26 July 2017
1QFY18 Results Update | Sector: Media

PVR

BSE SENSEX	S&P CNX
32,382	10,021

Bloomberg	PVRL IN
Equity Shares (m)	47
M.Cap.(INRb)/(USDb)	64.6 / 1.0
52-Week Range (INR)	1660 / 1011
1, 6, 12 Rel. Per (%)	-14/-12/8
Avg Val, INRm	261
Free float (%)	79.8

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	21.2	24.6	29.3
EBITDA	3.1	4.1	5.4
PAT	1.0	1.4	2.2
EPS (INR)	20.5	30.9	46.9
Gr. (%)	-3.8	50.5	51.7
BV/Sh (INR)	206.5	235.5	280.0
RoE (%)	10.4	14.0	18.2
RoCE (%)	9.5	11.5	14.6
P/E (x)	65.9	43.8	28.9
P/BV (x)	6.6	5.7	4.8

Estimate change ↑
TP change ↑
Rating change ↔

CMP: INR1,353 TP: INR1,628(+20%) Buy

Expansion in southern market to lead growth

- **Revenue in-line, EBITDA and PAT below estimates:** PVR reported overall revenue of INR6.4b (est. INR6.3b) in 1QFY18 as against INR5.6b in 1QFY17 marking a YoY growth of 13.2%. EBITDA margins declined to 17.6% in 1QFY18 (est. 20.5%) from 19% in 1QFY17. EBITDA stood at INR1,120m (est. INR1,309m) as against INR1,065m in 1QFY17. The margins declined on account of higher movie exhibition cost which increased by 90bp to 22.8% of net sales and higher employee expenses which increased by 100bp to 10.7%. Consequently, adjusted PAT stood at INR445m in 1QFY18 (est. INR506m) as against INR444m in 1QFY17.
- **Screen additions in South market to aid growth:** PVR added 8 new screens in 1QFY18 out of which 5 were added in Chennai and 3 in Kota. 30 more screens are ready and await licenses or completion certificate from the developers' end. The company plans to leverage on the lesser penetrated markets of south and expand its footprint there. Going forward, the company plans to open 65-70 new screens in FY18 to leverage on the strong pipeline of upcoming content.
- **Advertisement revenue to maintain uptrend:** PVR reported a sponsorship income of INR674m as compared to INR515m in 1QFY17, a growth of 31%. The growth was primarily led by strong content which usually fetches significantly higher advertisement revenue. The strong growth is expected to continue with strong content in pipeline for 2QFY18. Further, the quarter also witnessed a growth of 10% in average ticket price (ATP) which went up to INR214 with the company intending to sustain price at existing levels.
- **Valuation and view:** We expect long-term growth will be driven by expansion into under penetrated markets and a robust content pipeline driving advertisement revenue. Hence, keeping FY18E estimates unchanged, we raise our PAT estimate of FY19E by 4%. We expect revenue CAGR of 18% and PAT CAGR of 49% over FY17-19E. We value the stock at 15x EV/EBITDA and maintain our Buy rating with a target price of INR1,628.

Quarterly Performance (INR Million)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
Net Sales	5,622	5,542	5,377	4,826	6,366	6,373	6,345	5,550	21,194	24,646	6,387	0
YoY Change (%)	15.7	16.8	7.4	18.4	13.2	15.0	18.0	15.0	14.6	16.3	12.0	
Total Expenditure	4,557	4,612	4,488	4,358	5,246	5,194	5,139	4,922	18,058	20,506	5,077	
EBITDA	1,065	930	890	467	1,120	1,179	1,206	627	3,136	4,141	1,309	-14
Margins (%)	19.0	16.8	16.5	9.7	17.6	18.5	19.0	11.3	14.8	16.8	20.5	
Depreciation	331	346	345	363	376	390	420	450	1,384	1,660	390	
Interest	193	193	204	216	208	197	215	226	806	870	184	
Other Income	165	49	21	171	164	40	41	56	623	560	33	
PBT before EO expense	707	440	363	60	700	632	612	7	1,569	2,171	768	-9
Extra-Ord expense	26	0	0	15	0	0	0	0	41	0	0	
PBT	681	440	363	45	700	632	612	7	1,528	2,171	768	-9
Tax	249	149	127	45	258	217	213	2	570.0	727.3	263	
Rate (%)	36.6	33.8	35.1	99.8	36.8	34.4	34.8	34.0	37.3	33.5	34.2	
Reported PAT	428	291	239	-0.5	445	415	399	4.7	958	1,444	506	-12
Adj PAT	444	291	239	-0.5	445	415	399	4.7	984	1,444	506	-12
YoY Change (%)	-3.0	-8.7	-23.5	NM	0.1	42.3	66.9	NM	-8.0	46.7	14	
Margins (%)	7.6	5.3	4.4	0.0	7.0	6.5	6.3	0.1	4.5	5.9	7.9	

