

## Strong content performance boost results

PVR reported yet another strong quarter with robust box office performance boosting the topline and bottomline show. Footfalls came in at 29.3 mn, up 25% YoY and much better than our estimate of 20% growth with box office revenues at ₹ 492 crore, up 31.6% (our estimate was 25% growth), The SPH at ₹ 99, grew by 11% YoY, resulting in 38% growth in F&B revenues. Advertisement revenues grew by 15.6% YoY (ex- SPI, growth at ~8.9%), better than our expectation of overall growth of 12% YoY. EBITDA (without impact of Ind AS116) came in at ₹ 194.4 crore, up 56.8% YoY, and much ahead of our estimates of ₹ 172 crore. Margins of 20% (up 250 bps YoY) were also ahead of our estimates of 19%, given the superior topline. PAT (ex- Ind AS 116) came in at ₹ 66 crore (up 99.8% YoY).

## Strong quarter ever led by super hit content performance

Net box office collections for Q2FY20 were led by six movies such as *Mission Mangal*, *The Lion King*, *Saaho*, *Super 30*, *Chhichhore*, *Dream Girl* (with ₹ 100 crore+ collections). The company has already added 42 screens in H1FY20 and guided to add 50 more screens in H2. We are conservatively building in 75 screen additions in FY20 and FY21 each. Given this healthy screen addition and strong footfall growth (~11% CAGR), we expect net box office collection to grow at 15% CAGR over FY19-21E. The strong footfall and conversion will also translate into F&B growth of 15.8% CAGR.

## To utilise MAT credit, company to stick to old rates in near term

PVR indicated that they would continue to provide for tax under the regular tax rate (34.94%) in P&L till the utilisation of available MAT credit which stood at ₹ 79.8 crore as on Q2FY20. The company also indicated that notwithstanding regular tax rate provision in P&L, the actual cash tax outgo will be lower than the revised tax rate of ~25.2% for at least next 2 financial years. Furthermore, reduced MAT rate to 15% from earlier prevailing rate of 18.5% would also lead to accelerated utilisation of MAT Credit. We, therefore, now revert to earlier tax rate of ~35% in our P&L estimates.

## Valuation & Outlook

PVR has continued to deliver a healthy growth metric across revenues segment such as Box Office, F&B and advertisement. Given its widest reach, premium offering and stable content performance on the industry levels, PVR is poised to be a key beneficiary of growth momentum ahead. We continue to maintain our BUY rating on the stock and value the company at a revised target price of ₹ 2100/share (13.5x FY21 EB/EBITDA ex-IND AS Basis). Our target implies 11x FY21E EV/EBITDA multiple on reported EBITDA basis.



Particulars	
Particulars	Amount
Market Capitalization (₹ Crore)	8,803.9
Total Debt (FY19) (₹ Crore)	1,282.4
Cash (FY19) (₹ Crore)	34.1
EV	9,600.6
52 week H/L	1833 / 1084
Equity capital	4.7
Face value	10.0

### Key Highlights

- Strong quarter with robust box office performance boosting the topline and bottomline show
- Company to continue to provide for tax under the regular tax rate (34.94%) in the P&L till the utilisation of available MAT credit. Actual cash tax outgo, however, will be lower than the revised tax rate of ~25.2% for at least next 2 financial years
- We maintain our BUY rating and value it at 13.5x FY21E EV/EBITDA (ex – IND-AS), arriving at a revised target price of ₹ 2100/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	3,712.1	4,189.5	16.5
EBITDA (₹ crore)	357.0	401.8	586.3	1,191.1	1,381.0	53.5
Net Profit (₹ crore)	95.8	123.3	183.2	124.7	200.1	4.5
EPS (₹)	20.5	26.4	39.2	25.8	42.8	
P/E (x)	88.9	69.0	46.5	70.6	42.5	
Price / Book (x)	8.8	7.9	6.9	10.4	8.2	
EV/EBITDA (x)	26.9	23.9	17.1	11.8	10.2	
RoCE (%)	13.0	14.7	13.8	9.8	11.6	
RoE (%)	10.2	11.5	14.8	14.7	19.3	

