MOTILAL OSWAL

31 January 2018
Q3FY18 Results Update | Sector: Media

PVR Ltd

BSE SENSEX	S&P CNX
35,965	11,028

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 (%)	-2/-5/-11
Avg Val, INRm	313.0
Free float (%)	79.8

Financials & Valuations (INR b)

Y/E Mar	2018E	2019E	2020E
Net Sales	23.4	27.5	32.9
EBITDA	3.8	5.1	6.2
PAT	1.0	1.7	2.4
EPS (INR)	22.1	37.3	51.5
Gr. (%)	7.8	68.7	37.9
BV/Sh (INR)	226.8	261.7	310.8
RoE (%)	10.2	15.3	18.0
RoCE (%)	9.3	12.4	14.8
P/E (x)	66.0	39.1	28.4
P/BV (x)	6.4	5.6	4.7

Estimate change

TP change

Rating change

CMP: INR1,461 TP: INR1,760(+20%) Buy

Strong screen additions to aid growth momentum

- **Results below estimates; margin expands 290bp YoY:** PVR's revenue increased 5% YoY to INR5,573m (est. of INR6,184m) in 3QFY18. EBITDA rose 25% YoY to INR1,003m (est. of INR1,218m), with the margin expanding 290bp YoY to 18% (est. of 19.7%) due to a 90bp reduction in rent cost (to 17.8% of net sales) and a 440bp reduction in administrative & other expenses (to 22.5% of net sales). Adjusted PAT stood at INR289m in 3QFY18 (est. of INR403m) v/s INR239m in 3QFY17.
- **Screen additions on track; focus on increasing presence in south India:** PVR added 36 screens in 9MFY18, with another 31 screens scheduled to be added in 4QFY18 (28 of which will be in south India). 67% of overall screen additions in FY18 are expected to be in south India, in line with PVR's strategy to boost penetration in the region. South accounts for 23% of PVR's total number of screens, which is expected to rise 320bp to 26.4% by FY18.
- **'Padmavat' row impacts quarter; 4Q expected to make up:** 3QFY18 witnessed a loss of business for ~3 weeks on account of a delay in the release of the eagerly awaited movie 'Padmavat', significantly impacting footfall (-3% YoY to 17.4m). With 'Padmavat' now released and also a strong content pipeline ahead, the company is expected to make up for the loss in footfall and occupancy, providing a boost to sponsorship revenue.
- **Valuation view:** PVR has been aggressively expanding its presence across geographies and its growth has been aided by a strong content pipeline. We, however, cut FY19E/20E earnings by 13%/11% due to multiple changes in tax rates impacting film hire charges. We value the stock at 14x FY20E EV/EBITDA and maintain our **Buy** rating with a target price of INR1,760.

Quarterly Performance (INR M)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Net Sales	5,622	5,438	5,309	4,826	6,366	5,554	5,573	5,839	21,194	23,354	6,184	-10
YoY Change (%)	15.7	14.6	6.1	18.4	13.2	2.1	5.0	21.0	14.6	10.2	15.0	
Total Expenditure	4,557	4,634	4,509	4,358	5,246	4,649	4,569	5,062	18,058	19,547	4,965	
EBITDA	1,065	804	800	467	1,120	905	1,003	777	3,136	3,807	1,218	-18
Margins (%)	19.0	14.8	15.1	9.7	17.6	16.3	18.0	13.3	14.8	16.3	19.7	
Depreciation	331	346	345	363	376	347	375	517	1,384	1,660	420	
Interest	193	194	204	216	208	207	212	226	806	903	229	
Other Income	165	175	111	171	164	42	32	56	623	311	49	
PBT before EO expense	707	440	363	60	700	393	449	90	1,569	1,555	618	-27
Extra-Ord expense	26	0	0	15	0	6	0	0	41	0	0	
PBT	681	440	363	45	700	387	449	90	1,528	1,555	618	-27
Tax	249	149	127	45	258	140	154	31	570.0	520.9	215	
Rate (%)	36.6	33.8	35.1	99.8	36.8	36.1	34.2	34.8	37.3	33.5	34.8	
Reported PAT	428	291	239	-0.5	445	252	289	58.4	958	1,034	403	-28
Adj PAT	444	291	239	-0.5	445	255	289	58.4	984	1,034	403	-28
YoY Change (%)	-3.0	-8.7	-23.5	NM	0.1	-12.3	20.8	NM	-8.0	5.0	69	
Margins (%)	7.6	5.4	4.5	0.0	7.0	4.5	5.2	1.0	4.5	4.4	6.5	

