

PVR Ltd (PVRLIM)

₹ 1563

Robust performance...

- In Q3FY19, reported revenue was at ₹ 843.1 crore, better than expectation of ₹ 765.3 crore. The beat was on account of strong ATP (computed) that came in at ~₹ 212 (vs. our estimate of ₹ 206) and reported footfalls that were at 25.7 mn vs. our estimate of 23.6 mn. Reported ad revenues grew 28.9% vs. our estimate of 25% YoY
- Reported EBITDA came in higher at ₹ 164.3 crore, higher than our estimate of ₹ 149.5 crore, given the topline beat. Reported margins came in at 19.5%, in line with our estimates
- PAT at ₹ 51.6 crore was better than our estimate of ₹ 47.3 crore on the back of a healthy operating performance

Healthy performance aided by core footfall & F&B growth

We highlight that since Q3FY19 was the first full quarter of SPI numbers consolidation, reported numbers are not comparable. On an ex-SPI basis, key highlight was strong footfall growth of ~22% and ATP growth of ~3.8%, driving net box office collections (ex SPI) growth of ~26% YoY. Other revenues head such as F&B and ad, on ex-SPI basis, were also healthy at ~24% and 16% YoY, respectively. During the quarter, key drivers of the box office were sleeper hits such as *Badhai Ho*, *Kedarnath*, *Andhadhun*, etc, despite weaker than anticipated performance of *Thugs of Hindostan*, *Zero*, etc. We expect PVR to exhibit footfall growth of 17.9% CAGR (boosted by SPI as well as strong screen addition) in FY18-21E to 124.7 million, thereby leading to 19.9% CAGR in net ticketing revenues to ₹ 2150 crore by FY21E. We also highlight that reported ATP will be trending lower owing to cut in GST rate (no impact on net revenues). We build in 16% CAGR in FY18-21E to ₹ 462 crore in its advertisement revenues. F&B growth is anticipated at ~20.8% CAGR in FY18-21 to ₹ 1070 crore, largely tracking footfall and no increase in rates.

GST rate cut may boost footfalls ahead

With effect from January, 2019, GST rate on cinema tickets above ₹ 100 has been reduced from 28% to 18% while that of up to ₹ 100 from 18% to 12%. The company indicated that they have started passing on benefits of GST rate cut to consumers and are of the opinion that GST rate cut will make tickets more affordable and benefit the exhibition industry in terms of higher occupancy in the future. We highlight that we have not built in additional footfall growth, as of now.

Quasi play on rising discretionary spends

We believe the multiplex industry is staring at strong growth in the medium term as some of the major issues of higher GST for tickets and public outcry on higher F&B prices seems to be behind now. Furthermore, PVR remains a key beneficiary of a flourishing multiplex business, which is one of the proxies on rising urban discretionary consumption spends. The SPI deal is also an opportune move to capture favourable movie-viewing footfalls of southern India. We now roll over our valuations to FY21 and upgrade to **BUY**. We value it at 12x FY21E EV/EBITDA and arriving at a target price of ₹ 1750.

Rating matrix		
Rating	:	Buy
Target	:	₹ 1750
Target Period	:	12 months
Potential Upside	:	12%

What's changed?	
Target	Changed from ₹ 1385 to ₹ 1750
EPS FY19E	Changed from ₹ 35.7 to ₹ 34.5
EPS FY20E	Changed from ₹ 43.6 to ₹ 43.5
EPS FY21E	Introduced at ₹ 56.5
Rating	Changed from HOLD to BUY

Quarterly performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	843.1	557.3	51.3	708.6	19.0
EBITDA	164.3	100.3	63.8	124.0	32.5
EBITDA(%)	19.5	18.0	148 bps	17.5	199 bps
PAT	51.6	28.9	78.7	33.0	NM

Key financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
Net Sales	2,334	2,974	3,502	4,004
EBITDA	402	545	670	811
Net Profit	123	161	203	264
EPS (₹)	26.4	34.5	43.5	56.5