Source: Company, ICICI Direct Research \*FY20 and FY21 EBITDA and PAT estimates are not comparable to earlier year numbers owing to IND AS 116 implementation

Exhibit 1: Variance Analysis

	Q2FY20	Q2FY20E	Q2FY19	Q1FY20	YoY (%)	QoQ (%)	Comments
Revenue	973.2	908.8	708.6	880.4	37.3	10.5	Revenue growth aided by strong performance in footfalls boosting box office growth and higher distribution revenues.
Other Income	6.2	7.0	6.1	6.8	2.0	-8.1	
Employee Expenses	104.9	105.6	77.0	105.7	36.3	-0.7	
Film Distributors share	198.0	203.6	165.0	199.1	20.0	-0.5	
F&B Cost	72.8	73.8	54.3	71.6	34.0	1.6	
Rent	0.0	0.0	115.9	0.0	-100.0	NA	
Repairs and Maintenance	279.4	227.2	172.3	225.4	62.1	23.9	
EBITDA	318.1	298.5	124.0	278.6	156.5	14.2	Reported EBITDA higher on Ind-AS 116 adoption. Adjusted EBITDA at ₹ 158.7, margin of 20% largely in line
EBITDA Margin (%)	32.7	32.8	17.5	31.6	1518 bps	104 bps	
Depreciation	139.5	125.9	44.8	125.9	211.6	10.9	
Interest	111.1	131.6	29.8	131.4	272.7	-15.4	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	25.8	16.3	21.2	10.4	22.0	147.6	
PAT	47.9	30.1	33.0	17.6	45.0	172.5	
Key Metrics							
Footfalls (mn)	29.3	28.0	23.4	27.0	25.2	8.5	
Occupancy (%)	37.8	36.2	34.6	35.7	9.2	5.8	
SPH (₹)	99.0	100.4	89.0	102.0	11.2	-2.9	
ATP (₹)	201.0	200.9	206.0	203.0	-2.4	-1.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,613.2	3,712.1	2.7	4,068.9	4,189.5	3.0	We now build in higher distribution revenues in FY20 and FY21
EBITDA	1,189.4	1,191.1	0.1	1,371.5	1,381.0	0.7	
EBITDA Margin (%)	32.9	32.1	-81 bps	33.7	33.0	-74 bps	Lower margins given the incremental distribution revenues have lower margins profile
PAT	118.5	124.7	5.2	194.7	200.1	2.8	
EPS (₹)	25.4	25.8	1.6	41.7	42.8	2.7	

Source: Company, ICICI Direct Research

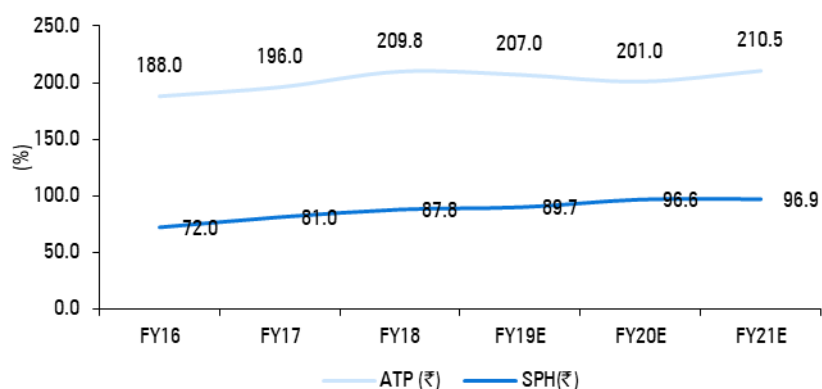
Exhibit 3: Assumptions

	Current				Earlier		
	FY17	FY18	FY19E	FY20E	FY21E	FY20E	FY21E
Footfalls (mn)	75.2	76.1	99.3	112.9	123.2	110.6	120.3
SPH (₹)	81	88	90	97	97	98	97
ATP (₹)	196	210	207	201	210	202	212