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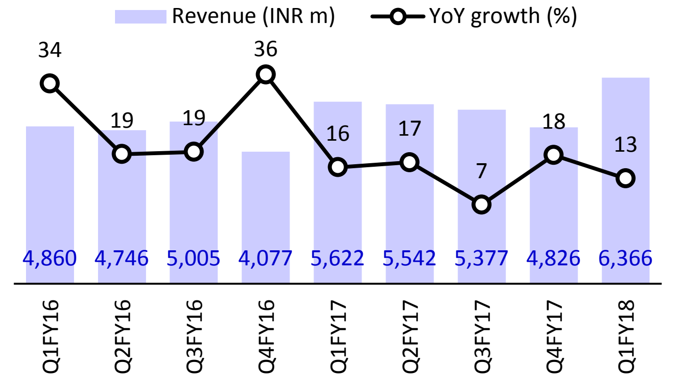
Revenue broadly in-line, EBITDA and PAT below estimates

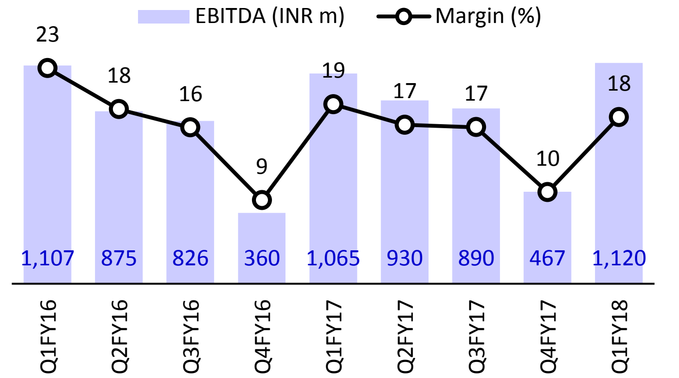
- PVR reported overall revenue of INR6.4b (est. INR6.3b) in 1QFY18 as against INR5.6b in 1QFY17 marking a YoY growth of 13.2%.
- EBITDA margins declined to 17.6% in 1QFY18 (est. 20.5%) from 19% in 1QFY17. EBITDA stood at INR1,120m (est. INR1,309m) as against INR1,065m in 1QFY17.
- The margins declined on account of higher movie exhibition cost which increased by 90bp to 22.8% of net sales and higher employee expenses which increased by 100bp to 10.7%.
- The sharp rise in employee cost was on account of one off annual incentive given to employees. Additionally, the states of Delhi and Karnataka increased minimum wages by 35% each as compared to a normal increase of 8-10%. Considering PVR's large circuit in both these states, there has been a significant rise in employee cost.
- Consequently, adjusted PAT stood at INR445m in 1QFY18 (est. INR506m) as against INR444m in 1QFY17.

