

Healthy performance

PVR's Q4FY19 performance was strong on account of healthy box office collections as well as strong growth from F&B as well as advertisement revenues. Net box office collections came in at ₹ 451.3 crore, with footfalls at 27.5 mn. F&B revenues came in at ₹ 231.9 crore. Ad revenues grew 22.4% YoY to ₹ 88.1 crore. EBITDA came in at ₹ 160.8 crore, better than our expectations on account of superior advertisement as well as F&B performance. PAT came in at ₹ 46.4 crore, largely in line with expectations as higher depreciation and interest cost offset the outperformance at EBITDA level.

Falls short on screen additions; looking to recover in FY20

We highlight that PVR added 70 screens in FY19, lower than its earlier guidance of 90 screens in FY19. The company cited regulatory approval delays as the cause for this shortfall. It guided 80-100 screen additions in FY20 and said 13 screens had already been added in YTD FY20. PVR is looking to incur capex of ₹ 500-600 crore in FY20. Two-third of the capex is likely to be towards new screens while one-third will be for upgrades and maintenance of existing screens. We build in 80 screen additions in FY20 and FY21 each. It also intends to increase the mix of premium screens from current 10% of the portfolio to 15% over the next three years. We expect net box office collection to grow at 15.7% CAGR in FY19-21E.

Looking for realisation led advertisement growth ahead

During the year, the company had taken a cautious call to reduce ad inventory per minute to strengthen movie watching experience, based on customer feedback. PVR also intends to increase advertisement rates to compensate for ad inventory cut, which has been at 18 minutes/hour/show and 22 minutes/hour/show for premium and non-premium screens. Furthermore, the company is also working on non-screen ad and expects the same to scale up over 12-18 months. Going ahead, the company expects the overall ad growth to continue its steady double digit trajectory. We build in 14.7% CAGR advertisement growth in FY19-21E to ₹ 464.1 crore. We bake in 13.5% CAGR revenue growth in F&B in FY19-21E to be driven by strong content led footfall as well as selective moderation in F&B prices recently.

Valuation & Outlook

The multiplex industry continues to be in a sweet spot as content continues to perform well while some major issues of higher GST for tickets and public outcry for higher F&B prices seem to be behind now. PVR remains a key beneficiary of such as structural tailwinds. However, given the recent run up (up ~20% in last three months), we downgrade it to **HOLD**. We value it at 12.5x FY21E EV/EBITDA and arrive at a target price of ₹ 1910.



Particulars

Particulars	Amount
Market Capitalization (₹ Crore)	8,123.4
Total Debt (FY19) (₹ Crore)	1,282.4
Cash (FY19) (₹ Crore)	34.1
EV	8,920.1
52 week H/L	1823 / 1064
Equity capital	4.7
Face value	10.0

Key Highlights

- The company expects the overall ad growth to continue its steady double digit trajectory
- The company guided 80-100 screen additions in FY20
- Given the recent run up (up ~20% in last 3 months), we downgrade to **HOLD** with target price of ₹ 1910/share

