



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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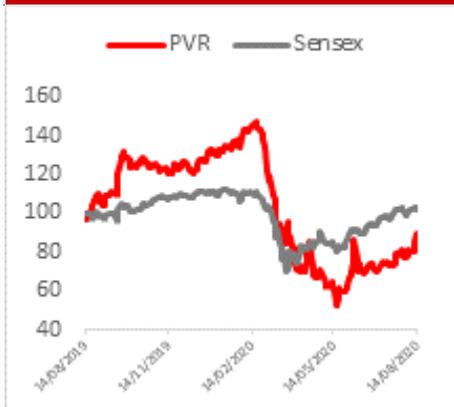
BUY

Current Price	1246
Target Price	1465
Upside	17%
52 Week Range	707/2083

Key Share Data

Market Cap (Rs.Bn)	68.53
Market Cap (US\$ Mn)	910
No of o/s shares (Mn)	51
Face Value	10
Monthly Avg. Vol (BSE+NSE) '000	2037
BSE Code	532689
NSE Code	PVR
Bloomberg	PVRL:IN

Price performance



% Shareholding	Aug-20	Jun-20
Promoters	18.79	18.56
Public	81.21	81.44
Others	0.00	0.00
Total	100	100

Consolidated Financials (In INR Mn)

Year	Net Sales	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE(x)	RoE %
FY19	30856	32%	5863	19%	1848	48%	40	32	15%
FY20*	34144	11%	6139	18%	269	-85%	6	227	2%
FY21(BE)*	15503	-55%	1625	10%	-4951	NA	-91	NA	-34%
FY22(BE)*	35892	132%	10669	30%	1430	NA	25	50	10%

Source: Dalal & Broacha Research, Bloomberg Estimates (BE), *- Post IndAS 116

Ample liquidity coupled with fixed and variable cost control to aid in enduring COVID-19 lockdowns

Management has guided that average fixed costs (which include Rent, Electricity, Common Area Maintenance Costs, Water and Other overheads) during Q3FY20 were INR 140 Cr/month and one can expect these to come down by 70-75% going ahead. As far as rent is concerned, PVR has upheld the force majeure clause in majority of its contracts and electricity and water costs will be on minimum billing. Therefore, PVR's cash burn on fixed cost per quarter can be assumed at INR 105-126 Cr per quarter (INR 35 to 42 Cr per month). **Gross Debt** stands at INR 1,294 Cr and Net Debt stood at INR 971 Cr as of Q4FY20.

As of 7th June 2020, company had INR 227 Cr of Cash on books (Cash & Bank stood at INR 316 Cr as of Q4FY20). PVR also raised INR 300 Cr through Rights Issue by offering 38,23,872 equity shares at INR 784 per share on 10/07/2020 (ratio of 7 for every 94 shares). Objects of the rights issue were to repay principal and/or prepay interest to the tune of INR 224.85 Cr and use INR 72.5 Cr towards General Corporate Purposes. Lastly, the main purpose of the Rights Issue is to ensure liquidity till the financial year end at least.

Speed of recovery in the movie exhibition business depends on swiftness of vaccine discovery and mass release: There are several developments in the race to find the vaccine for COVID-19 with Russia being the first to announce its discovery by 10/08/2020 and ICMR also promising to launch a vaccine by 15/08/2020. Assuming that either of the vaccines are successful, we believe that Movie Exhibition stocks will be first to react and factor in the positive news and revert to pre-COVID levels followed by quick recovery in earnings post mass release of the vaccine.

However, if the above-mentioned vaccines fail and lower visibility of a successful vaccine in the near term, we believe that Cinemas will be allowed to open with severe restrictions (like other countries globally). We believe that earnings recovery and stock recovery will be a very gradual and slow process under this scenario. This is mainly because occupancy rates will suffer due to social distancing and seating restrictions therein and fear will play out as a highly discouraging factor amongst cinema goers which will result in Exhibitors struggling to break-even initially followed up scaling up of profits eventually after making cost rationalizations (on rent, CAM and employee costs). **In Conclusion**, from a long-term perspective, we believe that PVR is a BUY as despite recent launch of movies on OTT platforms, we believe that these releases have failed to garner the interest, eyeballs or collections that a theatrical release would and that exhibitors will adapt in any scenario that plays out.

Valuation: at CMP of Rs. 1234, as per Bloomberg estimates, the stock is trading at 49.6x FY22e EPS of Rs. 24.84 and on EV/EBITDA front, it trades at 10.63x FY22e EBITDA of Rs. 10669bn. We assign the company a 12x EV/EBITDA multiple to FY22e EBITDA of Rs. 10669mn and arrive at a target price of Rs. 1465 i.e. upside of 17%. **It is prudent to mention that the stock has rallied 70% from May lows of Rs. 732 and rallied 20% in the last 1 month. The risk-reward ratio though favorable still, is entirely dependent on peaking of Covid cases in India/announcement and release of a potential cure. We recommend risk averse investors to stagger and follow a Buy on Dips strategy where as risk takers can start accumulating from current market price.**



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