GEOJIT

RETAIL EQUITY RESEARCH

PVR Ltd

Media

BSE CODE:532689 **NSE CODE:** PVR
Bloomberg CODE: PVRL:IN **SENSEX:** 35,208

Accumulate

Rating as per mid cap | 12months investment period

CMP Rs. 1,435 **TARGET** Rs. 1,587 RETURN 11%

8th May, 2018

On a stable line…

PVR Ltd owns and operates multiplexes across 19 States and UT's with a total of 625 screens. Major income segments for them are Box office (Ticket revenue), Food & Beverage and Advertisement income.

- **Q4FY18 revenue grew at healthy rate of ~19% on a YoY basis while PAT grew by 1700%(YoY) owing to better than expected operating leverage.**
- **Added 13 new screens in Q4FY18 while average occupancy stood at 31.5% slightly higher than our expectations.**
- **Average Ticket Prices (ATP) witnessed a ~10%YoY growth and Food & Beverages spend per head (F&B sph) grew by ~12% YoY showing attractive consumption patterns among movie goers.**
- **We revise upward our FY19E & FY20E PAT estimates by 8% & 7% respectively due to factor in improving operating leverage and consolidation benefits eyed by the company going forward.**
- **With healthy growth rate expectations in both Revenue(+20%) and PAT (+30%), we upgrade our rating to Accumulate from Hold with a revised TP of Rs1587 based on 34x FY20E EPS.**

Better than expected revenue growth in Q4 FY 2018…

Q4FY18 revenue grew at ~ 19%YoY while adjusted PAT witnessed an excellent growth of ~1500% YoY due to efficient management of operating leverage. Net ticket revenue and F&B collections registered a growth of 18% and 22% respectively while advertisement revenue grew by 37% YoY. Footfalls also improved by 5% YoY growth with occupancy across screens remaining stable on a YoY basis (31.5%). Better content pipeline in the coming quarters (~60% Bollywood, ~15% Hollwood & ~25% Regional) and aggressive screen additions (with a target of 90+) we expect revenue to witness higher momentums going forward.

Eyeing better numbers with Price and F&B growth…

ATP and net F&B sph grew at a healthy rate of ~7% and ~10% respectively on an annual basis. Management has indicated that ticket prices will be witnessing a minimum growth in line with the inflation (4-5%) while we believe the same to witness higher growth. PVR has added 13 new screens in Q4FY18 whereby totalling 49 screens with an ambitious target of 90+ screens next year. Screen additions will be a major thrust to scale up the business momentum in the underpenetrated Indian exhibition business market. We expect to see ~55 screen additions in the coming year and increase our FY19E & FY20E EBITDA estimates by 6% & 8% respectively and factor 20%CAGR in revenue over FY18-20E.

EBITDA margins on a higher platform…

EBITDA margins (17.2%) is up by 2.4% on a yearly basis (FY 18 vs 17) on account of management being able to manage operating costs better. It grew by a whopping 60% on a QoQ basis, something which is very positive as against a usually dull fourth quarters. We therefore increase our FY19E and FY20E EBITDA margins by 100/70bps respectively while factoring a 30bps expansion over FY18-20E and 32% CAGR in PAT.

Valuations…

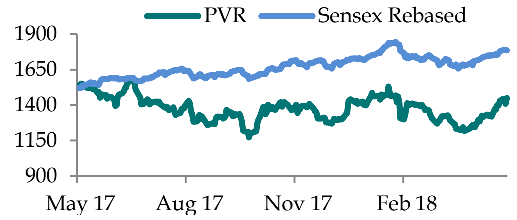
PVR is currently trading at a multiple of 35x on one year forward P/E. We increase our FY19E and FY20E PAT estimates by 8%&7% respectively on better margins. Considering management's optimistic stand and futuristic plans to focus on consolidation benefits, we upgrade our rating to Accumulate from Hold with a revised target price of Rs 1587 at 34x FY20E P/E.

Company Data	
Market Cap (cr)	Rs. 6,707
Enterprise Value (cr)	Rs. 7,441
Outstanding Shares (cr)	4.7
Free Float	80%
Dividend Yield	0.1%
52 week high	Rs 1,603
52 week low	Rs 1,145
6m average volume (cr)	0.02
Beta	.97
Face value	Rs. 10

Shareholding (%)	Q2FY18	Q3FY18	Q4FY18
Promoters	20.3	20.3	20.0
FII's	41.4	43.6	43.8
MFs/Insti	26.4	25.7	19.7
Public	16.3	14.5	16.5
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1Year
Absolute Return	10.9%	3.4%	-4.7%
Absolute Sensex	0.1%	5.2%	17.3%
Relative Return	10.8%	-1.8%	-22%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY18A	FY19E	FY20E
Sales	2,334	2,808	3,371
Growth (%)	*10.0*	20.3	20.1
EBITDA	401	486	589
Margin (%)	17.2	17.3	17.5
PAT Adj	125	168	218
Growth (%)	24.9	34.8	30.0
Adj.EPS	26.7	36.0	46.7
Growth (%)	24.9	34.8	30.0
P/E	51.1	37.9	30.0
P/B	5.9	5.2	4.6
EV/EBITDA	17.7	14.7	12.5
ROE (%)	12.2	14.5	16.4
D/E	.7	.6	.6