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Key Financial Summary

(Year-end March)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales (₹ crore)	2,043.6	2,334.1	3,085.6	3,598.3	4,102.5	15.3
EBITDA (₹ crore)	357.0	401.8	586.3	682.9	824.0	18.5
Net Profit (₹ crore)	95.8	123.3	183.2	210.9	282.5	24.2
EPS (₹)	20.5	26.4	39.2	45.1	60.5	
P/E (x)	84.8	65.8	44.3	38.5	28.7	
Price / Book (x)	8.4	7.6	6.6	5.6	4.7	
EV/EBITDA (x)	25.0	22.2	16.0	13.9	11.5	
RoCE (%)	13.0	14.7	13.8	14.5	16.5	
RoE (%)	10.2	11.5	14.8	14.7	16.5	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	Q3FY19	YoY (%)	QoQ (%)	Comments
Revenue	837.6	841.2	584.9	843.1	43.2	-0.6	NBOC growth came in a tad below on lower footfalls while advertisement and F&B revenue growth came in higher than expectations
Other Income	8.5	10.0	7.5	14.3	13.0	-40.3	
Employee Expenses	90.4	96.5	65.3	95.7	38.4	-5.6	
Film Distributors share	185.6	193.1	127.1	185.0	46.0	0.3	
F&B Cost	67.9	67.0	41.4	65.8	63.9	3.2	
Rent	135.8	129.0	106.1	123.9	28.0	9.6	
Repairs and Maintenance	197.2	200.2	150.6	208.4	30.9	-5.4	
EBITDA	160.8	155.4	94.4	164.3	70.4	-2.1	Aided by higher ad as well as F&B growth
EBITDA Margin (%)	19.2	18.5	16.1	19.5	306 bps	-29 bps	
Depreciation	54.9	52.1	39.4	51.4	39.5	6.8	
Interest	39.5	38.8	21.0	37.9	88.1	4.3	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	26.5	25.3	15.3	33.7	72.7	-21.6	
PAT	46.4	46.6	26.2	51.6	77.2	-10.0	
Key Metrics							
Footfalls (mn)	27.5	27.7	19.0	25.7	44.7	7.0	
Occupancy (%)	37.0	37.1	31.5	35.2	17.5	5.3	
SPH (₹)	91.0	86.0	87.0	89.9	4.6	1.3	
ATP (₹)	195.0	195.4	209.0	211.8	-6.7	-7.9	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY20E			FY21E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	3,607.4	3,598.3	-0.3	4,130.1	4,102.5	-0.7	Realign our estimates post Q4 results
EBITDA	683.9	682.9	-0.1	830.1	824.0	-0.7	
EBITDA Margin (%)	19.0	19.0	2 bps	20.1	20.1	-1 bps	
PAT	211.6	210.9	-0.3	287.3	282.5	-1.7	
EPS (₹)	45.3	45.1	-0.4	61.5	60.5	-1.7	

Source: Company, ICICI Direct Research

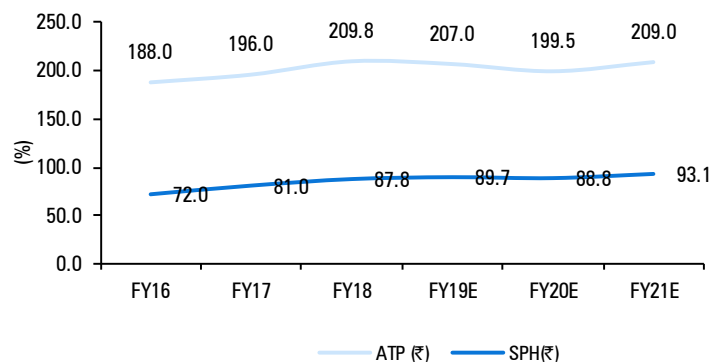
Exhibit 3: Assumptions

	Current				Earlier		
	FY17	FY18	FY19E	FY20E	FY21E	FY20E	FY21E
Footfalls (mn)	75.2	76.1	99.3	113.4	123.2	114.4	124.7
SPH (₹)	81	88	90	89	93	86	90
ATP (₹)	196	210	207	199	209	194	203

