

Healthy recovery; content performance key ahead!

About the stock: PVR Ltd is the market leader in terms of multiplex screen count in India. Currently, it operates 903 screens in 181 cinemas in 78 cities in India and Sri Lanka with an aggregate seating capacity of ~1.86 lakh seats.

- With leadership in the high realisation/key markets of Maharashtra and NCR, it enjoys superior ATP, SPH and advertisement compared to peers

Q3FY23 Results: On expected lines, PVR reported a strong recovery QoQ led by improved content performance in Q3.

- Revenue came in at ₹ 940.7 crore, (up 37% QoQ) and ~3% higher than pre-Covid levels in Q3FY20. Box office revenue was at ₹ 436 crore (up ~33% QoQ) with footfalls up ~22% QoQ at 22 million and ATP at ₹ 244, up ~9% QoQ owing to content performance and movie slate mix. Ad revenues were at ₹ 79.2 crore, at ~65% of pre Covid levels. The company reported ₹ 288 crore of F&B revenues, up 25% QoQ, with SPH at ₹ 133, up 3% QoQ
- EBITDA (without impact of Ind-AS116) was at ₹ 128.3 crore, with margins at 13.6%, given the box office performance and higher distribution revenues. On reported basis, EBITDA was at ₹ 288.8 crore (margin of 30.7%)
- PAT (ex-Ind AS116) was at ₹ 25.2 crore vs. losses in the base quarter

What should investors do? PVR's share price has grown by ~30% over the past five years (from ~₹ 1279 in January 2018 to ~₹ 1660 levels currently).

- We maintain **BUY** rating on the company given the medium-term trigger of synergy (scale led benefits) post-merger

Target Price and Valuation: We value PVR at ₹ 2010 i.e., 15x FY24E EV/EBITDA.

Key triggers for future price performance:

- Strong content slate line up to drive recovery in footfalls/revenues
- Merged entity (PVR Inox) will benefit from scale of expansion, faster growth trajectory and other revenues/cost synergy

Alternate Stock Idea: Apart from PVR, among multiplex we like Inox Leisure

- A play on footfall recovery, strong balance sheet & merger synergy
- BUY with target price of ₹ 675



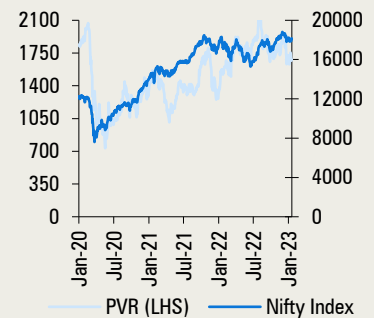
Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	10,126
Total Debt (FY22) (₹ Crore)	1,505
Cash & Equi. (FY22) (₹ Crore)	579
EV (₹ crore)	11,053
52 week H/L (₹)	2215 / 1477
Equity capital (₹ crore)	6.1
Face value (₹)	10.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	17.0	17.0	17.0	16.9
DII	19.3	18.0	26.0	23.9
FII	33.3	36.6	36.3	39.6
Other	30.4	28.4	20.7	19.6

Price Chart



Key risks

Key Risk: (i) Delay in ad revenues recovery; (ii) Continued volatility in content performance

Research Analyst

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Key Financial Summary

(Year-end March)	FY20	FY21E	FY22E	5 yr CAGR (FY17-22)	FY23E	FY24E	FY25E	5 yr CAGR (FY20-25)
Net Sales (₹ crore)	3,414.4	280.0	1,331.0	(8.2)	3,563.5	4,610.8	5,356.5	9.4
EBITDA (₹ crore)	1,076.6	(334.9)	105.7	(21.6)	1,070.6	1,612.7	1,865.5	11.6
Net Profit (₹ crore)	27.3	(747.8)	(488.2)	PL	10.9	276.0	355.5	67.1
EPS (₹)	5.3	(122.6)	(80.0)		1.8	45.2	58.3	
P/E (x)	311.9	(13.5)	(20.7)		932.0	36.6	28.4	
Price / Book (x)	5.8	5.5	7.4		7.4	6.2	5.1	
EV/EBITDA (x)	13.8	(42.9)	139.3		14.0	9.2	5.7	
RoCE (%)	8.5	(6.3)	(2.8)		7.9	13.9	36.1	
RoE (%)	1.8	(40.8)	(35.6)		0.8	16.9	18.0	

