

PVR Limited (PVRLIM)

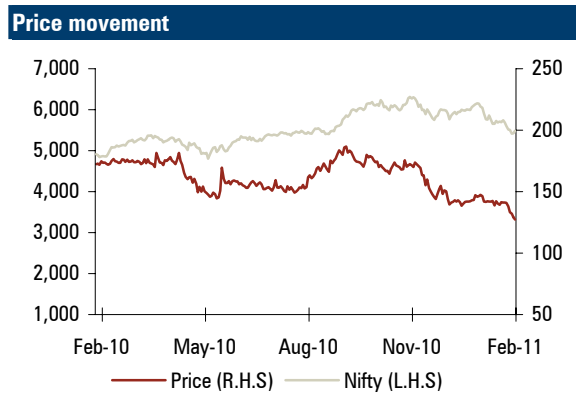
₹ 127

Rating matrix	
Rating	: Buy
Target	: ₹ 142
Target Period	: 12 months
Potential Upside	: 12%

Key financials				
(₹ Crore)	FY09	FY10	FY11E	FY12E
Net Sales	352.1	334.1	486.2	530.1
EBITDA	47.2	34.2	89.2	96.1
Net Profit	8.7	1.4	14.1	21.4
EPS (₹)	3.8	0.6	5.2	7.9

Valuation summary				
	FY09	FY10	FY11E	FY12E
PE (x)	33.5	NA	24.5	16.1
Target PE (x)	37.5	NA	27.4	18.0
EV/EBITDA (x)	6.6	8.4	3.6	2.9
P/BV (x)	1.1	1.1	1.1	1.0
RoNW (%)	3.1	0.3	2.3	6.9
RoCE (%)	3.7	2.9	4.1	6.9

Stock data	
Market Capitalisation	₹ 292.2 Crore
Debt-Cons. (FY10)	₹ 177.8 Crore
Cash & Invst.-Cons. (FY10)	₹ 182.3 Crore
EV	₹ 321.8 Crore
52 week H/L	194 / 123
Equity capital	₹ 27.1 crore
Face value	₹ 10
MF Holding (%)	18.8
FII Holding (%)	10.0



Analyst's name
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WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 158 to ₹ 142
EPS (FY11E)	Changed from ₹ 10.9 to ₹ 5.2
EPS (FY12E)	Changed from ₹ 12.2 to ₹ 7.9
RATING.....	Unchanged

Movie venture leads to losses...

PVR reported its Q3FY11 results that were a mixed bag. The topline at ₹ 133.6 crore was better than our expectation of ₹ 123.5 crore on the back of higher revenue from the movie production business. Revenues registered a YoY growth of 16.9% YoY. Revenue from production and distribution stood at ₹ 30.3 crore as compared ₹ 15.1 crore in Q3FY10. The company posted EBITDA of ₹ 16.2 crore as compared to ₹ 33.7 crore in Q2FY11 and ₹ 19.2 crore in Q3FY10. EBITDA margins stood at 16.2%, down 875 bps QoQ and 63 bps YoY. The company reported a net loss of ₹ 4.8 crore (I-direct estimate of net profit of ₹ 7.9 crore) due to higher amortisation of ₹ 24.8 crore on account of the movie business, which reported a loss of ₹ 17.8 crore.

Highlights of the quarter

This was a weak quarter for PVR as many big budget movies like Action Replay, Khelein Hum Jee Jaan Sey, Guzaarish, No Problem and Tees Mar Khan failed to perform. Occupancy fell to 27.7% as compared to 36.8% in Q3FY10 (3 idiots and Ajab Prem Ki Ghajab Kahani), while ATP increased 5% YoY to ₹ 167 from ₹ 159.

Exhibition revenues grew 5.0% YoY to ₹ 103.2 crore as compared to ₹ 98.2 crore in Q3FY10. The company generated ₹ 3.4 crore from the bowling alley segment compared to ₹ 3.2 crore in the same period last year. PVR Pictures production "Khelein Hum Jee Jaan Sey" that was released during the quarter fared poorly at the box office due to which the company reported a loss of ₹ 17.8 in the segment.

Valuation

The exhibition and bowling alley segment continued to perform on expected lines. With seemingly good movies slated to release in the next few months, we remain upbeat on the company's performance. At the CMP of ₹ 127, the stock is trading at 24.5x FY11E consolidated EPS of ₹ 5.2 and 16.1x FY12E EPS of ₹ 7.9. We value the stock at 18x FY12E and arrive at a target price of ₹ 142, implying an upside of 12%. We reiterate our rating on the stock as **BUY**. PVR is our top pick in the multiplex sector.

Exhibit 1: Operating highlights

(₹ Crore)	Q3FY11	Q3FY11E	Q3FY10	Q2FY11	QoQ (Chg %)	YoY (Chg %)
Net Sales	133.6	123.5	114.3	135.0	-1.0	16.9
EBITDA	21.6	23.4	19.2	33.7	-35.7	12.6
EBITDA Margin (%)	16.2	18.9	16.8	24.9	-875 bps	-63 bps
Depreciation	24.7	8.0	6.6	16.4	50.5	274.5
Interest	3.3	3.8	3.8	3.8	-13.1	-11.9
Reported PAT	-4.8	7.9	7.4	9.0	-153.0	-164.4
EPS (₹)	-1.8	2.9	3.2	3.3	-153.0	-154.6