Source: Company, ICICI Direct Research

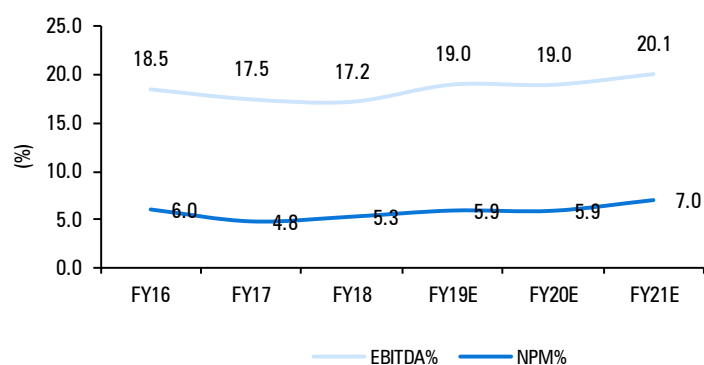
Financial story in charts

Exhibit 4: ATP and SPH trend



Source: Company, ICICI Direct Research

Exhibit 5: EBITDA and PAT margin trend

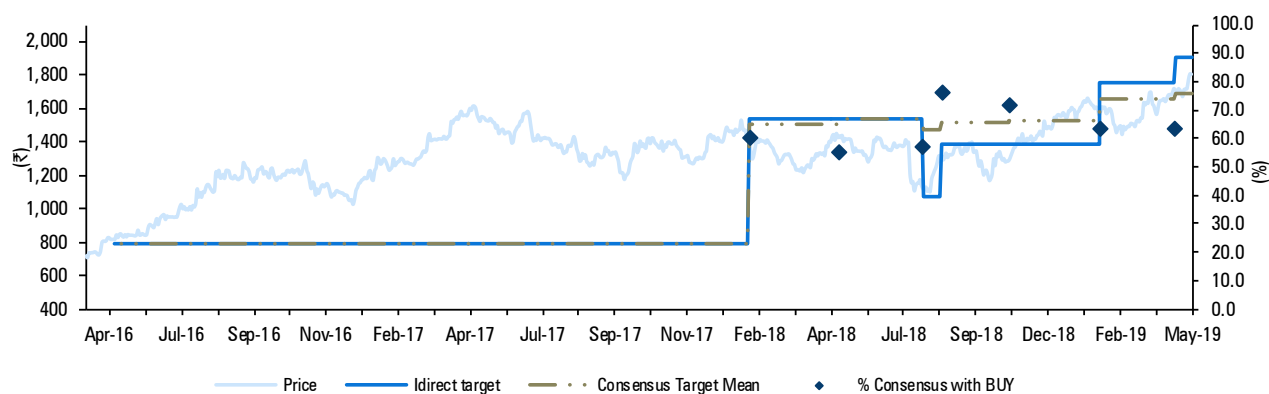


Source: Company, ICICI Direct Research

Conference Call Highlights

- Guides for capex of ₹ 500-600 crore, screen addition of ~80-100 in FY20:** The company added 70 screens on an organic basis and alluded to regulatory delays for not reaching its targeted screen addition of 90. So far, PVR has opened 13 screens in Q1FY20, and has guided for 80-100 screens addition, also aided by spill over of the screens in FY19. The capex for FY19 was ₹ 480 crore. For FY20E, the company expects capex of ₹ 500-600 crore. The two third of the capex is likely to be towards new screens, while one-third will be for upgrades and maintenance of existing screens.
- SPH to pick up as price rationalisation done:** Given the outcry over F&B prices, the company had rationalised some F&B prices and now expects SPH to inch up, also aided by lower outgo on ticket pricing (GST benefits).
- Double digit ad revenues growth guidance for FY20; focusing on non-screen ad and improving customer experience on screen ad:** The company expects the overall ad growth to continue its steady double digit trajectory. During Q4, advertisement momentum was weak from segments such as auto, telecom service providers, etc. However, the focus is on reducing the ad volumes (especially in iconic cinemas) and using pricing as a lever for growth. Furthermore, the company is also working on non-screen ad and expects the same to scale up over 12-18 months
- SPI weak in Q4, given weak regional content; reiterates EBITDA guidance of ₹ 100 crore in FY20:** The performance of SPI Cinemas for the quarter was weak on sequential basis (numbers are not available for YoY comparison) on account of seasonally weak quarter for Tamil and Telugu movies which forms large part of their content slate. Box office collections for SPI Cinemas were down 14.7% QoQ to ₹ 48.07 crore on account of 13.6% QoQ decline in footfalls to 38 lakh, while ATP declined by 8.1% QoQ to ₹ 158. Ad growth declined 19.6% YoY while F&B revenues declined 12.4% YoY. The company reiterated the guidance of ₹ 100 crore EBITDA. PVR also expects the advertisement of SPI to scale up, going ahead, given the network effect
- Premiumisation:** The company is focussing on converting the existing screens in mature catchment areas to premium screens. Currently, 76 screens (~10% of the total) is premium and the company expects the overall portfolio to have ~15% premium screens in next 3 years.
- Others:** Gross debt is ₹ 1280 crore while the company expects the capex for FY20 to be largely met by internal accruals and some incremental debt.

