MOTILAL OSWAL

18 February 2021

Update | Sector: Media

PVR

BSE SENSEX	S&P CNX
51,325	15,119

CMP: INR1,486 TP: INR1,620 (+9%) Neutral

Some respite from pandemic woes, but OTT overhang persists

Finally some relief from COVID-19 restrictions

After remaining severely impacted for nearly a year, weighed by the COVID-19 disruption, the Cinema industry's plea has finally been heard by the central government – cinema operators are now allowed to operate their screens with 100% occupancy. Although it would take some months for operations to commence entirely (as many states are still restricting occupancy to 50%), the silver lining is that the release of some fresh content in the regional markets has shown good traction. Moreover, the content pipeline looks strong, with many big banner movies (initially scheduled for release in CY20) awaiting release, including the recent announcement of the Salman Khan starrer 'Radhe' in May'21. The rollout of COVID vaccines and cinemas being allowed to run at 100% capacity in Tamil Nadu are welcome positives. However, pan-India recovery could take longer, until which the risk of lower occupancy may continue to put pressure on cash flows and more blockbusters may be released on OTT platforms.

Fresh screen adds could slow over next 1–2 years

Multiplexes, particularly PVR, have experienced one of the fastest growth rates, driven by consistent screen additions in the last five years; they have benefited from: a) low penetration of good-quality screens in India and b) value migration from single-screen theatres to multiplexes. The management has indicated that operations at 15–20 new screens, which are in the advanced stage of development, may commence by Mar'21. It further indicated long-term screen adds would remain intact as normalcy returns. Compared with ~80 screen adds each in the last two years, COVID-19 has severely impacted the pace of new screen additions. We believe this impact may continue to be seen over the next 1–2 years due to the development of new malls – which could prove challenging given the ongoing pressure on real estate players and incremental balance sheet stress due to prolonged recovery. On the flip side, lower rentals in the backdrop of weak market conditions could offer better business economics and aid in accelerating additions.

Changing dynamics in Entertainment market

The improving ecosystem of OTT consumption, led by increased digital content and data penetration, is a well-known evil. This is despite the Cinema segment's value propositions, such as a better movie-watching experience, limited alternatives for recreation in India, and favorable comparisons with the developed markets (such as the US). However, occupancy rates are at risk of softening over time due to certain inevitable factors. A) The contribution of movie theatres in the movie revenue pie has declined to 75% in India and ~40% globally. Over time this could diminish the bargaining power of cinemas in India for exclusive screening windows – this trend is already seen globally. B) Increasing viewership and the growing size of the OTT market are attracting a strong talent pool and the ability to develop good-quality content, which is creating a strong substitute (unlike TV content), especially in a price-sensitive market such as India.

Stock Info

Bloomberg	PVRL IN
Equity Shares (m)	47
M.Cap.(INRb)/(USDb)	90.3 / 1.3
52-Week Range (INR)	2083 / 707
1, 6, 12 Rel. Per (%)	-7/-15/-53
12M Avg Val (INR M)	2839
Free float (%)	82.9

Financials Snapshot (INR b)

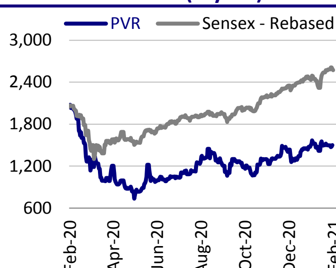
Y/E March	FY21E	FY22E	FY23E
Sales	3.4	35.2	43.2
EBITDA	-3.6	5.6	7.6
Adj. PAT	-5.4	1.0	2.2
EBITDA Margin (%)	-106.2	16.0	17.5
Adj. EPS (INR)	-89.1	17.1	36.7
EPS Gr. (%)	NM	NM	113.8
BV/Sh. (INR)	335.5	352.7	389.3
Ratios			
Net D:E	2.1	1.9	1.6
RoE (%)	NM	5.0	9.9
RoCE (%)	NM	6.0	8.8
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	86.7	40.5
P/BV (x)	4.4	4.2	3.8
EV/EBITDA (x)	NM	16.5	12.1
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	18.8	18.8	18.4
DII	26.6	30.1	30.1
FII	38.5	34.6	42.9
Others	16.1	16.6	8.6

FII Includes depository receipts

Stock Performance (1-year)



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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

C) Deep-pocketed players such as Netflix, Amazon, and Disney, despite weak business economics presently, could invest for the long haul.

Reducing occupancies could pressure earnings, ROCE

PVR's recent sharp cost-cutting is commendable and underscores the management's ability to maneuver costs and achieve breakeven at merely 18–20% occupancy levels. Over the last five years, occupancies have improved given multiplexes' better value proposition. However, any substitution-led softening of occupancy could hurt business economics, the return profile, and earnings growth. As the business of multiplexes is inherently a fixed-cost business – nearly 60% of the cost is fixed – it is highly sensitive to occupancy and heavily dependent on content pull and the potential threat from OTT. Thus, a 500bp reduction in occupancy and ticket prices lowers FY23E EBITDA by 54% and ROE by ~13 percentage points. At the stable-state level, the business has the potential to garner 18–20% post-tax ROCE (including corporate expenses). However, with a ~20% portfolio of new screens and components / goodwill, company-level ROIC stands at 12%.

Maintain Neutral

PVR multiple round of fund raise in the recent past has ensured comfortable liquidity but it has led to 15% cumulative dilution. Thus despite the stock being 25% down from its peak, decline in EV has been merely 4% with EV/EBITDA and P/E being merely 5-10% discount to its five year average at 12x and 41x on FY23E.

Our current Base case assumption factors in gradual recovery in FY22, while building in revenue/EBITDA at FY20 levels and 23%/34% revenue/EBITDA growth for FY23E. Over the next 6-9 months, the resumption of total operations should aid earnings recovery, keeping the stock in good stead; however, the overhang of OTT and subsequent risk of softening occupancies could put pressure on the valuation band over time – given the risk of softening occupancies. Thus, we maintain Neutral, with TP of INR1,620 and a valuation of EV/EBITDA of 14x (in-line with the five-year average) on FY23E.

Challenges to persist over recovery in operations

Slowly getting back on track

Movie exhibitors have been facing major challenges since the pandemic outbreak, but have now gradually begun operations in a phased manner following the central government's decision to allow 100% occupancies. PVR has gained operating permission for the majority of its screens, although many states are still limiting occupancy to 50%. In the interim, despite the opening up of theatres, it may take some more months to ease back into normal operations – as the risk of COVID may restrict footfall, due to which production houses may be reluctant to release new content.

Strong content pipeline, but release dates pose dilemma

The list of movies awaiting release is long, with many big-tickets, highlighting a robust content pipeline. A couple of Hollywood movies were released last quarter (Tenet and Wonder Woman 1984), Bollywood movies (*Indoo ki Jawani* and *Suraj Pe Mangal Bhari*), footfall and regional movies (Master) saw improving traction on occupancies bringing hope of recoveries. The Salman Khan starrer 'Radhe: Your Most Wanted Bhai' also announced a May'21 release. However, as the COVID impact eases, footfall could take some more months to revive to a stable state. Also, given the long list of movies awaiting release, the streamlining of regular content flow may take a while to ensure content does not get bunched up. In the interim, smaller ticket movies may be considered for release over OTT platforms.

