29 October 2017

Q2FY18 Results Update | Sector: Media

PVR

BSE SENSEX	S&P CNX
33,157	10,323
Bloomberg	PVRL IN
Equity Shares (m)	47
M.Cap.(INRb)/(USDb)	66.4 / 1.0
52-Week Range (INR)	1,660 / 1,011
1, 6, 12 Rel. Per (%)	12/-23/-2
Avg Val, INRm	291.0
Free float (%)	79.8

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	21.2	23.7	27.9
EBITDA	3.1	4.1	5.3
PAT	1.0	1.3	2.0
EPS (INR)	20.5	27.1	43.0
Gr. (%)	-3.8	31.9	58.6
BV/Sh (INR)	206.5	231.7	272.3
RoE (%)	10.4	12.4	17.0
RoCE (%)	9.5	10.5	13.8
P/E (x)	69.2	52.5	33.1
P/BV (x)	6.9	6.1	5.2

Estimate change

TP change

Rating change

CMP: INR1,421 TP: INR1,640(+15%) Buy

Strong screen addition to aid growth momentum

- **Results below estimates; margins expand 150bp:** PVR's revenue grew 2.1% YoY to INR5,554m (est. of INR5,930m). EBITDA increased 13% YoY to INR905m (est. of INR1,008m), with the margin expanding 150bp YoY to 16.3% (est. of 17%) led by reduced rent cost (-40bp to 17.5% of sales) and significantly lower admin expenses (-500bp to 24.7%), partly offset by higher movie exhibition cost (+290bp to 24%). Consequently, adj. PAT increased to INR255m (est. of INR291m) in 2QFY18 from INR291m in the year-ago period.
- **Significant screen additions planned for 2HFY18:** PVR has already added 21 screens in 1HFY18 (13 additions in 2QFY18 – 10 in Pune and 3 in Delhi). The company plans to further add 48 screens in 2HFY18, with 65% of these to be in south India. With *Golmaal Again* running well on box office and the content pipeline appearing promising with the likes of *Padmavati* and *Tiger Zinda Hain*, the company is set to leverage the expected increase in traction.
- **Growth in ad revenue intact:** PVR clocked growth of 10% YoY to INR688m in sponsorship revenue in 2QFY18 (+20% YoY in 1HFY18). The increase in ad revenue can primarily be ascribed to better content, and with 2HFY18 lined up with crowd-pulling content, ad revenue is expected to continue growing at a rate over 15% in the next couple of years.
- **Valuation and view:** We believe PVR is set to benefit from multiple factors, including aggressive screen additions in the under-penetrated markets, a steady rise in advertisement revenue and the newly launched loyalty program for customer stickiness. We expect revenue CAGR of 16% and PAT CAGR of 40% over FY17-20E. We value the stock at 15.5x EV/EBITDA and maintain our **Buy** rating with a target price of INR1,640.

Quarterly Performance (INR Million)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Net Sales	5,622	5,438	5,377	4,826	6,366	5,554	6,237	5,550	21,194	23,689	5,930	-6
YoY Change (%)	15.7	14.6	7.4	18.4	13.2	2.1	16.0	15.0	14.6	11.8	7.0	
Total Expenditure	4,557	4,634	4,488	4,358	5,246	4,649	4,915	4,789	18,058	19,567	4,922	
EBITDA	1,065	804	890	467	1,120	905	1,322	760	3,136	4,122	1,008	-10
Margins (%)	19.0	14.8	16.5	9.7	17.6	16.3	21.2	13.7	14.8	17.4	17.0	
Depreciation	331	346	345	363	376	347	420	450	1,384	1,660	390	
Interest	193	194	204	216	208	207	220	226	806	870	215	
Other Income	165	175	21	171	164	42	41	56	623	311	40	
PBT before EO expense	707	440	363	60	700	393	723	140	1,569	1,903	443	-11
Extra-Ord expense	26	0	0	15	0	6	0	0	41	0	0	
PBT	681	440	363	45	700	387	723	140	1,528	1,903	443	-13
Tax	249	149	127	45	258	140	252	48	570.0	637.6	152	
Rate (%)	36.6	33.8	35.1	99.8	36.8	36.1	34.8	34.0	37.3	33.5	34.4	
Reported PAT	428	291	239	-0.5	445	252	472	92.6	958	1,266	291	-13
Adj PAT	444	291	239	-0.5	445	255	472	92.6	984	1,266	291	-12
YoY Change (%)	-3.0	-8.7	-23.5	NM	0.1	-12.3	97.4	NM	-8.0	28.6	0	
Margins (%)	7.6	5.4	4.4	0.0	7.0	4.5	7.6	1.7	4.5	5.3	4.9	

