

Unlock begins



PVR's Q2FY22 performance was a mixed bag with revenue below our estimates whereas EBITDA loss and PAT loss was lower than our estimates

- Revenue from operations at INR 1,203 Mn vs INR 594 Mn qoq / INR 405 Mn yoy and slightly lower than our estimate of INR 1,358 Mn
- *EBITDA loss at INR (681) Mn vs loss of INR (909) Mn / INR (842) Mn | qoq / yoy*
- *PBT loss at INR (1,855) Mn vs loss of INR (3,245) Mn and loss of INR (2,788) Mn | qoq / yoy*
- *PAT loss stood at INR (1,531) Mn vs loss of INR (2,194) Mn and loss of INR (1,840) Mn | qoq / yoy*
- *EPS stood INR (25.2) vs INR (36.1) / INR (33.8) | qoq / yoy*

Key Takeaways of the result:

- Re-started operations from 30th July onwards; Operational Screens as of 30th Sep'21 were 588
- As on date, Company has successfully concluded discussions with landlord partners for rental waivers / discounts in respect of ~80% of its properties
- As on date received permissions to operate cinemas in all States and UTs in India and in Sri Lanka. With Maharashtra allowing cinemas to restart operations, strong line up of movie releases has been announced
- % of weekly footfalls in 2nd week of October versus pre-pandemic period stood at 68% which is extremely encouraging given that movies released in October were nowhere close to pre-pandemic levels
- With Maharashtra allowing cinemas to restart operations, strong line up of movie releases such as Sooryavanshi, Bunty aur Babli 2, Antim, Satyameva Jayate 2 and 83 has been announced

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22F	FY23F
Net sales	30856	34144	2800	14382	40009
% growth	32%	11%	-92%	414%	178%
EBITDA	5863	10766	-3349	2319	13879
PBT	3002	901	-9383	-6256	3008
Adj. PAT	1894	269	-6589	-4491	2004
EPS (Rs)	39.3	5.3	-127.5	-73.7	33.0
EV/EBITDA (x)	14.9	12.1	-40.6	64.0	10.7
P/B (x)	6.1	5.6	7.5	27.0	17.9
P/E (x)	41.4	305.9	-12.8	-22.1	49.3
D/E	0.8	0.8	1.1	3.8	2.4
ROCE (%)	18%	12%	-15%	-6%	14%

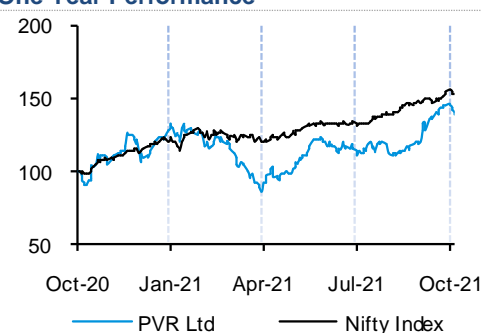
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY	1924	18

Market data

Current price	Rs	1628
Market Cap (Rs.Bn)	(Rs Bn)	99
Market Cap (US\$ Mn)	(US\$ Mn)	1,320
Face Value	Rs	10
52 Weeks High/Low	Rs	1,797 / 961
Average Daily Volume	('000)	758
BSE Code		532689
Bloomberg		PVRLIN

Source: Bloomberg

One Year Performance

Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	17.04	17.06
Public	82.96	82.94
Total	100	100

Source: BSE

Mayank Babla
(022) 67141412

mayank.babla@dalal-broacha.com

Conference Call Key Highlights

- Opened 13 new screens YTD
- Negotiations done with 80% of the developer partners completed and balance will be concluded soon
- Looking at the releases in November to December, one can expect good footfalls which have not been seen in a long time
- Tied up with Nodwin Games (part of Nazara Technologies) as an experiment over the next 2-3 months to figure out how gaming events work out. Want to take up e-sports in cinemas in a drastic way and see huge potential. Will see how to capitalize this. 1st event took place in Gurgaon, 2nd event is in Indore on 29th October and Mumbai and Bangalore will follow after that.
- No lockdowns in countries where cases are rising (Singapore, UK and Russia), but cinemas are open with restrictions
- Expect weekly footfall recovery to 80-90% by November or December. Already at 65-70% of normal in October. Certain Punjabi films are pulling more than 100% of pre-COVID
- Got some reliefs for rentals in terms of discounts and revenue share for the next 3-4 months which will gradually fade away as normalcy resumes
- Window of 8 weeks reduced to minimum 4 weeks for local films (big films would go on for a higher time). Hollywood has higher window. This is a temporary phase and should get back to 8 weeks as normalcy resumes.
- Anecdotal evidence states that people who watch more OTT watch more Cinema at theatres
- Fairly large pipeline of screens expected to be opened after the dust settles. Previous run-rate was 87 screen per annum
- SPH went up due to increase in strike rate (food consumed per person), microwave popcorn launch, circuits which opened up was premium. No element of price hike – same as pre-COVID
- Capex not started in a big way but will be higher than H1 and difficult to comment at this point as it depends on business

