

Steady performance; regional content a dampener

PVR reported an in line operating performance for the quarter with stable growth, albeit weak regional content performance partially tempered the growth. Footfalls came in at 25.9 mn, up 0.8% YoY with box office revenues at ₹ 453 crore, up 6.4%. Gross ATP was at ₹ 210, down 1% YoY. SPH was at ₹ 100, up 11.3% YoY, resulting in 12.6% YoY growth in F&B revenues. Advertisement revenues grew 8% YoY (like-to-like growth at 2%). EBITDA (without impact of Ind-AS 116) came in at ₹ 180 crore, up 9.7% YoY. Margins of 19.7% (up 20 bps YoY) were also ahead of our estimates of 19%. PAT (without impact of Ind AS 116) came in at ₹ 59 crore (up 14.1% YoY).

Weak regional performance impacts footfalls...

Net box office collections for the quarter were led by movies such as *War*, *Housefull 4*, *Bala*, *Joker* and *Good Newwz*. We note that while Bollywood and Hollywood net box office were up 13% and 47%, respectively, Tamil and Telugu box office declined 23% and 27%, respectively. The company has already added 67 screens in FY20YTD and guided to end FY20 with screen addition of 90-100. We conservatively build in 80 screen additions in FY20 while we bake in 75 screens addition each in FY21 and FY22. We highlight that content performance, so far, as has been strong both in Hindi and regional space in Q4 and slate is promising. Given this healthy screen addition and strong footfall growth (~9% CAGR), we expect net box office collection to grow at 13.6% CAGR over FY19-22E. The strong footfall and conversion will also translate into F&B growth of 15.5% CAGR.

Macroeconomic challenges to restrict ad growth momentum

During the quarter, advertisement revenues grew 8% YoY (like-to-like growth at 2%). The decent ad growth in Q3, notwithstanding challenges, was attributable to long term partnership with key advertisers, overall network effect and innovative deals. However, it clearly warned of macroeconomic headwinds and guided that ad growth in the near term will be in single digits. Hence, we lower our ad growth estimates for FY21 to 8% vs. 12% earlier, while we build in 10% growth for FY22. This resulted in ad revenue CAGR of 10.8% over FY19-22E to ₹ 480 crore.

Valuation & Outlook

We continue to believe that the multiplex industry is the best placed media segment for growth driven by traction in content performance. Given its widest reach, premium offering and stable content performance at the industry level, PVR remains a key beneficiary of overall growth momentum ahead. We maintain our **BUY** rating on the stock and roll over the valuations at 13.5x FY22 EV/EBITDA (ex-Ind-AS basis) to arrive at a target price of ₹ 2200/share.



Particulars	
Particulars	Amount
Market Capitalization (₹ Crore)	9,727.0
Total Debt (FY19) (₹ Crore)	1,282.4
Cash (FY19) (₹ Crore)	34.1
EV	10,523.7
52 week H/L	1959 / 1345
Equity capital	5.1
Face value	10.0

Key Highlights

- While Bollywood and Hollywood net box office were up 13% and 47% respectively, Tamil and Telugu box office declined 23% and 27%, respectively
- The company warned of macroeconomic headwinds and guided that advertisement growth in near term will be in single digits
- We maintain BUY rating and value it at 13.5x FY22E EV/EBITDA (ex – Ind-AS), arriving at a target price of ₹ 2200/share

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Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Net Sales (₹ crore)	2,334.1	3,085.6	3,682.6	4,136.8	4,621.4	14.4
EBITDA (₹ crore)	401.8	586.3	1,192.8	1,336.0	1,503.5	36.9
Net Profit (₹ crore)	123.3	183.2	130.3	197.7	269.3	13.7
EPS (₹)	26.4	39.2	25.4	38.5	52.5	
P/E (x)	71.8	48.3	74.6	49.2	36.1	
Price / Book (x)	8.2	7.1	7.2	6.3	5.4	
EV/EBITDA (x)	26.2	18.7	12.1	10.8	9.5	
RoCE (%)	14.7	13.8	9.6	10.7	12.1	
RoE (%)	11.5	14.8	9.6	12.9	15.0	