Key performance highlight and outlook

Strong box office drive recovery

Q3 saw strong recovery led by performance of movies such *Avatar 2*, *Drishyam 2* and regional content like *Kantara* and *PS-1*. Consequently, footfalls were up ~22% QoQ at 22 million and ATP at ₹ 244 was up ~9% QoQ owing to content performance and movie slate mix. Near term monitorable is big ticket content performance, which has seen inconsistency in performance, post Covid. The pipeline of big movies in Q4 includes *Pathaan*, *Bhola*, *Jon Wick 4* *Shehzada*, *Maidan*, *Tu Jhoothi Main Makkaar*, *Selfie*, *Ant Man*, *Creed 3*, *Babylon*. Thus, a good response could drive recovery. We bake in 100 screens addition each in FY23, FY24E, and FY25E. **Consequently, we build in footfalls growth of 4.2% CAGR in FY20-25E to 125 million (mn) coupled with 5.2% CAGR in ATP to lead to ~10% FY20-25E CAGR in net box office revenues to ₹ 2766 crore. F&B revenue CAGR is estimated at ~13% over FY20-25E leading to a total of ₹ 1736 crore. Ad revenue is expected to recover gradually. We expect ad revenue of ₹ 435 crore in FY25E (~16% higher than FY20).**

Merger to be consummated by February end...

On January 12, NCLT Mumbai bench allowed the proposed scheme of merger. Thus, the company expects the merger to be completed by February end (details of timeline on Page 3). The company reiterated its plan to add 200 screens per year as a merged entity. It also indicated that ad per screen of Inox' top properties will inch up post-merger while the distribution segment is also expected to expand on a merged entity basis. During Q3, the net debt has inched by ₹ 80 crore to ₹ 1180 crore owing to capex spends. The company indicated that future growth will be internal accruals driven, going ahead, as admits and ticketing bounce back.

Conference call highlights

- **Guidance:** The company reiterated its guidance to open 100-110 screens in FY23, with capex of ₹ ~400 crore. Till date, 63 screens have been added and 47 screens are under fitouts. It also guided that ad revenue recovery has been pushed and full recovery is expected in FY23 once big budget releases start doing better, which would encourage media buyers
- The company has alluded to the weakness in Bollywood content to (a) pre-pandemic conceptualised films not in sync with current consumer taste, (b) negative social media against some Bollywood movies/stars and (c) quality of content driving performance as compared to superstar presence and (d) content supply being lower than pre-pandemic especially in Hollywood space. We concur with the reasons but **believe Bollywood content recovery will be the key driver for overall operational performance while improved Hollywood releases in FY24 will also aid overall box office collections**

We continue to believe PVR is a proxy play on urban/semi urban discretionary spends. We believe that with strong content pipeline will drive recovery. Near term monitorable is big ticket content performance, which has seen inconsistency in performance, post Covid. For the medium term, key trigger will be merger post which the MergedCo will benefit from scale of expansion, faster growth trajectory and other revenues/cost synergy. We maintain BUY rating. We assign 15x FY24 EV/EBITDA with a target price of ₹ 2020/share.

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	Q2FY23	YoY (%)	QoQ (%)	Comments
Revenue	940.7	897.2	614.2	686.7	53.2	37.0	
Other Income	20.1	16.0	95.6	16.4	-79.0	22.2	
Employee Expenses	94.3	110.3	78.8	94.7	19.7	-0.5	
Film Distributors share	167.7	197.9	118.2	146.2	41.9	NA	
F&B Cost	77.8	70.5	47.0	62.9	65.6	23.6	
Rent	0.0	0.0	0.0	0.0	NA	NA	
Repairs and Maintenance	312.2	240.9	205.4	229.2	52.0	36.2	
EBITDA	288.8	277.6	164.9	153.7	75.1	87.9	
EBITDA Margin (%)	30.7	30.9	26.9	22.4	385 bps	832 bps	
Depreciation	155.2	153.3	154.0	152.5	0.8	1.8	
Interest	127.5	127.0	125.7	127.7	1.4	-0.2	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	10.2	4.7	-9.0	-38.7			
PAT	16.2	8.7	-10.2	-71.2	LP	LP	