E: MOSL Estimates

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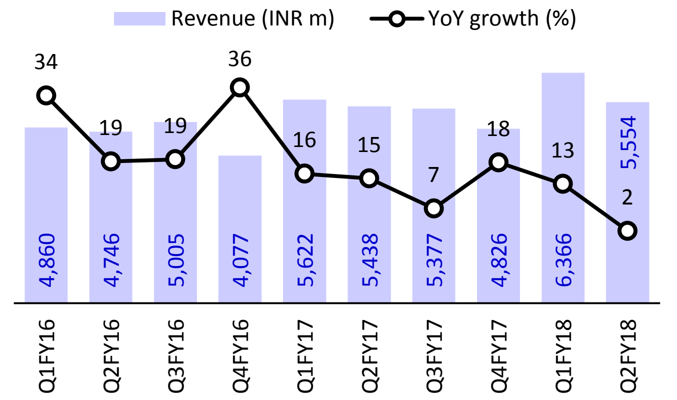
Results below estimates; Margin expand 150bp

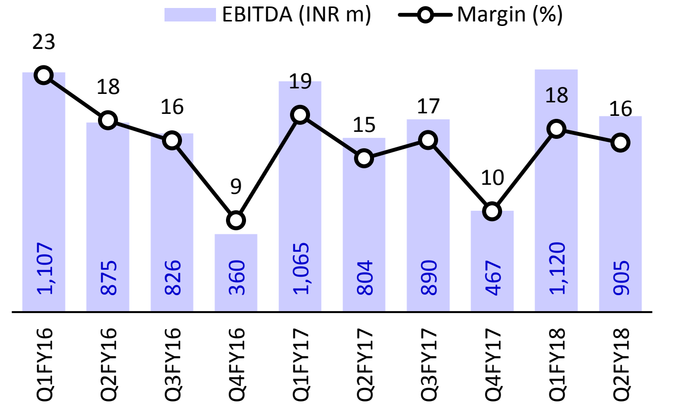
- PVR reported overall revenue of INR5,554m (est. of INR5,930m), marking YoY growth of 2.1%.
- EBITDA margin expanded 150bp to 16.3% in 2QFY18 (est. of 17%). EBITDA stood at INR905m (est. of INR1,008m), growth of 13%. Margins expanded on account of reduced rent cost (-40bp to 17.5% of sales) and a significant reduction of in admin expenses (-500bp to 24.7%).
- Rental cost and admin expense witnessed a significant reduction as the company claimed input credit for the same under GST.
- The movie exhibition cost, however, increased 290bp to 24% of net sales. Consequently, adj. PAT stood at INR255m in 2QFY18 (est. of INR291m), as against INR291m in 2QFY17.
- 2QFY18 witnessed addition of 13 new screens and a rise of 1% in total footfall. However, the occupancy rate witnessed a decline of 230bp to 29.6%. The occupancy of top-five movies stood at 32% in 2QFY18 v/s 41% in 2QFY17.