Valuation summary				
	FY18	FY19E	FY20E	FY21E
P/E	59.2	45.3	35.9	27.7
Target P/E	66.3	50.7	40.2	31.0
EV / EBITDA	20.2	16.1	13.2	10.9
P/BV	6.8	5.9	5.1	4.4
RoNW (%)	11.5	13.1	14.3	15.8
RoCE (%)	14.7	13.3	15.1	16.7

Stock data	
Particulars	Amount
Market Capitalization (₹ Crore)	7,306.9
Total Debt (FY18) (₹ Crore)	830.5
Cash (FY18) (₹ Crore)	32.8
EV	8,103.5
52 week H/L	1675 / 1064
Equity capital	4.7
Face value	10.0

Price performance				
	1M	3M	6M	12M
PVR	-3.3	12.9	-1.4	-4.7
Inox	-8.4	9.7	-18.8	-4.9

Research Analyst	
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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	Q2FY19	YoY (%)	QoQ (%)	Comments
Revenue	843.1	765.3	557.3	708.6	51.3	19.0	The beat was on account of strong ATP (computed) which came in at ~₹ 212 (vs. ₹ 206) and reported footfalls that were at 25.7 mn vs. our estimate of 23.6 mn
Other Income	14.3	8.5	3.2	6.1	344.2	133.8	
Employee Expenses	95.7	80.7	62.2	77.0	53.9	24.3	
Film Distributors share	185.0	168.1	132.3	165.0	39.9	12.1	
F&B Cost	65.8	56.1	37.9	54.3	73.5	21.1	
Rent	123.9	122.0	99.4	115.9	24.7	6.9	
Repairs and Maintenance	208.4	189.0	125.2	172.3	66.4	20.9	
EBITDA	164.3	149.5	100.3	124.0	63.8	32.5	
EBITDA Margin (%)	19.5	19.5	18.0	17.5	148 bps	199 bps	
Depreciation	51.4	49.0	37.5	44.8	37.3	14.9	
Interest	37.9	34.3	21.2	29.8	78.9	27.0	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	33.7	25.4	15.4	21.2	119.6	59.4	
PAT	51.6	47.3	28.9	33.0	78.7	56.3	
Key Metrics							
Footfalls (mn)	25.7	23.6	17.4	23.4	47.7	9.8	
Occupancy (%)	35.2	31.7	29.1	34.6	20.8	1.6	
SPH (₹)	89.9	88.9	92.0	89.0	-2.3	1.0	
ATP (₹)	211.8	206.7	212.0	206.0	-0.1	2.8	

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E			FY21E	Comments
	Old	New	% Change	Old	New	% Change	New	
Revenue	2,883.9	2,973.6	3.1	3,392.7	3,501.8	3.2	4,004.0	Build in higher ATP for SPI based on Q3FY19 numbers
EBITDA	548.9	545.4	-0.6	660.7	669.7	1.4	811.0	
EBITDA Margin (%)	19.0	18.3	-69 bps	19.5	19.1	-35 bps	20.3	Build in lower margins to incorporate lower F&B margins ahead
PAT	167.0	161.3	-3.4	203.6	203.4	-0.1	264.0	
EPS (₹)	35.7	34.5	-3.4	43.6	43.5	-0.1	56.5	

Source: Company, ICICI Direct Research

Assumptions

	Current			Earlier			
	FY17	FY18	FY19E	FY20E	FY21E	FY19E	FY20E
Footfalls (mn)	75.2	76.1	96.1	114.4	124.7	91.1	103.6
SPH (₹)	81	88	88	86	90	90	93
ATP (₹)	196	210	205	194	203	216	226

Source: Company, ICICI Direct Research

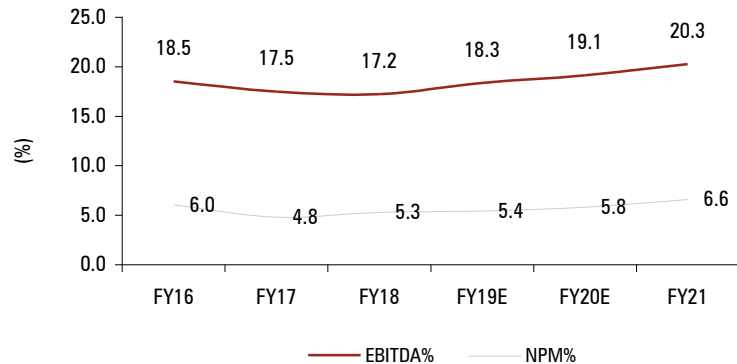
Company Analysis

Guides for healthy advertisement revenue growth ...