Dilish K Daniel
Analyst

Quarterly Financials

Profit & Loss Account

(Rs cr)	Q4FY18	Q4FY17	YoY Growth %	Q3FY18	QoQ Growth %
Sales	**584.9**	**482.5**	*+18.6*	**557.2**	*+5*
EBITDA	**101.9**	**63.8**	*+60*	**100.3**	*+1.5*
EBITDA margins	17.2	13.2	*+400bps*	18	*-80bps*
Depreciation	39.3	36.2	*+8.5*	37.4	*+5.0*
EBIT	**62.5**	**27.6**	*+126*	**62.9**	*+4.7*
Interest	21.0	21.5	-	21.17	-
Other Income	-	-	-	-	-
Exceptional Items	-.33	-	-	-	-
PBT	**41.2**	**4.5**	*+815*	**44.9**	*-8.9*
Tax	15.3	4.4	*+247*	15.3	-
Share of profit from Associate	-.3	.06	-	.3	-
Reported PAT	**26.2**	**-.05**	*+2620*	**29.2**	*-12*
Adjustments	-	1.5	-	-	-
Adj PAT	**26.2**	**1.4**	*+1770*	**29.2**	*-12*
No. of shares (cr)	**5**	**5**		**5**	-
EPS (Rs)	**5.6**	**0.3**	*+1766*	**6.3**	*-12.5*

Change in estimates

	Old estimates		New estimates		Change %	
Year / Rs cr	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**
Revenue	2,789	3,256	2,808	3371	*+.68*	*+3.5*
EBITDA	457	547	486	589	*+6.3*	*+7.6*
Margins (%)	16.3	16.8	17.3	17.5	*+100bps*	*+70bps*
Adj. PAT	155	203	168	218	*+8.4*	*+7.3*
EPS	33.2	43.3	36	46.7	*+8.4*	*+7.8*

Consolidated Financials

Profit & Loss Account

Y.E March (Rs cr)	FY16A	FY17A	FY18A	FY19E	FY20E
Sales	**1,850**	**2,119**	**2,334**	2,808	3,371
% change	*25.2*	*14.6*	*10.0*	20.3	20.1
EBITDA	**292**	**314**	**401**	**486**	**589**
% change	*45.6*	*7.2*	*27.8*	21.2	21.3
Depreciation	106	138	154	175	205
EBIT	177	175	247	311	385
Interest	84	81	84	74	75
Other Income	64	62	31	25	30
PBT	**145**	**153**	**194**	**262**	**340**
% change	*1067.1*	*5.2*	*26.9*	34.9	30.1
Tax	47	57	70	94	122
Tax Rate (%)	*32%*	*37%*	*36%*	36%	36%
Reported PAT	**98**	**96**	**124**	**168**	**218**
Adj*	(12)	(4)	(1)	0	0
Adj PAT	**110**	**100**	**125**	**168**	**218**
% change	*634.6*	*(9.0)*	*24.9*	34.8	30.0
No. of shares (mn)	5	5	5	5	5
Adj EPS (Rs)	**23.5**	**21.4**	**26.7**	**36.0**	**46.7**
% change	*634.6*	*(9.0)*	*24.9*	34.8	30.0
DPS (Rs)	2.9	2.9	2.9	2.9	4.3

Balance Sheet

Y.E March (Rs cr)	FY16A	FY17A	FY18E	FY19E	FY20E
Cash	24	30	33	34	20
Accounts Receivable	90	102	155	177	212
Inventories	20	19	20	26	32
Other Cur. Assets	62	92	60	77	92
Investments	1	1	18	12	10
Gross Fixed Assets	959	1,224	1460	1720	2000
Net Fixed Assets	882	1,045	1127	1212	1287
CWIP	74	106	102	112	123
Intangible Assets	119	464	463	478	498
Def. Tax (Net)	63	42	16	18	21
Other Assets	560	324	358	447	559
Total Assets	**1,897**	**2,225**	**2351**	**2584**	**2848**
Current Liabilities	393	479	601	665	708
Provisions	11	10	10	14	17
Debt Funds	572	730	661	669	689
Other Liabilities	40	41	1	1	2
Equity Capital	47	47	47	47	47
Reserves & Surplus	835	918	1031	1188	1385
Shareholder's Fund	881	965	1078	1235	1432
Total Liabilities	**1,897**	**2,225**	**2351**	**2584**	**2848**
BVPS (Rs)	**189**	**206**	**231**	**264**	**306**