Key Metrics

Footfalls (mn)	22.0	22.0	3.2	18.0	587.9	22.3
Occupancy (%)	29	28	4.1	24		
SPH (₹)	133.0	134.0	128.0	129.0	3.9	3.1
ATP (₹)	244.0	240.0	203.0	224.0	20.2	8.9

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E		FY24E		FY25E			Comments
	Old	New	% Change	Old	New	% Change		
Revenue	3,563.5	4,781.4	4,610.8	-3.6	5,426.0	5,356.5	-1.3	Realigned estimates
EBITDA	1,070.6	1,643.4	1,612.7	-1.9	1,870.3	1,865.5	-0.3	
EBITDA Margin (%)	30.0	34.4	35.0	58 bps	34.5	34.8	33 bps	
PAT	10.9	291.2	276.0	-5.2	359.6	355.5	-1.1	
EPS (₹)	1.8	47.7	45.2	-5.2	59.0	58.3	-1.1	

Source: Company, ICICI Direct Research

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

(₹ Crore)	FY23E		FY24E		FY25E			Comments
	New	Old	New	% Change	Old	New	% Change	
Revenue	3,563.5	4,781.4	4,610.8	-3.6	5,426.0	5,356.5	-1.3	Realigned estimates
EBITDA	433.5	911.5	874.5	-4.1	1,053.1	1,037.8	-1.5	
EBITDA Margin (%)	12.2	19.1	19.0	-13 bps	19.4	19.4	-3 bps	
PAT	73.6	379.8	355.5	-6.4	451.9	437.1	-3.3	
EPS (₹)	12.1	62.3	58.3	-6.4	74.1	71.7	-3.3	

Source: Company, ICICI Direct Research

Exhibit 4: Merger Timeline

Milestone	Expected Timeline
1. Pronouncement of verbal order by NCLT, Mumbai	12 th Jan 2023
2. Expected date of receipt of Certified true copy of the order	25 th - 31 st Jan 2023 ('T')
3. Filing the order with the RoC * - to be filed within 30 days of receipt of order	'T' + 10 days
4. Record date for issue of PVR shares to INOX shareholders	'T' + 20 days
5. Credit of PVR shares to INOX shareholders	'T' + 25 days
6. Trading of New shares	'T' + 30 days

***Effective Date :** The day on which the company files the order with the RoC, will be the effective date of the merger.