E: MOSL Estimates

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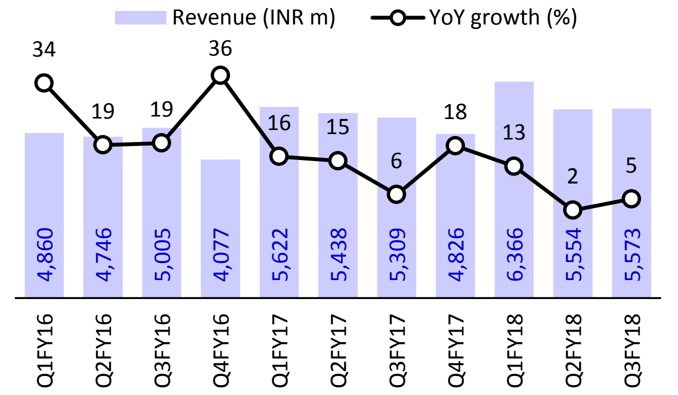
Results below estimates; Margin expands 290bp

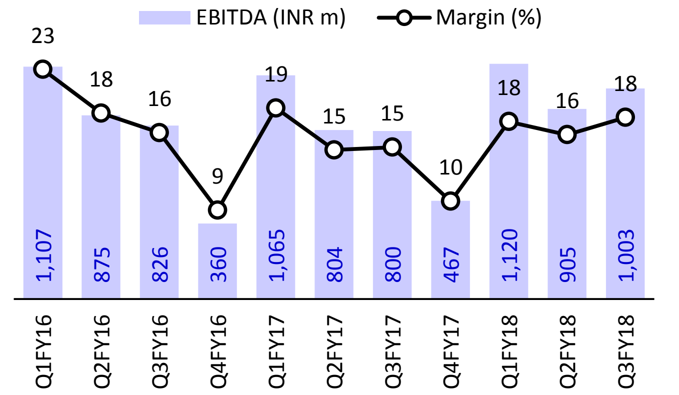
- PVR reported overall revenue of INR5,573m (est. of INR6,184m), marking YoY growth of 5%.
- EBITDA margin expanded 290bp YoY to 18% in 3QFY18 (est. of 19.7%). EBITDA stood at INR1,003m (est. of INR1,218m), witnessing growth of 25% YoY. The margin expanded on account of a 90bp reduction in rent cost (to 17.8% of net sales) and a 440bp reduction in administrative & other expenses (to 22.5% of net sales).
- Adjusted PAT stood at INR289m in 3QFY18 (est. of INR403m) v/s INR239m in 3QFY17.
- GST for F&B was reduced from 18% to 5% (without input credit) with effect from 15th November 2017. During the quarter, PVR opened three screens at VVIP Ghaziabad and a 12-screen superplex in Bangalore. The company also reopened PVR Oberoi, Mumbai, and launched seven new premium screens in existing cinemas.