Exhibit 1: Revenue trend



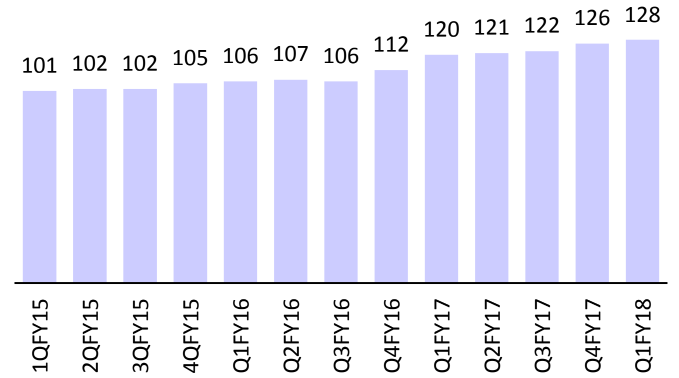
Source: MOSL, Company

Exhibit 2: EBITDA trend



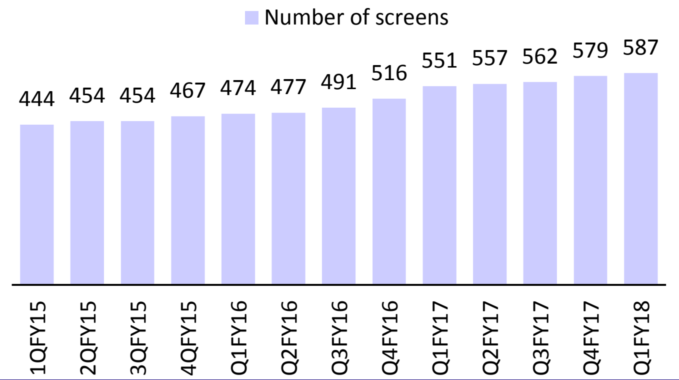
Source: MOSL, Company

Exhibit 3: Property additions



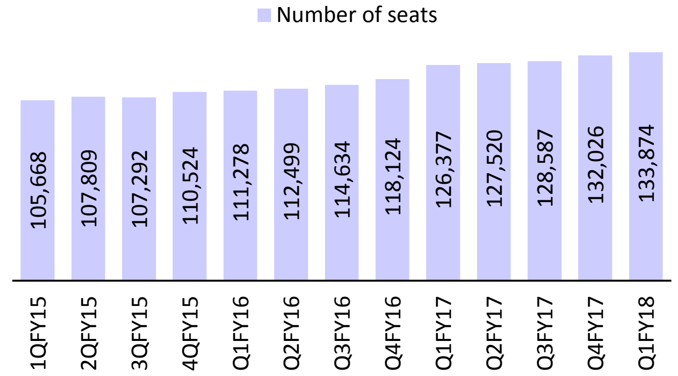
Source: MOSL, Company

Exhibit 4: Screens additions



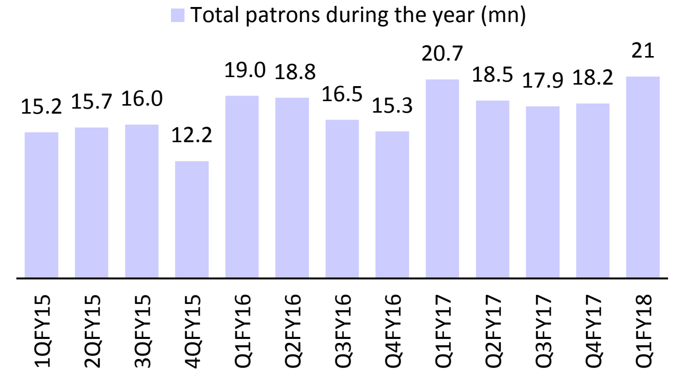
Source: MOSL, Company

Exhibit 5: Seats additions



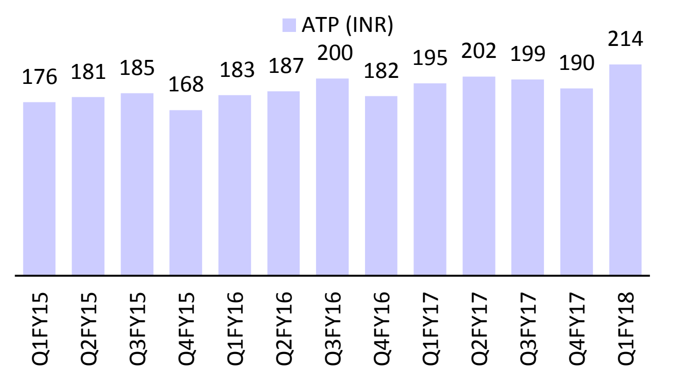
Source: MOSL, Company

Exhibit 6: Quarterly footfall trend



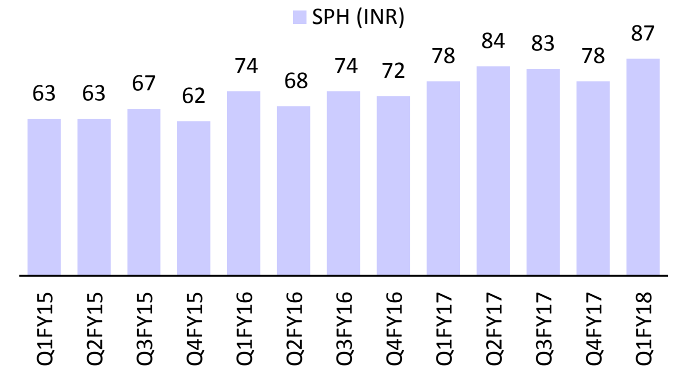
Source: MOSL, Company

Exhibit 7: ATP continues to be robust



Source: MOSL, Company

Exhibit 8: SPH going strong



Source: MOSL, Company

Exhibit 9: Snapshot of key matrices

Consolidated	1QFY18	1QFY17	Change %	4QFY17	Change %
Location	128	120	6.7%	126	2%
Screens	587	551	6.5%	579	1%
Seats	133,874	126,377	5.9%	132,026	1%
Footfalls (m)	21.0	20.7	1.4%	18.2	15%
ATP	214	195	9.7%	190	13%
SPH	87	78	11.5%	78	12%