Ad revenues (ex SPI) was at ₹ 100 crore, up ~16% YoY. We note that the management has guided for 15% ad revenues growth in FY19, which implies 20%+ growth in Q4FY19. We build in 16% CAGR in FY18-21E to ₹ 462 crore in its advertisement revenues.

Margins to reach 20.3% in FY21E...

Exhibit 1: EBITDA & PAT margin trend



Source: Company, ICICI Direct Research

Conference Call Highlights

- Guides for 15% ad growth (ex-SPI) for FY19; F&B margins dip on stable pricing, change in tax:** The management guided for 15% ad revenue growth for FY19, out of which 7-8% growth would come from same store growth and the rest from screen additions. As per management, F&B growth would get a further boost from SPI consolidation in the future. The management indicated that F&B gross margins for the quarter dipped on account of i) the company not taking any price hike on F&B and ii) change in tax rate. The management indicated that F&B margins will come back to normal levels in the next three to six months
- Planning to add four to five theatres in affordable brand; other expenses up on disallowance of input tax credit:** The management informed they were still testing waters in terms of low cost brand and opened one screen under this brand in Jalgaon during the quarter. The company intends to open four to five more screens under this brand in the current fiscal and also indicated a pricing range of ₹ 100-125 for such screens. They indicated that other expenses for the quarter went up on account of i) disallowance of input tax credit as well as some other credits and ii) spending on royalties as well payout to consultants
- Initiates passing on GST cut benefits to consumers; no progress on outside food matter:** The company indicated they had started passing on benefits of GST rate cut to consumers and are of the opinion that a GST rate cut will make tickets more affordable and benefit the exhibition industry in terms of higher occupancy in the future. The management indicated there is no progress on the case pertaining to allowing outside food inside multiplex with the case still pending in Supreme Court. The management feels they have a strong case based on favourable judgements in Maharashtra and J&K cases

- **Guides for 90 screen openings in FY19; no immediate need of fund raising:** The management indicated that the current screen count is at 55 and maintained their guidance of opening 90 screens in FY19 since as per management, 30-35 screens are expected to open in March. They also indicated that capex for FY19 would remain in the guided range of ₹ 475-500 crore (including SPI), out of which ₹ 150-175 crore would be spent on maintenance/refurbishment. The company had taken an enabling resolution to raise ₹ 750 crore during the quarter, which would be valid for a year after shareholder's approval. The management indicated there is no urgent need for any fund raising at this juncture
- **SPI merger expected to be complete in four to five months; distribution of blockbuster movies boost SPI revenues:** The management indicated that the merger process with SPI Cinemas is on track. The scheme has been filed with NCLT. The company is expected to complete merger in four to five months. The management also indicated that SPI revenues for the quarter i.e ₹ 137 crore got a boost of ₹ 19 crore from distribution arm of SPI Cinemas on account of distribution of blockbuster movies during the quarter. However, SPI margins for the quarter were lower at 21% vs. their normalised margins of 25%, which was dragged by thin margin distribution business