Source: Company, ICICI Direct Research

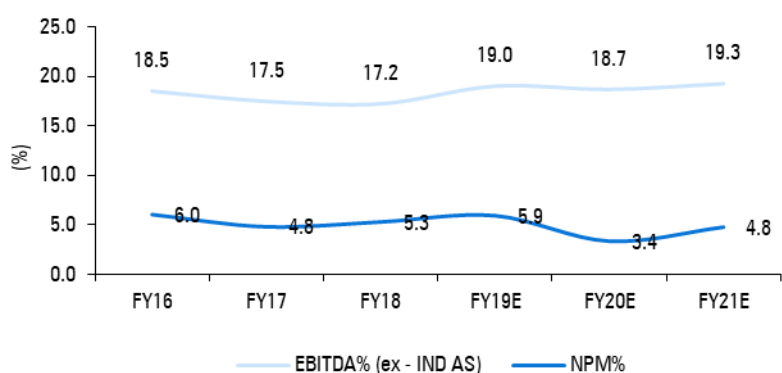
## Financial story in charts

Exhibit 4: ATP and SPH Trend



Source: Company, ICICI Direct Research

Exhibit 5: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 6: Proforma P&L (ex-IND AS)

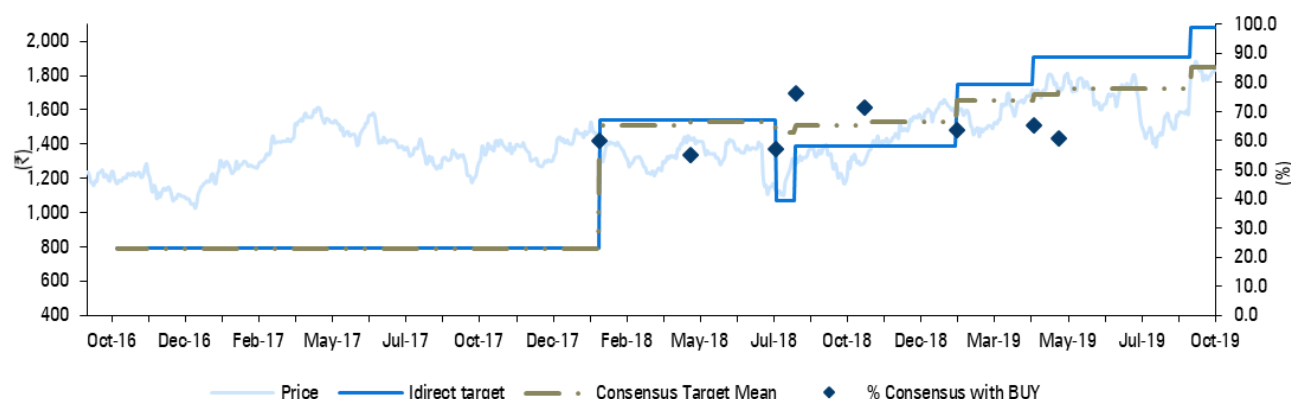
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Total operating Income</b>	<b>2,334.1</b>	<b>3,085.6</b>	<b>3,712.1</b>	<b>4,189.5</b>
Growth (%)	7.9	32.2	20.3	12.9
Film Distributors Cost	537.7	701.9	808.1	942.0
F&B Cost	159.1	238.7	285.7	317.7
Employee Expenses	254.1	337.3	414.9	451.2
Other Expenses	981.5	1,221.3	1,510.2	1,671.8
Total Operating Expenditure	1,932.3	2,499.2	3,018.9	3,382.7
<b>EBITDA</b>	<b>401.8</b>	<b>586.3</b>	<b>693.2</b>	<b>806.9</b>
Growth (%)	12.6	45.9	18.2	16.4
Margins (%)	17.2	19.0	18.7	19.3