Exhibit 1: Revenue trend



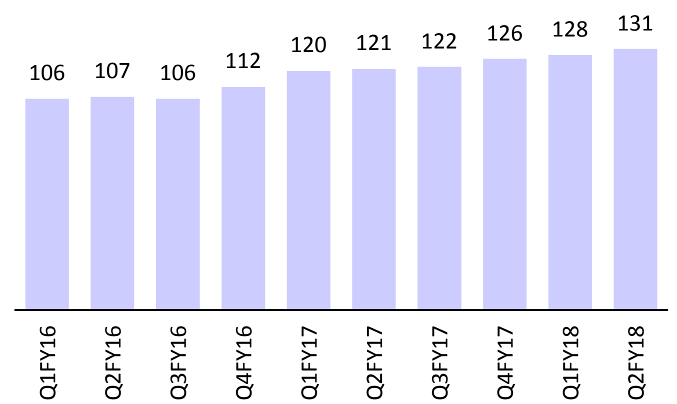
Source: MOSL, Company

Exhibit 2: EBITDA trend



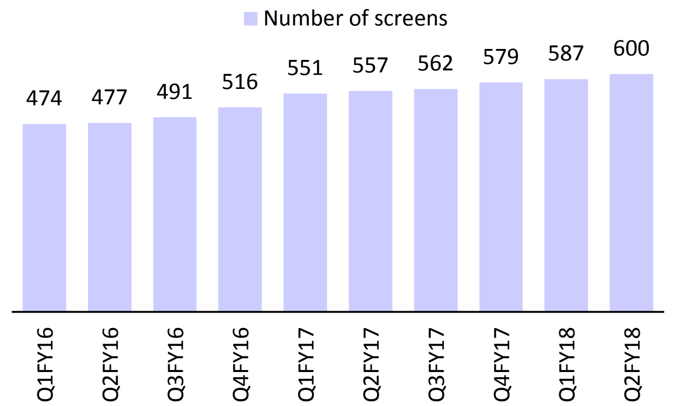
Source: MOSL, Company

Exhibit 3: Property additions



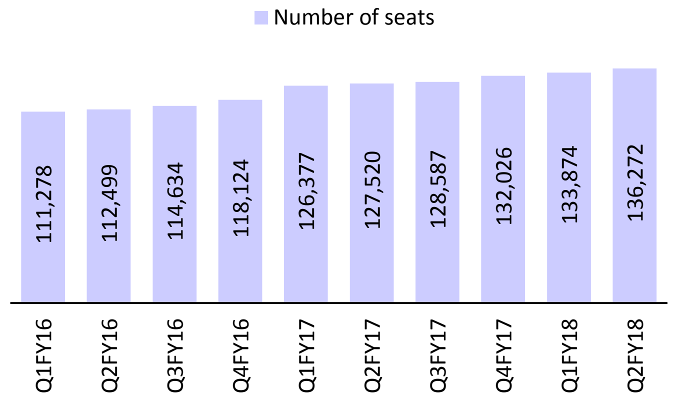
Source: MOSL, Company

Exhibit 4: Screens additions



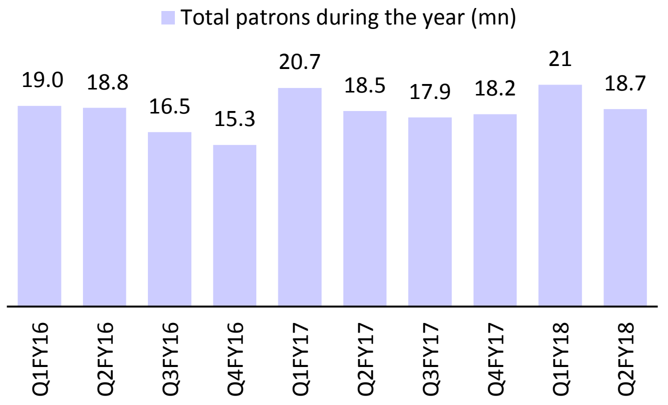
Source: MOSL, Company

Exhibit 5: Seats additions



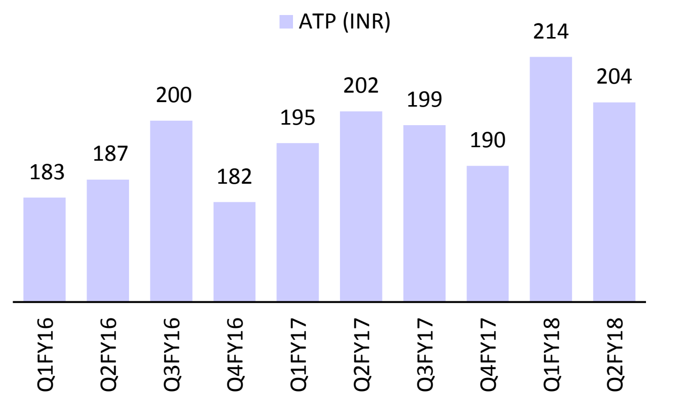
Source: MOSL, Company

Exhibit 6: Quarterly footfall trend



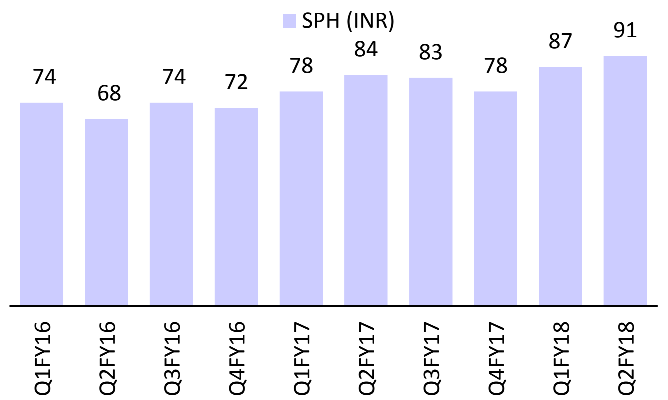
Source: MOSL, Company

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	2QFY18	2QFY17	Change %	1QFY18	Change %
Location	131	121	8.3%	128	2.3%
Screens	600	557	7.7%	587	2.2%
Seats	136,272	127,520	6.9%	133,874	1.8%
