

PVR Limited (PVRLIM)

₹ 139

WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 144 to ₹ 157
EPS (FY12E)	Changed from ₹ 14.0 to ₹ 14.2
EPS (FY13E)	Changed from ₹ 14.4 to ₹ 15.7
RATING	Changed from HOLD to BUY

Better than expected...

PVR reported its Q3FY12 numbers, which were better than our expectations. The topline for the company stood at ₹ 139.0 crore against our expectation of ₹ 134.2 crore, growing 4.0% YoY driven by a good quality of content and higher footfalls. EBITDA for the quarter stood at ₹ 24.0 crore against our expectation of ₹ 20.7 crore, growing 11.0% YoY. The EBITDA margin stood at 17.3%, improving 110 bps YoY but staying more or less flat QoQ. PAT for the quarter stood at ₹ 9.0 crore against our expectation of ₹ 6.1 crore, improving from a loss of ₹ 4.8 crore in Q3FY11.

Highlights of the quarter

The quarter was marked by better quality of content as compared to Q3FY11 resulting in higher footfalls but at lower ATPs. The occupancy levels increased in the quarter YoY. While the footfalls increased from 5.2 million to 6.6 million, growing by 28%, the ATP decreased from ₹ 167 to ₹ 155 from Q3FY11 to Q3FY12. Exhibition revenues grew 22.0% YoY to ₹ 125.8 crore as compared to ₹ 103.2 crore in Q3FY11.

Valuation

The quarter was marked by higher footfalls but at lower ATPs. With a good movie pipeline, we expect footfalls to increase further. Also, we expect the aggressive expansion plans of PVR to drive revenue growth in the subsequent quarters. We expect 11.0% revenue CAGR over FY11-13E (due to the absence of revenue from movie production, going forward, which contributed ~ ₹ 70 crore in FY11) and PAT CAGR of 128.1% over the same period. At the CMP of ₹ 139, the stock is trading at 9.8x FY12E EPS of ₹ 14.4 and 8.9x FY13E EPS of ₹ 15.7. We have valued the stock at 10x FY13E and arrived at a target price of ₹ 157, implying an upside of 13%. We have upgraded the stock from HOLD to **BUY**.

Exhibit 1: Valuation Metrics

(₹ Crore)	Q3FY12	Q3FY12E	Q3FY11	Q2FY12	QoQ (Chg %)	YoY (Chg %)
Net Sales	139.0	134.2	133.6	138.6	0.2	4.0
EBITDA	24.0	20.7	21.6	28.9	-16.7	11.0
EBITDA Margin (%)	17.3	15.4	16.2	20.8	-352 bps	110 bps
Depreciation	8.3	8.0	24.7	7.8	5.5	-66.6
Interest	4.5	3.8	3.3	3.8	17.9	34.5
Reported PAT	9.0	6.1	-4.8	14.2	-36.6	-289.5
EPS (₹)	3.3	2.2	-1.8	5.2	-36.6	-289.5

Source: Company, ICICIdirect.com Research

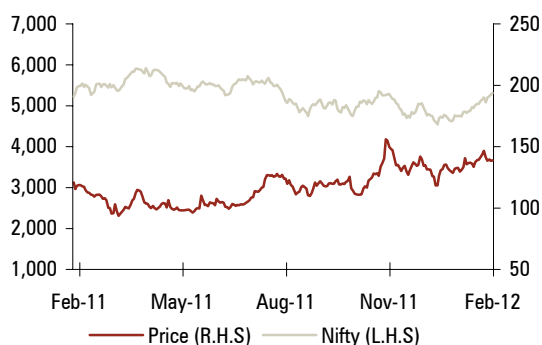
Rating matrix	
Rating	: Buy
Target	: ₹ 157
Target Period	: 12 months
Potential Upside	: 13%

Key Financials				
(₹ Crore)	FY10	FY11E	FY12E	FY13E
Net Sales	334.1	457.3	514.7	589.8
EBITDA	34.2	85.3	89.2	114.0
Net Profit	1.4	8.2	38.6	42.6
EPS (₹)	0.6	3.0	14.2	15.7

Valuation summary				
	FY10	FY11E	FY12E	FY13E
PE (x)	NA	46.1	9.8	8.9
Target PE (x)	NA	52.0	11.0	10.0
EV/EBITDA (x)	12.5	5.4	5.0	3.8
P/BV (x)	1.2	1.1	1.0	0.9
RoNW (%)	0.3	0.1	10.0	10.5
RoCE (%)	2.9	2.4	9.0	9.3