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

	Q3FY20	Q3FY20E	Q3FY19	Q2FY20	YoY (%)	QoQ (%)	Comments
Revenue	915.7	908.6	843.1	973.2	8.6	-5.9	Footfalls came in at 25.9 mn, up 0.8% YoY with box office revenues at ₹ 453 crore, up 6.4%. SPH was at ₹ 100, up 11.3% YoY, resulting in 12.6% YoY growth in F&B revenues. Ad revenues grew 8% YoY (like-to-like growth at 2%)
Other Income	8.2	10.0	14.3	6.2	-42.8	31.0	
Employee Expenses	106.7	103.5	95.7	104.9	11.5	1.7	
Film Distributors share	192.7	188.1	185.0	198.0	4.2	-2.7	
F&B Cost	68.2	68.2	65.8	72.8	3.6	-6.3	
Rent	0.0	0.0	123.9	0.0	-100.0	NA	
Repairs and Maintenance	240.8	250.8	208.4	279.4	15.6	-13.8	
EBITDA	307.3	298.1	164.3	318.1	87.0	-3.4	
EBITDA Margin (%)	33.6	32.8	19.5	32.7	1407 bps	87 bps	
Depreciation	134.9	140.0	51.4	139.5	162.2	-3.3	
Interest	122.1	112.6	37.9	111.1	222.4	9.9	
Less: Exceptional Items	0.0	0.0	0.0	0.0	NA	NA	
Total Tax	22.1	19.4	33.7	25.8	-34.6	-14.5	
PAT	36.3	35.6	51.6	47.9	-29.6	-24.1	

Key Metrics							
Footfalls (mn)	25.9	26.2	25.7	29.3	0.8	-11.6	
Occupancy (%)	33.4	33.5	35.2	37.8	-4.9	-11.5	
SPH (₹)	100.0	100.0	89.9	99.0	11.3	1.0	
ATP (₹)	210.0	207.4	211.8	201.0	-0.8	4.5	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E			FY22E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	3,718.9	3,682.6	-1.0	4,212.7	4,136.8	-1.8	4,621.4	Lower our ad revenues estimates to account for macroeconomic challenges
EBITDA	1,189.9	1,192.8	0.2	1,386.9	1,336.0	-3.7	1,503.5	
EBITDA Margin (%)	32.0	32.4	39 bps	32.9	32.3	-60 bps	32.5	
PAT	129.5	130.3	0.6	224.4	197.7	-11.9	269.3	
EPS (₹)	25.2	25.4	0.6	43.7	38.5	-11.9	52.5	

Source: Company, ICICI Direct Research

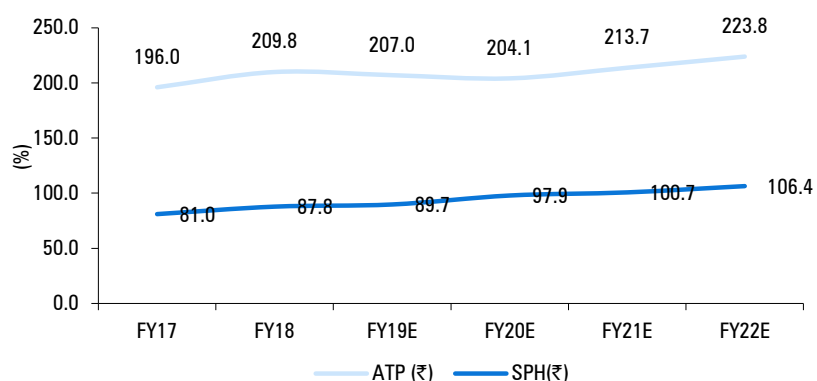
Exhibit 3: Assumptions

	Current				Earlier		
	FY18	FY19E	FY20E	FY21E	FY21E	FY20E	FY21E
Footfalls (mn)	76.1	99.3	110.4	121.0	129.2	110.6	120.3
SPH (₹)	88	90	98	101	106	98	97
ATP (₹)	210	207	204	214	224	202	212