Footfalls (m)	18.7	18.5	1.1%	21.0	-11%
ATP	204	202	1.0%	214	-4.7%
SPH	91	84	8.3%	87	4.6%

Source: Company, MOSL

Valuations and view

We believe PVR is set to benefit from multiple factors, including aggressive screen additions in the under-penetrated markets, a steady rise in advertisement revenue and the newly launched loyalty program for customer stickiness. We expect revenue CAGR of 16% and PAT CAGR of 40% over FY17-20E. We value the stock at 15.5x EV/EBITDA, and maintain our **Buy** rating with a target price of INR1,640.

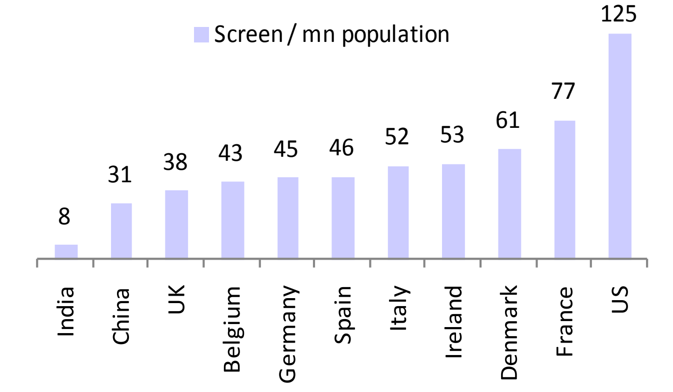
Exhibit 10: Target Price Methodology

Valuations	(INR m)
EBITDA- FY19E	5,309
Target Multiple	15.5
Target Enterprise Value	**82,287**
Net Debt	5,711
Target Market cap	**76,576**
No of shares	46.7
Value per share	**1,640**