Valuation

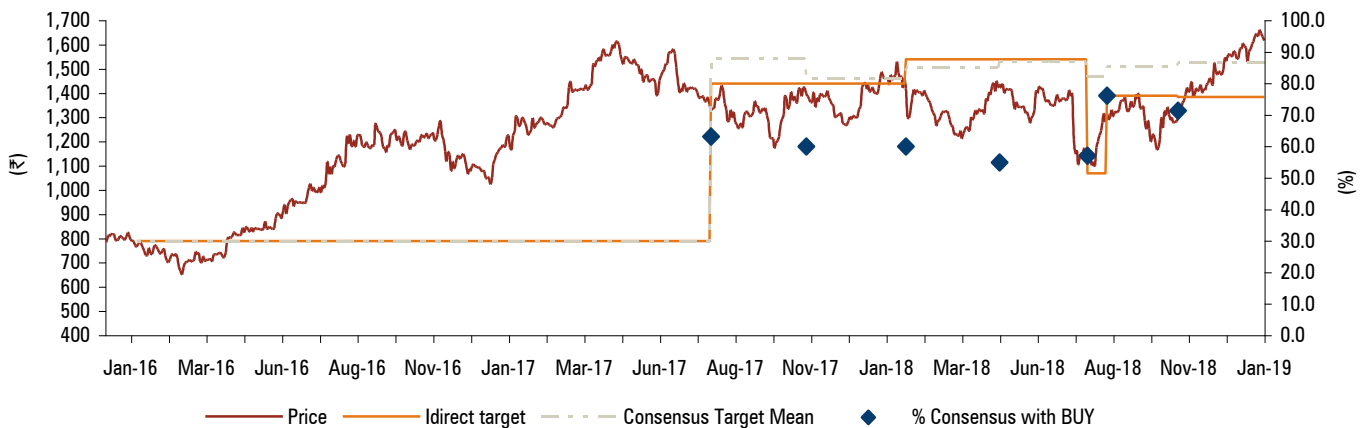
We believe the multiplex industry is staring at strong growth in the medium term as some of the major issues of higher GST for tickets and public outcry on higher F&B prices seem to be behind now. Furthermore, PVR remains a key beneficiary of a flourishing multiplex business, which is one of the proxies on rising urban discretionary consumption spends. The SPI deal is also an opportune move to capture favourable movie-viewing footfalls of southern India. We now roll over our valuations to FY21 and upgrade the stock to **BUY**. We value it at 12x FY21E EV/EBITDA and arrive at a target price of ₹ 1750.

Exhibit 2: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	2334.1	14.2	26.4	28.8	59.2	20.2	11.5	14.7
FY19E	2973.6	27.4	34.5	30.8	45.3	16.1	13.1	13.3
FY20E	3501.8	17.8	43.5	26.1	35.9	13.2	14.3	15.1
FY21E	4004.0	14.3	56.5	29.8	27.7	10.9	15.8	16.7

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus Estimates



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Jan-11	Imax, PVR sign a four theatre deal in India
Jun-12	Multiplexes no longer impacted by IPLs. They exhibit better occupancy even during the IPL season
Aug-12	PVR sells L Capital Eco equity stake of 10.6% based on its aggressive expansion plans
Oct-12	Shift in strategy from production to only distribution owing to heavy losses in the production business
Mar-13	Acquires Cinemax for a consideration of about ₹ 203 per share
Sep-13	Enters into a sale and lease back agreement for Anupam Cinemas, Delhi
Nov-14	Receives board of director's approval for NCD issue of ₹ 500 crore
Jun-15	PVR announces acquisition of DT Cinemas owned by DLF and operating 29 screens for a consideration of about ₹ 500 crore
May-16	PVR DT Cinemas deal gets cleared by the CCI, the revised deal is for 32 screens versus 39 screens initially

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bijli (Ajay)	30-Sep-18	11.58	5.4	0.0
2	Kumar (Sanjeev)	30-Sep-18	7.98	3.7	0.0
3	Berry Creek Investment Ltd.	30-Sep-18	7.67	3.6	0.0
4	Plenty Private Equity Fund I Ltd.	30-Sep-18	7.18	3.4	0.0
5	Gray Birch Investment Ltd.	30-Sep-18	6.33	3.0	0.0
6	Multiples Alternate Asset Management Private Limited	30-Sep-18	5.09	2.4	0.0
7	Aditya Birla Sun Life AMC Limited	30-Sep-18	5.08	2.4	0.9
8	ICICI Prudential Asset Management Co. Ltd.	30-Nov-18	4.87	2.3	0.7
9	MFS Investment Management	30-Sep-18	2.88	1.3	0.4
10	Artisan Partners Limited Partnership	30-Sep-18	2.42	1.1	0.0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	20.3	20.3	20.3	20.3	20.3
FII	43.6	43.6	40.9	39.5	40.0
DII	9.7	10.2	13.2	14.3	14.0
Others	26.5	26.0	25.6	26.0	25.7