Exhibit 6: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 7: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bijli (Ajay)	31-03-2019	11.58	5.41M	0.0
2	Kumar (Sanjeev)	31-03-2019	7.98	3.73M	0.0
3	Berry Creek Investment Ltd.	31-03-2019	7.67	3.58M	0.0
4	Plenty Private Equity Fund I Ltd.	31-03-2019	7.18	3.36M	0.0
5	Gray Birch Investment Ltd.	31-03-2019	6.33	2.96M	0.0
6	Multiples Alternate Asset Management Private Limite	31-03-2019	5.09	2.38M	0.0
7	ICICI Prudential Asset Management Co. Ltd.	31-03-2019	4.53	2.12M	-0.02M
8	Aditya Birla Sun Life AMC Limited	31-03-2019	4.02	1.88M	-0.28M
9	Sundaram Asset Management Company Limited	31-03-2019	2.35	1.10M	+0.02M
10	Capital Research Global Investors	31-12-2018	1.98	0.93M	0.0

Source: Reuters, ICICI Direct Research

Exhibit 8: Recent Activity

Buys				Sells		
Investor name	Value	Shares		Investor name	Value	Shares
Bottom Billion Fund	+12.47M	+0.52M		Canara Robeco Asset Management Company Ltd.	-8.77M	-0.53M
MFS Investment Management	+7.25M	+0.30M		Wellington Management Company, LLP	-11.62M	-0.50M
J.P. Morgan Asset Management (Hong Kong) Ltd.	+0.96M	+0.05M		Kotak Mahindra Asset Management Company Ltd.	-9.40M	-0.39M
Union Asset Management Company Private Limited	+0.77M	+0.03M		BNP Paribas Asset Management India Pvt. Ltd.	-7.54M	-0.32M
The Vanguard Group, Inc.	+0.51M	+0.02M		Reliance Nippon Life Asset Management Limited	-7.29M	-0.31M

Source: Reuters, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	20.25	20.25	20.25	20.25	20.25
FII	43.56	40.93	39.47	40.04	42.04
DII	10.15	13.22	14.25	13.99	12.31
Others	26.04	25.60	26.03	25.72	25.40

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	2,334.1	3,085.6	3,598.3	4,102.5
Growth (%)	7.9	32.2	16.6	14.0
Film Distributors Cost	537.7	701.9	836.4	963.3
F&B Cost	159.1	238.7	291.7	330.3
Employee Expenses	254.1	337.3	395.4	460.7
Other Expenses	981.5	1,221.3	1,391.9	1,524.2
Total Operating Expenditure	1,932.3	2,499.2	2,915.4	3,278.5
EBITDA	401.8	586.3	682.9	824.0
Growth (%)	12.6	45.9	16.5	20.7
Depreciation	153.7	191.3	226.7	258.5
Interest	83.7	128.0	159.9	160.4
Other Income	31.3	33.1	36.0	40.0
Exceptional Items	0.6	0.0	0.0	0.0
PBT	195.2	300.2	332.3	445.2
MI/PAT from associates	1.4	7.3	8.8	11.8
Total Tax	70.4	109.7	112.7	150.9
PAT	123.3	183.2	210.9	282.5
Growth (%)	28.8	48.5	15.1	33.9
EPS (₹)	26.4	39.2	45.1	60.5

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
PAT	123.3	183.2	210.9	282.5
Add: Depreciation	153.7	191.3	226.7	258.5
Add: Interest Paid	83.7	128.0	159.9	160.4
(Inc)/dec in Current Assets	-14.4	-95.4	-59.0	-58.5
Inc/(dec) in CL and Provisions	41.9	366.2	134.4	132.0
Others	0.0	0.0	0.0	0.0
CF from operating activities	388.3	773.2	672.8	774.9
(Inc)/dec in Investments	-16.7	8.7	10.0	0.0
(Inc)/dec in Fixed Assets	-230.2	-1,529.2	-550.0	-550.0
Others	-52.7	443.8	-59.7	-60.3
CF from investing activities	(299.6)	(1,076.7)	(599.7)	(610.3)
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	10.9	451.9	100.0	0.0
Dividend paid & dividend tax	-10.9	-13.3	-10.9	-10.9
Less: Interest Paid	83.7	128.0	159.9	160.4
Others	-169.5	-261.7	-319.8	-320.7
CF from financing activities	(85.8)	304.9	(70.8)	(171.3)
Net Cash flow	2.9	1.5	2.3	-6.7
Opening Cash	29.9	32.8	34.2	36.5
Closing Cash	32.8	34.2	36.5	29.8