Exhibit 1: Revenue trend



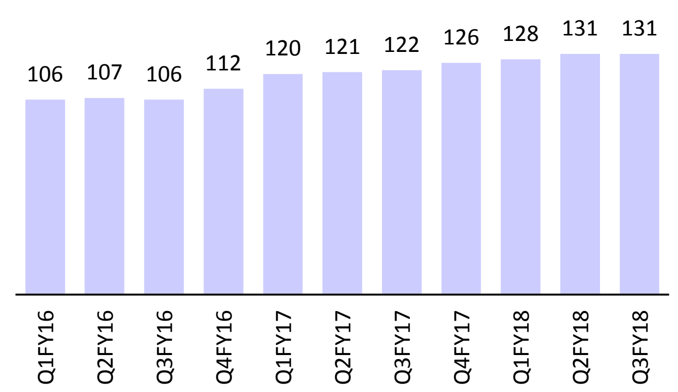
Source: MOSL, Company

Exhibit 2: EBITDA trend



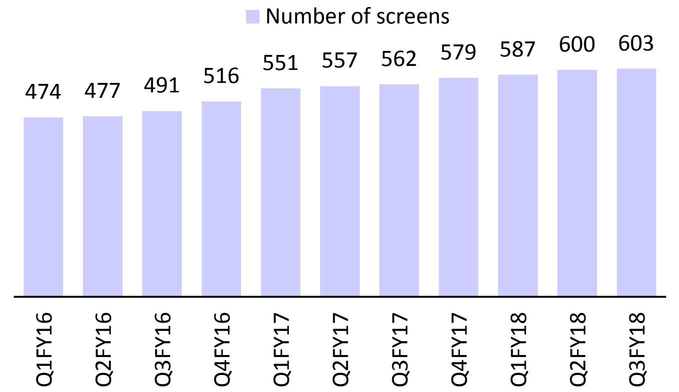
Source: MOSL, Company

Exhibit 3: Property additions



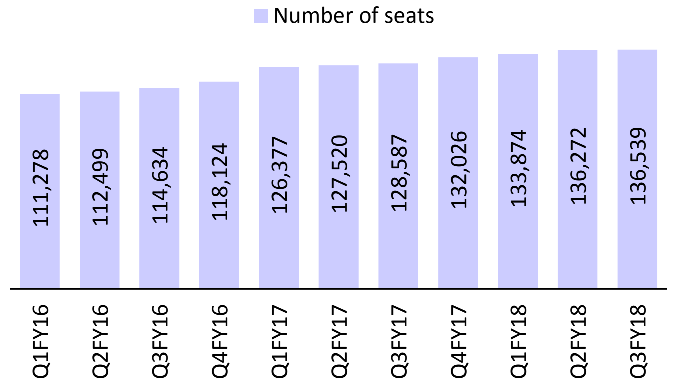
Source: MOSL, Company

Exhibit 4: Screens additions



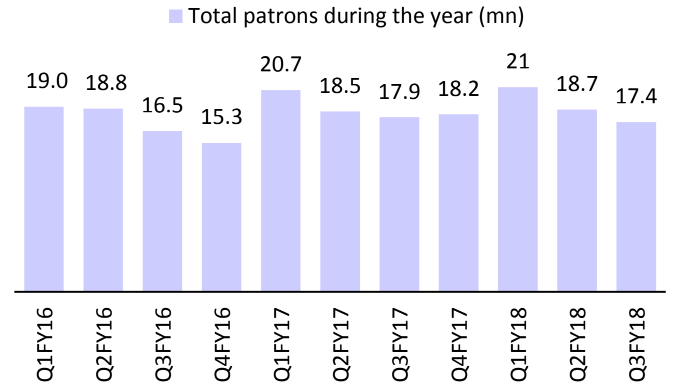
Source: MOSL, Company

Exhibit 5: Seats additions



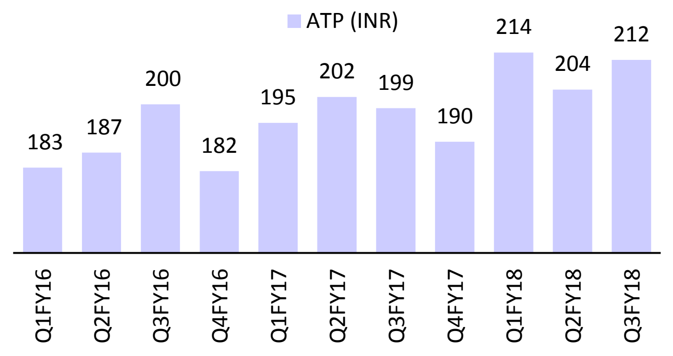
Source: MOSL, Company

Exhibit 6: Quarterly footfall trend



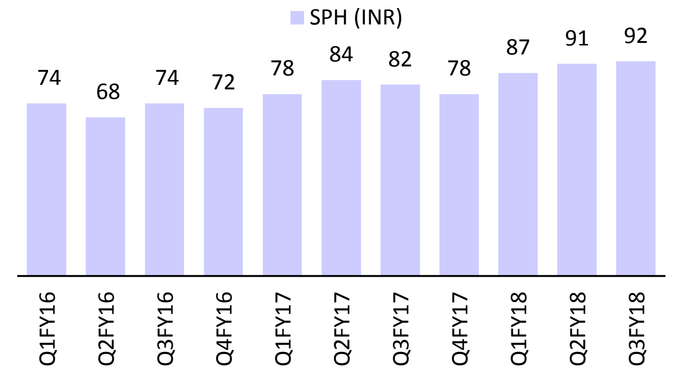
Source: MOSL, Company

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	3QFY18	3QFY17	Change %	2QFY18	Change %
Location	131	123	6.5%	131	0%
Screens	603	569	6.0%	600	0.5%
Seats	136,539	129,991	5.0%	136,272	0.2%
Footfalls (m)	17.4	17.9	-2.8%	18.7	-7.0%
ATP	212	199	6.5%	204	3.9%
SPH	92	82	12.2%	91	1.1%