Source: Company, MOSL

Valuations and view

We expect long-term growth will be driven by expansion into under penetrated markets and a robust content pipeline driving advertisement revenue. Hence, keeping FY18E estimates unchanged, we raise our PAT estimate of FY19E by 4%. We expect revenue CAGR of 18% and PAT CAGR of 49% over FY17-19E. We value the stock at 15x EV/EBITDA and maintain our Buy rating with a target price of INR1,628.

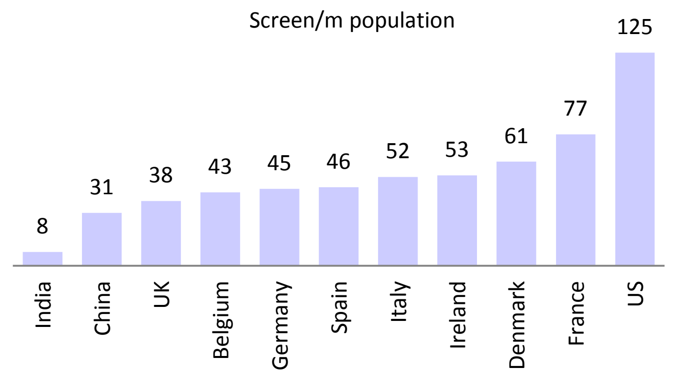
Exhibit 10: Target Price Methodology

Valuations	(INR m)
EBITDA- FY19E	5,422
Target Multiple	15.0
Target Enterprise Value	**81,333**
Net Debt	5,302
Target Market cap	**76,030**
No of shares	46.7
Value per share	**1,628**