Source: MOSL

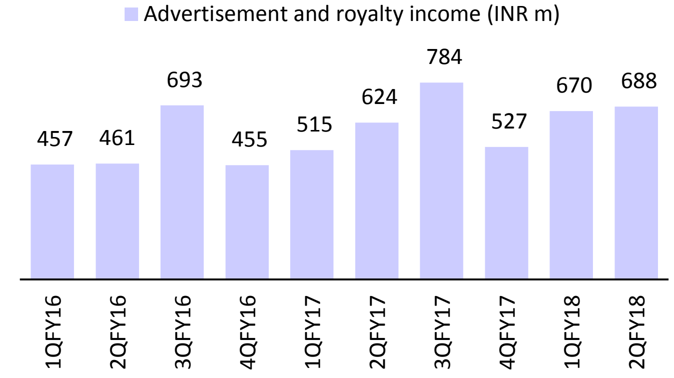
Story in charts

Exhibit 11: India has the lowest screen density



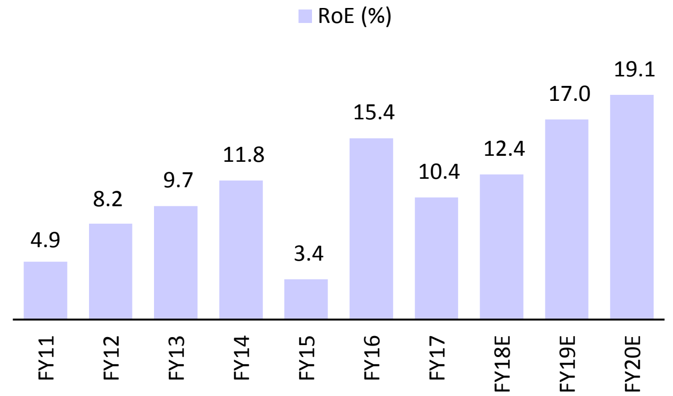
Source: MOSL, Company

Exhibit 12: Advt. revenue consistently growing YoY



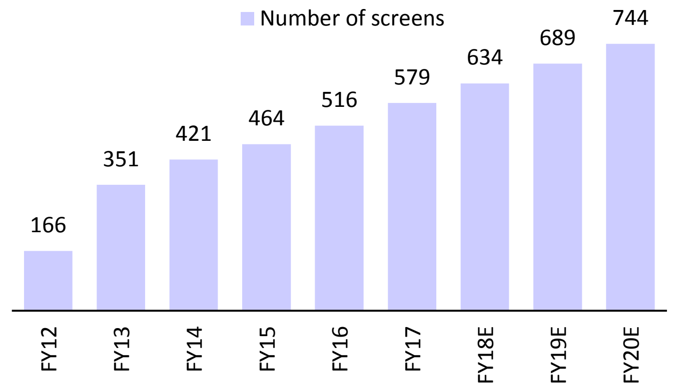
Source: MOSL, Company

Exhibit 13: Robust RoE



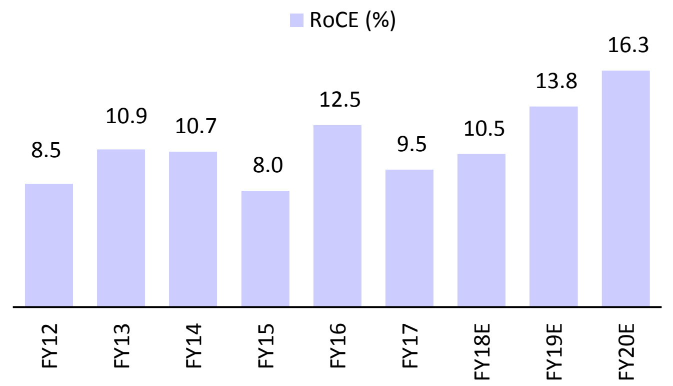
Source: MOSL, Company

Exhibit 14: PVR – most aggressive screen additions



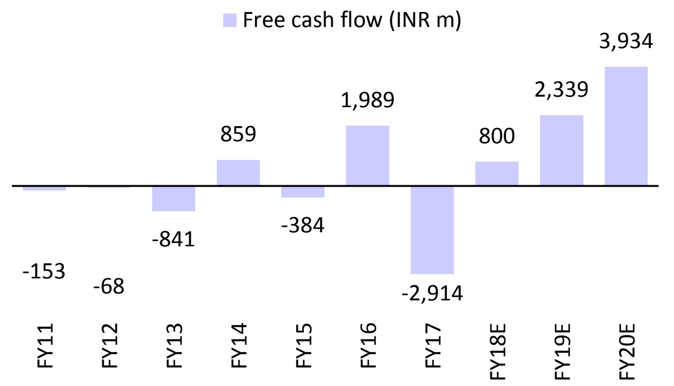
Source: MOSL, Company

Exhibit 15: RoCE to improve significantly



Source: MOSL, Company

Exhibit 16: Free cash to improve significantly



Source: MOSL, Company

Exhibit 17: Upcoming Content

RUKH

CAST
Manoj Bajpayee,
Adarsh Gourav,
Smita Tambe

DIRECTOR
Atanu Mukherjee

27 OCT '17

JIA AUR JIA

CAST
Richa Chadha,
Kalki Koechlin,
Sol Roach

DIRECTOR
Howard Rosemeyer

27 OCT '17

VILLAIN
(MALAYALAM)