Source: Company, MOSL

Valuations and view

PVR has been aggressively expanding its presence across geographies and its growth has been aided by a strong content pipeline. We, however, cut FY19E/20E earnings by 13%/11% due to multiple changes in tax rates impacting film hire charges. We value the stock at 14x FY20E EV/EBITDA and maintain our **Buy** rating with a target price of INR1,760.

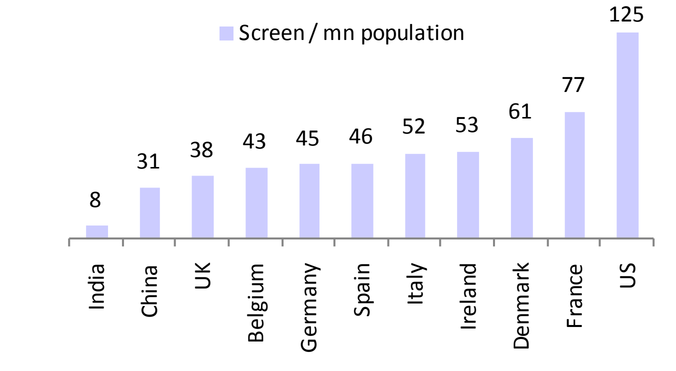
Exhibit 10: Target Price Methodology

Valuations	(INR m)
EBITDA- FY20E	6,244
Target Multiple	14.0
Target Enterprise Value	87,410
Net Debt	5,212
Target Market cap	82,198
No of shares	46.7
Value per share	**1,760**