Source: Company, ICICI Direct Research

Exhibit 12: 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	1,192.8	1,392.8	1,664.3
Total Shareholders funds	1,075.4	1,239.5	1,439.5	1,711.1
Total Debt	830.5	1,282.4	1,382.4	1,382.4
Others	1.4	579.2	579.5	579.2
Total Liabilities	1,907.3	3,101.1	3,401.5	3,672.7
Assets				
Total Fixed Assets	1,683.7	3,021.6	3,344.9	3,636.4
Investments	18.7	9.9	-0.1	-0.1
Goodwill on Consolidation	7.9	-	-	-
Debtors	155.6	183.9	213.9	243.9
Inventory	19.8	30.3	35.4	40.3
Loans and Advances	1.0	1.2	1.2	1.2
Other Current Assets	87.5	143.9	167.9	191.4
Cash	32.8	34.1	36.5	29.8
Total Current Assets	296.7	393.5	454.9	506.6
Total Current Liabilities	441.6	807.7	942.1	1,074.1
Net Current Assets	-144.9	-414.3	-487.2	-567.5
Other Non Current Assets	341.9	483.9	543.9	603.9
Application of Funds	1,907.3	3,101.1	3,401.5	3,672.7

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS (Diluted)	20.5	26.4	39.2	45.1
Cash EPS	50.1	59.3	80.2	93.7
BV	206.5	230.2	265.3	308.1
DPS	2.3	2.3	2.8	2.8
Cash Per Share	6.4	7.0	7.3	7.8
Operating Ratios (%)				
EBITDA Margin	17.5	17.2	19.0	19.0
EBIT / Net Sales	10.7	10.6	12.8	12.7
PAT Margin	4.8	5.3	5.9	5.9
Inventory days	3.4	3.1	3.6	3.6
Debtor days	18.2	24.3	21.7	21.7
Creditor days	35.3	39.3	43.5	43.5
Return Ratios (%)				
RoE	10.2	11.5	14.8	14.7
RoCE	13.0	14.7	13.8	14.5
RoIC	14.2	15.5	14.2	14.8
Valuation Ratios (x)				
P/E	84.8	65.8	44.3	38.5
EV / EBITDA	25.0	22.2	16.0	13.9
EV / Net Sales	4.4	3.8	3.0	2.6
Market Cap / Sales	4.0	3.5	2.6	2.3
Price to Book Value	8.4	7.6	6.6	5.6
Solvency Ratios				
Net Debt/EBITDA	2.2	2.0	2.1	2.0
Net Debt / Equity	0.8	0.7	1.0	0.9
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

Exhibit 14: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP	TP (₹)	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
DB Corp (DBCORP)	189	215	Buy	3,486	15.4	19.9	21.5	12.3	9.5	8.8	7.0	5.3	4.6	23.1	22.0	25.8	16.3	15.7	18.4
ENIL (ENTNET)	456	630	Buy	2,172	10.7	17.4	24.1	42.4	26.2	18.9	14.4	10.2	7.2	6.2	8.9	12.5	3.5	5.5	8.2
Inox Leisure (INOX)	309	385	Buy	3,172	12.1	13.9	18.1	25.6	22.2	17.1	11.0	9.7	7.6	13.2	17.6	17.4	10.6	13.0	13.0
PVR (PVRLIM)	1,723	1,910	Buy	8,050	39.2	45.3	61.5	43.9	38.0	28.0	16.3	13.9	11.4	14.7	14.4	15.7	11.5	14.7	14.6
Sun TV (SUNTV)	536	605	Hold	21,109	36.9	36.9	40.4	14.5	14.5	13.3	7.1	6.7	5.8	35.5	38.8	33.6	24.2	26.1	22.5
TV Today (TVTNET)	287	350	Hold	1,713	24.4	26.9	29.6	11.8	10.7	9.7	6.1	4.9	3.9	30.4	28.8	27.4	19.3	18.7	17.6
ZEE Ent. (ZEEENT)	342	410	Hold	32,850	16.2	17.9	20.5	21.1	19.2	16.7	11.7	10.3	8.7	25.6	24.8	23.3	15.3	15.1	14.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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