CAST
Mohanlal,
Vishal,
Manju Warrier

DIRECTOR
B. Unnikrishnan

27 OCT '17

GEOSTORM
(3D/IMAX)

CAST
Gerard Butler,
Jim Sturgess,
Abbie Cornish

DIRECTOR
Dean Devlin

27 OCT '17

THOR: RAGNAROK
(3D/IMAX)

CAST
Chris Hemsworth,
Tom Hiddleston,
Cate Blanchett

DIRECTOR
Taika Waititi

3 NOV '17

ITTEFAQ

CAST
Sidharth Malhotra,
Sonakshi Sinha,
Akshaye Khanna

DIRECTOR
Abhay Chopra

3 NOV '17

Source: MOSL, Company

Exhibit 18: Upcoming Content

MASTERPIECE

CAST
Mammootty,
Varalaxmi Sarathkumar,
Unni Mukundan

DIRECTOR
Ajai Vasudev

3 NOV '17

RIBBON

CAST
Kalki Koechlin,
Sumeet Vyas,
Hitesh Malhan

DIRECTOR
Rakhee Sandilya

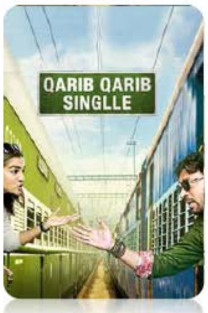
3 NOV '17

A BAD MOMS CHRISTMAS

CAST
Kristen Bell,
Mila Kunis,
Justin Hartley

DIRECTOR
Jon Lucas,
Scott Moore

10 NOV '17



QARIB QARIB SINGLE

CAST
Irrfan Khan,
Parvathy,
Bajrangbali Singh

DIRECTOR
Tanuja Chandra

10 NOV '17

MY LITTLE PONY

CAST
Emily Blunt,
Kristin Chenoweth,
Liev Schreiber

DIRECTOR
Jayson Thiessen

10 NOV '17

SHAADI MEIN ZAROOR AANA

CAST
Rajkummar Rao,
Kriti Kharbanda,
Govind Namdev

DIRECTOR
Ratnaa Sinha

10 NOV '17

Source: MOSL, Company

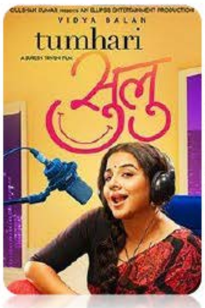
Exhibit 19: Upcoming Content

JUSTICE LEAGUE
(3D/IMAX)

CAST
Ben Affleck,
Gal Gadot,
Jason Momoa

DIRECTOR
Zack Snyder

17 NOV '17

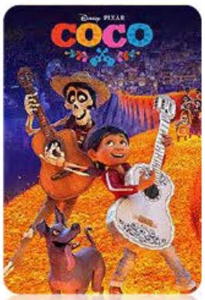


TUMHARI SULU

CAST
Vidya Balan,
Neha Dhupia,
Manav Kaul

DIRECTOR
Suresh Triveni

17 NOV '17



COCO
(3D)

