

PVR Ltd

 BSE code: 532689
 NSE code: PVR

CMP: Rs 313
Target: Rs 391 ↑

BUY

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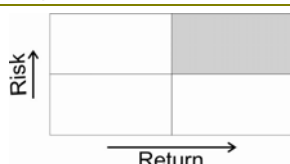
Company data

Particulars	
Market cap (Rs mn / US\$ mn)	5,2/127.8
Outstanding equity shares (mn)	23.0
52-week high/low (Rs)	338/148
1-month average daily volume	2,32,363

Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	1,667.2	2,396.7	4,127.7
Growth (%)	58.9	43.8	72.2
Adj net profit (Rs mn)	101.9	216.9	421.0
Growth (%)	92.6	112.9	94.0
FDEPS (Rs)	4.4	9.0	17.4
Growth (%)	91.5	102.3	94.0
P/E (x)	70.7	34.9	18.0
ROE (%)	5.8	10.6	16.9

Risk-return profile



Shareholding pattern

(%)	Sep-07	Jun-07
Promoters	40.5	40.5
FIIs	32.6	31.8
Banks & FIs	15.2	18.9
Public	11.7	8.8

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
PVR	313	52.1	55.9	49.5
Sensex	19,080	(2.8)	16.9	33.5

 Company website www.pvrcinemas.com

On growth trajectory

PVR Ltd has tied up with a Bangalore based developer to increase the number of multiplexes in southern India. It has announced commencement of operation of six new screen multiplex under its PVR Premiere brand at Saket, Delhi. PVR also plans to enter food court, restaurant, pub, fast food business through a joint venture. The company will release its first movie this month, which has been co-produced by its subsidiary. We have factored in some of the above developments in our financial projections, for the rest we need more clarity from the management. Our earlier DCF target price of Rs277 has been achieved. However, based on fresh insights, we have raised our DCF target price for the company to Rs391. BUY.

Plans further foray into southern market

PVR Ltd has executed recently an expression of Intent with Prestige Estate Projects Pvt Ltd, Bangalore, a leading developer of southern India to set up multiplexes in the upcoming malls of the Developer. The Company shall be the multiplex operator at all upcoming malls of the Developer such as Whitefield and Shantiniketan in Bangalore, Cochin, Hyderabad, and Mangalore and at other cities in southern India. Through, this tie-up, the Company aims to consolidate and further strengthen its position in Southern India.

Expands brand portfolio, opens first Premiere branded 6 screen multiplex

PVR has also announced the launch of premium brand of multiplex called "PVR Premiere" and intends to open 30-40 such PVR Premiere across metros and cosmopols in India by FY10. The ticket price range would be in the range of Rs150 to Rs750.

PVR Premiere to offer unparalleled legroom, 180-degree reclining seats, Personalized menu overseen by a Maitre d', exclusive lounge areas with Bookshelves, Digitized banners, Concierge Service

PVR has recently announced the opening of a new multiplex "PVR Select City Walk" comprising of 6 screens with 1235 seats situated at Saket, New Delhi. With the opening of the multiplex PVR has 95 screens in operation at 24 locations across 14 cities in 9 States. This multiplex is into the Premier category. The second of this kind would be opened in Mumbai.

With the launch of PVR Premiere, PVR will expand its product portfolio. The company already has PVR Cinemas to cater to its existing audience. Last year the company forayed in tier I and III cities with PVR Talkies with a price range starting from Rs 40.

Plans JV to enter into food court, restaurant businesses

PVR plans to enter into a JV with Gyan Enterprises Pvt Ltd, a Company promoted by Mr. Amit Burman of Dabur Group and Mr. Rohit Aggarwal through a SPV namely Lite Bite Concepts Pvt Ltd for the purpose of running, managing and operating food courts, restaurants, pubs, fast food centers, Coffee Shops and food joints in different formats, under its own brand(s) or under popular international brands, that the JV Company may collaborate with, throughout the territory of India. The Company shall hold 30% stake in the new Joint Venture Company and rest of the capital shall be contributed by the other parties.

