

Retail Equity Research (South India Focus)

PVR Ltd

Media

BSE CODE : 532689

NSE CODE: PVR

BLOOMBERG CODE: PVRL:IN

SENSEX : 39,298

Buy

12M Investment Period

Rating as per Small Cap

CMP Rs .1,828

TARGET Rs. 2,115

RETURN +16% ↑

(Closing: 18-10-19)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Higher Box office and F&B drove the revenue...

PVR Ltd owns and operates multiplexes across 19 States and UT's with a total of 800 screens. Major income segments for them are Box office (Ticket revenue), Food & Beverage(F&B) and Advertisement (Ad).

- Q2FY20 revenue grew by ~37% on a YoY basis owing to better box office and F&B collections while ATP continued to witness marginal decrease of -3%(YoY).
- SPI cinemas Pvt Ltd got merged into PVR Ltd with effect from August 17th, 2019 by allocation of 1.6mn shares for the balance 28.3% stake.
- F&B spend per head grew by ~38% YoY while Ad income rose by 16% (YoY). We forecast F&B to witness good momentum in FY21.
- SPI cinema posted an average performance while ATP increased (Rs 162 vs Rs 152) due to strong traction from Hollywood movies.
- PVR to continue paying tax under the regular tax rate (34.94%) till the utilisation of available MAT credit.
- We revise upward our FY20E & FY21E EBITDA estimates by 6% & 10% resp. and increase the PAT estimates by 5% & 12% resp. and upgrade the rating to Buy with a revised TP of Rs2,115 at 2.8x FY21E EV/Sales.

Revenue growth aided by higher footfalls and occupancy rate...

Q2FY20 revenue grew at ~37%YoY mainly attributed to higher footfalls (9% growth) and improvement in occupancy rates (+580bps) on a YoY basis. To a surprise occupancy rate stood at a higher rate of 37% (vs 32% in Q2FY19). Net ticket revenue and F&B collections registered a YoY growth of 32% and 38% respectively, while advertisement revenue grew by 16% YoY on account of revenue addition from SPI cinema. Because of the F&B controversy PVR had been facing they had cut F&B prices in Maharashtra but the SPH numbers seem to have recovered given the 13% YoY growth in Q2FY20. This increase in SPH is primarily driven by a change in menu focusing on a variety of offerings at different prices. They have also added 6 new screens in Q2FY20 and we expect them to add ~30 more screens in FY20 given the current momentum.

100% SPI acquisition to add further revenue growth...

Pursuant to the scheme of amalgamation SPI Cinemas Private Limited was merged into PVR Limited with effect from the appointed date of August 17, 2018 by allotting 15,99,974 equity shares to the SPI shareholders. SPI cinemas reported a modest quarter compared to Q1FY19 which is in line with our expectations. The strong growth PVR has reported this quarter is also because SPI Cinemas numbers were incorporated into the financials only in the middle of the base quarter and hence the company got the benefit of a lower base.

EBITDA margin improving ...

EBITDA margins increased by 360bps YoY (excluding Ind AS-116 impact) on account of higher occupancy rates, increased SPH (12%) and higher exposure of SPI Cinemas in the revenue mix. The quarter has also been good from operations perspective with business delivering highest ever footfalls with all other operating parameters witnessing robust growth. So despite the general economic slowdown in the performance of the business for Q2, there has been good support from content. The company will also continue to pay tax under the regular tax rate (34.94%) as the cash outflow is lower in present case as compared to the revised tax rate of ~25.17% for at least next 2 financial year . We thus slightly increase our revenue estimates by 4.9% and 4.8% resp. on account of better performance in Q2FY20 and factor a higher EBITDA and PAT .

Valuations...

Considering the aggressive growth strategy of the company, ongoing good content in pipeline and synergy from SPI acquisition, we are positive on the long term prospects. We however value using EV/Sales to effectively include Ind AS-116 adjustments (current 1yr fwd being 2.58) and upgrade the rating to Buy with a revised target price of Rs2,115 at 2.8x FY21E EV/Sales.

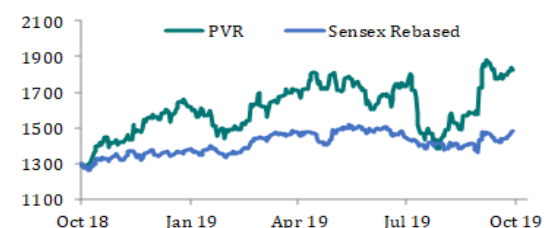
Company Data

Market Cap (cr)	Rs.8,544
Enterprise Value (cr)	Rs.9,822
Outstanding Shares (cr)	4.83
Free Float	80.4
Dividend Yield	0.11%
52 week high	Rs.1,898
52 week low	Rs.1,220
6m average volume (cr)	0.05
Beta	0.95
Face value	Rs10