Exhibit 1: Expected movie pipeline in CY21

Bollywood	Bollywood	Bollywood	Hollywood
83	Chandigarh Kare Aashiqui	Maidaan	Ghosbusters After Life
Sardar Udham Singh	The Song Of Scorpions	Raksha Bandhan	Peter Rabbit 2
Sooryavanshi	Radhe: Your Most Wanted Bhai	Phone Bhoot	Free Guy
Bunty Aur Babli	Rrr	Takht	The King's Man
Mumbai Saga	Laal Singh Chaddha	Satyameva Jayate 2	Monster Hunter
Toofan	Cirkus	Toofan	Tom & Jerry
Kgf 2	Pippa	Bhool Bhulaiyaa 2	Dune
Jayesh Bhai Jordaar	Brahmastra	Bhoot Police	The Suicide Squad
Thalaivi	Atrangi Re	Chehre	The Conjuring: The Devil Making Me Do It
Gangubai Kathiawadi	Bell Bottom	Hungama 2	King Richard & Judas
Prithviraj	Jersey	Roohi Afzana	Black Messiah
Pushpa	Pathan	Om: The Battle Within	
Khuda Haafiz Chapter 2	Mission Majnu		

Source: MOFSL, Company

Exhibit 2: Movies released on OTT apps since the COVID-19 outbreak

Gulabo Sitabo	Amazon Prime
Dil Bechara	Disney + Hotstar
Raat Akeli Hai	Netflix
Gunjan Saxena: The Kargil Girl	Netflix
Shakuntala Devi	Amazon Prime
Ghoomketu	Zee5
Class Of ’83	Netflix
Cargo	Netflix
Coolie No. 1	Amazon Prime

Expansion and capex appear challenging in near future

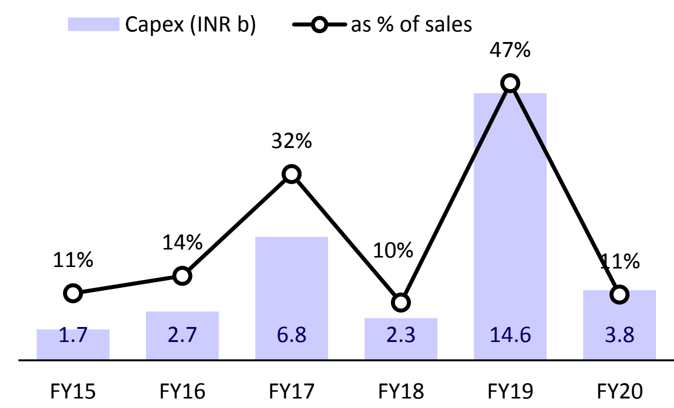
Healthy organic growth thus far…

The Exhibition industry has seen value migration toward multiplexes, whose count stood at 3,200 in 2019 (9% CAGR over 2016–19). The number of single screens declined to 6,327 in 2019 from 7,031 in 2016 (closure of 704 single screens over 2016–19). Leveraging on the trend, PVR has added a healthy 324 screens organically in the last five years. It added 84/79 screens in FY19/FY20, reflecting an increased pace of additions. The company’s annual capex has been commendable in the last five years (at INR2–4b/year), implying capex of 11–14% of sales. Additionally, it acquired SPH Cinemas for ~INR5.3b in FY19 to bolster its presence in southern India.

…but upcoming years could slow expansion

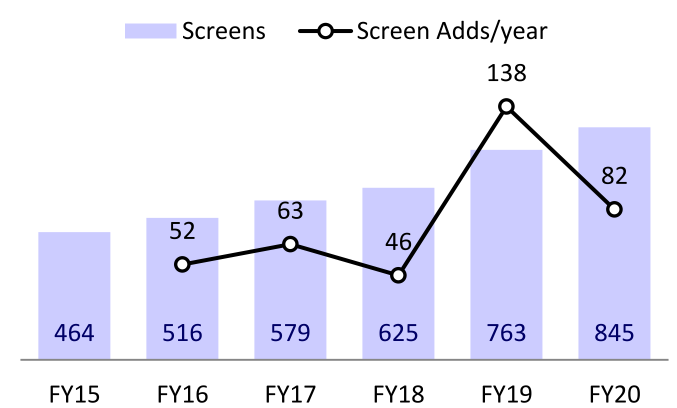
However, going forward, we believe capex plans and the pace of expansion may slow on account of consolidation in the Commercial Real Estate sector – as developers continue to face challenges. Multiplexes rely largely on new mall and shopping complex openings for expansion. Many of the on-going and upcoming mall developments have been stuck on account of delay in sourcing finance for existing projects and liquidity concerns. Thus, the pace of new large mall additions would reduce. Furthermore, slow recovery in occupancy and increasing leverage could also slow the capex intensity over the next 1–2 years, despite the company having indicated that its long-term growth plans remain intact.

Exhibit 3: Capex has remained strong for the past five years



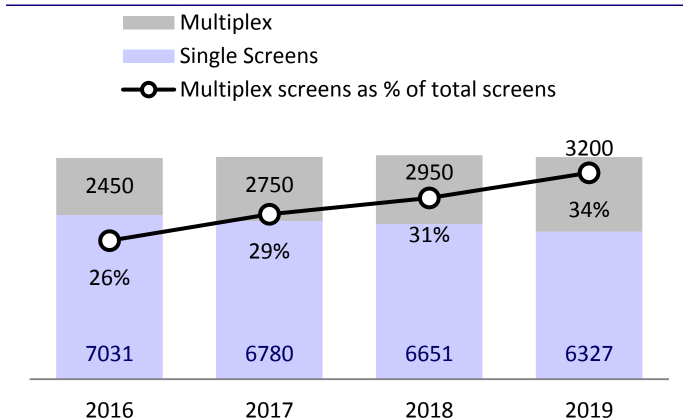
Source: MOFSL, Company

Exhibit 4: Along with strong screen additions



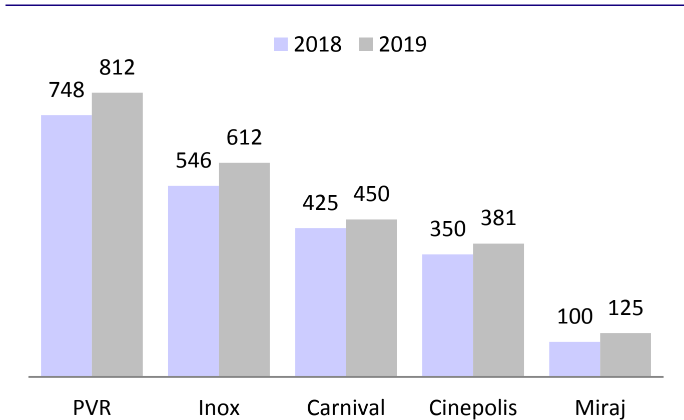
Source: MOFSL, Company

Exhibit 5: Rising trend of multiplexes would continue



Source: FICCI, Company

Exhibit 6: PVR remains the biggest movie exhibitor (no. of screens)



Source: FICCI, Company

Threat from OTT platforms

Drawing parallels from past as well as global industry gives comfort

Despite the advent of satellite broadcasting and DTH, India's Theatrical industry has grown at a steady pace over the past 10 years; it stood at INR115.2b (13% YoY growth) in 2019, as per FICCI. Even in the matured US market, the Theatrical industry has grown (albeit at a slower pace) despite high data consumption and the existence of OTT platforms for nearly a decade now.