Set to co-produce four films

PVR's wholly owned subsidiary, PVR Pictures, has signed up four more film projects for co-production. These include two films signed with Rajkumar Santoshi. The other two co-productions include a film titled Mere Khwabon Main Jo Aayein, which is being directed by Madhumita Anand and is expected to star Randeep Hooda, Raima Sen and Arbaaz Khan, and a film titled Ghost Ghost Na Raha which will star Rahul Bose.

The company's first film project Taare Zameen Par being co-produced with Aamir Khan Productions is slated for release in Dec'07. The second film titled Jaane Tu Ya Jaane Na is expected to release in Feb'08.

Other development

PVR Ltd has obtained shareholders approval for a preferential allotment of 1.2mn warrants convertible into one equity share of Rs 10/- each at a price of Rs 215.17/- per share to Priya Exhibitors Pvt Ltd (a promoter group company).

Financials

The financial impact of developments like new multiplex at Saket and the possible equity dilution that would arise after the warrant issue have been factored in our projections, while other developments although positive, need more clarity from the management to factor in our numbers.

We project a 57% CAGR growth in revenue over FY07-09 to Rs4.1bn with a 103% CAGR growth in net profit to Rs421mn during the same period.

Revised financials

Rs mn	Before revision		After revision	
	FY08E	FY09E	FY08E	FY09E
Revenue	2392.1	4032.6	2396.7	4127.7
Operating Profit	466.5	806.5	467.4	825.5
PAT	231.9	449.1	216.9	421.0
EPS(Rs)	10.1	19.5	9.0	17.4

Source: Religare Research

Valuation

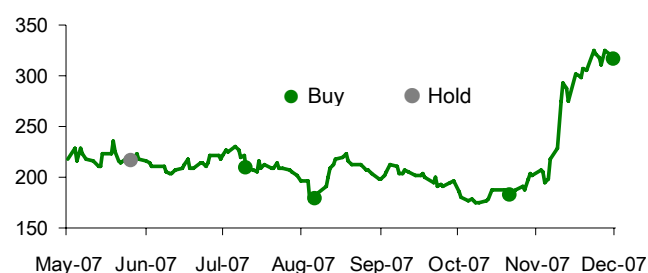
At the current level the stock is quoting at 34.9x and 18x its FY08 and FY09 expected earnings respectively. We have a revised target price of Rs 391 based on DCF valuation keeping in mind the aggressive expansion plans and movie ventures through its subsidiary. Our valuation is based on a terminal growth rate of 4%, beta of 0.9 and a weighted average cost of capital (WACC) of 11.8%. We maintain a Buy on PVR.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
13-Jun-07	Results Update	216	240	Hold
30-Jul-07	Results Update	209	277	Buy
24-Aug-07	Company Update	179	277	Buy
8-Nov-07	Results Update	182	277	Buy
19-Dec-07	Company Update	313	391	Buy

Source: Religare Research

Stock performance



Source: Religare Research

Consolidated financials

Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	1,049.1	1,667.2	2,396.7	4,127.7
Growth (%)	49.1	58.9	43.8	72.2
EBITDA	158.7	266.4	467.4	825.5
Growth (%)	42.3	67.9	75.4	76.6
Depreciation	83.3	133.4	116.7	168.8
EBIT	75.4	133.0	350.7	656.7
Growth (%)	33.9	76.4	163.7	87.3
Interest	30.7	43.9	74.5	78.7
Other income	43.0	61.3	50.0	55.0
EBT	87.7	150.4	326.2	633.0
Growth (%)	66.4	71.5	116.9	94.0
Tax	34.8	48.5	109.3	212.1
Effective tax rate	39.7	32.2	33.5	33.5
Adj net income	52.9	101.9	216.9	421.0
Growth (%)	45.0	92.6	112.9	94.0
Shares outstanding (mn)	22.9	23.0	24.2	24.2
FDEPS (Rs)	2.3	4.4	9.0	17.4
DPS (Rs)	-	-	-	-
CEPS (Rs)	6.0	10.2	13.8	24.4