Source: Company, ICICI Direct Research

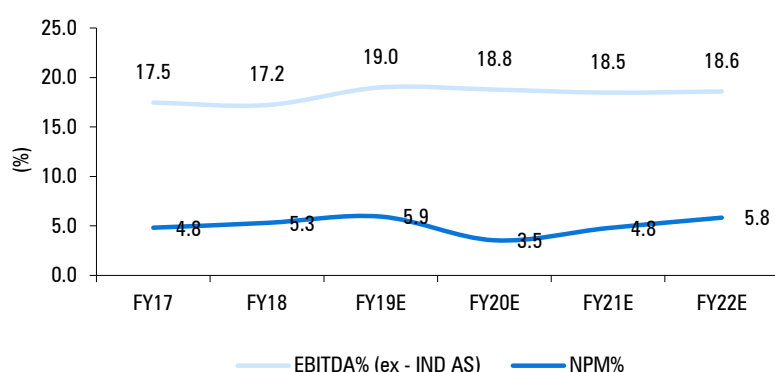
Financial story in charts

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)	FY19	FY20E	FY21E	FY22E
Total operating income	3,085.6	3,682.6	4,136.8	4,621.4
Growth (%)	32.2	19.4	12.3	11.7
Film Distributors Cost	701.9	794.8	923.1	1,032.1
F&B Cost	238.7	283.2	324.2	365.6
Employee Expenses	337.3	431.5	498.6	564.8
Other Expenses	1,221.3	1,481.5	1,626.8	1,799.7
Total Operating Expenditure	2,499.2	2,991.0	3,372.8	3,762.3
EBITDA	586.3	691.6	764.1	859.1
Growth (%)	45.9	18.0	10.5	12.4
Margins (%)	19.0	18.8	18.5	18.6
Depreciation	191.3	228.3	256.5	286.5
Interest	128.0	151.4	118.0	98.5
Other Income	33.1	27.1	32.0	36.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	300.2	339.0	421.6	510.2
MI/PAT from associates	7.3	0.1	0.0	0.0
Total Tax	109.7	120.6	147.6	178.6
PAT	183.2	218.3	274.1	331.6
Growth (%)	48.5	19.2	25.6	21.0
EPS (₹)	39.2	42.5	53.4	64.6

Source: Company, ICICI Direct Research

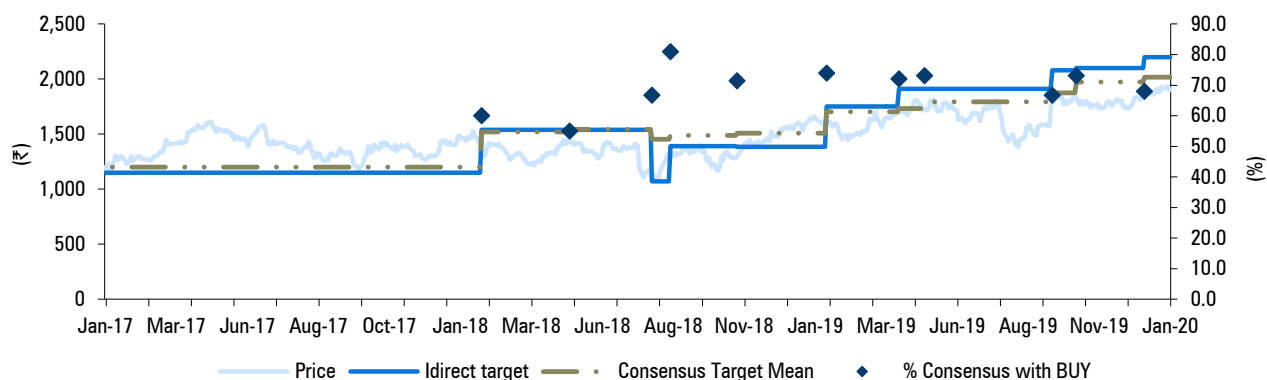
Conference Call Highlights

- **Management terms southern film underperformance as cyclical:** The box office performance of Hindi and Hollywood films was strong as contribution from these films to overall revenues increased. Hindi and Hollywood films' revenue contribution to overall revenue mix was ~57% and 20%, respectively. However, the contribution of regional content fell to 23% (from 34% in Q3FY19) as Tamil & Telugu content underperformed. One of the reason behind the decline was higher base effect of 2.0. Also, no big release performed up to the expectations. The management was of the view that the underperformance was not a structural concern and rise of OTT platforms have not hit box office collections. Box office collection was lower across all geographies and areas with less OTT penetration also recorded lower footfalls. Further, the management said that Q4FY20 has started on a good note and they are hopeful of robust box office collections given the content line up
- **Expect slower ad growth in near term:** The management said that though ad revenue have increased YoY, registered growth is lower than the usual rate (same screen ad growth at 2%). The ad revenue breakup was 85% from on screen ads and 15% from off-screen ads. Decline in advertising by corporates was one of the reasons for slower growth. The management clearly warned of macroeconomic headwinds and guided that ad growth in near term will be in single digits. They added that they have undertaken initiatives like co-branding of premium formats, renewed partnerships and custom fit solutions for each brand, which will help them to stay on growth trajectory. Also, their presence at premium properties helps them in retention of brands
- **Opens screen in Sri Lanka; too early to comment on F&B and Loyalty plan initiatives:** The management said that their new property in Sri Lanka (nine screens) has received an extremely positive reception. They added that local government policies and demographics are favourable for business. Also, on their partnership with online food delivery partners the management said that they are getting good traction but it was too early to comment on visibility in terms of revenue. Similarly, loyalty programme would also take time to build up. Data mining is likely get better results when observed over a meaningful time frame
- **Screen addition guidance intact:** The management said that 67 new screens have opened in FY20YTD and they are on track to achieve target of 80-100 screen additions annually as additional screens will be opened in February and March. For FY21, they indicated that screen addition will be in the range of 75-100. They added that geographically diverse portfolio of screens will be helpful in reducing volatility in the business
- **Expect further synergy from SPI as utilisations pick up:** The management said that the revenue from SPI cinemas was sub-par as southern language films underperformed. They also added that expected synergy level between SPI cinemas and PVR has not been achieved yet and the acquired assets were underutilised. Also, the management was hopeful that there is scope for ad revenue improvement from SPI cinemas.