OTT still nascent in India, although growing rapidly…

The size of India's OTT Subscription market was just INR28b in 2019. However, it has doubled in the last year and is expected to more than double to INR62b by FY22. Paid subscribers have grown 2.5x to 11m in the last year and are estimated to grow 50% in 2020. This underscores the pace at which OTT is gaining ground despite India's perception of a subscription-free market – owing to 1,600 hours of content produced in 2019 and 2,800 hours in the last two years. Similarly, the advertising-based video-on-demand (AVOD) model, though, is much smaller in size and growing aggressively.

Exhibit 7: Digital subscription revenues grew 110% in 2019

INR m	2018	2019	2020E	2022E
Video	13.4	28.2	41.5	62.4
YoY growth		110%	47%	50%

Source: FICCI, MOFSL

OTT's increasing share may increase its bargaining power against exhibitors

Globally, in the Entertainment industry, the market share of digital platforms increased to 48% in 2019 from 22% in 2015, while the share of theatres declined to 42% in 2019 from 52% in 2015. In the US, the share of digital platforms increased to 56% in 2019 (from 31% in 2015), while the share of theatres declined to 31% in 2019 (from 38% in 2015) – driven by the rising trend of OTT apps. In India, too, the contribution of theatres in movie revenue has declined to 75%. The Digital/OTT

segment now contributes ~10% to movie revenue share (5% in 2017), which is expected to reach over 13% by FY22E.

With the subscriber bases of larger OTT platforms continuously expanding in India, their ability to raise the bid for acquiring digital rights for movie distribution would increase. Moreover, many small- to mid-budget projects would prefer OTT platforms for direct releases.

Currently, exhibitors demand a minimum eight-week exclusive window for screening movies – when the movie would not be available on any other platform, be it satellite or digital. This was far higher earlier. As the share of OTT increases, we see the risk of cinemas' bargaining power for an exclusive screening window reducing as OTTs may bargain hard for better deal contours. Recently, the international release of 'Wonder Woman 1984' happened simultaneously in cinemas and over HBO's app. This resulted in a massive 2.3m app downloads post the movie release (news link), highlighting the increasing strength of OTT apps.

OTT attracting talent pool unavailable to TV previously

Unlike the Television Content market, which saw limited investment in high-ticket content by producers/broadcasters, the winds are changing for OTT. OTT is increasingly attracting a strong talent pool and big star casts, led by its strong viewership trends, growing size, and major players willing to invest heavily in these platforms. This is increasing OTT's ability to develop/acquire content at par with the quality of movies usually showcased at theatres. As a result, this has grown OTT platforms' strength in a price-sensitive market.

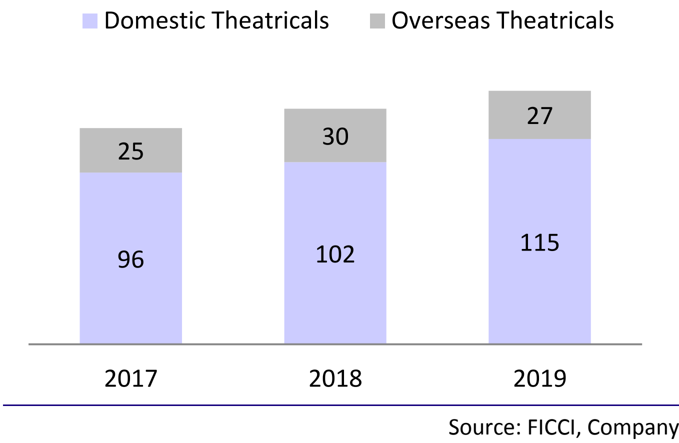
Risk from deep-pocketed OTT players investing for long haul

Stronger OTT players – such as Amazon, Netflix, and Disney + Hotstar – could invest for the long haul even without a profitable model in place as it takes time to scale up the subscription and advertisement models. Thus, the Theatrical segment could be impacted by OTT platforms' continuous growth in subscriber base and revenues.

Cinema's appeal may last, but slowing occupancy poses risk

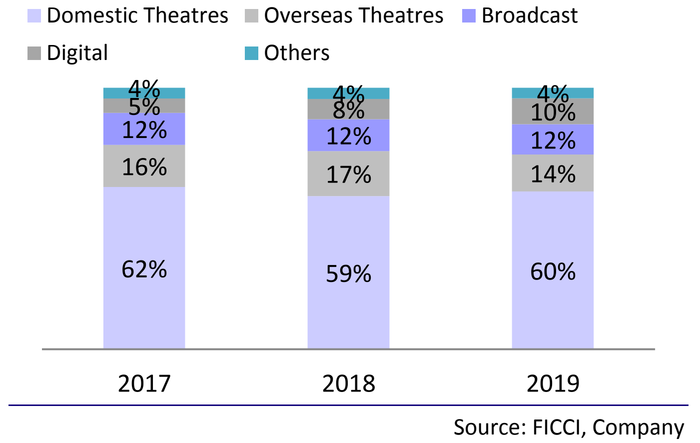
Indian Cinema is expected to continue to appeal to entertainment seekers owing to a) the need for out-of-home entertainment, b) a superior movie-viewing experience in theatres, and b) an underpenetrated Theatrical market v/s global peers (screen density of ~8 screens/million people in India). However, occupancy could soften, pulling down earnings and the return profile of the Multiplex industry.

Exhibit 8: India's Theatrical industry was ~INR142b in FY19



Source: FICCI, Company

Exhibit 9: Domestic Theatrical contributes the highest source of revenue to film revenue, but Digital/OTT share is rising



Source: FICCI, Company

Exhibit 10: Paid subscribers of leading OTTs in India

OTT apps	Paid users (in million)
Disney + Hotstar	19
Amazon Prime	6
Netflix	3
SonyLiv	2
ZEE5	3