Stock data	
Market Capitalisation	₹ 377 Crore
Debt-Cons. (FY11)	₹ 161.7 Crore
Cash & Invst.-Cons. (FY11)	₹ 79.8 Crore
EV	₹ 458.8 Crore
52 week H/L	163 / 94
Equity capital	₹ 27.1 crore
Face value	₹ 10
MF Holding (%)	17.9
FII Holding (%)	3.0

Price movement



Analyst's name

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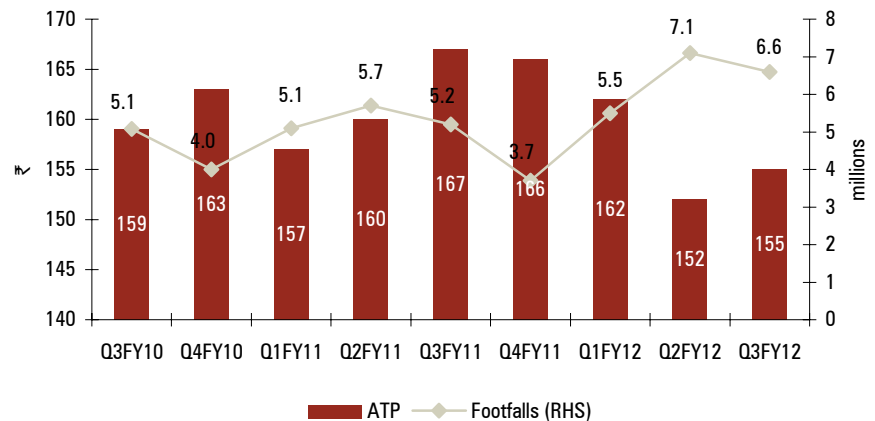
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Result analysis

Higher footfalls; lower ATPs

Q3FY12 was marked by good quality of content with movies like “Ra One” and “The Dirty Picture” able to pull in patrons in good numbers. The footfalls increased from 5.2 million in Q3FY11 to 6.6 million in Q3FY12 representing a jump of 28%. However, it came at the cost of lower ATPs, which fell from ₹ 167 in Q3FY11 to ₹ 155 in Q3FY12, de-growing 7%. The management has stopped giving occupancy levels. However, as per our calculations, the occupancy stood at 31%, improving from 27.7% in Q3FY11.

Exhibit 2: Occupancy and ATP trend



Source: Company, ICICIdirect.com Research

Exhibit 3: Key metrics

		Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12
Footfalls	Mn	5.2	3.7	5.5	7.1	6.6
Occupancy	%	27.7	20.0	29.0	36.0	31.0
ATP	₹	167.0	166.0	162.0	152.0	155.0
SPH	₹	40.7	40.7	43.7	40.6	43.8

Source: Company, ICICIdirect.com Research

Other revenue segments...

PVR Blu-O did not open any new bowling centres in Q3FY12. However, the centre opened in Q2FY12 has started showing in the revenues of PVR Blu O. The revenues increased from ₹ 3.7 crore in Q2FY12 to ₹ 5.4 crore in Q3FY12, growing by 46.2% QoQ. PVR Blu O currently has two bowling centre with 50 lanes. The management has indicated that Blu-O will be adding another four centres with ~ 80 lanes by FY13.

PVR Pictures reported revenues of ₹ 10.3 crore against ₹ 30.3 crore in Q3FY11. The revenues from Q3FY11 included revenues from production of movies, which PVR Pictures has currently desisted from. The management has indicated that PVR will be trying to get the rights of English movies as they come with overall rights i.e. including television rights. Currently, PVR Pictures has movies like “Man on a Ledge”, “Woman in Black” and “The Artist” in the distribution pipeline. PVR Pictures currently has a movie “Shanghai” in the pipeline for production.

Outlook & valuation

On a YoY basis, the footfalls and occupancy increased in Q3FY12, at lower ATPs. The management has indicated that they will experiment with the ATPs to maximise their revenues in the future. With a good movie pipeline in Q4FY12, we expect PVR to improve on footfalls albeit at lower levels of ATPs YoY.

The management has indicated that they plan to add another 14 properties with 70 screens by the end of FY13. We expect the aggressive expansion plans of PVR to drive revenue growth in the subsequent quarters.