Source: Company, ICICI Direct Research

## Conference Call Highlights

- **Adds 42 screens in H1; guided for 50-60 screen addition in H2:** Management indicated that the screen additions has been strong so far in H1FY20 as they added 42 screens on YTD basis. The company maintained its guidance to add 80-100 screens in FY20 with 50-60 screens additions expected in H2FY20. For a long term basis, given the tie-ups with various developers, company expects to continue the addition run-rate of 80-100 screens every year. Company is also expanding in tier 3 cities through the brand *PVR Utsav*.
- **Expects ad growth in H2 also despite challenges; Refrains from quantifying growth guidance:** During Q2FY20, the consolidated advertisement revenues grew by ~16% YoY, while for PVR growth stood at 8.9%. The management attributed the decent ad growth, despite challenges to long term partnership with key advertisers, overall network effect and innovative deals. Going ahead, while the company indicates that it would continue to grow with further push by better ad monetisation of SPI screens, it refrained from quantifying future guidance given the overall economic uncertainty.
- **Topline also aided by distribution income:** Company indicated that production & distribution arm has generated revenue from distribution in range of 65 crore during the quarter. The major movies distributed included *Super 30*, *Batla House*, *Saaho (Tamil)*, *Rambo* and *Angel has fallen*. Overall margins of the business, on an annual basis is expected at 5-7%, however given limited capital employed, the RoCE will be as remunerative as core business. We also highlight that they had earlier indicated that would spend ~US\$10 mn on the distribution business.
- **Continuation of old tax structure:** PVR indicated that they would continue to pay tax under the regular tax rate (34.94%) till the utilisation of available MAT credit which stood at ₹ 79.8 crore as on Q2FY20. The company also indicated that notwithstanding regular tax rate provision in P&L, the actual cash tax outgo will be lower than the revised tax rate of ~25.2% for at least next 2 financial years. Furthermore, reduced MAT rate to 15% from earlier prevailing rate of 18.5% would also lead to accelerated utilisation of MAT Credit.
- **SPI 100% acquisition completed:** The company allotted ~1.6 mn shares for acquiring balance 28.3% stake of SPI during the quarter after receiving the NCLT approval.
- **Other highlights:**
  - Same screen footfall growth was ~6.8%.
  - Gross ATP on YoY basis declined by 2.4% from ₹ 206 to ₹ 201, owing to lower GST rate from Jan, 2019 onwards.
  - Given the strong content and consolidation impact of SPI (south has more occupancy), PVR's occupancy during Q2 improved by 320 bps YoY from 34.6% to 37.8%.
  - Net debt stands at ₹1282.5 crore
  - Guided for 5-6% ATP growth ahead
  - Premium screen count stands at 80 screens as of September'19

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
Bijli (Ajay)	30-07-2019	11.24	5.44M	+0.03M
Kumar (Sanjeev)	30-06-2019	7.71	3.73M	0.0
Berry Creek Investment Ltd.	30-06-2019	7.41	3.58M	0.0
Plenty Private Equity Fund I Ltd.	30-06-2019	6.94	3.36M	0.0
Gray Birch Investment Ltd.	30-06-2019	6.12	2.96M	0.0
Multiples Alternate Asset Management Privat	30-06-2019	4.92	2.38M	0.0
ICICI Prudential Asset Management Co. Ltd.	30-09-2019	4.29	2.08M	+0.03M
Aditya Birla Sun Life AMC Limited	30-06-2019	2.38	1.15M	+0.07M
Sundaram Asset Management Company Limi	30-09-2019	2.04	0.99M	-0.08M
MFS Investment Management	31-08-2019	1.96	0.95M	+0.34M

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

Buys				Sells			
Investor name	Value	Shares		Investor name	Value	Shares	
Fidelity International Asset Management Company (Korea)	+15.73M	+0.65M		Fidelity International	-6.43M	-0.30M	
Hillhouse Capital Management Ltd.	+13.43M	+0.55M		Reliance Nippon Life Asset Management Limited	-2.84M	-0.13M	
MFS Investment Management	+7.33M	+0.34M		Candriam Belgium S.A.	-2.27M	-0.11M	
Florida State Board of Administration	+4.36M	+0.18M		Sundaram Asset Management Company Limited	-2.19M	-0.08M	
Wellington International Management Company Pte. Ltd.	+1.61M	+0.08M		BNP Paribas Asset Management India Pvt. Ltd.	-1.19M	-0.06M	