CAST
Edward James Olmos,
Benjamin Bratt,
Alanna Ubach

DIRECTOR
Lee Unkrich,
Adrian Molina

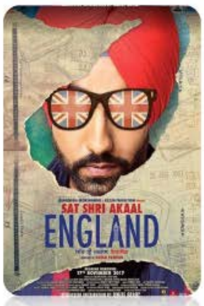
24 NOV '17

MURDER ON THE ORIENT EXPRESS

CAST
Daisy Ridley,
Johnny Depp,
Michelle Pfeiffer

DIRECTOR
Kenneth Branagh

24 NOV '17



SAT SHRI AKAAL ENGLAND

CAST
Ammy Virk,
Monica Gill,
Karamjit Anmol

DIRECTOR
Vikram Pradhan

24 NOV '17

TERA INTEZAAR

CAST
Sunny Leone,
Gauhar Khan,
Arbaaz Khan

DIRECTOR
Raajeev Walia

24 NOV '17

Source: MOSL, Company

Exhibit 20: Upcoming Content

FIRANGI

CAST
Kapil Sharma
Ishita Dutta
Monica Gill

DIRECTOR
Rajiev Dhingra

24 NOV '17

PADMAVATI

CAST
Deepika Padukone, Ranveer Singh, Shahid Kapoor

DIRECTOR
Sanjay Leela Bhansali

1 DEC '17

THE SNOWMAN

CAST
Michael Fassbender,
Rebecca Ferguson,
Charlotte Gainsbourg

DIRECTOR
Tomas Alfredson

1 DEC '17

DADDY'S HOME 2

CAST
Linda Cardellini,
Mark Wahlberg,
Mel Gibson

DIRECTOR
Sean Anders

1 DEC '17

102 NOT OUT

CAST
Amitabh Bachchan,
Rishi Kapoor,
Mukesh Hariawala

DIRECTOR
Umesh Shukla

1 DEC '17

FUKREY RETURNS

CAST
Pulkit Samrat,
Manjot Singh,
Ali Fazal

DIRECTOR
Mrighdeep Lamba

8 DEC '17

Source: MOSL, Company

Exhibit 21: 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%	33%	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	79	89	99
Average ticket price (INR)	177	188	196	202	210	218
ATP growth (YoY)	5%	6%	4%	3%	4%	4%
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	5.1	5.5

Financials and Valuations

Consolidated - Income Statement **(INR Million)**

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	**8,053**	**13,475**	**14,771**	**18,496**	**21,194**	**23,689**	**27,941**	**32,783**
Change (%)	55.7	67.3	9.6	25.2	14.6	11.8	18.0	17.3
EBITDA	**1,169**	**2,117**	**2,008**	**2,924**	**3,136**	**4,122**	**5,309**	**6,393**
Margin (%)	14.5	15.7	13.6	15.8	14.8	17.4	19.0	19.5
Depreciation	560	944	1,168	1,151	1,384	1,660	1,852	2,163
EBIT	**609**	**1,173**	**840**	**1,773**	**1,752**	**2,462**	**3,457**	**4,230**
Int. and Finance Charges	368	795	783	840	806	870	780	576
Other Income - Rec.	91	113	89	635	623	311	342	377
PBT bef. EO Exp.	**332**	**491**	**146**	**1,569**	**1,569**	**1,903**	**3,019**	**4,031**
EO Expense/(Income)	-12	32	-22	116	41	0	0	0
PBT after EO Exp.	**320**	**523**	**125**	**1,453**	**1,528**	**1,903**	**3,019**	**4,031**
Current Tax	94	140	2	467	570	638	1,011	1,350
Deferred Tax	-218	-121	6	0	0	0	0	0
Tax Rate (%)	-38.7	3.7	6.5	32.1	37.3	33.5	33.5	33.5
Less: Minority Interest	2	57	11	5.1	0.5	0.0	0.0	0.0
Reported PAT	**445**	**560**	**128**	**991**	**959**	**1,266**	**2,008**	**2,680**
PAT Adj for EO items	**463**	**530**	**148**	**1,070**	**984**	**1,266**	**2,008**	**2,680**
Change (%)	70.3	14.5	-72.1	623	-8.0	28.6	58.6	33.5
Margin (%)	5.7	3.9	1.0	5.8	4.6	5.3	7.2	8.2

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	10,364	12,259	14,827
Net Worth	**6,427**	**3,993**	**4,092**	**8,812**	**9,650**	**10,831**	**12,726**	**15,294**
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**	**18,447**	**18,942**	**19,509**
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**	**5,735**	**6,222**	**7,965**
Inventory	107	106	126	205	190	228	253	296
Account Receivables	425	523	767	901	1,021	1,103	1,301	1,527
Cash and Bank Balance	368	273	267	2,671	299	44	90	1,335
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**	**4,974**	**5,863**	**6,876**
Account Payables	1,888	2,392	2,161	3,933	4,788	4,855	5,726	6,718
Provisions	126	239	172	108	104	119	137	157
Net Current Assets	**1,957**	**1,663**	**2,723**	**3,524**	**771**	**762**	**359**	**1,089**
Appl. of Funds	**13,855**	**10,902**	**11,955**	**14,931**	**17,366**	**18,447**	**18,942**	**19,509**

