15.6%</i>	<i>12.8%</i>	
Interest cost	1,171	395	196.5%	1,221	-4.1%	4,818	1,280	276.4%
Other income	167	85	95.4%	82	104.3%	378	331	14.0%
PBT	(701)	749	NM	585	NM	901	3,002	-70.0%
Exceptional items/Share of JVs	1	7	-80.6%	2	-13.3%	5	12	-53.0%
Tax expenses	44	275	-83.9%	221	-80.0%	627	1,096	-42.8%
Tax rate	NM	37.0%		37.8%		70.0%	36.7%	
PAT	(746)	468	NM	363	NM	269	1,894	-85.8%
<i>PAT margin</i>	<i>NM</i>	<i>5.6%</i>		<i>4.0%</i>		<i>0.8%</i>	<i>6.1%</i>	
Noncontrolling interest	1	2	NM	1	50.0%	5	4	NM
Other comprehensive income (OCI)	(20)	(27)	NM	2	NM	66	130	-49.1%
PAT inclusive of OCI	(725)	496	NM	361	NM	207	1,768	-88.3%
EPS (Rs)	(15)	10.0	-252.7%	7.2	NM	5.5	39.3	-86.0%

Source: Company, PL

Exhibit 2: Revenue mix (Rs mn) (Inclusive of SPI Cinema's)

Y/e March	4QFY20	4QFY19	YoY gr.
NBOC	3,300	4,514	-26.9%
<i>As a % of total</i>	<i>52.6%</i>	<i>54.4%</i>	
Net F&B	1,746	2,313	-24.5%
<i>As a % of total</i>	<i>27.8%</i>	<i>27.9%</i>	
Advertisement revenue	685	881	-22.2%
<i>As a % of total</i>	<i>10.9%</i>	<i>10.6%</i>	
Convenience income	382	415	-7.9%
<i>As a % of total</i>	<i>6.1%</i>	<i>5.0%</i>	
Other revenue from operations	165	170	-2.9%
<i>As a % of total</i>	<i>2.6%</i>	<i>2.0%</i>	
Total sales	6,279	8,293	-24.3%

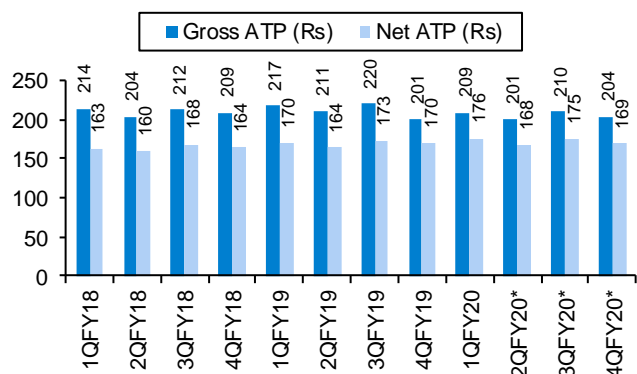
Source: Company, PL

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

Y/e March	4QFY20	4QFY19	YoY gr.	3QFY20	QoQ gr.	FY20	FY21E	FY22E
Sales	6,451	8,376	-23.0%	9,157	-29.6%	34,144	14,724	33,817
Ind-AS Adjusted EBITDA	428	1,608	-73.4%	1,802	-76.3%	5,762	(1,607)	5,503
<i>Ind-AS Adjusted EBITDA margin</i>	<i>6.6%</i>	<i>19.2%</i>		<i>19.7%</i>		<i>16.9%</i>	<i>NM</i>	<i>16.3%</i>
Ind-AS Adjusted PAT	(479)	467	NM	589	-181.4%	1,310	(2,977)	1,237
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>5.6%</i>		<i>6.4%</i>		<i>3.8%</i>	<i>NM</i>	<i>3.7%</i>

Source: Company, PL

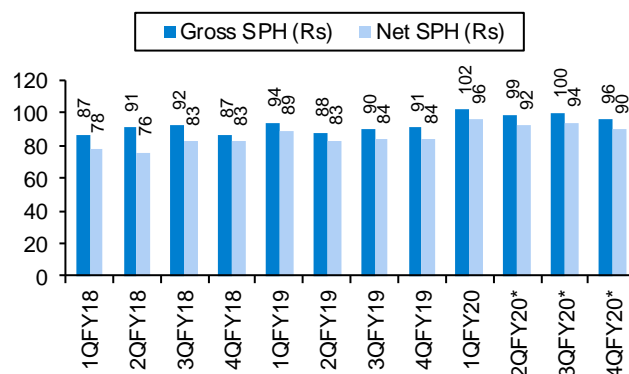
Exhibit 4: Gross ATP trend over the last few quarters