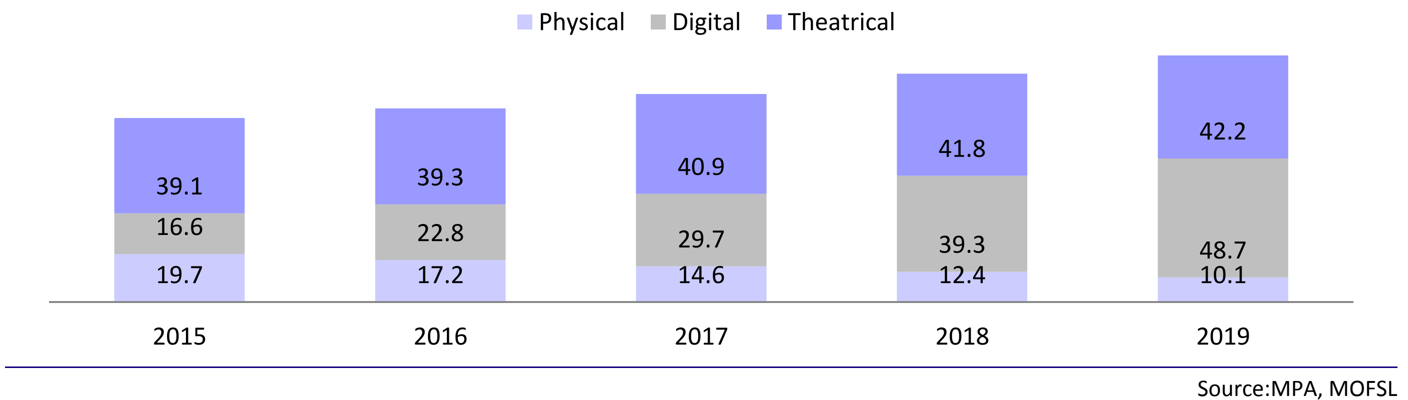
Source : Media articles

Exhibit 11: Movie revenue streams – 2019

Domestic theatrical	60%
Overseas theatrical	15%
Digital, music rights & OTT	25%

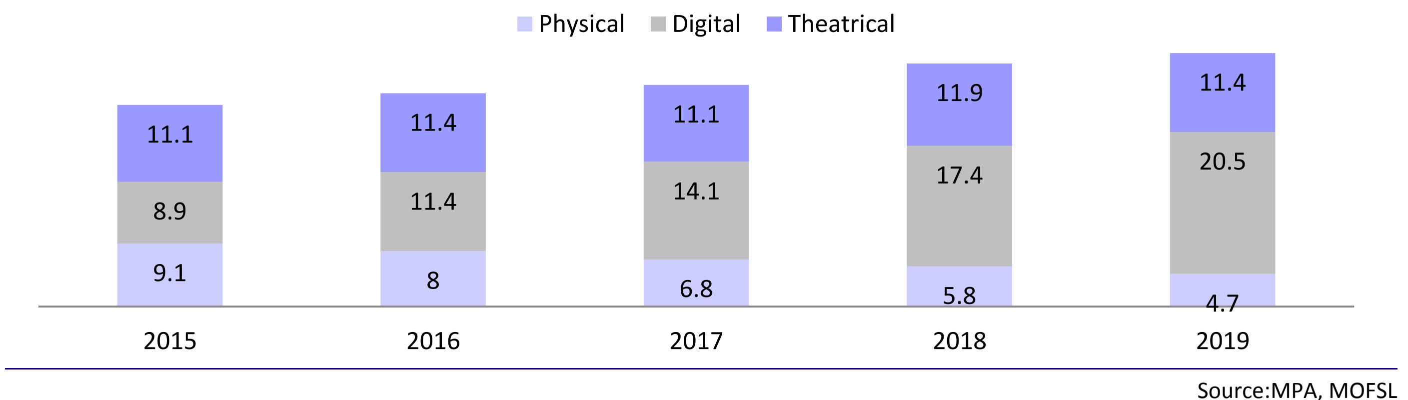
Source: Company, MOFSL

Exhibit 12: Global Theatrical and Home/Mobile Entertainment market (USD b)



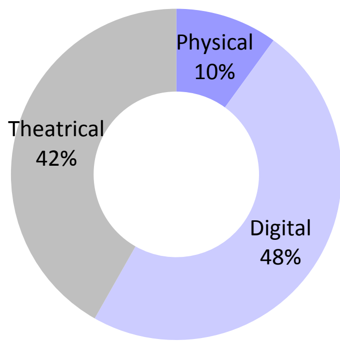
Source:MPA, MOFSL

Exhibit 13: US Theatrical and Home/Mobile Entertainment market (USD b)



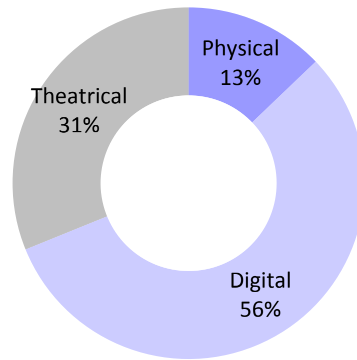
Source:MPA, MOFSL

Exhibit 14: 2019 Global Theatrical market share



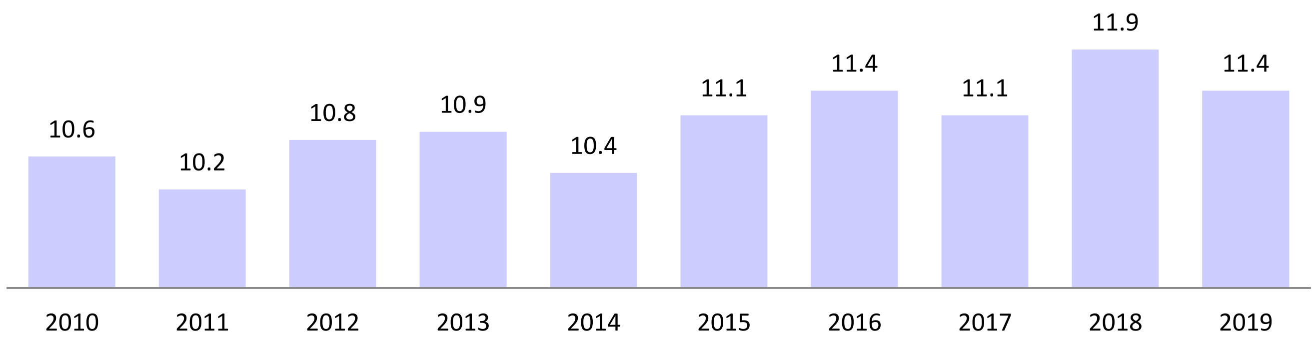
Source: MPA, MOFSL

Exhibit 15: 2019 US Theatrical market share



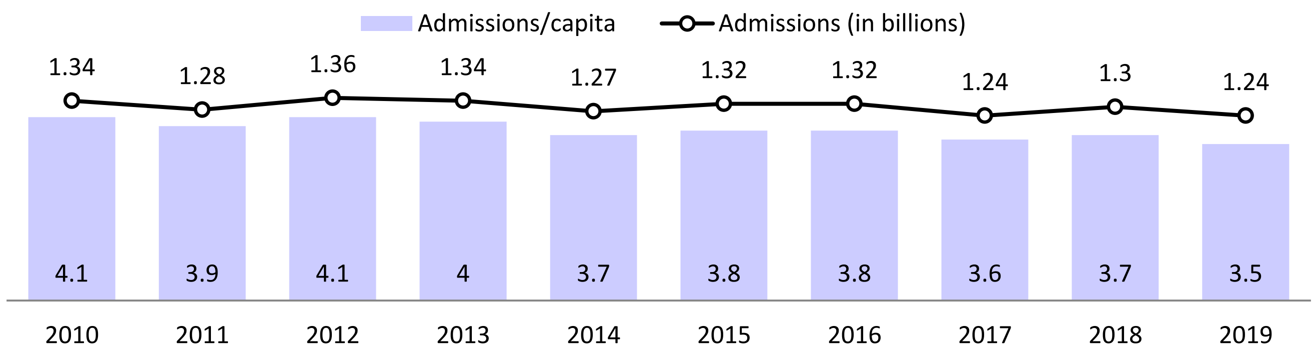
Source: MPA, MOFSL

Exhibit 16: US and Canada box office markets grew 8% over 2010–19 (USD b)