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Basic (INR)								
EPS	**11.3**	**15.0**	**3.3**	**21.3**	**20.5**	**27.1**	**43.0**	**57.3**
Cash EPS	25.8	35.8	31.7	47.6	50.7	62.6	82.6	103.6
BV/Share	162.2	97.1	98.5	188.7	206.5	231.7	272.3	327.2
DPS	1.5	4.0	1.6	2.2	2.2	2.7	3.6	3.6
Payout (%)	10.4	21.5	39.5	6.6	7.0	6.7	5.6	4.2
Valuation (x)								
P/E				66.6	69.2	52.5	33.1	24.8
Cash P/E				29.9	28.0	22.7	17.2	13.7
P/BV				7.5	6.9	6.1	5.2	4.3
EV/Sales				3.7	3.5	3.1	2.6	2.1
EV/EBITDA				23.7	23.3	17.8	13.5	10.7
Dividend Yield (%)				0.2	0.2	0.2	0.3	0.3
Return Ratios (%)								
RoE	9.7	11.8	3.4	15.4	10.4	12.4	17.0	19.1
RoCE	10.9	10.7	8.0	12.5	9.5	10.5	13.8	16.3
RoIC	10.8	10.7	7.6	10.7	8.0	9.8	13.1	16.1
Working Capital Ratios								
Asset Turnover (x)	0.6	1.2	1.2	1.2	1.2	1.3	1.5	1.7
Inventory (Days)	5	3	3	4	3	4	3	3
Debtor (Days)	19	14	19	18	18	14	14	14
Creditor (Days)	86	65	53	78	82	75	75	75
Working Capital Turnover (Days)	72	38	61	17	8	11	4	-3
Leverage Ratio (x)								
Current Ratio	2.0	1.6	2.2	1.9	1.2	1.2	1.1	1.2
Debt/Equity	1.0	1.5	1.8	0.6	0.8	0.7	0.5	0.2

Consolidated - 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	1,903	3,019	4,031
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	-638	-1,011	-1,350
(Inc)/Dec in WC	556	91	-863	1,603	381	-246	449	515
CF from Operations	**1,529**	**2,147**	**1,144**	**4,580**	**3,529**	**3,550**	**5,089**	**5,934**
EO Expense	1	-15	163	81	268	0	0	0
CF from Operating incl EO	**1,530**	**2,132**	**1,307**	**4,661**	**3,797**	**3,550**	**5,089**	**5,934**
(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	-429	-127	0	0	0
CF from Fin. Activity	**6,695**	**-1,162**	**496**	**416**	**583**	**-1,055**	**-2,293**	**-2,689**
Inc/Dec of Cash	**151**	**-95**	**-6**	**2,405**	**-2,373**	**-255**	**46**	**1,245**
Add: Beginning Balance	216	368	272	267	2,672	299	44	90
Closing Balance	**368**	**272**	**267**	**2,672**	**299**	**44**	**90**	**1,335**

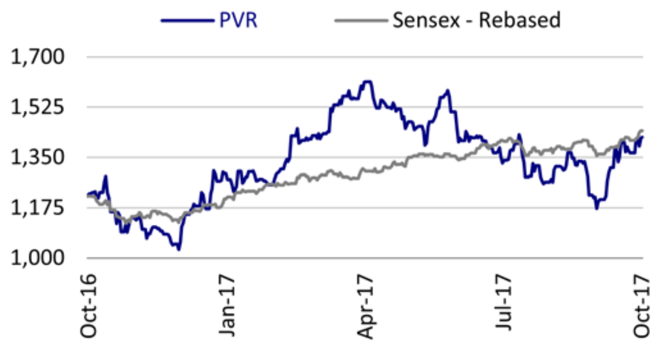
E: MOSL Estimates

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 (%)

	Sep-17	Jun-17	Sep-16
Promoter	20.3	20.3	25.3
DII	26.4	28.7	28.8
FII	41.4	39.7	32.6
Others	11.9	11.4	13.4

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Berry Creek Investment Ltd	7.7
Gray Birch Investment Ltd	6.3
Plenty Private Equity Fund I Limited	4.2
Icici Prudential Value Fund - Series 11	3.8
Multiples Private Equity Fund I Limited	3.8

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	27.1	31.9	-15.0
FY19	43.0	44.7	-3.8
FY20	57.3	56.7	1.0

Source: Bloomberg

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