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Promoter	20.25	20.25	20.25	20.24	19.57
FII	39.47	40.04	42.04	44.92	42.88
DII	14.25	13.99	12.31	12.44	10.53
Others	26.03	25.72	25.40	22.40	27.02

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Total operating Income</b>	<b>2,334.1</b>	<b>3,085.6</b>	<b>3,712.1</b>	<b>4,189.5</b>
Growth (%)	7.9	32.2	20.3	12.9
Film Distributors Cost	537.7	701.9	808.1	942.0
F&B Cost	159.1	238.7	285.7	317.7
Employee Expenses	254.1	337.3	414.9	451.2
Other Expenses	981.5	1,221.3	1,012.3	1,097.7
Total Operating Expenditure	1,932.3	2,499.2	2,521.0	2,808.5
<b>EBITDA</b>	<b>401.8</b>	<b>586.3</b>	<b>1,191.1</b>	<b>1,381.0</b>
Growth (%)	12.6	45.9	103.1	15.9
Depreciation	153.7	191.3	543.0	599.6
Interest	83.7	128.0	481.5	499.0
Other Income	31.3	33.1	26.0	26.0
Exceptional Items	0.6	0.0	0.0	0.0
PBT	195.2	300.2	192.6	308.4
MI/PAT from associates	1.4	7.3	0.3	0.6
Total Tax	70.4	109.7	67.6	107.8
<b>PAT</b>	<b>123.3</b>	<b>183.2</b>	<b>124.7</b>	<b>200.1</b>
Growth (%)	28.8	48.5	-32.0	60.5
<b>EPS (₹)</b>	<b>26.4</b>	<b>39.2</b>	<b>25.8</b>	<b>42.8</b>

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>PAT</b>	<b>123.3</b>	<b>183.2</b>	<b>124.7</b>	<b>200.1</b>
Add: Depreciation	153.7	191.3	543.0	599.6
Add: Interest Paid	83.7	128.0	481.5	499.0
(Inc)/dec in Current Assets	-14.4	-95.4	-90.7	-101.2
Inc/(dec) in CL and Provisions	41.9	366.2	76.1	62.5
Others	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>388.3</b>	<b>773.2</b>	<b>1,134.5</b>	<b>1,260.0</b>
(Inc)/dec in Investments	-16.7	8.7	0.0	0.0
(Inc)/dec in Fixed Assets	-230.2	-844.2	-450.0	-450.0
Others	-52.7	-241.2	480.2	-294.6
<b>CF from investing activities</b>	<b>-299.6</b>	<b>-1076.7</b>	<b>30.2</b>	<b>-744.6</b>
Issue/(Buy back) of Equity	0.0	0.0	1.6	0.0
Inc/(dec) in loan funds	10.9	451.9	0.0	-150.0
Dividend paid & dividend tax	-10.9	-13.3	-11.3	-10.9
Less: Interest Paid	83.7	128.0	481.5	499.0
Others	-169.5	-261.7	-1472.0	-998.0
<b>CF from financing activities</b>	<b>-85.8</b>	<b>304.9</b>	<b>-1000.2</b>	<b>-659.9</b>
Net Cash flow	2.9	1.5	164.5	-144.6
Opening Cash	29.9	32.8	34.2	198.8
<b>Closing Cash</b>	<b>32.8</b>	<b>34.2</b>	<b>198.8</b>	<b>54.2</b>