Source: Company, ICICI Direct Research

Exhibit 5: Q4FY23 content pipeline



PUSS IN BOOTS: THE LAST WISH
CAST ANTONIO BANDERAS, CHRIS MILLER,
DIRECTOR JOEL CRAWFORD, JANUEL MERCADO
 20TH JAN'2023



PATHAAN
CAST SHAH RUKH KHAN, JOHN ABRAHAM
DIRECTOR SIDDHARTH ANAND
 25TH JAN'2023



GANDHI GODSE - EK YUDDH
CAST DEEPAK ANANI, CHINMAY MANDLEKAR, TANISHA SANTOSHI
DIRECTOR RAJKUMAR SANTOSHI
 26TH JAN'2023



THE ETERNAL DAUGHTER
CAST TILDA SWINTON, JOSEPH MYDELL, CARLY-SOPHIA DAVIES
DIRECTOR JOANNA HOGG
 3RD FEB'2023



BABYLON
CAST BRAD PITT, MARGOT ROBBIE
DIRECTOR DAMIEN CHAZELLE
 3RD FEB'2023



KNOCK AT THE CABIN
CAST JONATHAN GROFF, DAVE BAUTISTA, RUPERT GRINT
DIRECTOR M. NIGHT SHYMALAN
 3RD FEB'2023



THE WOMAN KING
CAST VIOLA DAVIS, THUSO MBEDEU, LASHANA LYNCH
DIRECTOR GINA PRINCE, BYTHEWOOD
 3RD FEB'2023



MICHAEL
CAST VIJAY SETHUPATHI, SUNDEEP KISHAN
DIRECTOR RANJIT JEYAKODI
 3RD FEB'2023



CHRISTOPHER
CAST MAMMOOTTY, AISHWARYA LEKSHMI
DIRECTOR B. UNNIKRISHNAN
 9TH FEB'2023



SHEHZADA
CAST KARTIK AARYAN, KRITI SANON, PARESH RAWAL
DIRECTOR ROHIT DHAWAN
 10TH FEB'2023



A MAN CALLED OTTO
CAST TOM HANKS, MARIANA TREVINO, RACHEL KELLER
DIRECTOR MARC FOSTER
 10TH FEB'2023



ANT-MAN AND THE WASP QUANTUMANIA
CAST PAUL RUDD, EVANGELINA LILY, MICHAEL DOUGLAS, MICHELLE PFEIFFER
DIRECTOR PEYTON REED
 17TH FEB'2023



KABZAA
CAST UPENDRA, SUDEEP
DIRECTOR R CHANDRU
 17TH FEB'2023



VAATHI/SIR
CAST DHANUSH
DIRECTOR VENKY ATLURI
 17TH FEB'2023



SHAAKUNTALAM
CAST SAMANTHA PRABHU, DEV MOHAN, ADITI BALAN
DIRECTOR GUNASEKHAR
 17TH FEB'2023



SELFIEE
CAST AKSHYA KUMAR, IMRAN HASHMI
DIRECTOR RAJ MEHTA
 24TH FEB'2023



CREED III
CAST MICHAEL B JORDAN, TESSA THOMPSON, PHYLCIA RASHAD, WOOD HARRIS
DIRECTOR MICHAEL B JORDAN
 3RD MAR'2023



THE SON
CAST HUGH JACKSON, LAURA DERN
DIRECTOR FLORIAN ZELLER
 3RD MAR'2023



MRS. CHATTERJEE VS. NORWAY
CAST RANI MUKHERJEE
DIRECTOR ASHIMA CHIBBER
 3RD MAR'2023



TU JHOOTI MAIN MAKKAAR
CAST RANBIR KAPOOR, SHRADDHA KAPOOR
DIRECTOR LUV RANJAN
 8TH MAR'2023



SHAZAM: THE FURY OF GODS
CAST ZACHARY LEVI, ASHER ANGEL, JACK DYLAN GRAZER
DIRECTOR DAVID F SANDBERG
 17TH MAR'2023



JOHN WICK CHAPTER 4
CAST KEANU REEVES, DONNIE YEN, BILL SKARSGARD, LAWRENCE FISHBURNE
DIRECTOR CHAD STAHELSKI
 24TH MAR'2023



BHOLAA
CAST AJAY DEVGN, TABU
DIRECTOR DHARMENDRA SHARMA
 30TH MAR'2023

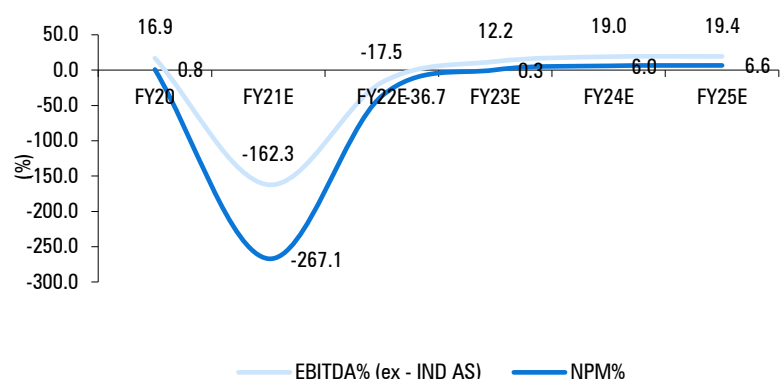


DUNGEONS AND DRAGONS
CAST CHRIS PINE, SOPHIA LILLIS, JUSTICE SMITH
DIRECTOR JOHN FRANCIS DALEY, JONATHAN GOLDSTEIN
 31ST MAR'2023