- **Other highlights:**

- The company guided that same screen cost is estimated to increase at 5-6% YoY. As screen addition continues, rent cost are expected to increase by 7-8% while common area maintenance and electricity costs are expected to grow 3-4%
- Post the QIP of ₹ 500 crore in Q3FY20, net debt was at ₹ 825 crore with debt/EBITDA at ~1.2x.
- Total 65-70% screens are present in Metro and tier 1 cities while 30-35% screens are present in tier 2 and 3 cities
- On a comparable basis, footfalls were down 6% YoY from 22.8 million to 21.4 million. Similarly, like to like occupancy was down from 36.1% to 34%
- Premium screen count was at 88 screens as of December 2019 (~11% of the portfolio)

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	Bijli (Ajay)	22-Oct-19	10.64	5.5	0.0
2	Kumar (Sanjeev)	30-Jun-19	7.26	3.7	0.0
3	Berry Creek Investment Ltd.	30-Jun-19	6.98	3.6	0.0
4	Plenty Private Equity Fund I Ltd.	30-Jun-19	6.54	3.4	0.0
5	Gray Birch Investment Ltd.	30-Jun-19	5.76	3.0	0.0
6	ICICI Prudential Asset Management	31-Dec-19	5.53	2.8	0.1
7	Multiples Alternate Asset Management	30-Jun-19	4.16	2.1	0.0
8	Aditya Birla Sun Life AMC Limited	31-Dec-19	3.54	1.8	0.0
9	FIL Limited	31-Oct-19	2.09	1.1	-0.2
10	Sundaram Asset Management Company	31-Dec-19	2.04	1.0	0.0

Source: Bloomberg, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Promoter	20.25	20.25	20.24	19.57	18.44
FII	40.04	42.04	44.92	42.88	42.94
DII	13.99	12.31	12.44	10.53	15.51
Others	25.72	25.40	22.40	27.02	23.11

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Total operating Income	3,085.6	3,682.6	4,136.8	4,621.4
Growth (%)	32.2	19.4	12.3	11.7
Film Distributors Cost	701.9	794.8	923.1	1,032.1
F&B Cost	238.7	283.2	324.2	365.6
Employee Expenses	337.3	431.5	498.6	564.8
Other Expenses	1,221.3	980.4	1,054.9	1,155.4
Total Operating Expenditure	2,499.2	2,489.9	2,800.8	3,117.9
EBITDA	586.3	1,192.8	1,336.0	1,503.5
Growth (%)	45.9	103.4	12.0	12.5
Depreciation	191.3	540.3	596.2	653.1
Interest	128.0	475.5	467.6	472.1
Other Income	33.1	27.1	32.0	36.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	300.2	204.1	304.1	414.2
MI/PAT from associates	7.3	0.1	0.0	0.0
Total Tax	109.7	73.7	106.4	145.0
PAT	183.2	130.3	197.7	269.3
Growth (%)	48.5	-28.9	51.7	36.2
EPS (₹)	39.2	25.4	38.5	52.5

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
PAT	183.2	130.3	197.7	269.3
Add: Depreciation	191.3	540.3	596.2	653.1
Add: Interest Paid	128.0	475.5	467.6	472.1
(Inc)/dec in Current Assets	-95.4	-71.8	-47.4	-55.9
Inc/(dec) in CL and Provisions	366.2	69.1	151.3	64.0
Others	0.0	0.0	0.0	0.0
CF from operating activities	773.2	1,143.4	1,365.5	1,402.6
(Inc)/dec in Investments	8.7	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-844.2	-450.0	-450.0	-500.0
Others	-241.2	475.5	-292.2	-337.8
CF from investing activities	-1076.7	25.5	-742.2	-837.8
Issue/(Buy back) of Equity	0.0	4.6	0.0	0.0
Inc/(dec) in loan funds	451.9	-300.0	-150.0	-150.0
Dividend paid & dividend tax	-13.3	-12.0	-12.0	-12.0
Less: Interest Paid	128.0	475.5	467.6	472.1
Others	-261.7	-963.0	-935.3	-944.3
CF from financing activities	304.9	-794.9	-629.7	-634.2
Net Cash flow	1.5	374.1	-6.3	-69.3
Opening Cash	32.8	34.2	408.3	402.0
Closing Cash	34.2	408.3	402.0	332.7