Valuation & Outlook

PVR is currently trading at an EV/EBITDA multiple of 10.7x FY23e EBITDA.

Following points make us optimistic about movie exhibition business in the near to medium term:

- Q3 movie launches in Hindi and Regional languages look extremely strong. We expect titles such as Sooryavanshi, Antim, Bunty aur Babli and 83 to draw audiences
- Properties in all states have now opened up with varying degrees of restrictions on capacity (see adjoining image for state-wise occupancy restrictions). Maharashtra opened up on 22nd October and Kerala on 25th October.

STATE WISE RESTRICTIONS AS ON DATE

States	Conditional Approval	Properties	Screens
Telangana	100% capacity	11	62
Rajasthan	100% capacity. Open till 10pm. Guests vaccinated with atleast 1 dose	3	10
Karnataka	100% capacity. Open till 10 pm.	16	109
Andhra Pradesh	100% capacity. Open till 12 am.	2	9
Punjab	66% capacity. Staff with atleast 1 dose of vaccination	10	53
Gujarat	60% capacity. Open till 10pm / Only Vaccinated Staff.	15	68
Maharashtra	50% capacity. No F&B inside auditorium. Fully vaccinated staff.	38	157
Tamil Nadu	50% capacity. Only Vaccinated Staff.	13	83
Uttar Pradesh	50% capacity. Open till 11 pm.	18	83
Haryana	50% capacity.	10	39
Madhya Pradesh	50% capacity. Open till 11 pm.	4	18
Chhattisgarh	50% capacity. Open till 10 pm.	4	17
West Bengal	50% capacity. Open till 9 pm.	4	16
Kerala	25 th Oct onwards : 50% capacity. Fully vaccinated guests & staff only	3	15
Jharkhand	50% capacity. Open till 8pm / Sunday Closed	2	7
Assam	50% capacity. Open till 9pm. Fully vaccinated guests only	1	5
Uttarakhand	50% capacity. Open till 9 pm.	1	5
Delhi, Chandigarh, Puducherry - UT	50% capacity.	21	88
Jammu & Kashmir - UT	25% capacity. Open till 10 pm.	1	2
Colombo, SriLanka	25% capacity.	1	9

- Lastly, the pace of vaccinations in India is extremely encouraging with the count of vaccinations crossing the 100 cr mark and fully vaccinated individuals at 29.8 Cr as of 21st October 2021. We believe that a strong vaccination drive would instill confidence in people and an interesting movie pipeline would act as a catalyst to draw footfalls.

Taking the above points into consideration, **we retain our BUY rating on the stock and upgrade our target price (from INR 1,804) to INR 1,924 based on our FY23 estimates.**

P.S. We will keep a close watch on the box office collection of movie releases and upgrade target prices subsequently