Source: Company, ICICI Direct Research

Financial story in charts

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	FY21	FY22E	FY23E	FY24E	FY25E
Total operating Income	3,085.6	3,414.4	280.0	1,331.0	3,563.5	4,610.8	5,356.5
Growth (%)	32.2	10.7	-91.8	375.3	167.7	29.4	16.2
Film Distributors Cost	701.9	733.5	47.2	286.0	772.2	1,067.4	1,244.9
F&B Cost	238.7	263.7	25.8	111.5	298.2	414.5	486.1
Employee Expenses	337.3	393.8	217.1	269.3	393.4	445.1	521.8
Other Expenses	1,221.3	1,447.4	444.5	897.1	1,666.2	1,809.4	2,065.9
Total Operating Expenditure	2,499.2	2,838.3	734.5	1,563.9	3,130.0	3,736.4	4,318.7
EBITDA	586.3	576.1	-454.5	-232.9	433.5	874.5	1,037.8
Growth (%)	45.9	-1.7	-178.9	NM	-286.1	101.7	18.7
Margins (%)	19.0	16.9	-162.3	-17.5	12.2	19.0	19.4
Depreciation	191.3	232.4	238.3	264.2	245.9	327.4	380.3
Interest	128.0	152.1	149.0	154.6	154.7	151.8	153.1
Other Income	33.1	37.8	30.4	77.8	77.3	80.0	80.0
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	300.2	229.4	-811.4	-573.9	110.3	475.3	584.4
MI/PAT from associates	7.3	0.1	0.2	-0.3	-0.7	0.0	0.0
Total Tax	109.7	97.8	-146.3	-154.7	36.7	119.8	147.3
PAT	183.2	131.5	-665.2	-418.9	73.6	355.5	437.1
Growth (%)	48.5	-28.2	NM	NM	NM	NM	NM
EPS (₹)	39.2	25.6	-109.5	-68.7	12.1	58.3	71.7

Source: Company, ICICI Direct Research

Exhibit 8: KPI

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Box office Revenues	1,636	1,732	102	670	1,780	2,372	2,766
YoY		6%	-94%	558%	166%	33%	17%
F&B	847	949	76	413	1,143	1,480	1,736
YoY		12%	-92%	447%	176%	30%	17%
Ad	354	376	18	72	279	390	435
YoY		6%	-95%	305%	287%	40%	12%
Others	250	358	85	176	362	368	419
YoY		43%	-76%	107%	106%	2%	14%
ATP	207	204	180	235	242	253	263
YoY		-1%	-12%	30%	3%	5%	4%
Footfalls (mn)	99	102	7	34	89	111	125
YoY		2%	-93%	392%	165%	26%	12%
Screens	763	845	842	854	950	1,050	1,150

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22E	FY23E	FY24E	FY25E
Total operating Income	1,331.0	3,563.5	4,610.8	5,356.5
Growth (%)	375.3	167.7	29.4	16.2
Film Distributors Cost	286.0	772.2	1,067.4	1,244.9
F&B Cost	111.5	298.2	414.5	486.1
Employee Expenses	269.3	393.4	445.1	521.8
Other Expenses	558.5	1,029.2	1,071.2	1,238.2
Total Operating Expenditure	1,225.3	2,493.0	2,998.2	3,491.0
EBITDA	105.7	1,070.6	1,612.7	1,865.5
Growth (%)	-131.6	912.5	50.6	15.7
Depreciation	614.4	615.8	737.4	831.2
Interest	498.2	511.8	537.1	575.6
Other Income	326.1	77.3	80.0	80.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	-680.7	20.3	418.2	538.6
MI/PAT from associates	-0.3	-0.7	0.0	0.0
Total Tax	-192.2	10.2	142.2	183.1
PAT	-488.2	10.9	276.0	355.5
Growth (%)	-34.7	-102.2	2,443.5	28.8
EPS (₹)	-80.0	1.8	45.2	58.3