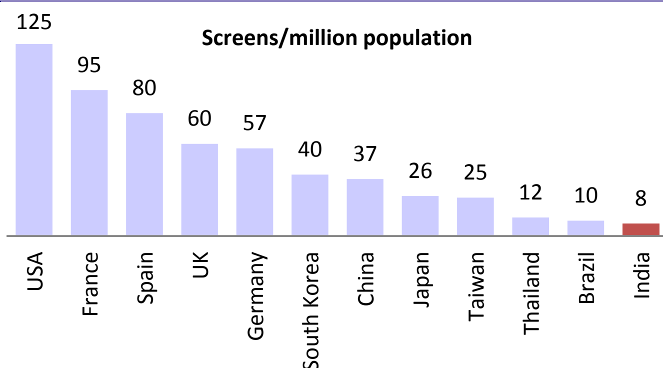
Source: MPA, MOFSL

Exhibit 17: US and Canada admissions fell marginally over 2010–19



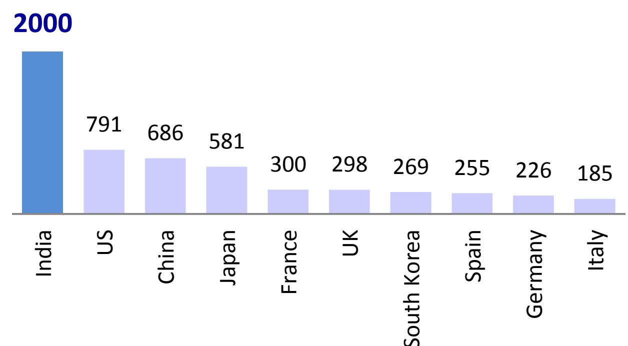
Source:MPA, MOFSL

Exhibit 18: Cinema penetration remains the lowest in India



Source: Inox presentation Aug'19, MOFSL

Exhibit 19: India produces the largest number of films v/s global peers



Source: Inox presentation Aug'19, MOFSL

Lower occupancy rates could prove dampener

Improvement in occupancy in last five years

PVR's occupancy rates consistently improved from 30% to 35% over FY15–20, along with a 10% CAGR for the number of available seats. However, PVR's business model is highly sensitive to occupancy rates as a large portion of its costs are fixed in nature (FY20 employee, rent, and SG&A costs stood at ~INR18b – 54% of total sales). Variable costs of movie exhibitions and F&B costs form ~30% of sales.

EBITDA breakeven at 20% occupancy

The recent cost reduction is commendable; cost is expected to remain below pre-COVID levels even after cinema halls have been reopened. This has reduced the level of EBITDA breakeven to 20% occupancy levels, with fixed operating cost falling 4% to INR27b in FY21. We estimate ~34% occupancy rates (assuming normalcy would soon return) and ATP of INR210 for FY23, and thus EBITDA of INR7.6b (v/s FY20 occupancy rates of 35% and ATP of INR201).

Reduced occupancy could pressure earnings, ROCE

Our concerns related to the OTT threat stem from the view that although cinemas may continue to operate, the business is highly sensitivity to occupancy rates, and any limited softness in occupancy due to competition from OTT platforms could have a severe and lasting impact on earnings and the return profile of multiplexes. This is given the nearly 60% fixed cost nature of the business, which makes it highly sensitivity to occupancy and heavily reliant on content pull as well as the potential threat from OTT. Our workings indicate that with a five percentage point decrease in occupancy rates, its operating profit substantially decreases to INR4.1b (decline of INR3.4b, ~45%). On the other hand, 5% decline in ATP prices reduces EBITDA to INR6.7b (decline of ~INR800m, ~10% from our Base case assumption). At the stable-state level, the business has the potential to garner 18–20% post-tax ROCE (incl. corp exp). However, with a ~20% portfolio of new screens and other components / goodwill, company-level ROIC stands at 12%.

Exhibit 20: PVR achieves breakeven on operating EBITDA at ~20% occupancy levels (INR m)

Occupancy	20%
Seats (m)	0.2
ATP (INR)	202
Revenue from tickets	**14,350**
SPH for F&B (INR)	100
Revenue from F&B	**7,152**
Revenue from Ads & Others	5,782
Total Revenue	**27,284**
Annual Opex at 20% occupancy	**27,284**
FY20 Opex	28,382
Change in opex	-4%

Source: MOFSL, Company

Exhibit 21: Sensitivity of FY23 EBITDA to occupancy rates and ticket prices (green highlights our Base case scenario)

		Occupancy rates					
	EBITDA in (INR m)	20%	25%	29%	34%	36%	38%
Average ticket prices (INR)	188	(2,642)	-93%	-61%	-19%	0%	17%
	193	(2,462)	-90%	-57%	-15%	4%	21%
	198	(2,277)	-87%	-54%	-10%	9%	26%
	203	(2,087)	-84%	-50%	-6%	13%	31%
	210	(1,807)	-79%	-45%	-	20%	38%
	213	(1,698)	-77%	-43%	2%	23%	41%
	219	(1,499)	-74%	-39%	7%	27%	46%

*First column figures reflect absolute operating losses in INRm

Source: MOFSL, Company

Per screen economics – payback remains stretched

The business operates on high capex, along with heavy fixed cost, with rentals comprising nearly 20% of costs. Thus, any softening of occupancy has a stronger impact on earnings and ROCE. To leverage this high cost, the management has rightly focused on increasing monetization means through F&B, advertisement, and convenience fees. This has allowed it to achieve about 3–4 years' payback and 18–20% ROCE.

Exhibit 22: Per screen economics of PVR (INR m)

Per screen economics	FY19	FY20
Revenues/screen		
Net Ticketing revenue	23.6	25.0
F&B Revenues	12.2	13.7
Ad revenue	5.1	5.4
Convenience fee income	1.8	2.1
Other operating revenue	1.4	1.4
Total revenue/screen	**44.1**	**47.6**
Operating costs – INR m/screen		
Movie Exhibition cost	10.1	10.6
as % of ticket sales	43%	42%
F&B costs	3.4	3.8
as % of F&B revenue	28%	28%
Employee Expense	4.9	5.7
as % of total revenue	11%	12%
Rent expense	7.3	8.2
as % of total revenue	17%	17%
SG&A expenses	10.3	12.7
as % of total revenue	23%	27%
Total Expenses/screen	**36.0**	**40.9**
EBITDA/screen	**8.1**	**6.7**
PAT/Screen	**2.7**	**2.4**

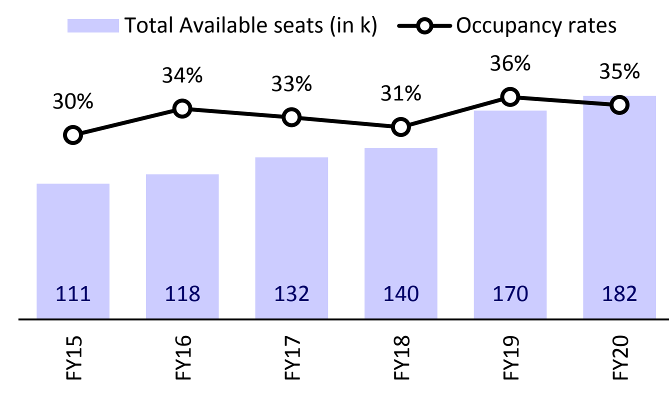
Source: MOFSL, Company

Exhibit 23: Screen payback remains high (on FY19 profitability)

Capex/screen (FY20, INR m)	37
RoCE/screen (FY20)	**17%**
Payback period (yrs)	**4.6**

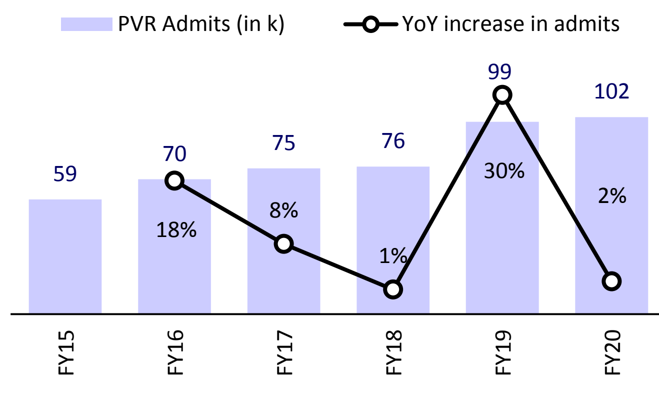
Source: MOFSL, Company

Exhibit 24: Occupancy rates have improved over FY15–20



Source: FICCI, Company

Exhibit 25: Footfall has grown 72% over FY15–20



Source: FICCI, Company

Recovery play, but long-term valuation multiples at risk

Dilution limits valuation shrinkage

PVR has declined 25% from the peak of INR2,086; however, given the multiple rounds of funding in the last couple of years, equity has seen cumulative dilution of 15%. Thus, the multiple has moderated, with 4% decline in enterprise value. PVR's FY23E EV/EBITDA and P/E stand at 12x and 41x, respectively – v/s the past five-year average EV/EBITDA and P/E of 15x and 44x, respectively (pre-COVID). At the peak, EV/EBITDA and P/E were at 21x and 50x, respectively.