Source: MOSL

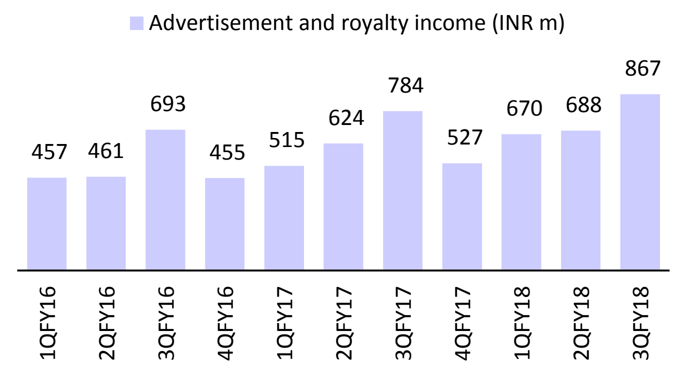
Story in charts

Exhibit 11: India has the lowest screen density



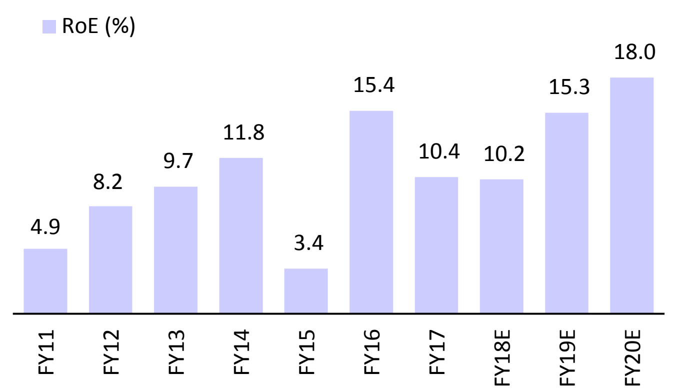
Source: MOSL, Company

Exhibit 12: Advt. revenue consistently growing YoY



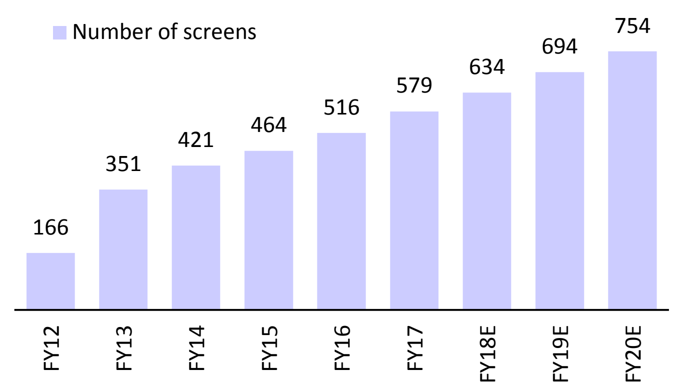
Source: MOSL, Company

Exhibit 13: Robust RoE



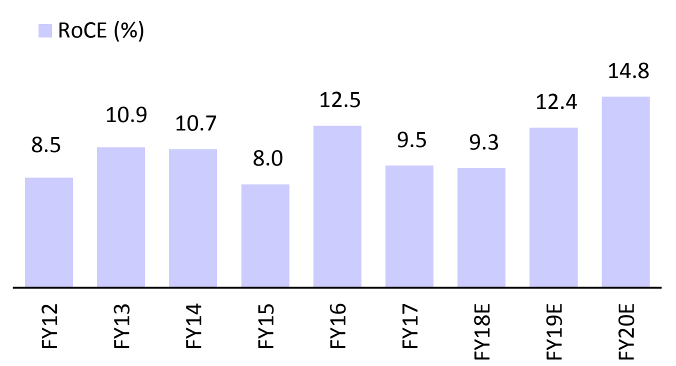
Source: MOSL, Company

Exhibit 14: PVR – most aggressive screen additions



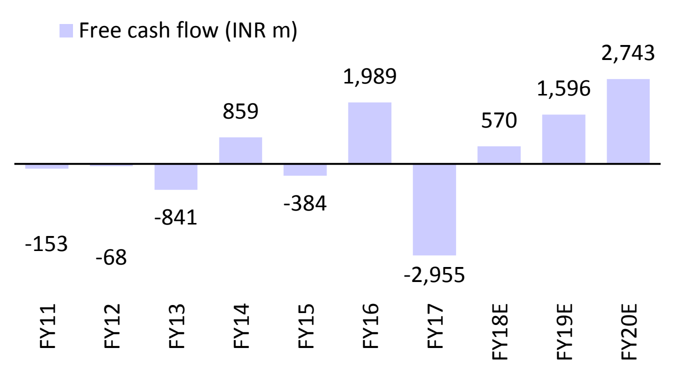
Source: MOSL, Company

Exhibit 15: RoCE to improve significantly



Source: MOSL, Company

Exhibit 16: Free cash to improve significantly



Source: MOSL, Company

Exhibit 17: Upcoming Content

BLEEDING STEEL

CAST
Jackie Chan,
Callan Mulvey,
Tess Haubrich

DIRECTOR
Leo Zhang

2 FEB'18

DEN OF THIEVES

CAST
Gerard Butler,
Jordan Bridges,
Pablo Schreiber

DIRECTOR
Christian Gudegast

2 FEB'18

MAZE RUNNER: THE DEATH CURE (3D / IMAX / 4DX)

CAST
Rosa Salazar,
Thomas Brodie-Sangster,
Dylan O'Brien

DIRECTOR
Wes Ball

9 FEB'18

PADMAN

CAST
Akshay Kumar,
Radhika Apte,
Sonam Kapoor

DIRECTOR
R. Balki

9 FEB'18

15:17 TO PARIS

CAST
Jenna Fischer,
Judy Greer,
Lillian Solange Beaudoin

DIRECTOR
Clint Eastwood

9 FEB'18

AIYAARY

CAST
Rakul Preet Singh,
Sidharth Malhotra,
Manoj Bajpayee

DIRECTOR
Neeraj Pandey

9 FEB'18

Source: MOSL, Company

Exhibit 18: Upcoming Content

LAAVAAN PHERE (PUNJABI)

CAST
Roshan Prince,
Rubina Bajwa,
Karamjit Anmol

DIRECTOR
Smeep Kang

9 FEB'18

AAPLA MANUS (MARATHI)

CAST
Nana Patekar,
Iravati Harshe,
Sumeet Raghvan

DIRECTOR
Satish Rajwade

9 FEB'18

DAASDEV

CAST
Richa Chadha,
Anurag Kashyap,
Aditi Rao Hydari

DIRECTOR
Sudhir Mishra

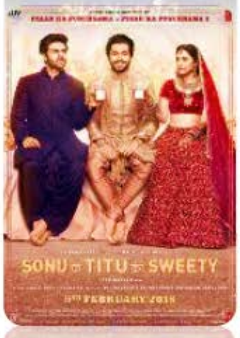
16 FEB'18

BLACK PANTHER (3D / IMAX / 4DX)