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Liabilities				
Equity Capital	46.7	51.3	51.3	51.3
Reserve and Surplus	1,192.8	1,299.2	1,484.9	1,742.1
Total Shareholders funds	1,239.5	1,350.6	1,536.2	1,793.5
Total Debt	1,282.4	982.4	832.4	682.4
Others	579.2	4,760.7	4,828.5	4,850.8
Total Liabilities	3,101.1	7,093.7	7,197.2	7,326.7
Assets				
Total Fixed Assets	2,336.6	2,558.3	2,751.8	2,965.2
Investments	9.9	9.9	9.9	9.9
Right of Use	-	3,334.0	3,294.3	3,227.7
Goodwill on Consolidation	685.0	685.0	685.0	685.0
Debtors	183.9	222.0	243.7	272.2
Inventory	30.3	36.2	40.7	45.4
Loans and Advances	1.2	1.2	1.2	1.2
Other Current Assets	143.9	171.8	193.0	215.6
Cash	34.1	408.3	402.0	332.7
Total Current Assets	393.5	839.5	880.5	867.1
Total Current Liabilities	807.7	876.8	1,028.2	1,092.2
Net Current Assets	-414.3	-37.4	-147.7	-225.1
Other Non Current Assets	483.9	543.9	603.9	663.9
Application of Funds	3,101.1	7,093.7	7,197.2	7,326.6

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
EPS (Diluted)	39.2	25.4	38.5	52.5
Cash EPS	80.2	130.6	154.7	179.7
BV	265.3	263.1	299.3	349.4
DPS	2.8	2.6	2.6	2.6
Cash Per Share	7.3	79.5	78.3	64.8
Operating Ratios (%)				
EBITDA Margin	19.0	32.4	32.3	32.5
EBIT / Net Sales	12.8	17.7	17.9	18.4
PAT Margin	5.9	3.5	4.8	5.8
Inventory days	3.6	3.6	3.6	3.6
Debtor days	21.7	22.0	21.5	21.5
Creditor days	43.5	40.0	43.6	43.6
Return Ratios (%)				
RoE	14.8	9.6	12.9	15.0
RoCE	13.8	9.6	10.7	12.1
RoIC	18.9	27.8	29.6	31.5
Valuation Ratios (x)				
P/E	48.3	74.6	49.2	36.1
EV / EBITDA	18.7	12.1	10.8	9.5
EV / Net Sales	3.6	3.9	3.5	3.1
Market Cap / Sales	3.2	2.6	2.4	2.1
Price to Book Value	7.1	7.2	6.3	5.4
Solvency Ratios				
Net Debt/EBITDA	2.1	0.5	0.3	0.2
Net Debt / Equity	1.0	0.4	0.3	0.2
Current Ratio	0.9	1.0	0.9	0.9
Quick Ratio	0.8	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 (₹ 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)	246	270	Hold	1,173	11.3	8.6	12.2	21.8	28.6	20.1	7.3	5.8	4.4	6.2	9.0	7.1	3.5	5.8	4.4
Inox Leisure (INOX)	404	465	Buy	4,144	13.0	11.7	16.9	31.0	34.5	23.9	13.8	6.5	5.3	13.2	19.6	12.2	10.6	14.2	16.5
PVR (PVRLIM)	1,895	2,200	Buy	8,853	39.2	25.0	42.2	48.3	75.9	44.9	17.2	8.0	6.8	14.7	13.8	9.5	11.5	14.8	9.5
Sun TV (SUNTV)	506	500	Hold	19,940	36.4	35.6	41.3	13.9	14.2	12.2	6.6	7.5	6.2	35.5	38.5	29.5	24.2	25.9	22.5
TV Today (TVTNET)	250	380	Buy	1,491	22.0	24.5	31.6	11.4	10.2	7.9	6.0	5.5	4.4	30.4	26.2	29.1	19.3	16.9	18.6
ZEE Ent. (ZEEENT)	283	345	Buy	27,189	16.1	17.0	19.2	17.6	16.6	14.8	9.8	10.2	8.9	25.6	25.7	22.6	15.3	15.7	15.5

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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