FY22 earnings may recover, albeit gradually

We estimate a ~8% revenue CAGR and 10% EBITDA CAGR over FY20–23E (along with 80/80 screen adds over FY22E/FY23E), after a muted FY21, building in recovery from FY22. We assume occupancy rates of 31%/34% in FY22E/FY23E, below FY20 occupancy rates of 35%, building in a marginal impact on footfall. However, given the risk of the slower lifting of state government rules on cinema, the gradual uptick in mall developments could lead to fewer screen adds. Thus, our FY22 estimate holds a downward bias.

OTT could play an overhang

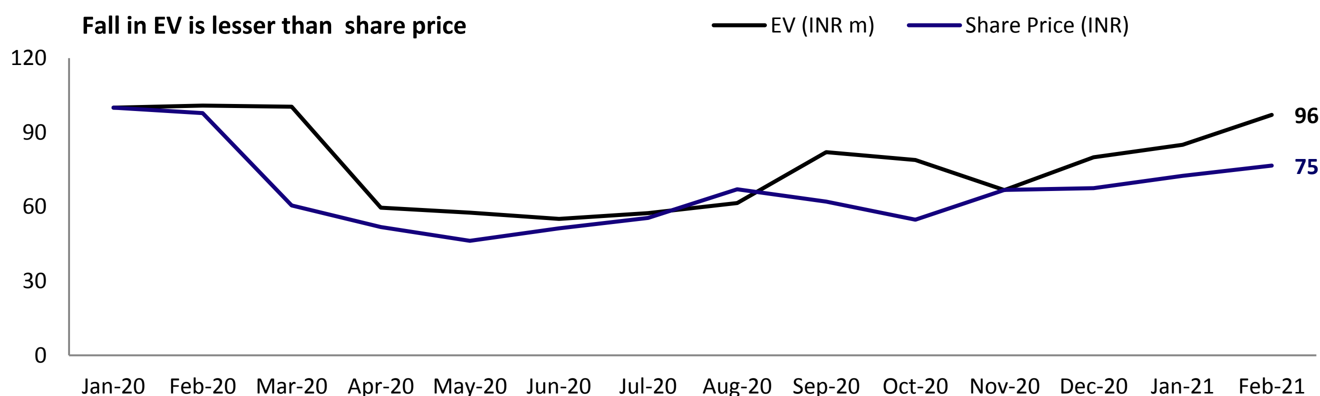
Over the next 6–9 months, the resumption of total operations should aid earnings recovery, keeping the stock well-positioned. However, the overhang of OTT and subsequent risk of softening occupancy could pressure the valuation band. In conclusion, a) slow recovery, b) a lower-than-expected expansion trajectory over the next 1–2 years, and c) the long-term risk of softening occupancies could derail the stellar growth trajectory seen in the last five years. Our current Base case assumption factors in gradual recovery in FY22, building in revenue/EBITDA at FY20 levels. We value the stock at EV/EBITDA of 14x (in-line with the five-year average) on FY23E, with TP of INR1,620. Maintain Neutral.

Exhibit 26: FY23E valuation

Particulars	Valuation
EBITDA FY23E (INR m)	7,569
Multiple	14
EV (INR m)	103,009
Net Debt (INR m)	4,650
Target Market cap (INR m)	98,358
No. of shares	60.7
Target Price	**1,620**
CMP	**1,486**
Upside	9%

Source: MOFSL, Company

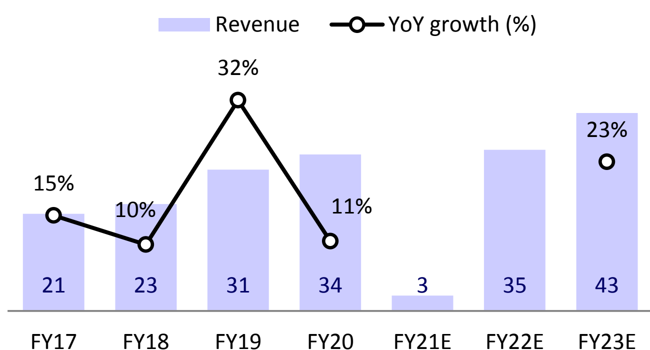
Exhibit 27: Fall in EV below share price