CAST
Chadwick Boseman,
Michael B. Jordan,
Lupita Nyong'o

DIRECTOR
Ryan Coogler

16 FEB'18



SONU KE TITU KI SWEETY

CAST
Kartik Aryan,
Nushrat Bharucha,
Sunny Singh

DIRECTOR
Luv Ranjan

23 FEB'18

HICHKI

CAST
Rani Mukerji,
Kunal Shiinde,
Supriya Pilgaonkar

DIRECTOR
Siddharth Malhotra

23 FEB'18

Source: MOSL, Company

Exhibit 19: Upcoming Content

WELCOME TO NEW YORK (3D)

CAST
Sonakshi Sinha, Diljit Dosanjh, Karan Johar

DIRECTOR
Chakri Toleti

23 FEB'18

PARI

CAST
Anushka Sharma Kohli, Parambrata Chatterjee

DIRECTOR
Prosit Roy

2 MAR'18

RED SPARROW

CAST
Jennifer Lawrence, Joel Edgerton, Mary-Louise Parker

DIRECTOR
Francis Lawrence

2 MAR'18

DRIVE

CAST
Sushant Singh Rajput, Jacqueline Fernandez, Vikramjeet Virk

DIRECTOR
Tarun Mansukhani

2 MAR'18

3 STOREYS

CAST
Richa Chadha, Pulkit Samrat, Sharman Joshi

DIRECTOR
Arjun Mukerjee

9 MAR'18

HATE STORY 4

CAST
Urvashi Rautela, Daniel Eghan, Vivan Bhatena

DIRECTOR
Vishal Pandya

9 MAR'18

Source: MOSL, Company

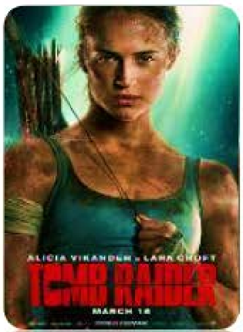
Exhibit 20: Upcoming Content

A WRINKLE IN TIME (3D)

CAST
Reese Witherspoon, Chris Pine, Gugu Mbatha-Raw

DIRECTOR
Ava DuVernay

9 MAR'18



TOMB RAIDER (3D / IMAX / 4DX)

CAST
Alicia Vikander, Hannah John-Kamen, Walton Goggins

DIRECTOR
Roar Uthaug

16 MAR'18

RAID

CAST
Ileana D'Cruz, Ajay Devgn, Saurabh Shukla

DIRECTOR
Raj Kumar Gupta

16 MAR'18

PACIFIC RIM UPRISING

CAST
John Boyega, Tian Jing, Scott Eastwood

DIRECTOR
Steven S. DeKnight

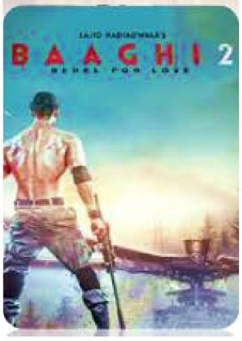
23 MAR'18

SHERLOCK GNOMES

CAST
Johnny Depp, James McAvoy, Emily Blunt

DIRECTOR
John Stevenson

23 MAR'18



BAAGHI 2

CAST
Shraddha Kapoor, Disha Patani, Tiger Shroff

DIRECTOR
Ahmed Khan

30 MAR'18

Source: MOSL, Company

Exhibit 21: Key Assumptions

	FY15	FY16	FY17	FY18E	FY19E	FY20E
Number of Screens	464	516	579	634	694	754
Screen additions	43	52	63	55	60	60
Number of seats	110,524	118,124	132,026	143,301	155,601	167,901
Occupancy rate	30%	34%	33%	32%	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	78	87	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	72	81	87	96	106
SPH growth (YoY)	19%	13%	13%	8%	10%	10%
Ad revenue per screen (NR/m)	3.8	4.2	4.5	4.6	4.9	5.3