Source: Company, PL

*Including SPI Cinema's

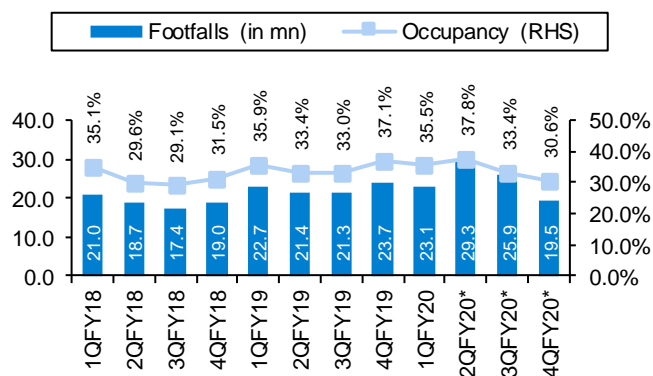
Exhibit 5: Gross SPH trend over the last few quarters



Source: Company, PL

*Including SPI Cinema's

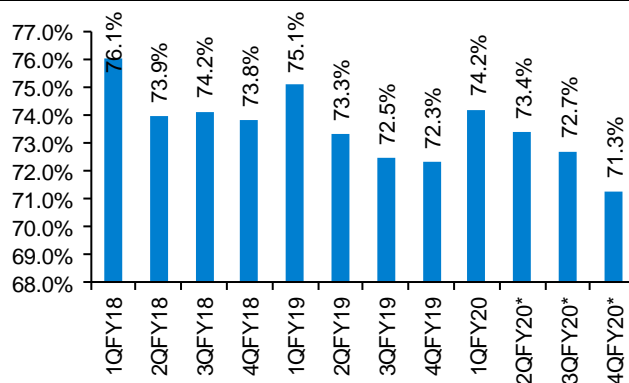
Exhibit 6: Footfalls are volatile, driven by content



Source: Company, PL

*Including SPI Cinema's

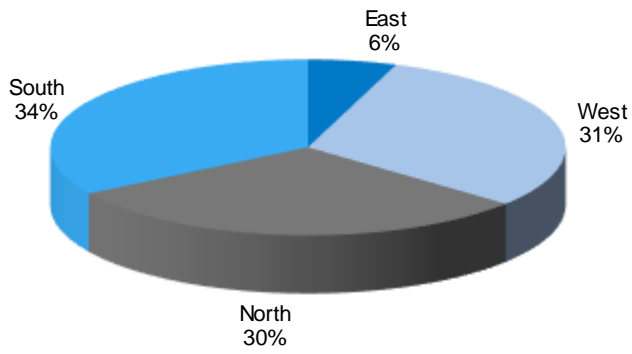
Exhibit 7: F&B GM has remained in the steady range of ~73-75%