**Prices taken on 1st of every month

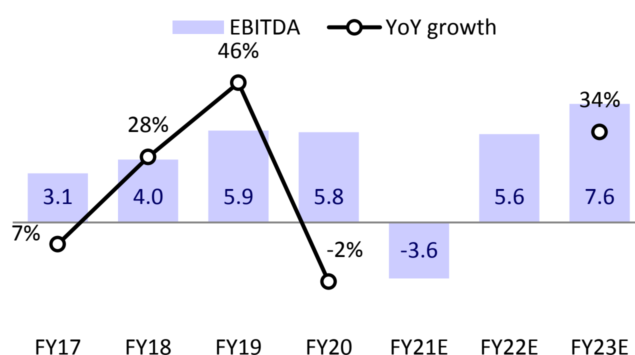
Source: MOFSL, Company

Exhibit 28: Revenue growth to recover by FY23E



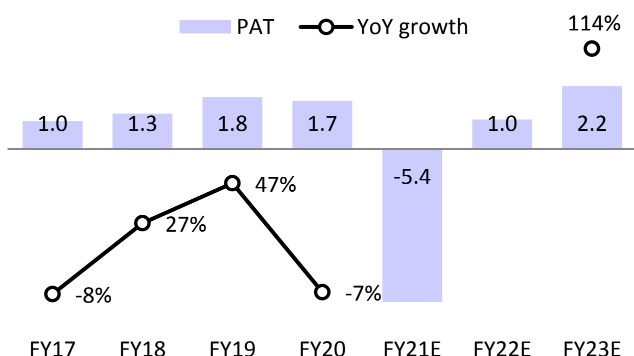
Source: MOFSL, Company

Exhibit 29: EBITDA expected to recover by FY23E



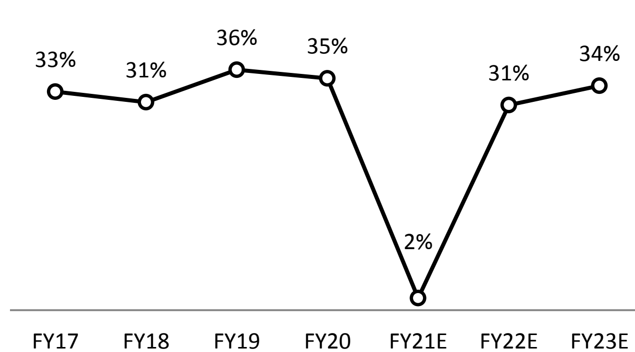
Source: MOFSL, Company

Exhibit 30: PAT expected to recover by FY23E



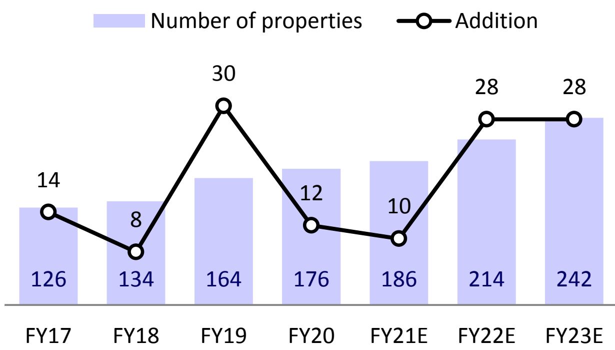
Source: MOFSL, Company

Exhibit 31: Occupancy rate trend



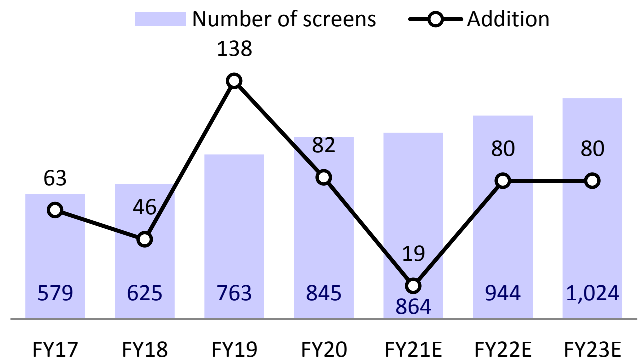
Source: MOFSL, Company

Exhibit 32: Property adds trend



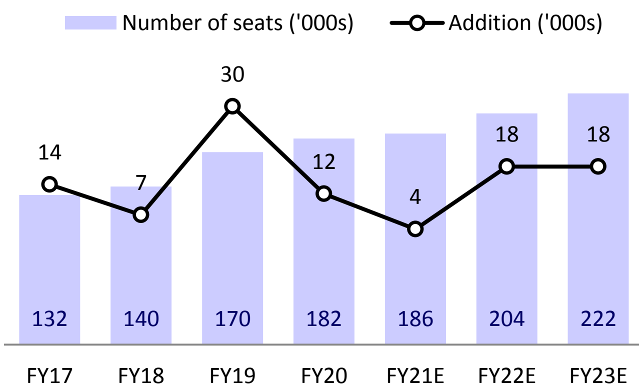
Source: MOFSL, Company

Exhibit 33: Screen adds trend



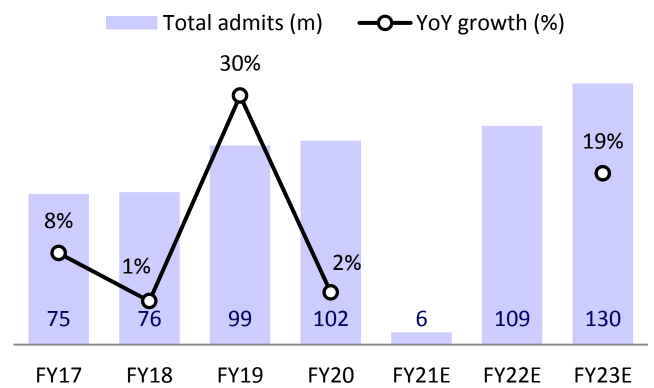
Source: MOFSL, Company

Exhibit 34: Expect seats adds to continue…



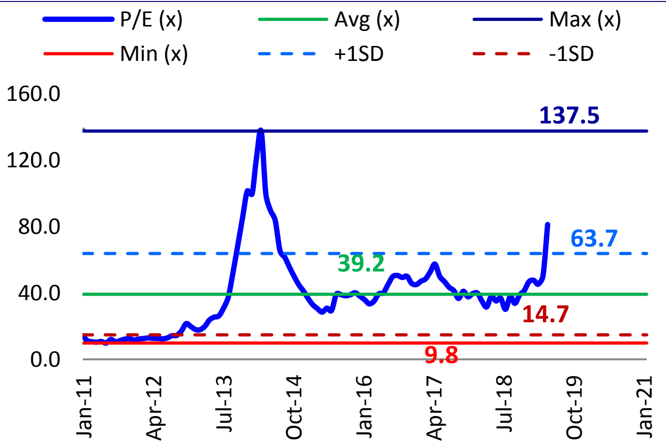
Source: MOFSL, Company

Exhibit 35: …along with rise in admissions



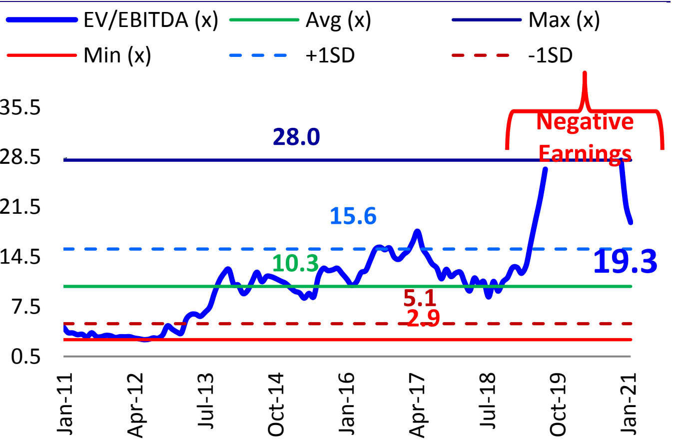
Source: MOFSL, Company

Exhibit 36: PVR P/E trend



Source: MOFSL, Company

Exhibit 37: PVR EV/EBITDA trend



Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement								(INR m)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Net Sales	**18,496**	**21,194**	**23,341**	**30,856**	**34,144**	**3,368**	**35,184**	**43,198**
Change (%)	25.2	14.6	10.1	32.2	10.7	-90.1	944.7	22.8
Total Production Expenses	5,446	6,053	6,967	9,407	9,971	597	10,802	13,262
Personnel Expenses	1,859	2,205	2,541	3,373	3,938	1,958	4,222	5,184
Rent	3,316	3,902	4,111	5,091	5,659	1,168	6,368	7,344
Administrative and Other Expenses	4,950	5,899	5,703	7,122	8,815	3,223	8,150	9,840
Total Expenditure	**15,571**	**18,058**	**19,323**	**24,992**	**28,382**	**6,945**	**29,542**	**35,629**
EBITDA	**2,924**	**3,136**	**4,018**	**5,863**	**5,762**	**-3,577**	**5,643**	**7,569**
Margin (%)	15.8	14.8	17.2	19.0	16.9	-106.2	16.0	17.5
Depreciation	1,151	1,384	1,537	1,913	2,324	2,432	2,793	3,093
EBIT	**1,773**	**1,752**	**2,481**	**3,951**	**3,438**	**-6,009**	**2,850**	**4,476**
Int. and Finance Charges	840	806	837	1,280	1,521	1,418	1,658	1,701
Other Income	635	623	313	331	378	189	200	200
PBT bef. EO Exp.	**1,569**	**1,569**	**1,958**	**3,002**	**2,294**	**-7,238**	**1,391**	**2,975**
EO Expense/(Income)	116	41	6	0	5	0	0	0
PBT after EO Exp.	**1,453**	**1,528**	**1,952**	**3,002**	**2,289**	**-7,238**	**1,391**	**2,975**
Current Tax	467	570	489	1,017	627	-1,823	350	749
Deferred Tax	0	0	216	79	0	0	0	0
Tax Rate (%)	32.1	37.3	36.1	36.5	27.4	25.2	25.2	25.2
Less: Minority Interest	5	-1	0	-68	-5	3	0	0
Reported PAT	**991**	**958**	**1,247**	**1,838**	**1,657**	**-5,412**	**1,041**	**2,226**
Adjusted PAT	**1,070**	**983**	**1,250**	**1,838**	**1,708**	**-5,424**	**1,041**	**2,226**
Change (%)	623	-8.1	27.1	47.0	-7.1	-417.6	-119.2	113.8
Margin (%)	5.8	4.6	5.4	6.0	5.0	-161.1	3.0	5.2

