

RESULT NOTE**Mkt Cap: Rs2.5bn; US\$51m**

Analyst: Nikhil Vora (91-22-6638 3308; nikhilvora@idfcsski.com)
 Bhushan Gajaria (91-22-6638 3367; bhushangajaria@idfcsski.com)
 Swati Nangalia (91-22-6638 3260; swati@idfcsski.com)

Result: Q1FY10**Comment:** Stricken!**Key valuation metrics**

Year to March 31 (Rs m)	Net revenues	yoy chg (%)	Net profit	EPS (Rs)	yoy chg (%)	PER (x)	EV / EBITDA (x)
FY08	2,659	60	216	9.4	116.0	10.8	6.3
FY09	3,332	25	141	5.8	(38.5)	17.6	6.6
FY10E	3,670	10	146	6.0	4.0	16.9	6.0
FY11E	4,617	26	301	12.4	105.6	8.2	4.3

*Consolidated financials***KEY HIGHLIGHTS OF Q1FY10 RESULTS AND CONFERENCE CALL HOSTED BY US**

- Q1FY10 results of PVR have been impacted by the strike called by Multiplex operators due to which no new movies were released between April and mid-June of the quarter. Hence the quarter was an aberration and not comparable with previous quarter results.
- PVR reported a standalone revenue decline of 44% at Rs345m, operational loss of Rs89m and net loss of Rs109m in Q1FY10.
- PVR currently has 108 screens operational. While overall footfalls decreased by 34% in the quarter at 2.3m, footfalls in comparable properties are down by 46%.
- Overall occupancies dropped from 32% in Q1FY09 to 17% in Q1FY10. However, excluding 35 screens which were shut during the strike period, the occupancies dropped to 20%. With series of releases in July 2009, the occupancies have come back to ~40%.
- The average ticket price is down by 8% at Rs 126 for comparable properties', while overall ATPs declined by 4% at Rs132.
- Overall ticket sales revenues are down by 40% at Rs196m and sale of foods and beverages is down by 43% at Rs71m.
- On the consolidated basis PVR has reported revenues of Rs446m, operating loss of Rs94m and net loss of Rs128m. PVR has also written back Rs58m of deferred tax.
- While movie exhibition revenues stood at Rs399m, EBIT losses stood at Rs153m. Movie exhibition business is expected to turn profitable in Q2FY10 with improving occupancies
- Revenues from film production and distribution stood at Rs10.5m, while EBIT loss stood at Rs17m. While PVR does not have any production release lined up in FY10, PVR would continue to sign distribution deals. With Rs1bn+ of cash on books, PVR is expected to sign up 4-6 new production deals in the coming quarters
- PVR BluO (JV with Cineplex) has operationalized the 24 lance bowling alley in Gurgaon and has earned revenues of Rs40m and EBIT of Rs12.7m (30% margin). Bowling being an alternative source of entertainment, has gained

from no movie line up during the quarter. PVR has not lined up any new property till Q4FY10 and would add 4 properties by FY11.

- ♦ PVR has 43 screens lined up in the next 12 months. Of this, the management expects 13 screens to commence operations in Q3FY10 and 19 in Q4FY10.
- ♦ With sharp improvement in occupancies on sequential basis and healthy movie line up over the next few months, we see multiplex business coming back to profit zone.

While the quarter was an aberration on account of the strike called by multiplex operators for major part of the quarter, it only added further concerns to our fundamental reservations on the multiplex industry of 'risk of volatile film content' which is beyond the operators' control. Given these innate risks we see limited value creating opportunity in the multiplex space. Though PVR too is exposed to these risks, our positive bias for PVR is prompted by PVR's dominance (10-12% of all India box office collection), a transition to retail entertainment (foray into bowling alley with Major Cineplex) and filmed entertainment (funded to the tune of Rs1.2bn). With PVR being one of few funded media models and as it scales up the diversified entertainment model, we maintain our Outperformer call on the stock, currently trading at 8x FY11E earnings. Maintain Outperformer with a price target of Rs145.

Operating parameters

	Q1FY10	Q1FY09	% growth
Number of screens	108	101	6.9
Number of Seats	27,827	25,980	7.1
Footfalls (million)	2.3	3.5	(34.3)
Occupancy (%)	20.0	32.0	(37.5)
Average Ticket Price (Rs)	132.0	138.0	(4.3)
Spend per head (Rs)	38.0	38.1	(0.3)