Source: MOSL

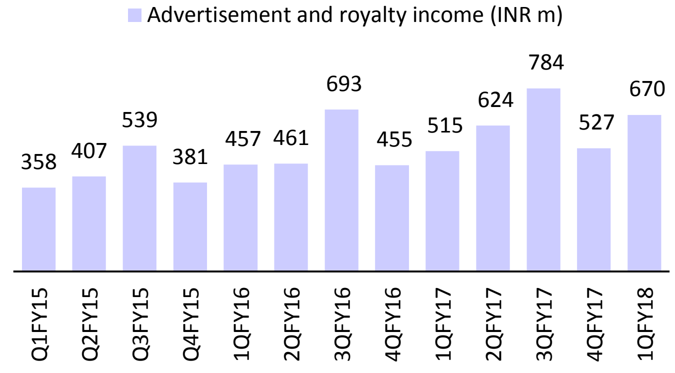
Story in charts

Exhibit 11: India has the lowest screen density



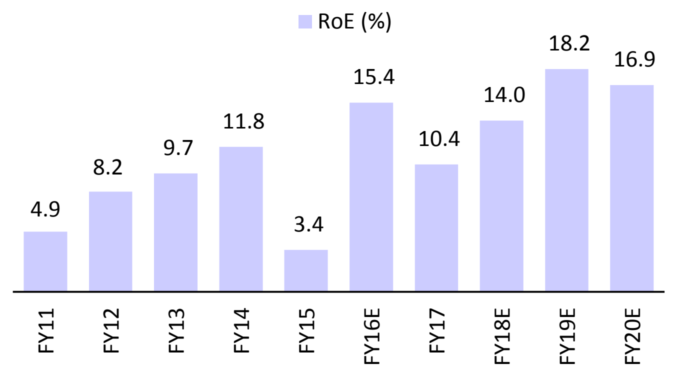
Source: MOSL, Company

Exhibit 12: Advt Revenue consistently growing YoY



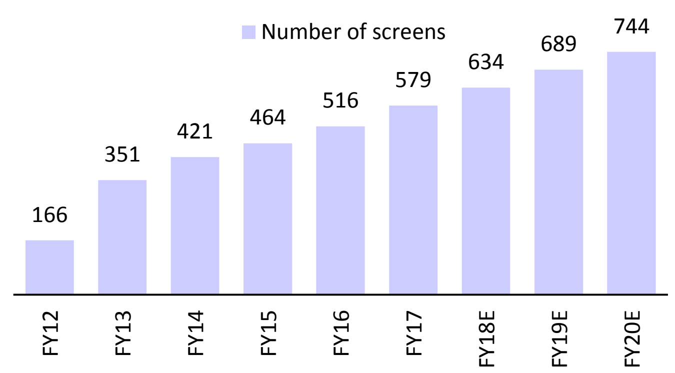
Source: MOSL, Company

Exhibit 13: Robust RoE



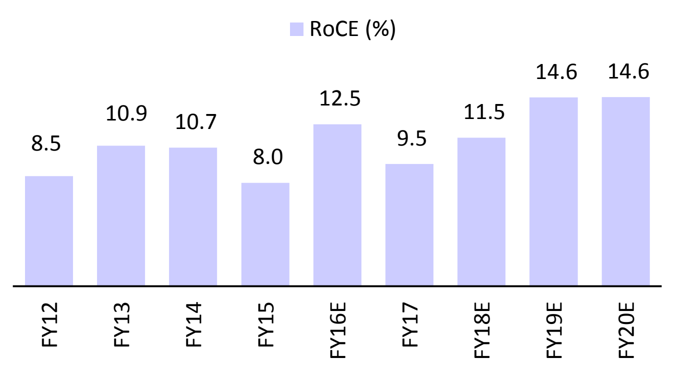
Source: MOSL, Company

Exhibit 14: PVR – most aggressive screen additions



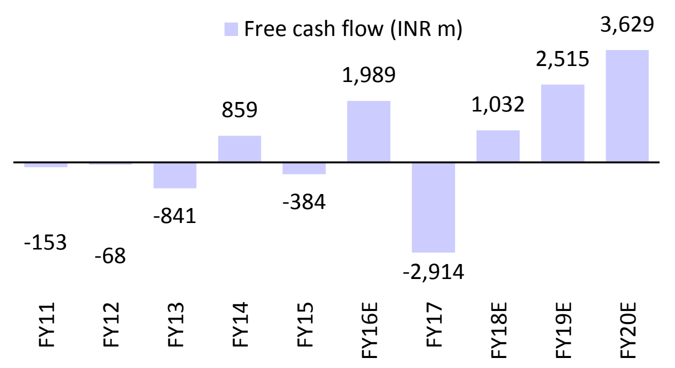
Source: MOSL, Company

Exhibit 15: RoCE to improve significantly



Source: MOSL, Company

Exhibit 16: Free cash to improve significantly



Source: MOSL, Company

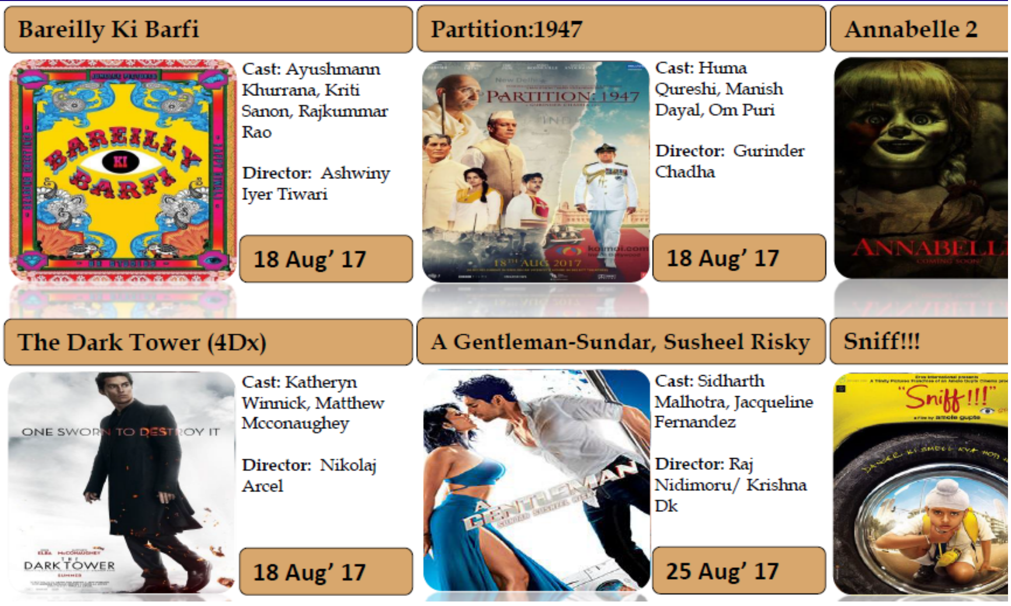
Exhibit 17: Upcoming Content

Source: MOSL, Company

Exhibit 18: Upcoming Content

Source: MOSL, Company

Exhibit 19: Upcoming Content



Source: MOSL, Company

Exhibit 20: Upcoming Content

Source: MOSL, Company

Key operating metrics

Operating matrices	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Location	106	107	109	114	120	121	123	126	128
Screens	474	477	491	524	551	557	569	579	587
Screens additions during the quarter	7	3	14	33	27	6	12	10	8
Seats	111,278	112,499	114,634	119,673	126,377	127,520	129,991	132,026	133,874
Footfalls (m)	19	19	17	15.3	20.7	18.5	17.9	18.2	21.0
ATP (INR)	183	187	200	182	195	202	199	190	214
SPH (INR)	74	68	74	72	78	84	83	78	87
Consolidated revenues (INR mn)	**1QFY16**	**2QFY16**	**3QFY16**	**4QFY16**	**1QFY17**	**2QFY17**	**3QFY17**	**4QFY17**	**1QFY18**
Ticket sales (INR m)	2,667	2,662	2,452	2,111	3,056	2,781	2,692	2,646	2,828
Sale of Food and beverages (INR m)	1,298	1,196	1,136	1,037	1,475	1,396	1,349	1,285	1,364
Advertisement and royalty income (INR m)	457	461	693	455	515	624	784	527	670
Other income	224	201	207	227	379	326	266	320	211
Total revenues (INR mn)	**4,645**	**4,520**	**4,487**	**3,830**	**5,425**	**5,127**	**5,090**	**4,778**	5,073
Revenue mix	**1QFY16**	**2QFY16**	**3QFY16**	**4QFY16**	**1QFY17**	**2QFY17**	**3QFY17**	**4QFY17**	**1QFY18**