Exhibit 4: Movie pipeline

Date	Movie	Banner	Cast
3-Feb	Moneyball	Sony Pictures	Brad Pitt, Jonah Hill
10-Feb	Ek Main Aur Ek Tu	Dharma Prod.	Imran Khan, Kareena Kapoor
10-Feb	Woman In Black	PVR Pictures	Daniel Radcliffe, Claran Hinds
17-Feb	The Artist	PVR Pictures	Jean Dujardin, Berenice Bejo
17-Feb	Ghost Rider: Spirit of Vengeance	Warner Bros.	Nicolas Cage, Ciaran Hinds
24-Feb	Jodi Breaker	Prasar Visions	R Madhavan, Bipasha Basu
24-Feb	Tere Naal Love Ho Gaya	Tips	Ritesh Deshmukh, Genelia D' Souza
2-Mar	Iron Lady	PVR Pictures	
2-Mar	Department	Balaji	Amitabh Bachchan, Sanjay Dutt
9-Mar	Paan Singh Tomar	UTV	Irrfan Khan, Mahie Gill
9-Mar	Kahani	Viacom 18	Vidya Balan
23-Mar	Agent Vinod	Illuminati Films	Saif Ali Khan, Kareena Kapoor
5-Apr	Housefull 2	Eros	Akshay Kumar, John Abraham
6-Apr	Titanic (3D)	Fox Star	Kate Winslet, Leonardo Di Caprio

Source: Company, ICICIdirect.com Research

We expect 11.0% revenue CAGR over FY11-13E (due to the absence of revenue from movie production, going forward, which contributed ~ ₹ 70 crore in FY11) and 128.1% PAT CAGR over the same period. At the CMP of ₹ 139, the stock is trading at 9.8x FY12E EPS of ₹ 14.4 and 8.9x FY13E EPS of ₹ 15.7. We have valued the stock at 10x FY13E and arrived at a target price of ₹ 157, implying an upside of 13%. We have upgraded the stock from HOLD to **BUY**.

Exhibit 5: Valuation Table

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY10	334.1	-5.1	0.6	-84.4	NA	12.5	0.3	2.9
FY11	457.3	36.9	3.0	409.4	46.1	5.4	0.1	2.4
FY12E	514.7	12.6	14.2	371.7	9.8	5.0	10.0	9.0
FY13E	589.8	14.6	15.7	10.3	8.9	3.8	10.5	9.3

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
Total operating Income	334.1	457.3	514.7	589.8
Growth (%)	-6.0	36.9	12.6	14.6
Film Distributors Cost	80.3	100.6	126.2	143.4
F&B Cost	20.4	24.2	33.4	35.0
Employee Expenses	42.0	47.3	55.4	71.8
Other Expenses	157.1	199.8	210.5	225.5
Total Operating Expenditure	299.9	372.0	425.5	475.8
EBITDA	34.2	85.3	89.2	114.0
Growth (%)	-27.5	149.2	4.6	27.7
Depreciation	27.4	67.4	38.9	41.9
Interest	15.9	13.8	19.1	18.3
Other Income	9.8	11.6	8.1	5.9
PBT	0.7	15.7	39.3	59.7
Exceptional Items	0.0	0.0	12.2	0.0
MI/PAT from associates	0.6	7.9	1.1	(1.0)
Total Tax	-0.1	15.4	13.9	16.2
PAT	1.4	8.2	38.6	42.6
Growth (%)	-84.4	500.4	371.7	10.3
EPS (₹)	0.6	3.0	14.2	15.7

Source: Company, ICICIdirect.com Research

Balance sheet

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
Liabilities				
Equity Capital	25.6	27.1	27.1	27.1
Reserve and Surplus	283.4	314.2	348.5	388.9
Total Shareholders funds	309.0	341.4	375.7	416.0
Total Debt	179.9	161.7	166.4	166.4
Others	81.9	85.7	84.7	84.8
Total Liabilities	570.9	588.8	626.8	667.3
Assets				
Gross Tangible Assets Block	379.7	454.6	505.6	610.6
Less: Acc Depreciation	93.0	119.4	158.3	200.2
Net Intangible Assets	65.4	53.7	33.7	33.7
Net Block	352.1	388.9	381.0	444.1
Capital WIP	34.4	46.8	64.6	64.6
Total Fixed Assets	386.5	435.7	445.6	508.7
Investments	106.7	0.5	50.0	50.0
Deferred Tax Assets	5.0	0.0	0.0	0.0
Debtors	14.4	30.0	42.3	48.5
Loans and Advances	90.9	101.7	128.7	100.3
Other Current Assets	5.7	8.4	5.2	5.8
Cash	20.7	79.3	46.7	59.0
Total Current Assets	131.7	219.3	222.8	213.5
Total Current Liabilities	59.0	66.7	91.7	105.0
Net Current Assets	72.7	152.6	131.2	108.5
Other Non Current Assets	0.0	0.0	0.0	0.0
Application of Funds	570.9	588.8	626.8	667.3