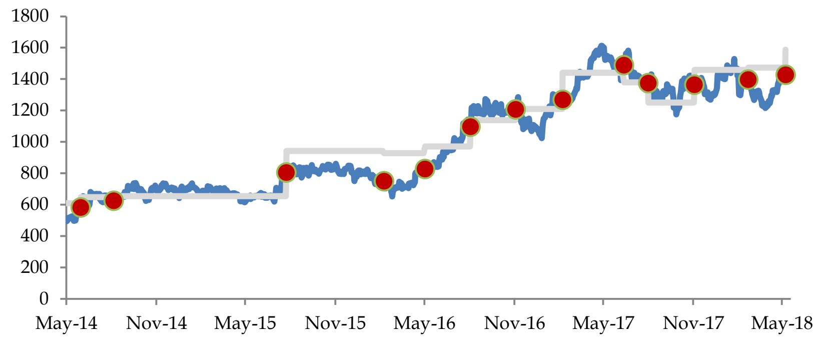
Cash flow

Y.E March (Rs cr)	FY16A	FY17A	FY18E	FY19E	FY20E
Net inc. + Depn.	204	221	277	342	422
Non-cash adj.	128	124	79	47	42
Changes in W.C	22	(25)	100	23	(11)
C.F.O	**354**	**320**	**456**	**412**	**453**
Capital exp.	(235)	(633)	(231)	(285)	(311)
Change in inv.	(51)	51	(51)	(84)	(110)
Other invest.CF	(14)	(50)	31	25	30
C.F - investing	**(299)**	**(632)**	**(251)**	**(344)**	**(390)**
Issue of equity	352	1	0	0	0
Issue/repay debt	(52)	144	(69)	8	20
Dividends paid	(6)	(12)	(11)	(11)	(20)
Other finance.CF	(78)	(73)	(123)	(74)	(74)
C.F - Financing	**217**	**81**	**(203)**	**(77)**	**(74)**
Chg. in cash	272	(231)	3	(9)	(11)
Closing cash	293	30	33	24	13

Ratios

Y.E March	FY16A	FY17A	FY18A	FY19E	FY20E
Profitab. & Return					
EBITDA margin (%)	17.0	14.8	17.2	17.3	17.5
EBIT margin (%)	10.9	8.3	10.6	11.1	11.4
Net profit mgn.(%)	5.8	4.6	5.3	6.0	6.5
ROE (%)	12.4	10.8	12.2	14.5	16.4
ROCE (%)	13.0	9.8	9.8	11.2	12.5
W.C & Liquidity					
Receivables (days)	16.2	16.5	20.1	21.6	21.1
Inventory (days)	3.2	3.4	3.0	3.0	3.2
Payables (days)	66.9	75.1	84.4	82.3	74.3
Current ratio (x)	0.5	0.5	0.4	0.4	0.5
Quick ratio (x)	0.3	0.3	0.3	0.3	0.3
Turnover &Levg.					
Gross asset T.O (x)	1.7	1.9	1.7	1.8	1.8
Total asset T.O (x)	1.1	1.0	1.0	1.1	1.2
Int. covge. ratio (x)	2.4	2.2	2.9	4.2	5.1
Adj. debt/equity (x)	0.7	0.8	0.7	0.6	0.6
Valuation ratios					
EV/Sales (x)	3.7	3.4	3.0	2.5	2.2
EV/EBITDA (x)	21.9	22.8	17.7	14.7	12.5
P/E (x)	58.1	63.7	51.1	37.9	30.0
P/BV (x)	7.2	6.6	5.9	5.2	4.6

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
31st March 2014	*Buy	610
31stMay 2014	Accumulate	648
5th August 2014	Accumulate	655
24th July 2015	Accumulate	942
08th Feb 2016	Buy	929
2nd May 2016	Hold	971
3rd August 2016	Hold	1139
3rd Nov 2016	Hold	1211
7th Feb 2017	Accumulate	1440
12th June 2017	Reduce	1380
1st Aug 2017	Reduce	1251
3rd Nov 2017	Hold	1459
21st Feb 2018	Hold	1474
8th May 2018	Accumulate	1587

Investment Rating Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	**Upside is above 10%.**	**Buy**	-	**Upside is above 15%.**
Hold	-	**Upside is between 0% - 10%.**	**Accumulate**	-	**Upside is between 10% - 15%.**
Reduce	-	**Downside is more than 0%.**	**Hold**	-	**Upside is between 0% - 10%.**
Neutral	-	**Not Applicable**	**Reduce/Sell**	-	**Downside is more than 0%.**
			Neutral	-	**Not Applicable**

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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Date: 2018.05.08 13:33:03 +05'30'

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