Financials and valuations

Consolidated - Income Statement (INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	**13,475**	**14,771**	**18,496**	**21,194**	**23,354**	**27,450**	**32,861**
Change (%)	67.3	9.6	25.2	14.6	10.2	17.5	19.7
EBITDA	**2,117**	**2,008**	**2,924**	**3,136**	**3,807**	**5,051**	**6,244**
Margin (%)	15.7	13.6	15.8	14.8	16.3	18.4	19.0
Depreciation	944	1,168	1,151	1,384	1,660	1,870	2,247
EBIT	**1,173**	**840**	**1,773**	**1,752**	**2,147**	**3,181**	**3,997**
Int. and Finance Charges	795	783	840	806	903	900	756
Other Income - Rec.	113	89	635	623	311	342	377
PBT bef. EO Exp.	**491**	**146**	**1,569**	**1,569**	**1,555**	**2,623**	**3,617**
EO Expense/(Income)	32	-22	116	41	0	0	0
PBT after EO Exp.	**523**	**125**	**1,453**	**1,528**	**1,555**	**2,623**	**3,617**
Current Tax	140	2	467	570	521	879	1,212
Deferred Tax	-121	6	0	0	0	0	0
Tax Rate (%)	3.7	6.5	32.1	37.3	33.5	33.5	33.5
Less: Minority Interest	57	11	5.1	0.5	0.0	0.0	0.0
Reported PAT	**560**	**128**	**991**	**959**	**1,034**	**1,745**	**2,405**
PAT Adj for EO items	**530**	**148**	**1,070**	**984**	**1,034**	**1,745**	**2,405**
Change (%)	14.5	-72.1	623	-8.0	5.0	68.7	37.9
Margin (%)	3.9	1.0	5.8	4.6	4.4	6.4	7.3

Consolidated - Balance Sheet (INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	411	415	467	467	467	467	467
Total Reserves	3,582	3,677	8,345	9,183	10,132	11,764	14,057
Net Worth	**3,993**	**4,092**	**8,812**	**9,650**	**10,600**	**12,232**	**14,525**
Minority Interest	771	383	401	405	405	405	405
Deferred Liabilities	4	11	0	9	9	9	9
Total Loans	6,133	7,470	5,718	7,301	7,751	7,251	5,351
Capital Employed	**10,902**	**11,956**	**14,931**	**17,365**	**18,765**	**19,897**	**20,290**
Gross Block	11,889	13,356	15,900	22,335	25,085	28,335	31,585
Less: Accum. Deprn.	3,723	4,784	5,935	7,319	8,979	10,848	13,095
Intangible assets- Goodwill	31	31	52	71	71	71	71
Net Fixed Assets	**8,197**	**8,604**	**10,017**	**15,016**	**16,177**	**17,557**	**18,560**
Capital WIP	806	611	739	1,056	1,056	1,056	1,056
Total Investments	**235**	**19**	**19**	**20**	**20**	**20**	**20**
Curr. Assets, Loans&Adv.	**4,294**	**5,055**	**7,565**	**5,662**	**5,822**	**6,344**	**6,863**
Inventory	106	126	205	190	229	248	297
Account Receivables	523	767	901	1,021	1,152	1,354	1,621
Cash and Bank Balance	273	267	2,671	299	81	165	139
Loans and Advances	3,392	3,895	3,788	4,152	4,359	4,577	4,806
Curr. Liability & Prov.	**2,631**	**2,333**	**4,041**	**4,892**	**4,992**	**5,762**	**6,892**
Account Payables	2,392	2,161	3,933	4,788	4,873	5,625	6,734
Provisions	239	172	108	104	119	137	157
Net Current Assets	**1,663**	**2,723**	**3,524**	**771**	**830**	**582**	**-29**
Appl. of Funds	**10,902**	**11,955**	**14,931**	**17,366**	**18,765**	**19,897**	**20,290**