Ticket sales	57%	59%	55%	55%	56%	54%	53%	55%	56%
Sale of Food and beverages	28%	26%	25%	27%	27%	27%	27%	27%	27%
Advertisement and royalty income	10%	10%	15%	12%	9%	12%	15%	11%	13%
Other income	5%	4%	5%	6%	7%	6%	5%	7%	4%
Total revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	100%

Key Assumptions	FY15	FY16	FY17	FY18E	FY19E	FY20E
Number of Screens	464	516	579	634	689	744
Screen additions	43	52	63	55	55	55
Number of seats	110,524	118,124	132,026	143,301	154,576	165,851
Occupancy rate	30%	34%	33%	35%	35%	36%
Number of shows per day	5.0	5.0	5.0	5.0	5.0	5.0
Total footfalls (m)	59	64	72	81	90	99
Average ticket price (INR)	177	188	196	208	218	229
ATP growth (YoY)	5%	6%	4%	6%	5%	5%
Spend per head (INR)	64	73	78	86	94	104
SPH growth (YoY)	19%	14%	7%	10%	10%	10%
Ad revenue per screen (NR/m)	3.8	4.2	4.5	4.8	5.2	5.5

Financials and Valuations

Income Statement								(INR Million)
Y/E Mar	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Net Sales	**8,053**	**13,475**	**14,771**	**18,496**	**21,194**	**24,646**	**29,309**	**34,145**
Change (%)	55.7	67.3	9.6	25.2	14.6	16.3	18.9	16.5
EBITDA	**1,169**	**2,117**	**2,008**	**2,924**	**3,136**	**4,141**	**5,422**	**6,351**
EBITDA Margin (%)	14.5	15.7	13.6	15.8	14.8	16.8	18.5	18.6
Depreciation	560	944	1,168	1,151	1,384	1,660	1,852	2,163
EBIT	**609**	**1,173**	**840**	**1,773**	**1,752**	**2,481**	**3,570**	**4,188**
Interest	368	795	783	840	806	870	780	576
Other Income	91	113	89	635	623	560	504	0
Extraordinary items	-12	32	-22	116	41	0	0	0
PBT	**320**	**523**	**125**	**1,453**	**1,528**	**2,171**	**3,294**	**3,612**
Tax	-124	19	8	467	570	727	1,104	1,210
Tax Rate (%)	-38.7	3.7	6.5	32.1	37.3	33.5	33.5	33.5
Min. Int. & Assoc. Share	2	57	11	5.1	0.5	0.0	0.0	0.0
Reported PAT	**445**	**560**	**128**	**991**	**959**	**1,444**	**2,191**	**2,402**
Adjusted PAT	**463**	**530**	**148**	**1,070**	**984**	**1,444**	**2,191**	**2,402**
Change (%)	70.3	14.5	-72.1	623	-8.0	46.7	51.7	9.7

