



# Between the Lines

Daily Corporate News Analysis

Sept 16<sup>th</sup> 2008

**PVR LTD**

**Result Update**

## Key Data

<b>CMP</b>	Rs.173.50
<b>Target (1-year)</b>	Rs.210
<b>Date</b>	Sept 16 <sup>th</sup> 2008
<b>Sector</b>	Media and Entertainment
<b>Face Value</b>	Rs.10
<b>BSE Code</b>	532689
<b>52 Week H/L</b>	Rs. 376.95/160
<b>Market Cap</b>	Rs.400 Cr

## Investment Rationale

PVR has pioneered the multiplex revolution in India by establishing the first multiplex cinema in 1997 and the largest 11-screen multiplex cinema in the country in 2004. Currently, PVR Limited is one of the leading multiplex players in India which operates through a network of 101 screens located at 25 properties across 14 cities in 9 states and 1 Union Territory. PVR has vast expansion plans for its exhibition business where it has plans to set up ~200 screens over the next 4-5 years. The company has already tied up ~150 properties for the expansion. Currently PVR is primarily north India based but its plans to diversify its presence by entering new markets through this expansion route. Entertainment tax takes away a proportion of gross ticket sales for multiplex operators. In order to encourage investment in multiplexes, many States exempt multiplexes from the tax.

## Key Developments

### Reduction in Entertainment Tax in Delhi

The Government of Delhi vide notification No. F12 (3) / Fin. (T & E) / 2008-2009/ dated 17th July, 2008 has reduced the rate of entertainment tax on payment of admission applicable to all cinemas in Delhi from 30 percent to 20 percent. The company currently operates 8 properties with 23 screens in Delhi which will be eligible to pay a reduced rate of entertainment tax. Under the notification, the Government has also requested the cinema operators to pass on the benefit of such reduction to cinegoers by reducing the admission price of tickets.

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## Financial performance

Net sales for the Q1FY09 were up by 10% Y-o-Y to Rs 60.2 crore. The growth of 10% was mainly driven by F&B income (□ 10% Y-o-Y to Rs12.4 crore) and Advertisement & Royalty income (Y-o-Y □ 62% to Rs 9.0 crore). Income from Ticket sales was Rs 32.4 crore, exhibiting growth of 4% (Y-o-Y) on account of increase in Average Ticket Price (ATP) by 13% to Rs 138. Growth in ATP was mainly due to newly opened PVR Premiere properties, including City Walk, Saket and Ambience Wall. Income from Convenience fee was Rs 0.4 crore, exhibiting growth of 74% (Y-o-Y) on account of increase in ticket sales from website and allied channels like IVR, Mobile Ticketing, representing 11% of overall ticket sold. Advertising & Royalty income witnessed a robust growth of 62% Y-o-Y to Rs 9.0 crore on back of corporate alliances and increase in sponsorship revenue from existing as well as new cinema properties.

## Valuation

At CMP of Rs 173.50, the stock is trading at 21.1x TTM EPS of Rs 8.23. We recommend investors to BUY the stock, with our price target of Rs.210.



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