Shareholding (%)	Q4FY19	Q1FY20	Q2FY20
Promoters	20.2	20.2	19.8
FII's/others	58.1	61.1	58.0
MFs/Insti	12.3	9.5	10.5
Public	9.4	9.2	11.7
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	5.3%	6.9%	39.1%
Absolute Sensex	2.5%	0.4%	13.0%
Relative Return*	2.8%	6.5%	26.1%

*over or under performance to benchmark index



Consolidated (cr)	FY19A	FY20E	FY21E
Sales	3,086	3,710	4,102
Growth (%)	32	20	11
EBITDA	586	1,222	1,330
EBITDA Margin(%)	19.0	32.9	32.4
PAT Adj.	184	167	253
Growth (%)	47	-9.2	52
Adj.EPS	39	35.7	54.1
Growth (%)	47	-9.2	52
P/E	47	53	35
P/B	6.8	6.3	5.3
EV/EBITDA	16.8	7.9	7.1
ROE (%)	16	12.5	16.5
D/E	1.1	0.9	0.7

Dilish K Daniel
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	*Q2FY20	Q2FY19	YoY Growth %	Q1FY19	QoQ Growth %	**H1FY20	H1FY19	YoY Growth %
Sales	973.2	708.6	37	880.4	11	1,854	1,415	32
EBITDA	318.1	124.0	156	278.6	14	596.7	271	128
EBITDA margins	0.327	0.175	1518	32%	104	32.1	19.2	136
Depreciation	139.5	44.8	212	125.9	11	265.4	84.9	213
EBIT	178.6	79.3	125	152.7	17	331.3	186.6	88
Interest	111.1	29.8	273	131.4	(15)	242.6	50.6	379
Other Income	6.2	6.1	2	6.8	(8)	13.0	10.3	25
Exceptional Items	-0.2	0.0	(481)	0.0	-	-0.3	(.33)	(21)
PBT	73.5	55.4	33	28.0	163	101.5	135.7	(25)
Tax	36.8	18.3	101	10.3	151	53.9	49.5	26
Share of profit from Associate	0.0	0.0	-	-0.1	60	0.0	(1.1)	-
Reported PAT	47.5	33.1	44	17.6	169	65.1	85.17	(24)
Adjustments	0.0	7.9	(100)	-	-	0.0	7.9	(100)
Adj PAT	47.5	41.0	16	17.6	169	65.1	93.1	(30)
No. of Shares	4.8	4.7	0	4.7	0	4.8	4.7	3.8
EPS (Rs)	9.8	8.8	12	3.8	160	13.5	18.22	(32)

*Comparable EBITDA and PAT on account of AS 116 introduction are Rs 199crs and Rs66crs equalling a growth of 57% and 90% resp.

**Comparable EBITDA and PAT are Rs 362crs and Rs 112crs equalling a 38% and 31% YoY growth resp.

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	3,537	3,915	3,710	4,102	4.9%	4.8%
EBITDA	1,157	1,206	1,222	1,330	5.6%	10.3%
Margins (%)	32.72	30.8	32.9	32.4	+22bps	+160bps
Adj. PAT	159	227	167	253	4.9%	11.5%
EPS	33.9	48.6	34.5	52.3	1.7%	7.6%

Consolidated segment revenues

(Rs cr)	Q2FY20	Q2FYF19	Change	Segment wise share	SPI Contribution to total revenue
Net box office	543	351.5	54.5%	52%	9%
F&B	307	177.8	72.8%	30%	12%
Ad revenue	103	77.8	32.2%	10%	9%
*Others	84	45.6	83.9%	8%	26%
Total	1037	652.7	58.9%	100%	11%

* includes convenience fee, other operating revenue and other income

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Sales	2,119	2,334	3,086	3,710	4,102
% change	14.6	10.1	32.2	20.2	10.5
EBITDA	314	402	586	1,222	1,330
% change	7.2	28.1	45.9	108.5	8.8
Depreciation	138	154	191	502	500
EBIT	175	248	395	720	830
Interest	81	84	128	496	476
Other Income	62	31	33	37	41
PBT	153	195	300	261	395
% change	5.2	27.7	53.8	-13.2	51.7
Tax	57	70	110	94	142
Tax Rate (%)	37%	36%	37%	36%	36%
Reported PAT	96	125	184	167	253
Adj.*	-4	-1	0	0	0
Adj. PAT	100	125	184	167	253
% change	-9.0	25.4	46.6	-9.2	51.7
No. of shares (cr)	4.7	4.7	4.7	4.8	4.8
Adj EPS (Rs)	21.4	26.8	39.3	35.7	54.1
% change	-9.0	25.4	46.6	-9.2	51.7
DPS (Rs)	2.9	2.9	2.9	2.3	2.3

CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	221	348	381	413	534
Non-cash adj.	124	40	195	713	651
Changes in W.C	(25)	58	244	(178)	(2)
C.F. Operation	320	446	819	948	1,182
Capital exp.	(633)	(340)	(1517)	(321)	(435)
Change in inv.	51	(67)	(96)	(3530)	447
Other invest.CF	(50)	2	33	37	41
C.F - Investment	(632)	(405)	(1580)	(303)	(457)
Issue of equity	1	0	0	2	0
Issue/repay debt	144	25	670	(45)	(191)
Dividends paid	(12)	(11)	(11)	(11)	(11)
Other finance.CF	(73)	(80)	121	(496)	(475)
C.F - Finance	81	(66)	780	(550)	(677)
Chg. in cash	(231)	(25)	20	95	48
Closing cash	30	27	53	147	196

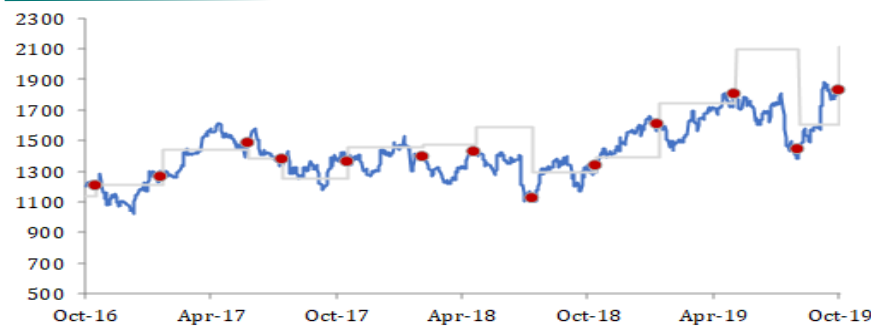
BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	30	33	53	147	196
Account Receivable	102	156	184	224	242
Inventories	19	20	30	36	38
Other Cur. Assets	92	304	396	459	491
Investments	1	20	11	27	22
Gross Fixed Assets	1,224	1,467	2,017	2,267	2,617
Net Fixed Assets	1,045	1,127	1,486	1,489	1,559
CWIP	106	102	221	232	239
Intangible Assets	464	463	1,311	1,115	973
Def. Tax (Net)	42	15	-85	-82	-80
Other Assets	324	110	221	3,735	3,293
Total Assets	2,225	2,348	3,828	7,382	6,972
Current Liabilities	479	598	965	898	945
Provisions	10	13	21	18	20
Debt Funds	730	661	1,331	1,286	1,095
Other Liabilities	41	1	257	3,768	3,259
Equity Capital	47	47	47	48	48
Reserves & Surplus	918	1,029	1,207	1,363	1,605
Shareholder's Fund	965	1,075	1,254	1,411	1,653
Total Liabilities	2,225	2,348	3,828	7,382	6,972
BVPS	206	230	268	292	342

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab & Return					
EBITDA margin (%)	14.8	17.2	19.0	32.9	32.4
EBIT margin (%)	8.3	10.6	12.8	19.4	20.2
Net profit mgn.(%)	4.7	5.4	6.0	4.5	6.2
ROE (%)	10.8	12.3	15.8	12.5	16.5
ROCE (%)	9.8	10.4	12.0	18.3	20.5
W.C & Liquidity					
Receivables (days)	16.5	20.1	20.1	20.0	20.7
Inventory (days)	3.4	3.0	3.0	3.2	3.3
Payables (days)	75.1	84.2	92.4	91.6	82.0
Current ratio (x)	0.5	0.8	0.7	0.9	1.0
Quick ratio (x)	0.3	0.3	0.2	0.4	0.5
Turnover & Leverage					
Gross asset T.O (x)	1.9	1.7	1.8	1.7	1.7
Total asset T.O (x)	1.0	1.0	1.0	0.7	0.6
Int. covge. ratio (x)	2.2	3.0	3.1	1.5	1.7
Adj. debt/equity (x)	0.8	0.7	1.1	0.9	0.7
Valuation					
EV/Sales (x)	4.4	4.0	3.2	2.6	2.3
EV/EBITDA (x)	29.8	23.1	16.8	7.9	7.1
P/E (x)	85.6	68.2	46.5	53.0	35.0
P/BV (x)	8.9	7.9	6.8	6.3	5.3

Recommendation Summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
3rd Nov 2016	Hold	1,211
7th Feb 2017	Accumulate	1,440
12th June 2017	Reduce	1,380
1st Aug 2017	Reduce	1,251
3rd Nov 2017	Hold	1,459
21st Feb 2018	Hold	1,474
8 th May 2018	Accumulate	1,587
30 th July 2018	Buy	1,293
30 th October 2018	Hold	1,389
29 th January 2019	Accumulate	1,742
20th May 2019	Buy	2,100
20th Aug 2019	Accumulate	1,604
22nd October 2019	Buy	2,115

Investment 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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