Consolidated - Balance Sheet								(INR Million)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Equity Share Capital	396	411	415	467	467	467	467	467
Total Reserves	6,031	3,582	3,677	8,345	9,183	10,542	12,620	14,910
Net Worth	**6,427**	**3,993**	**4,092**	**8,812**	**9,650**	**11,009**	**13,087**	**15,377**
Minority Interest	854	771	383	401	405	405	405	405
Deferred Liabilities	7	4	11	0	9	9	9	9
Total Loans	6,566	6,133	7,470	5,718	7,301	7,201	5,801	3,801
Capital Employed	**13,854**	**10,902**	**11,956**	**14,931**	**17,365**	**18,625**	**19,303**	**19,592**
Gross Block	7,955	11,889	13,356	15,900	22,335	25,085	27,835	29,835
Less: Accum. Deprn.	2,066	3,723	4,784	5,935	7,319	8,979	10,831	12,993
Intangible assets- Goodwill	4,072	31	31	52	71	71	71	71
Net Fixed Assets	**9,960**	**8,197**	**8,604**	**10,017**	**15,016**	**16,177**	**17,075**	**16,912**
Capital WIP	1,541	806	611	739	1,056	1,056	1,056	1,056
Total Investments	**380**	**235**	**19**	**19**	**20**	**20**	**20**	**20**
Curr. Assets, Loans&Adv.	**3,970**	**4,294**	**5,055**	**7,565**	**5,662**	**6,018**	**6,699**	**8,136**
Inventory	107	106	126	205	190	233	258	300
Account Receivables	425	523	767	901	1,021	1,148	1,365	1,590
Cash and Bank Balance	368	273	267	2,671	299	277	499	1,439
Loans and Advances	3,070	3,392	3,895	3,788	4,152	4,359	4,577	4,806
Curr. Liability & Prov.	**2,014**	**2,631**	**2,333**	**4,041**	**4,892**	**5,078**	**5,979**	**6,964**
Account Payables	1,888	2,392	2,161	3,933	4,788	4,959	5,843	6,807
Provisions	126	239	172	108	104	119	137	157
Net Current Assets	**1,957**	**1,663**	**2,723**	**3,524**	**771**	**940**	**720**	**1,172**
Appl. of Funds	**13,855**	**10,902**	**11,955**	**14,931**	**17,366**	**18,625**	**19,303**	**19,592**

Financials and Valuations

Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Basic (INR)								
EPS	**11.3**	**15.0**	**3.3**	**21.3**	**20.5**	**30.9**	**46.9**	**51.4**
Cash EPS	25.8	35.8	31.7	47.6	50.7	66.4	86.5	97.7
Book Value	162.2	97.1	98.5	188.7	206.5	235.5	280.0	329.0
DPS	1.5	4.0	1.6	2.2	2.2	2.7	3.6	3.6
Payout (incl. Div. Tax.)	10.4	21.5	39.5	6.6	7.0	5.8	5.1	4.7
Valuation(x)								
P/E	119.9	90.1	404.8	63.4	65.9	43.8	28.9	26.3
Price / Book Value	8.3	13.9	13.7	7.2	6.6	5.7	4.8	4.1
EV/Sales	8.8	5.2	4.9	3.7	3.4	2.9	2.4	2.0
EV/EBITDA	60.6	33.3	35.8	23.1	22.8	17.3	12.9	10.5
Dividend Yield (%)	0.1	0.3	0.1	0.2	0.2	0.2	0.3	0.3
Profitability Ratios (%)								
RoE	9.7	11.8	3.4	15.4	10.4	14.0	18.2	16.9
RoCE	10.9	10.7	8.0	12.5	9.5	11.5	14.6	14.6
RoIC	10.8	10.7	7.6	10.7	8.0	9.9	13.6	16.0
Turnover Ratios (%)								
Asset Turnover (x)	0.6	1.2	1.2	1.2	1.2	1.3	1.5	1.7
Debtors (No. of Days)	19	14	19	18	18	14	14	14
Inventory (No. of Days)	5	3	3	4	3	3	3	3
Creditors (No. of Days)	86	65	53	78	82	73	73	73
Leverage Ratios (%)								
Net Debt/Equity (x)	1.0	1.5	1.8	0.6	0.8	0.7	0.4	0.2