Source: Company, ICICIdirect.com Research

Cash flow statement

	(₹ Crore)			
(Year-end March)	FY10	FY11	FY12E	FY13E
PAT before Provisions	0.8	0.3	37.5	43.5
Add: Depreciation	27.4	67.4	38.9	41.9
(Inc)/dec in Current Assets	-3.4	-29.1	-36.1	21.6
Inc/(dec) in CL and Provisions	-7.2	7.7	24.9	13.4
Others	-6.7	4.3	-1.1	0.1
CF from operating activities	10.9	50.7	64.2	120.6
(Inc)/dec in Investments	8.1	106.2	-49.5	0.0
(Inc)/dec in Fixed Assets	-82.1	-112.1	-48.8	-105.0
CF from investing activities	-74.0	-6.0	-98.3	-105.0
Issue/(Buy back) of Equity	2.6	1.5	0.0	0.0
Inc/(dec) in loan funds	35.8	-18.2	4.7	0.0
Dividend paid & dividend tax	-3.0	-3.3	-3.2	-3.2
Inc/(dec) in Sec. premium	39.3	24.0	0.0	0.0
Others	4.2	-19.2	0.0	0.0
CF from financing activities	75.5	8.1	1.5	-3.2
Net Cash flow	12.4	52.8	-32.6	12.4
Opening Cash	8.5	20.7	79.3	46.7
Closing Cash	20.7	79.3	46.7	59.0

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY10	FY11	FY12E	FY13E
Per share data (₹)				
EPS	0.6	3.0	14.2	15.7
Cash EPS	12.3	25.0	28.2	31.5
BV	120.6	125.7	138.4	153.2
DPS	1.1	1.1	1.0	1.0
Cash Per Share	7.6	29.2	17.2	21.8
Operating Ratios (%)				
EBITDA Margin	10.2	18.7	17.3	19.3
PBT / Total Operating income	0.2	3.4	7.6	10.1
PAT Margin	0.4	1.8	7.5	7.2
Inventory days	-	-	-	-
Debtor days	17.9	17.7	25.6	28.1
Creditor days	49.1	37.4	46.4	51.7
Return Ratios (%)				
RoE	0.3	0.1	10.0	10.5
RoCE	2.9	2.4	9.0	9.3
RoIC	3.0	2.8	9.8	10.2
Valuation Ratios (x)				
P/E	234.7	46.1	9.8	8.9
EV / EBITDA	12.5	5.4	5.0	3.8
EV / Net Sales	1.3	1.0	0.9	0.7
Market Cap / Sales	1.0	0.8	0.7	0.6
Price to Book Value	1.2	1.1	1.0	0.9
Solvency Ratios				
Debt/EBITDA	5.3	1.9	1.9	1.5
Debt / Equity	0.6	0.5	0.4	0.4
Current Ratio	2.2	3.3	2.4	2.0
Quick Ratio	1.9	2.1	1.9	1.5

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Multiplexes)

PVR				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	PVRLIM			FY10	334.1	0.6	NA	12.5	0.3	2.9
		CMP	139	FY11	457.3	3.0	46.1	5.4	0.1	2.4
		Target	157	FY12E	514.7	14.2	9.8	5.0	10.0	9.0
MCap (₹ Cr)	21.7	% Upside	12.9%	FY13E	589.8	15.7	8.9	3.8	10.5	9.3
Cinimax										
Idirect Code	CININD			FY10	168.1	6.1	5.9	6.5	10.2	7.2
		CMP	36	FY11E	191.6	1.9	18.5	7.3	3.2	5.4
		Target	46	FY12E	289.4	4.9	7.3	5.9	7.5	7.7
MCap (₹ Cr)	100.8	% Upside	27.5%	FY13E	311.1	6.6	5.5	5.2	9.0	8.9

Source: Company, ICICIdirect.com Research

Exhibit 6: Recommendation History



Source: Reuters, ICICIdirect.com Research

Exhibit 7: Recent Releases

Date	Event	CMP	Target Price	Rating
18-Feb-11	Q3FY11 Result Update	79	86	ADD
8-Apr-11	Q4FY11 Preview	113	122	HOLD
30-May-11	Q4FY11 Result Update	100	124	BUY
5-Jul-11	Q1FY12 Result Preview	103	124	BUY
10-Aug-11	Q1FY12 Result Update	122	144	BUY
5-Jul-11	Q2FY12 Result Preview	116	144	BUY
25-Oct-11	Q2FY12 Result Update	128	144	BUY
6-Jan-12	Q3FY12 Result Preview	132	144	HOLD

Source: Company, ICICIdirect.com Research

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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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