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY22E	FY23E	FY24E	FY25E
PAT	-488.2	10.9	276.0	355.5
Add: Depreciation	614.4	615.8	737.4	831.2
Add: Interest Paid	498.2	511.8	537.1	575.6
(Inc)/dec in Current Assets	-19.0	-83.6	-108.5	-77.3
Inc/(dec) in CL and Provisions	160.5	-54.9	149.6	112.8
Others	0.0	0.0	0.0	0.0
CF from operating activities	765.9	999.9	1,591.5	1,797.9
(Inc)/dec in Investments	0.7	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-120.8	-500.0	-500.0	-500.0
Others	-479.4	4.5	-388.2	-436.8
CF from investing activities	-599.4	-495.5	-888.2	-936.8
Issue/(Buy back) of Equity	0.2	0.0	0.0	0.0
Inc/(dec) in loan funds	153.2	-150.0	-150.0	-150.0
Dividend paid & dividend tax	0.0	-14.3	-14.3	-14.3
Less: Interest Paid	498.2	511.8	537.1	575.6
Others	-971.4	-1023.6	-1074.2	-1151.3
CF from financing activities	-319.7	-676.1	-701.4	-739.9
Net Cash flow	-153.3	-171.6	2.0	121.2
Opening Cash	731.4	578.1	406.5	408.4
Closing Cash	578.1	406.5	408.4	529.7

Source: Company, ICICI Direct Research

Exhibit 11: Balance Sheet				
	₹ crore			
(Year-end March)	FY22E	FY23E	FY24E	FY25E
Liabilities				
Equity Capital	61.0	61.0	61.0	61.0
Reserve and Surplus	1,309.4	1,305.9	1,567.7	1,908.9
Total Shareholders funds	1,370.4	1,366.9	1,628.7	1,969.9
Total Debt	1,505.2	1,355.2	1,205.2	1,055.2
Others	3,754.8	3,950.9	4,022.7	4,045.9
Total Liabilities	6,630.3	6,673.0	6,856.5	7,071.0
Assets				
Total Fixed Assets	1,741.5	1,995.6	2,168.2	2,287.9
Investments	0.5	0.5	0.5	0.5
Right of Use	2,678.3	2,440.0	2,430.0	2,379.1
Goodwill on Consolidation	1,052.0	1,052.0	1,052.0	1,052.0
Debtors	70.7	146.4	189.5	220.1
Inventory	34.2	29.3	37.9	44.0
Loans and Advances	3.3	3.3	3.3	3.3
Other Current Assets	180.7	193.6	250.4	291.0
Cash	578.1	406.5	408.4	529.7
Total Current Assets	867.1	779.1	889.6	1,088.1
Total Current Liabilities	695.5	640.7	790.2	903.1
Net Current Assets	171.6	138.4	99.3	185.0
Other Non Current Assets	986.4	1,046.4	1,106.4	1,166.4
Application of Funds	6,630.3	6,673.0	6,856.5	7,071.0

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
(Year-end March)	FY22E	FY23E	FY24E	FY25E
Per share data (₹)				
EPS (Diluted)	-80.0	1.8	45.2	58.3
Cash EPS	20.7	102.7	166.1	194.5
BV	224.7	224.1	267.0	322.9
DPS	2.2	2.2	2.2	2.2
Cash Per Share	94.8	66.6	67.0	86.8
Operating Ratios (%)				
EBITDA Margin	7.9	30.0	35.0	34.8
EBIT / Net Sales	-38.2	12.8	19.0	19.3
PAT Margin	-36.7	0.3	6.0	6.6
Inventory days	9.4	3.0	3.0	3.0
Debtor days	19.4	15.0	15.0	15.0
Creditor days	82.3	30.0	27.0	26.0
Return Ratios (%)				
RoE	-35.6	0.8	16.9	18.0
RoCE	-2.8	7.9	13.9	36.1
RoIC	-30.8	22.7	39.1	43.2
Valuation Ratios (x)				
P/E	-20.7	932.0	36.6	28.4
EV / EBITDA	139.3	14.0	9.2	5.7
EV / Net Sales	11.1	4.2	3.2	2.0
Market Cap / Sales	7.6	2.8	2.2	1.9
Price to Book Value	7.4	7.4	6.2	5.1
Solvency Ratios				
Net Debt/EBITDA	8.8	0.9	0.5	0.3
Net Debt / Equity	0.7	0.7	0.5	0.3
Current Ratio	0.9	1.2	1.4	1.4
Quick Ratio	0.8	1.1	1.3	1.3

Source: Company, ICICI Direct Research

RATING RATIONALE

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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