Source: Company, Religare Research

Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income	52.9	101.9	216.9	421.0
Depreciation	83.3	133.4	116.7	168.8
Other adjustments	-	-	-	-
Changes in WC	(132.2)	(47.3)	463.3	368.2
Operating cash flow	4.0	188.0	796.9	958.0
Capital expenditure	(682.7)	(800.8)	(316.2)	(730.4)
Investments	(282.1)	(126.8)	171.0	-
Other investing inc/(exp)	-	-	-	-
Investing cash flow	(964.8)	(927.7)	(145.2)	(730.4)
Free cash flow	(960.8)	(739.6)	651.7	227.5
Issue of equity	1,142.3	(28.7)	264.2	-
Issue/repay debt	151.0	234.6	49.3	50.0
Dividends paid	-	-	-	-
Others	202.7	18.9	65.0	15.3
Financing cash flow	1,496.0	224.8	378.5	65.3
Beg. cash & cash eq	94.9	630.2	115.4	1,145.6
Chg in cash & cash eq	535.2	(514.8)	1,030.2	292.8
Closing cash & cash eq	630.2	115.4	1,145.6	1,438.5

Source: Company, Religare Research

Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash eq	630.2	115.4	1,145.6	1,438.5
Accounts receivable	44.6	68.9	85.4	135.7
Inventories	9.2	17.6	32.8	45.2
Others current assets	473.6	575.1	269.0	285.0
Current assets	1,157.6	777.0	1,532.8	1,904.4
LT investments	294.2	421.0	250.0	250.0
Net fixed assets	783.6	1,381.3	1,994.6	2,575.8
CWIP	663.5	733.3	319.5	299.9
Total assets	2,898.9	3,312.6	4,096.9	5,030.1
Payables	238.7	328.1	476.8	821.0
Others	71.6	69.1	109.3	212.1
Current liabilities	310.3	397.2	586.1	1,033.1
LT debt	616.1	850.7	900.0	950.0
Other liabilities	245.8	264.7	329.7	345.0
Equity capital	228.8	230.1	242.1	242.1
Reserves	1,498.0	1,569.9	2,039.0	2,460.0
Net worth	1,726.8	1,800.0	2,281.1	2,702.1
Total liabilities	2,898.9	3,312.6	4,096.9	5,030.1
BVPS (Rs)	75.5	78.2	94.2	111.6

Source: Company, Religare Research

Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	15.1	16.0	19.5	20.0
EBIT margin (%)	7.2	8.0	14.6	15.9
Net profit margin (%)	5.0	6.1	9.1	10.2
FDEPS growth (%)	8.2	91.5	102.3	94.0
Receivables (days)	15.5	15.1	13.0	12.0
Inventory (days)	3.2	3.9	5.0	4.0
Payables (days)	68.9	63.0	65.0	68.0
Current ratio (x)	3.2	2.0	2.6	1.8
Interest coverage (x)	2.5	3.0	4.7	8.3
Debt/equity ratio (x)	0.4	0.5	0.4	0.4
ROE (%)	4.7	5.8	10.6	16.9
ROCE (%)	6.5	7.1	12.5	19.0
ROAE (%)	4.2	4.8	10.9	17.5
EV/Sales (x)	7.4	4.8	3.5	2.1
EV/EBITDA (x)	49.0	30.2	18.1	10.3
P/E (x)	135.4	70.7	34.9	18.0
P/BV (x)	4.1	4.0	3.3	2.8
P/CEPS (x)	52.6	30.6	22.7	12.8

Source: Company, Religare Research

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Recommendation parameters

Large-caps*	> 10%	< - 5%	Returns	Absolute
	BUY	SELL		
Mid-caps**	> 25%	< 10%		

**Market cap over US\$ 1bn **Market cap less than US\$ 1bn*

Religare Securities

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