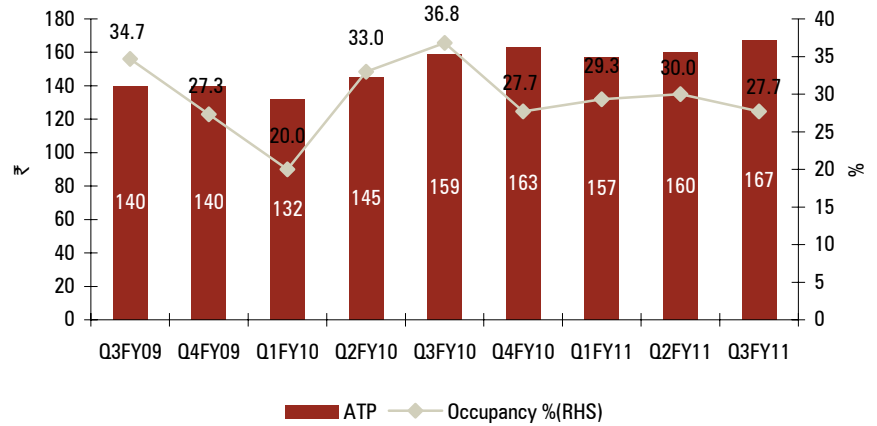
Source: Company, ICICIdirect.com Research

Result analysis

■ **Occupancy declines while ATP is on the rise**

Occupancy for the quarter declined to 27.7% as compared to 30.0% in Q2FY11 and 36.8% in Q3FY10 as major big budget movies failed to make an impact as compared to 3 idiots and Ajab Prem Ki Ghajab Kahani in Q3FY10.

Exhibit 2: Occupancy and ATP trend



Source: Company, ICICIdirect.com Research

■ **Other revenue segments**

PVR Blu-O has been performing in line with the company's expectations. This segment reported revenues of ₹ 3.4 crore as compared to ₹ 3.2 crore in Q3FY10. The management has indicated that it will set up 80 new lanes by the end of FY12E.

PVR Pictures is in the business of film distribution and production. The company released the movie Khelein Hum Jee Jaan Sey during Q3FY11, which failed at the box office. Consequently, the company reported an EBIT loss of ₹ 17.8 crore in the segment. The company has two movies "3 The Bhai" (Comedy) and "Shanghai" (Action) slated for release in FY12. However, the management has guided for restricting investment in the movie production business and focusing on the distribution business.

Outlook & Valuation

PVR has not had a good run with its home productions in the recent past. It has reported a net loss of ₹ 20.3 crore in the movie segment in 9MFY11. The management has indicated at reducing its exposure to the movie production and focusing more on the distribution business only. The exhibition and bowling alley segment continued to perform on expected lines. With seemingly good movies slated to release in the next few months, we remain upbeat on the company's performance.

At the CMP of ₹ 127, the stock is trading at 24.5x FY11E consolidated EPS of ₹ 5.2 and 16.1x FY12E EPS of ₹ 7.9. We have valued the stock at 18x FY12E and arrived at a target price of ₹ 142, implying an upside of 12%. We reiterate our rating on the stock as **BUY**. PVR is our top pick in the multiplex sector.

Exhibit 3: Valuation table

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	352.1	32.1	3.8	-71.4	33.5	6.6	3.1	3.7
FY10	334.1	-5.1	0.6	-84.4	NA	8.4	0.3	2.9
FY11E	486.2	45.5	5.2	NA	24.5	3.6	2.3	4.1
FY12E	530.1	9.0	7.9	52.0	16.1	2.9	6.9	6.9

Source: Company, ICICIdirect.com Research

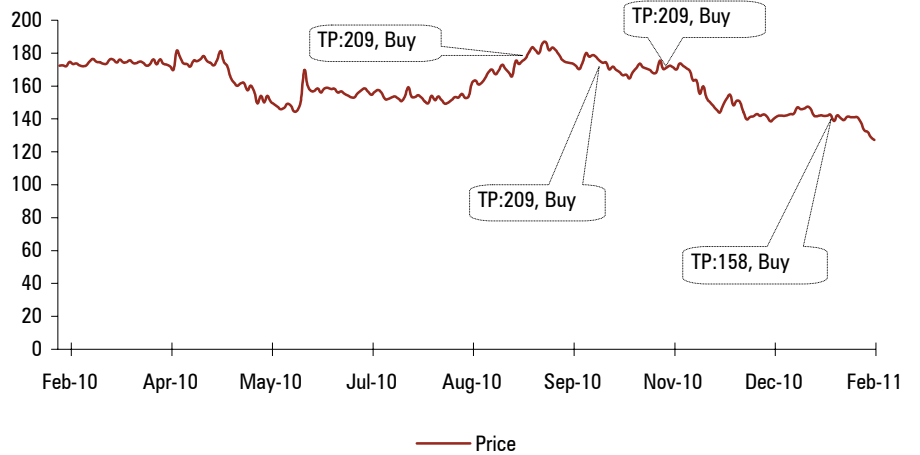
ICICIdirect.com coverage universe

PVR				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	PVRLIM		FY09	352.1	3.8	33.5	6.6	3.1	3.7
		CMP	127	FY10	334.1	0.6	NA	8.4	2.9
		Target	142	FY11E	486.2	5.2	24.5	3.6	4.1
MCap (₹ Cr)	292.2	% Upside	12%	FY12E	530.1	7.9	16.1	2.9	6.9

Cinemax				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	CININD		FY09	144.6	3.9	12.3	6.9	7.2	9.0
		CMP	48	FY10	168.1	6.1	8.0	10.2	7.2
		Target	56	FY11E	189.2	2.0	24.6	3.2	5.0
MCap (₹ Cr)	135.4	% Upside	15%	FY12E	242.4	4.0	14.0	7.2	6.1

Source: Company, ICICIdirect.com Research

Exhibit 4: Recommendation history



Source: Reuters, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Add, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: 20% or more;
 Buy: Between 10% and 20%;
 Add: Up to 10%;
 Reduce: Up to -10%
 Sell: -10% or more;

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