Source: Company, PL

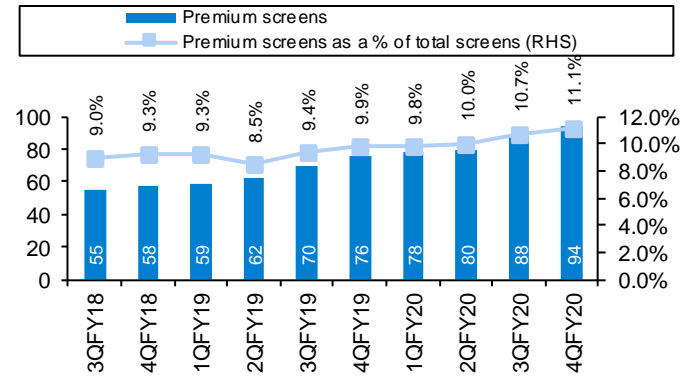
*Including SPI Cinema's

Exhibit 8: Screen mix as of 4QFY20



Source: Company, PL

Exhibit 9: PVR's premium screen count is on a rise



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	30,856	34,144	14,724	33,817
YoY gr. (%)	32.2	10.7	(56.9)	129.7
Cost of Goods Sold	9,407	9,971	4,065	10,176
Gross Profit	21,449	24,173	10,658	23,641
Margin (%)	69.5	70.8	72.4	69.9
Employee Cost	3,373	3,938	3,272	4,080
Other Expenses	12,213	9,469	5,939	9,153
EBITDA	5,863	10,766	1,448	10,408
YoY gr. (%)	45.9	83.6	(86.6)	619.0
Margin (%)	19.0	31.5	9.8	30.8
Depreciation and Amortization	1,913	5,425	3,801	4,903
EBIT	3,951	5,341	(2,353)	5,505
Margin (%)	12.8	15.6	NA	16.3
Net Interest	1,280	4,818	2,527	4,203
Other Income	331	378	300	350
Profit Before Tax	3,002	901	(4,581)	1,653
Margin (%)	9.7	2.6	NA	4.9
Total Tax	1,096	627	(1,603)	416
Effective tax rate (%)	36.5	69.6	NA	25.2
Profit after tax	1,906	274	(2,977)	1,237
Minority interest	(4)	(5)	-	-
Share Profit from Associate	(12)	(5)	-	-
Adjusted PAT	1,898	273	(2,977)	1,237
YoY gr. (%)	51.5	(85.6)	NA	NA
Margin (%)	6.2	0.8	NA	3.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,898	273	(2,977)	1,237
YoY gr. (%)	52.2	(85.6)	NA	NA
Margin (%)	6.2	0.8	NA	3.7
Other Comprehensive Income	(130)	(66)	-	-
Total Comprehensive Income	1,768	207	(2,977)	1,237
Equity Shares O/s (m)	47	51	51	51
EPS (Rs)	40.6	5.3	(58.0)	24.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	22,646	59,519	60,489	63,585
Tangibles	20,056	56,986	57,957	61,053
Intangibles	2,590	2,532	2,532	2,532
Acc: Dep / Amortization	5,754	11,179	14,980	19,882
Tangibles	5,157	10,581	14,382	19,285
Intangibles	598	598	598	598
Net fixed assets	16,892	48,340	45,510	43,702
Tangibles	14,900	46,405	43,575	41,768
Intangibles	1,992	1,935	1,935	1,935
Capital Work In Progress	2,208	1,547	1,547	1,547
Goodwill	11,116	10,520	10,520	10,520
Non-Current Investments	2,613	2,618	2,582	2,812
Net Deferred tax assets	(848)	2,049	2,049	2,049
Other Non-Current Assets	2,220	1,668	1,688	2,749
Current Assets				
Investments	11	12	12	12
Inventories	303	307	202	463
Trade receivables	1,839	1,893	1,049	2,502
Cash & Bank Balance	341	3,223	3,835	5,437
Other Current Assets	1,107	1,764	1,840	2,367
Total Assets	39,090	74,292	71,230	74,750
Equity				
Equity Share Capital	467	514	514	514
Other Equity	11,928	14,289	11,106	12,138
Total Networkth	12,395	14,802	11,620	12,651
Non-Current Liabilities				
Long Term borrowings	10,188	46,849	48,349	49,349
Provisions	183	136	88	135
Other non current liabilities	1,850	571	589	676
Current Liabilities				
ST Debt / Current of LT Debt	852	1,873	1,973	2,073
Trade payables	3,677	3,124	1,654	3,706
Other current liabilities	6,004	5,884	5,904	5,106
Total Equity & Liabilities	39,090	74,292	71,230	74,750

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	2,990	896	(4,581)	1,653
Add. Depreciation	1,913	2,282	3,801	4,903
Add. Interest	1,198	4,730	2,527	4,203
Less Financial Other Income	331	378	300	350
Add. Other	45	2,905	(282)	(1,718)
Op. profit before WC changes	6,146	10,812	1,466	9,040
Net Changes-WC	2,984	(2,647)	(522)	338
Direct tax	(834)	(295)	1,603	(416)
Net cash from Op. activities	8,296	7,870	2,547	8,962
Capital expenditures	(4,349)	(3,838)	(971)	(3,095)
Interest / Dividend Income	27	26	-	-
Others	(5,833)	(92)	(9)	(422)
Net Cash from Inv. activities	(10,154)	(3,903)	(980)	(3,518)
Issue of share cap. / premium	-	-	-	-
Debt changes	2,570	(674)	1,600	1,100
Dividend paid	(113)	(360)	(205)	(205)
Interest paid	(1,033)	(1,151)	(2,527)	(4,203)
Others	-	75	176	(534)
Net cash from Fin. activities	1,424	(2,110)	(956)	(3,842)
Net change in cash	(434)	1,857	612	1,602
Free Cash Flow	3,935	4,020	1,577	5,866