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Aditya Birla Sun Life AMC Limited	+15.50M	+0.94M	Canara Robeco Asset Management Company Ltd.	-8.48M	-0.51M
Capital World Investors	+21.38M	+0.93M	IDFC Asset Management Company Private Limited	-6.51M	-0.32M
Capital Research Global Investors	+15.35M	+0.93M	Franklin Advisers, Inc.	-2.62M	-0.13M
ICICI Prudential Asset Management Co. Ltd.	+15.06M	+0.73M	Tata Asset Management Limited	-1.42M	-0.09M
Fidelity International Asset Management Company (Korea)	+7.83M	+0.47M	Ostrum Asset Management	-1.31M	-0.07M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement					₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Total operating Income	2,334.1	2,973.6	3,501.8	4,004.0	
Growth (%)	7.9	27.4	17.8	14.3	
Film Distributors Cost	537.7	681.5	818.5	945.8	
F&B Cost	159.1	224.9	285.5	324.4	
Employee Expenses	254.1	340.6	406.2	452.3	
Other Expenses	981.5	1,181.3	1,321.9	1,470.5	
Total Operating Expenditure	1,932.3	2,428.2	2,832.2	3,193.1	
EBITDA	401.8	545.4	669.7	811.0	
Growth (%)	12.6	35.7	22.8	21.1	
Depreciation	153.7	187.3	220.6	252.3	
Interest	83.7	127.3	168.5	182.7	
Other Income	31.3	32.6	40.0	40.0	
Exceptional Items	0.6	0.0	0.0	0.0	
PBT	195.2	263.4	320.5	416.1	
MI/PAT from associates	1.4	6.4	8.5	11.0	
Total Tax	70.4	95.8	108.7	141.0	
PAT	123.3	161.3	203.4	264.0	
Growth (%)	28.8	30.8	26.1	29.8	
EPS (₹)	26.4	34.5	43.5	56.5	

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E	
PAT	123.3	161.3	203.4	264.0	
Add: Depreciation	153.7	187.3	220.6	252.3	
Add: Interest Paid	83.7	127.3	168.5	182.7	
(Inc)/dec in Current Assets	-14.4	-49.5	-55.5	-52.7	
Inc/(dec) in CL and Provisions	41.9	127.2	107.2	104.1	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	388.3	553.7	644.2	750.3	
(Inc)/dec in Investments	-16.7	5.0	10.0	0.0	
(Inc)/dec in Fixed Assets	-230.2	-575.0	-500.0	-500.0	
Others	-52.7	-516.4	-59.7	-60.3	
CF from investing activities	(299.6)	(1,086.4)	(549.7)	(560.3)	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	10.9	680.0	100.0	100.0	
Dividend paid & dividend tax	-10.9	-10.9	-10.9	-10.9	
Less: Interest Paid	83.7	127.3	168.5	182.7	
Others	-167.4	-254.5	-337.1	-365.3	
CF from financing activities	(83.7)	541.8	(79.5)	(93.6)	
Net Cash flow	5.0	9.1	15.1	96.4	
Opening Cash	29.9	34.8	43.9	59.0	
Closing Cash	34.8	43.9	59.0	155.4	

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore
(Year-end March)	FY18	FY19E	FY20E	FY21E	
Liabilities					
Equity Capital	46.7	46.7	46.7	46.7	
Reserve and Surplus	1,028.6	1,181.0	1,373.5	1,626.6	
Total Shareholders funds	1,075.4	1,227.8	1,420.2	1,673.3	
Total Debt	830.5	1,510.5	1,610.5	1,710.5	
Others	1.4	201.0	201.2	200.9	
Total Liabilities	1,907.3	2,939.2	3,232.0	3,584.8	
Assets					
Total Fixed Assets	1,683.7	2,071.3	2,350.7	2,598.5	
Investments	18.7	13.7	3.7	3.7	
Goodwill on Consolidation	7.9	723.8	723.8	723.8	
Debtors	155.6	198.0	233.1	266.6	
Inventory	19.8	25.2	29.7	34.0	
Loans and Advances	1.0	1.0	1.0	1.0	
Other Current Assets	87.5	89.1	105.0	120.0	
Cash	32.8	43.9	59.0	155.4	
Total Current Assets	296.7	357.3	427.8	577.0	
Total Current Liabilities	441.6	568.8	676.0	780.1	
Net Current Assets	-144.9	-211.5	-248.1	-203.1	
Other Non Current Assets	341.9	341.9	401.9	461.9	
Application of Funds	1,907.3	2,939.2	3,232.0	3,584.8	