Cash Flow Statement **(INR Million)**

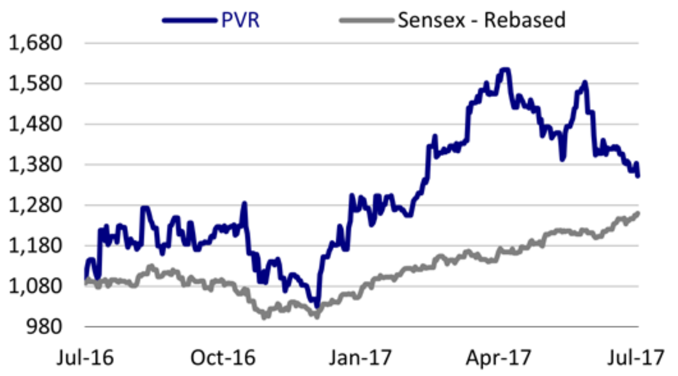
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Profit / (Loss) Before Tax / EO	319	523	125	1,453	1,528	2,171	3,294	3,612
Depreciation	560	944	1,168	1,151	1,384	1,660	1,852	2,163
Interest & Finance Charges	326	743	783	840	806	870	780	576
Direct Taxes Paid	-233	-154	-69	-467	-570	-727	-1,104	-1,210
(Inc)/Dec in WC	556	91	-863	1,603	381	-191	442	488
CF from Operations	**1,529**	**2,147**	**1,144**	**4,580**	**3,529**	**3,782**	**5,265**	**5,629**
EO Expense	1	-15	163	81	309	0	0	0
CF from Operating incl EO	**1,530**	**2,132**	**1,307**	**4,661**	**3,838**	**3,782**	**5,265**	**5,629**
(inc)/dec in FA	-2,372	-1,273	-1,691	-2,672	-6,752	-2,750	-2,750	-2,000
(Pur)/Sale of Investments	-5,712	193	-131	0	-1	0	0	0
Others	11	14	14	0	0	0	0	0
CF from Investments	**-8,073**	**-1,065**	**-1,808**	**-2,672**	**-6,753**	**-2,750**	**-2,750**	**-2,000**
Issue of Shares	3,820	121	100	3,502	1	0	0	0
(Inc)/Dec in Debt	3,278	-434	1,337	-1,752	1,583	-100	-1,400	-2,000
Interest Paid	-425	-812	-827	-840	-806	-870	-780	-576
Dividend Paid	-60	-46	-122	-65	-68	-84	-113	-113
Others	82	9	8	0	0	0	0	1
CF from Fin. Activity	**6,695**	**-1,162**	**496**	**845**	**710**	**-1,055**	**-2,293**	**-2,688**
Inc/Dec of Cash	**151**	**-95**	**-6**	**2,834**	**-2,205**	**-22**	**222**	**941**
Add: Beginning Balance	216	368	272	267	2,699	453	431	653
Closing Balance	**368**	**272**	**267**	**3,101**	**494**	**431**	**653**	**1,594**

Corporate profile

Company description

PVR, a pioneer in multiplex development in India, is the largest cinema exhibition player in the country today. Post the acquisition of Cinemax, PVR has become India's largest multiplex chain with 102 properties, 454 screens and 108k seats. Being the only player that is still expanding aggressively, it is further extending its leadership.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Jun-17	Mar-17	Jun-16
Promoter	20.3	20.2	25.3
DII	28.7	29.8	29.6
FII	39.7	38.9	30.6
Others	11.4	11.1	14.5

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
GRAY BIRCH INVESTMENT LTD	6.3
ICICI PRUDENTIAL VALUE FUND - SERIES 11	3.3
PLENTY PRIVATE EQUITY FII I LIMITED	3.0
RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCE EQUITY OPPORTUNITIES FUND	2.4
PARVEST EQUITY INDIA	2.4

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Ajay Bijli	Chairman & Managing Director
Sanjeev Kumar	Joint Managing Director
N C Gupta	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Amit Burman	Renuka Ramnath
Sanjai Vohra	Sanjay Khanna
Vikram Bakshi	

*Independent

Exhibit 6: Auditors

Name	Type
Arun Gupta & Associates	Secretarial Audit
S R Batliboi & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	30.9	28.9	6.9
FY19	46.9	45.1	4.0

Source: Bloomberg

NOTES

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