Source: Company, IDFC-SSKI Research

Quarterly results

Year to 31 March (Rs m)	Q1FY09	Q2FY09	Q3FY09	Q4FY09	FY09	Q1FY10	FY10E	FY11E
Net Sales	612.8	784.2	766	580.1	3,332	345.1	3,670	4,617
%yoy growth	12.2	26.1	18.2	0.0	25.0	(43.7)	10.0	26.0
Expenditure	505	639	622	519	2,803	434	3,060	3,762
EBITDA	107.4	145.5	144.1	61.2	529	(88.9)	610	855
Margin (%)	17.5	18.6	18.8	10.5	15.9	(25.8)	16.6	18.5
Other Income	13.1	19.2	7.5	4.2	74	3.9	80	101
Interest	23.3	30.7	31.8	28.5	166	29.3	196	192
Depreciation	43.0	48.3	49.1	49.0	226	48.5	274	313
PBT	54.2	85.7	70.7	(12.1)	211.7	(162.8)	220.6	450.9
Tax	15.4	6.4	23.9	(1.1)	71	(53.6)	74	150
PAT before minority Interest	38.8	79.3	46.8	(11.0)	141	(109.2)	146	301

Annual numbers for consolidated entity

IDFC - SSKI INDIA

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6638 3300
Pathik Gandotra	Head of Research; Financials, Strategy	pathik@idfcsski.com	91-22-6638 3304
Shirish Rane	Construction, Power, Cement	shirish@idfcsski.com	91-22-6638 3313
Nikhil Vora	FMCG, Media, Retailing, Mid Caps, Education, Exchanges	nikhilvora@idfcsski.com	91-22-6638 3308
Ramnath S	Automobiles, Auto ancillaries, Real Estate, Oil & Gas	ramnaths@idfcsski.com	91-22-6638 3380
Nitin Agarwal	Pharmaceuticals	nitinagarwal@idfcsski.com	91-22-6638 3395
Chirag Shah	Metals & Mining, Pipes, Textiles	chirag@idfcsski.com	91-22-6638 3306
Bhoomika Nair	Logistics, Engineering, Power	bhoomika@idfcsski.com	91-22-6638 3337
Hitesh Shah, CFA	IT Services	hitesh.shah@idfcsski.com	91-22-6638 3358
Bhushan Gajaria	FMCG, Retailing, Media, Mid Caps	bhushangajaria@idfcsski.com	91-22-6638 3367
Ashish Shah	Construction, Power, Cement	ashishshah@idfcsski.com	91-22-6638 3371
Salil Desai	Construction, Power, Cement	salil@idfcsski.com	91-22-6638 3373
Ritesh Shah	Metals & Mining, Pipes, Textiles	riteshshah@idfcsski.com	91-22-6638 3376
Neha Agrawal	Financials	neha@idfcsski.com	91-22-6638 3237
Swati Nangalia	Mid Caps, Exchanges, Media	swati@idfcsski.com	91-22-6638 3260
Sameer Bhise	Strategy, Pharmaceuticals	sameer@idfcsski.com	91-22-6638 3390
Shweta Dewan	Mid Caps, Education, FMCG	shweta.dewan@idfcsski.com	91-22-6638 3290
Nikhil Salvi	Cement, Construction	nikhil.salvi@idfcsski.com	91-22-6638 3239
Rajeev Desai	Real Estate	rajeev@idfcsski.com	91-22-6638 3231
Chinmaya Garg	Financials	chinmaya@idfcsski.com	91-22-6638 3325
Aniket Mhatre	Automobiles, Auto ancillaries	aniket@idfcsski.com	91-22-6638 3311
Probal Sen	Oil & Gas	probal@idfcsski.com	91-22-6638 3238
Rupesh Sonawale	Database Analyst	rupesh@idfcsski.com	91-22-6638 3382
Dharmesh Bhatt	Technical Analyst	dharmesh@idfcsski.com	91-22-6638 3392

Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6638 3300
Naishadh Paleja	MD, CEO	naishadh@idfcsski.com	91-22-6638 3211
Paresh Shah	MD, Dealing	paresh@idfcsski.com	91-22-6638 3341
Vishal Purohit	MD, Sales	vishal@idfcsski.com	91-22-6638 3212
Nikhil Gholani	MD, Sales	nikhil@idfcsski.com	91-22-6638 3363
Sanjay Panicker	Director, Sales	sanjay@idfcsski.com	91-22-6638 3368
V Navin Roy	Director, Sales	navin@idfcsski.com	91-22-6638 3370
Suchit Sehgal	AVP, Sales	suchit@idfcsski.com	91-22-6638 3247
Pawan Sharma	MD, Derivatives	pawan.sharma@idfcsski.com	91-22-6638 3213
Dipesh Shah	Director, Derivatives	dipeshshah@idfcsski.com	91-22-6638 3245
Jignesh Shah	AVP, Derivatives	jignesh@idfcsski.com	91 22 6638 3321
Sunil Pandit	Director, Sales trading	sunil@idfcsski.com	91-22-6638 3299
Mukesh Chaturvedi	SVP, Sales trading	mukesh@idfcsski.com	91-22-6638 3298
Viren Sompura	VP, Sales trading	viren@idfcsski.com	91-22-6638 3277
Rajashkhar Hiremath	VP, Sales trading	rajashkhar@idfcsski.com	91-22-6638 3243

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2. Neutral: Within 0-10% to Index
3. Underperformer: Less than 10% to Index

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