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Liabilities</b>				
Equity Capital	46.7	46.7	48.3	48.3
Reserve and Surplus	1,028.6	1,192.8	797.2	986.4
Total Shareholders funds	1,075.4	1,239.5	845.5	1,034.7
Total Debt	830.5	1,282.4	1,282.4	1,132.4
Others	1.4	579.2	4,745.4	4,810.8
<b>Total Liabilities</b>	<b>1,907.3</b>	<b>3,101.1</b>	<b>6,873.4</b>	<b>6,977.9</b>
<b>Assets</b>				
Total Fixed Assets	1,683.7	2,336.6	2,556.4	2,746.7
Investments	18.7	9.9	9.9	9.9
Right of Use	-	-	3,313.2	3,273.3
Goodwill on Consolidation	7.9	685.0	685.0	685.0
Debtors	155.6	183.9	228.8	258.3
Inventory	19.8	30.3	36.5	41.2
Loans and Advances	1.0	1.2	1.2	1.2
Other Current Assets	87.5	143.9	183.6	250.7
Cash	32.8	34.1	198.8	54.2
Total Current Assets	296.7	393.5	648.8	605.5
Total Current Liabilities	441.6	807.7	883.9	946.4
Net Current Assets	-144.9	-414.3	-235.0	-340.9
Other Non Current Assets	341.9	483.9	543.9	603.9
<b>Application of Funds</b>	<b>1,907.3</b>	<b>3,101.1</b>	<b>6,873.4</b>	<b>6,977.9</b>

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Per share data (₹)</b>				
EPS (Diluted)	26.4	39.2	25.8	42.8
Cash EPS	59.3	80.2	138.2	171.2
BV	230.2	265.3	175.0	221.5
DPS	2.3	2.8	2.7	2.8
Cash Per Share	7.0	7.3	41.1	11.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	17.2	19.0	32.1	33.0
EBIT / Net Sales	10.6	12.8	17.5	18.7
PAT Margin	5.3	5.9	3.4	4.8
Inventory days	3.1	3.6	3.6	3.6
Debtor days	24.3	21.7	22.5	22.5
Creditor days	39.3	43.5	40.0	40.0
<b>Return Ratios (%)</b>				
RoE	11.5	14.8	14.7	19.3
RoCE	14.7	13.8	9.8	11.6
RoIC	15.5	18.9	27.4	30.1
<b>Valuation Ratios (x)</b>				
P/E	69.0	46.5	70.6	42.5
EV / EBITDA	23.9	17.1	11.8	10.2
EV / Net Sales	4.1	3.3	3.8	3.4
Market Cap / Sales	3.8	2.9	2.4	2.1
Price to Book Value	7.9	6.9	10.4	8.2
<b>Solvency Ratios</b>				
Net Debt/EBITDA	2.0	2.1	0.9	0.8
Net Debt / Equity	0.7	1.0	1.3	1.0
Current Ratio	1.0	0.9	1.0	1.1
Quick Ratio	0.9	0.8	1.0	1.0

Source: Company, ICICI Direct Research

**Exhibit 15: ICICI Direct Coverage Universe (Media)**

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
ENIL (ENTNET)	260	445	Hold	1,239	11.3	10.7	14.5	23.0	24.4	18.0	7.8	5.4	4.0	6.2	9.0	8.3	3.5	5.8	5.4
Inox Leisure (INOX)	347	400	Buy	3,559	13.0	13.2	20.0	26.7	26.2	17.3	11.9	5.7	4.5	13.2	19.6	11.6	10.6	14.2	18.0
Music Broadcast (MUK)	33	53	Hold	899	2.2	2.0	2.4	14.6	16.6	13.7	5.9	5.5	4.7	16.5	14.0	16.6	10.2	8.2	9.9
PVR (PVRLIM)	1,822	2,100	Buy	8,512	39.2	25.8	42.8	46.5	70.6	42.5	16.6	8.1	6.9	14.7	13.8	9.8	11.5	14.8	14.7
Sun TV (SUNTV)	513	520	Hold	20,216	36.4	40.7	43.3	14.1	12.6	11.8	6.7	6.7	5.7	35.5	38.5	32.1	24.2	25.9	24.5
TV Today (TVTNET)	308	385	Buy	1,834	22.0	28.8	34.8	14.0	10.7	8.8	7.7	5.9	4.4	30.4	26.4	26.0	19.3	16.9	18.4
ZEE Ent. (ZEEENT)	245	220	Reduce	23,530	16.1	19.5	22.0	15.2	12.5	11.1	8.4	7.9	6.7	25.6	25.7	24.5	15.3	15.7	17.3

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes 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

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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