Financials

Profit & Loss A/c						Balance Sheet					
YE March (Rs. mn)	FY19	FY20	FY21	FY22F	FY23F	Year to December	FY19	FY20	FY21	FY22F	FY23F
Total Revenue	30856	34144	2800	14382	40009	ASSETS					
<i>Growth %</i>	32%	11%	-92%	414%	178%	Current Assets					
Less:						Cash in hand and at banks	352	3,235	7,323	4,716	3,624
Film Distributors Share	7019	7335	472	3241	8901	Total Current Assets	3,934	7,536	10,023	6,489	8,776
F&B cost	2387	2637	258	1121	3141	Non-current Assets					
Employee cost	3373	3938	2171	2244	4291	Gross Block	20,056	22,750	23,660	25,660	29,360
Other expenses	7154	9469	3249	5456	9796	Less Depreciation	5,157	6,392	8,621	11,030	14,360
Total Operating Expenditure	24992	23379	6149	12063	26130	Net Block	14,900	16,358	15,039	14,629	15,000
EBIDTA	5863	10766	-3349	2319	13879	Right of Use Assets					
<i>Growth %</i>	46%	84%	-131%	-169%	499%	Total non-current assets	21,578	51,760	52,054	48,214	55,948
EBITDA Margin (%)	19%	32%	-120%	16%	35%	TOTAL ASSETS	25,512	59,297	62,077	54,704	64,724
Less: Depreciation	1913	5425	5748	5721	6262	LIABILITIES AND EQUITY					
EBIT	3951	5341	-9098	-3402	7617	Current liabilities					
<i>Growth %</i>	13%	16%	-325%	-24%	19%	Trade & notes payable	7,287	6,187	5,469	4,728	8,769
EBIT Margin	59%	35%	N.A.	N.A.	N.A.	Total Current Liabilities	11,713	11,739	10,801	15,728	24,977
Interest Paid	1280.1	4817.9	4978	4934	4890	Noncurrent liabilities					
Non-operating Income	331.4	377.9	4693.4	2080.5	280.0	Secured Loans	11,461	12,043	11,793	14,043	13,243
Exceptional Items	-	-	-	-	-	Total noncurrent liabilities	11,461	47,734	45,884	52,090	51,003
Profit Before Tax	3002	901	-9383	-6256	3008	TOTAL LIABILITIES	23,174	59,473	56,685	67,818	75,981
Adjusted PBT	3002	901	-9383	-6256	3008	SHAREHOLDERS' EQUITY					
Tax	1096.6	627.4	-2794	-1765	1004	Share Capital	467	513	517	608	608
Profit/(Loss) from JV	-12	-5	0	0	0	Retained Earnings	11,928	14,289	7,697	3,064	4,925
Net Profit	1894	269	-6589	-4491	2004	Total Shareholders' Equity	12,395	14,802	11,155	3,672	5,534
Adjusted Profit	1894	269	-6589	-4491	2004						
<i>Growth %</i>	51%	-86%	N.A.	N.A.	N.A.						
Net Profit Margin (%)	6%	1%	-235%	-31%	5%						
Reported Diluted EPS Rs	39.3	5.3	-127.5	-73.7	33.0						
<i>Growth %</i>	47%	-86%	N.A.	N.A.	N.A.						
Adjusted Diluted EPS Rs	39.3	5.3	-127.5	-73.7	33.0						
Valuation Ratios						Cash Flow Statement					
YE March (Rs. mn)	FY19	FY20	FY21	FY22F	FY23F	YE March (Rs. Mn)	FY19	FY20	FY21	FY22E	FY23E
P/E (x)	41.4	305.9	-12.8	-22.1	49.3	PAT	1836	284	-6592	-4487	2008
P/BV (x)	6.1	5.6	7.5	27.0	17.9	(Less)/Add: Extraordinary Income/Expense	-12	-5	0	0	0
EV/EBIDTA (x)	14.9	12.1	-40.6	64.0	10.7	Less: Non Operating Income	331	378	4693	2081	280
EV/Sales	2.8	3.8	48.6	10.3	3.7	Add: Depreciation	1913	5425	5748	5721	6262
Market Cap./ Sales (x)	2.5	2.4	30.0	6.9	2.5	Add: Interest Paid	1280	4818	4978	4934	4890
						Operating Profit before WC Changes	5418	10900	8831	8244	13435
						(Inc)/Dec in Current Assets	-837	-717	1545	835	-3098
						Inc/(Dec) in Current Liabilities	5606	-1998	-1335	5191	9265
						Changes in Inventory	-105	-3	57	92	-281
						Net Cash Generated From Operations	10082	8181	9099	14361	19322
						Cash Flow from Investing Activities					
						(Inc)/Dec in Fixed Assets	-5543	-6883	-4429	-5312	-6632
						Net Cash Flow from Investing Activities	-15855	-4533	29	-553	-9319
						Cash Flow from Financing Activities					
						Inc/(Dec) in Total Loans	4847	582	-250	2250	-800
						Net Cash Flow from Financing Activities	5787	-8433	-5038	-6472	-6578
						Net Inc/Dec in cash equivalents	14	-4785	4090	7337	3424
						Opening Balance	339	352	3235	7323	4716
						Closing Cash and Cash Equivalent s	352	3235	7325	4716	3624

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr.Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Retail FMCG Logistics
Mrs.Charulata Gaidhani	Sr.Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr.Mayank Babla	Sr.Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr.Avinash Tanawade	Sr.Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr.Akshay Ashok	Sr.Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 .

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com