Consolidated Balance Sheet								(INR m)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Equity Share Capital	467	467	467	467	514	607	607	607
Total Reserves	8,345	9,183	10,286	14,490	14,289	19,769	20,810	23,036
Net Worth	**8,812**	**9,650**	**10,754**	**14,957**	**14,802**	**20,376**	**21,417**	**23,643**
Minority Interest	401	405	8	5	3	3	3	3
Deferred Liabilities (net)	-633	-424	-150	266	-2,049	-2,049	-2,049	-2,049
Total Loans	5,718	7,301	6,614	11,039	48,723	53,723	55,723	53,723
Lease Liabilities					37,715	37,715	37,715	37,715
Capital Employed	**14,298**	**16,933**	**17,226**	**26,267**	**61,479**	**72,053**	**75,094**	**75,320**
Gross Block	15,900	22,335	24,676	38,193	71,953	72,953	76,953	80,953
Less: Accum. Deprn.	5,935	7,319	8,856	10,769	13,093	15,525	18,317	21,410
Intangible assets - Goodwill	52	71	79	0	0	0	0	0
Net Fixed Assets	**10,017**	**15,087**	**15,899**	**27,425**	**58,860**	**57,429**	**58,636**	**59,543**
Right to use Assets					**30,047**	**30,047**	**30,047**	**30,047**
Capital WIP	739	1,056	1,017	2,208	1,547	1,547	1,547	1,547
Total Investments	**19**	**20**	**209**	**111**	**23**	**23**	**23**	**23**
Curr. Assets, Loans and Adv.	**7,565**	**5,662**	**6,208**	**8,659**	**11,799**	**13,995**	**22,908**	**24,013**
Inventory	205	190	198	303	307	14	0	0
Account Receivables	901	1,021	1,556	1,839	1,893	1,871	1,871	1,871
Cash and Bank Balance	2,671	299	328	341	3,223	11,335	15,253	15,041
Loans and Advances	3,788	4,152	4,126	6,175	6,377	775	5,784	7,101
Curr. Liability and Prov.	**4,041**	**4,892**	**6,107**	**12,135**	**10,750**	**941**	**8,020**	**9,805**
Account Payables	3,933	4,788	5,980	11,920	10,571	763	7,842	9,628
Provisions	108	104	127	215	180	178	178	178
Net Current Assets	**3,524**	**771**	**101**	**-3,477**	**1,049**	**13,054**	**14,889**	**14,208**
Appl. of Funds	**14,298**	**16,933**	**17,226**	**26,267**	**61,479**	**72,053**	**75,094**	**75,320**

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)								
EPS	**21.3**	**20.5**	**26.7**	**37.9**	**32.2**	**-89.1**	**17.1**	**36.7**
Cash EPS	47.6	50.6	59.6	80.2	78.5	-49.3	63.1	87.6
BV/Share	188.7	206.5	230.1	320.0	288.3	335.5	352.7	389.3
DPS	1.2	1.2	2.0	2.0	0.0	0.0	0.0	0.0
Payout (%)	6.6	7.0	9.0	6.1	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	69.0	71.9	55.2	38.9	45.8	NM	86.7	40.5
Cash P/E	31.0	29.1	24.7	18.4	18.8	NM	23.5	17.0
P/BV	7.8	7.1	6.4	4.6	5.1	4.4	4.2	3.8
EV/Sales	3.9	3.6	3.2	2.6	3.3	39.4	3.7	3.0
EV/EBITDA	24.6	24.2	18.7	13.6	19.8	NM	16.5	12.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	15.4	10.4	12.2	13.8	11.1	NM	5.0	9.9
RoCE	12.5	9.5	10.4	12.5	6.2	NM	6.0	8.8
RoIC	11.0	8.3	10.2	12.8	6.2	NM	10.2	16.1
Working Capital Ratios								
Asset Turnover (x)	1.3	1.3	1.4	1.2	0.6	0.0	0.5	0.6
Inventory (Days)	4	3	3	4	3	2	0	0
Debtor (Days)	18	18	24	22	20	203	19	16
Creditor (Days)	78	82	94	141	113	83	81	81
Working Capital Turnover (Days)	17	8	-4	-45	-23	186	-4	-7
Leverage Ratio (x)								
Current Ratio	1.9	1.2	1.0	0.7	1.1	14.9	2.9	2.4
Debt/Equity	0.6	0.8	0.6	0.7	3.3	2.6	2.6	2.3

Consolidated Cash Flow Statement **(INR m)**

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Profit/(Loss) Before Tax/EO	1,453	1,528	1,952	3,002	896	-7,244	1,391	2,975
Depreciation	1,151	1,384	1,537	1,913	5,425	2,432	2,793	3,093
Interest and Finance Charges	840	806	837	1,280	4,730	1,418	1,658	1,701
Direct Taxes Paid	-467	-570	-704	-1,097	-295	1,823	-350	-749
(Inc.)/Dec. in WC	1,603	381	699	4,007	-2,647	-3,894	2,085	469
CF from Operations	**4,580**	**3,529**	**4,320**	**9,105**	**8,108**	**-5,465**	**7,577**	**7,489**
Others	81	268	-163	-331	-238	-189	-200	-200
CF from Operating incl. EO	**4,661**	**3,797**	**4,157**	**8,774**	**7,870**	**-5,654**	**7,377**	**7,289**
(Inc.)/Dec. in FA	-2,672	-6,752	-2,302	-14,630	-3,838	-1,000	-4,000	-4,000
Free Cash Flow	**1,989**	**-2,955**	**1,856**	**-5,856**	**4,033**	**-6,654**	**3,377**	**3,289**
(Pur.)/Sale of Investments	0	-1	-190	99	0	0	0	0
Others	0	0	0	2,739	-66	189	200	200
CF from Investments	**-2,672**	**-6,753**	**-2,491**	**-11,793**	**-3,903**	**-811**	**-3,800**	**-3,800**
Issue of Shares	3,502	1	0	0	5,041	0	0	0
(Inc.)/Dec. in Debt	-1,752	1,583	-687	4,425	-674	5,000	2,000	-2,000
Interest Paid	-840	-806	-837	-1,280	-1,151	-1,418	-1,658	-1,701
Dividend Paid	-65	-68	-113	-113	-360	0	0	0
Others	-429	-127	0	0	-4,965	10,995	0	0
CF from Fin. Activity	**416**	**583**	**-1,637**	**3,033**	**-2,110**	**14,576**	**342**	**-3,701**
Inc./Dec. of Cash	**2,405**	**-2,373**	**29**	**14**	**1,857**	**8,112**	**3,919**	**-212**
Add: Beginning Balance	266	2,671	299	328	-74	1,783	9,894	13,813
Closing Balance	**2,671**	**299**	**328**	**341**	**1,783**	**9,894**	**13,813**	**13,601**
Bank OD	0	0	0	-416	1,441	1,441	1,441	1,441
Net Closing Balance	**2,671**	**299**	**328**	**-74**	**3,223**	**11,335**	**15,253**	**15,041**

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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 is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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