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS (Diluted)	20.5	26.4	34.5	43.5
Cash EPS	50.1	59.3	74.6	90.8
BV	206.5	230.2	262.8	304.0
DPS	2.3	2.3	2.3	2.3
Cash Per Share	6.4	7.0	9.4	12.6
Operating Ratios (%)				
EBITDA Margin	17.5	17.2	18.3	19.1
EBIT / Net Sales	10.7	10.6	12.0	12.8
PAT Margin	4.8	5.3	5.4	5.8
Inventory days	3.4	3.1	3.1	3.1
Debtor days	18.2	24.3	24.3	24.3
Creditor days	35.3	39.3	40.0	40.0
Return Ratios (%)				
RoE	10.2	11.5	13.1	14.3
RoCE	13.0	14.7	13.3	15.1
RoIC	14.2	15.5	18.3	20.3
Valuation Ratios (x)				
P/E	76.3	59.2	45.3	35.9
EV / EBITDA	22.7	20.2	16.1	13.2
EV / Net Sales	4.0	3.5	3.0	2.5
Market Cap / Sales	3.6	3.1	2.5	2.1
Price to Book Value	7.6	6.8	5.9	5.1
Solvency Ratios				
Net Debt/EBITDA	2.2	2.0	2.7	2.3
Net Debt / Equity	0.8	0.7	1.2	1.1
Current Ratio	1.2	1.0	0.9	0.9
Quick Ratio	1.1	0.9	0.8	0.8

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Media)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
DB Corp (DBCORP)	173	215	Buy	3,182	17.1	15.6	20.0	10.1	11.1	8.6	5.3	6.3	4.8	23.1	22.4	25.9	16.3	16.0	18.5
DISH TV (DISHTV)	20	42	Hold	3,756	-0.4	0.8	2.1	NM	24.1	9.9	4.6	2.7	2.3	3.1	8.8	10.4	0.1	2.4	5.4
ENIL (ENTNET)	564	690	Hold	2,689	7.5	12.1	22.3	75.4	46.6	25.3	22.5	18.2	11.9	6.2	9.0	15.1	3.5	6.1	10.2
Inox Leisure (INOX)	251	260	Buy	2,409	11.9	8.9	11.5	21.0	28.1	21.8	12.8	11.4	9.5	13.2	13.2	14.7	10.6	11.4	12.8
Jagran Praka (JAGPRA)	103	130	Hold	3,208	10.6	9.6	8.3	9.7	10.7	12.4	4.9	5.5	5.9	18.9	18.6	16.7	16.1	14.7	12.3
Music Broadcast (MUSBRO)	275	450	Buy	1,569	9.1	10.4	14.4	30.3	26.5	19.1	14.3	12.3	9.6	14.3	14.3	19.5	8.6	9.0	12.6
PVR (PVRLIM)	1,565	1,750	Buy	7,312	26.4	34.5	43.5	59.3	45.3	35.9	20.2	16.1	13.2	14.7	13.3	15.1	11.5	13.1	14.3
Sun TV (SUNTV)	500	675	Hold	19,714	28.8	36.9	37.5	17.4	13.6	13.3	8.9	6.8	6.1	35.5	37.7	33.0	24.2	25.6	22.1
TV Today (TVTNET)	347	450	Buy	2,070	19.9	25.7	29.8	17.4	13.5	11.6	9.0	7.1	5.4	30.4	30.2	29.8	19.3	19.5	19.0
ZEE Ent. (ZEEENT)	350	500	Buy	33,614	15.4	16.5	20.0	22.7	21.2	17.5	14.8	11.8	9.7	25.6	25.2	25.5	15.3	15.4	15.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct Research endeavours to provide objective opinions and recommendations ICICI Direct Research assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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