E: MOSL Estimates

Financials and valuations

Ratios							
Y/E March	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Basic (INR)							
EPS	**15.0**	**3.3**	**21.3**	**20.5**	**22.1**	**37.3**	**51.5**
Cash EPS	35.8	31.7	47.6	50.7	57.6	77.3	99.5
BV/Share	97.1	98.5	188.7	206.5	226.8	261.7	310.8
DPS	4.0	1.6	2.2	2.2	2.7	3.6	3.6
Payout (%)	21.5	39.5	6.6	7.0	8.2	6.5	4.7
Valuation (x)							
P/E	97.3	437.1	68.5	71.2	66.0	39.1	28.4
Cash P/E	40.8	46.1	30.7	28.8	25.3	18.9	14.7
P/BV	15.0	14.8	7.7	7.1	6.4	5.6	4.7
EV/Sales	5.4	5.0	3.8	3.5	3.2	2.7	2.2
EV/EBITDA	34.1	36.6	23.7	23.4	19.4	14.5	11.5
Dividend Yield (%)	0.3	0.1	0.1	0.1	0.2	0.2	0.2
Return Ratios (%)							
RoE	11.8	3.4	15.4	10.4	10.2	15.3	18.0
RoCE	10.7	8.0	12.5	9.5	9.3	12.4	14.8
RoIC	10.7	7.6	10.7	8.0	8.5	11.7	14.1
Working Capital Ratios							
Asset Turnover (x)	1.2	1.2	1.2	1.2	1.2	1.4	1.6
Inventory (Days)	3	3	4	3	4	3	3
Debtor (Days)	14	19	18	18	15	15	15
Creditor (Days)	65	53	78	82	76	75	75
Working Capital Turnover (Days)	38	61	17	8	12	6	-2
Leverage Ratio (x)							
Current Ratio	1.6	2.2	1.9	1.2	1.2	1.1	1.0
Debt/Equity	1.5	1.8	0.6	0.8	0.7	0.6	0.4

Consolidated - Cash Flow Statement							(INR Million)
Y/E March	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Net Profit / (Loss) Before Tax / EO	523	125	1,453	1,528	1,555	2,623	3,617
Depreciation	944	1,168	1,151	1,384	1,660	1,870	2,247
Interest & Finance Charges	743	783	840	806	903	900	756
Direct Taxes Paid	-154	-69	-467	-570	-521	-879	-1,212
(Inc)/Dec in WC	91	-863	1,603	381	-277	331	585
CF from Operations	**2,147**	**1,144**	**4,580**	**3,529**	**3,320**	**4,846**	**5,993**
EO Expense	-15	163	81	268	0	0	0
CF from Operating incl EO	**2,132**	**1,307**	**4,661**	**3,797**	**3,320**	**4,846**	**5,993**
(inc)/dec in FA	-1,273	-1,691	-2,672	-6,752	-2,750	-3,250	-3,250
(Pur)/Sale of Investments	193	-131	0	-1	-250	0	0
Others	14	14	0	0	0	0	0
CF from Investments	**-1,065**	**-1,808**	**-2,672**	**-6,753**	**-3,000**	**-3,250**	**-3,250**
Issue of Shares	121	100	3,502	1	0	0	0
(Inc)/Dec in Debt	-434	1,337	-1,752	1,583	450	-500	-1,900
Interest Paid	-812	-827	-840	-806	-903	-900	-756
Dividend Paid	-46	-122	-65	-68	-84	-113	-113
Others	9	8	-429	-127	0	0	0
CF from Fin. Activity	**-1,162**	**496**	**416**	**583**	**-538**	**-1,513**	**-2,769**
Inc/Dec of Cash	**-95**	**-6**	**2,405**	**-2,373**	**-218**	**83**	**-25**
Add: Beginning Balance	368	272	267	2,672	299	81	165
Closing Balance	**272**	**267**	**2,672**	**299**	**81**	**165**	**139**

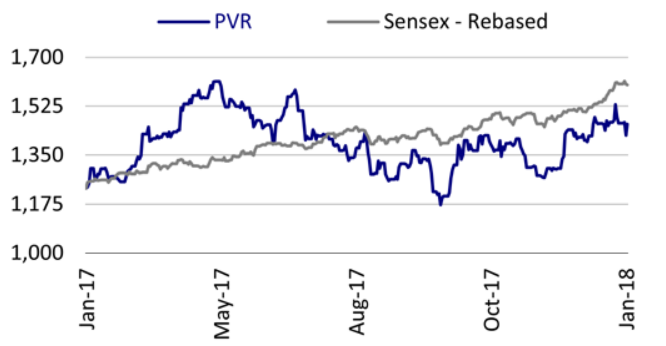
E: MOSL Estimates

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 (%)

	Dec-17	Sep-17	Dec-16
Promoter	20.3	20.3	25.3
DII	25.9	26.4	30.6
FII	43.6	41.4	31.0
Others	10.3	11.9	13.2

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	22.1	29.3	-24.6
FY19	37.3	42.3	-11.9
FY20	51.5	53.2	-3.2

Source: Bloomberg

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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