Source: Company Data, PL Research

Key Financial Metrics

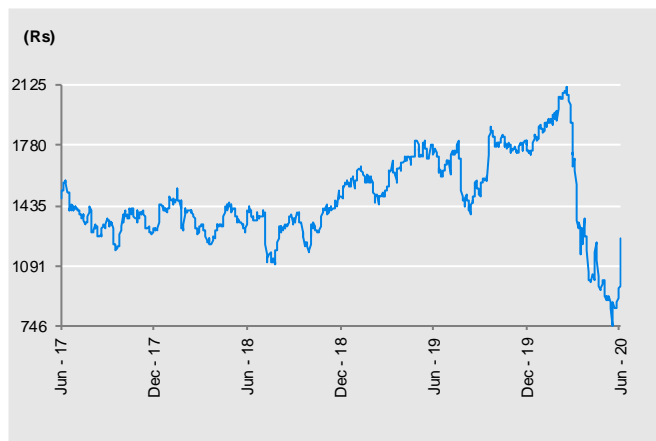
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	40.6	5.3	(58.0)	24.1
CEPS	81.5	111.1	16.1	119.7
BVPS	265.2	288.6	226.5	246.7
FCF	84.2	78.4	30.7	114.4
DPS	2.0	4.0	4.0	4.0
Return Ratio(%)				
RoCE	16.9	8.7	NA	8.9
ROIC	15.0	14.5	2.0	13.9
RoE	14.3	1.4	NA	9.8
Balance Sheet				
Net Debt : Equity (x)	0.9	3.1	4.0	3.6
Net Working Capital (Days)	(18)	(10)	(10)	(8)
Valuation(x)				
PER	26.8	204.3	NA	45.1
P/B	4.1	3.8	4.8	4.4
P/CEPS	13.3	9.8	67.7	9.1
EV/EBITDA	10.5	9.4	70.6	9.8
EV/Sales	2.0	3.0	6.9	3.0
Dividend Yield (%)	0.2	0.4	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	8,804	9,732	9,157	6,451
YoY gr. (%)	26.4	37.3	8.6	(23.0)
Raw Material Expenses	2,707	2,708	2,609	1,948
Gross Profit	6,097	7,024	6,549	4,504
Margin (%)	69.2	72.2	71.5	69.8
EBITDA	2,786	3,181	3,073	1,727
YoY gr. (%)	103.0	156.5	87.0	7.4
Margin (%)	31.6	32.7	33.6	26.8
Depreciation / Depletion	1,259	1,395	1,349	1,422
EBIT	1,527	1,786	1,724	304
Margin (%)	17.3	18.3	18.8	4.7
Net Interest	1,314	1,111	1,221	1,171
Other Income	68	62	82	167
Profit before Tax	280	735	583	(702)
Margin (%)	3.2	7.6	6.4	(10.9)
Total Tax	104	258	221	44
Effective tax rate (%)	37.3	35.1	37.8	(6.3)
Profit after Tax	175	477	363	(746)
Minority interest	-	(2)	(1)	(1)
Share Profit from Associates	-	-	-	-
Adjusted PAT	176	479	363	(745)
YoY gr. (%)	(66.3)	35.0	(34.3)	(258.7)
Margin (%)	2.0	4.9	4.0	(11.5)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	176	479	363	(745)
YoY gr. (%)	(66.3)	35.0	(34.3)	(258.7)
Margin (%)	2.0	4.9	4.0	(11.5)
Other Comprehensive Income	(31)	(54)	(2)	20
Total Comprehensive Income	145	425	361	(725)
Avg. Shares O/s (m)	47	48	51	51
EPS (Rs)	3.8	9.9	7.1	(14.5)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-20	BUY	1,518	1,002
2	23-Jan-20	Accumulate	2,053	1,900
3	03-Jan-20	Accumulate	2,013	1,875
4	17-Oct-19	Accumulate	2,131	1,835
5	03-Oct-19	Accumulate	2,099	1,834
6	24-Sep-19	Accumulate	2,099	1,810

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	179	133
3	Indian Railway Catering and Tourism Corporation	BUY	1,428	1,292
4	Inox Leisure	Accumulate	256	254
5	Music Broadcast	Hold	17	13
6	Navneet Education	BUY	82	66
7	PVR	BUY	1,518	1,002
8	S Chand and Company	Accumulate	67	39
9	V.I.P. Industries	Hold	229	215

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

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