

## UPDATE

### SMALL CAP

#### Share Data

Reuters code	PVRL.BO
Bloomberg code	PVRL.IN
Market cap. (US\$ mn)	97
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	26
Target price (Rs)	170

Performance (%)	1M	3M	12M
Absolute	(13)	24	92
Relative	(5)	30	15

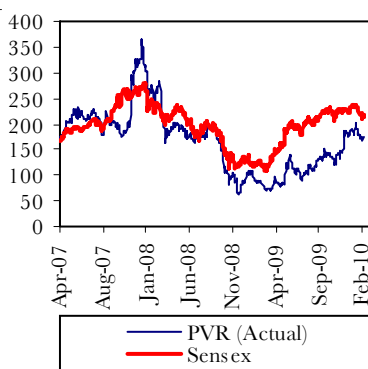
#### Valuation ratios (Standalone)

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	2.2	6.7
+/- (%)	(59.6)	202.1
PER (x)	78.3	25.9
PBV (x)	1.7	1.6
Dividend/Yield (%)	0.5	0.5
EV/Sales (x)	1.6	1.2
EV/EBITDA (x)	11.5	7.6

#### Major shareholders (%)

Promoters	37
FII's	9
MF's	20
Public & Others	34

#### Relative performance



## PVR

## Maintain Outperformer

Price: Rs 174

BSE Index: 16,038

16 February 2010

### Not to marry DT Cinemas...

**PVR has called-off the deal to acquire DT Cinemas. The reasons cited are DLF's non-compliance with certain pre-agreed terms like transfer of leasehold agreements in the name of PVR.**

**B&K View:** We had viewed the acquisition of DT Cinemas as positive as PVR would have acquired the 29 screens at attractive valuations (on par with replacement cost) giving it ~70% market share of the national-capital region (read our News Update released on 13 November 2009). The deal would have added Rs ~30 to our target price of Rs 170 (for the exhibition business, we do not assign any value to its film production business).

As the deal has been terminated it is negative for PVR; however, organic growth opportunities still exist in the Indian exhibition space. Our reading is that the deal has been called off due to valuations as DLF would have wanted a better price after the recent up move in valuations due to healthy box-office collections. We would like to highlight that the promoter shareholding in PVR is currently 37% (after PVR issued new shares to Cineplex Major Group) and PVR could be a potential take-over target.

### Outlook

PVR operates 112 screens and after the recent acquisition of Fame India by Inox (combined screens 204), PVR is now the third largest multiplex operator in India (Reliance Media Works leads the pack with ~250 screens). Occupancy levels are expected to remain at ~35% due to healthy movie release pipeline. We maintain our stance that same property led growth is minimal or zero and any multiplex will have to continuously keep adding properties to grow its revenues. As IPL Season 3 begins from 12 March 2010, multiplexes won't be hit as hard as the effect gets spill over two quarters (4QFY is normally weak due to exams). PVR has agreed to screen IPL III matches in its theatres.

We have factored in 40 screens addition by FY11E (the management has guided for 90). We maintain our DCF based target price to Rs 170 per share. Maintain Outperformer.

### B&K Estimates

(Rs mn)	Standalone		Exhibition business	
	FY10E	FY11E	FY10E	FY11E
Net Sales	2,844	3,785	3,126	4,150
Growth YoY (%)	4.7	33.1	6.3	32.8
EBITDA	383	582	489	725
Growth YoY (%)	(11.0)	51.8	11.6	48.2
EBITDA Margin (%)	13.5	15.4	15.6	17.5
PAT	57	172	61	220
Growth YoY (%)	(55.1)	202.1	(40.9)	261.3
PAT Margin (%)	2.0	4.5	1.9	5.3
EPS (Rs)	2.2	6.7	2.38	8.60

**Income Statement (Standalone)**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
<b>Net sales</b>	<b>2,361</b>	<b>2,716</b>	<b>2,844</b>	<b>3,785</b>
<i>Growth (%)</i>	<i>43.3</i>	<i>15.0</i>	<i>4.7</i>	<i>33.1</i>
Operating expenses	(1,909)	(2,285)	(2,461)	(3,203)
Operating profit	452	431	383	582
<b>EBITDA</b>	<b>452</b>	<b>431</b>	<b>383</b>	<b>582</b>
<i>Growth (%)</i>	<i>73.6</i>	<i>(4.6)</i>	<i>(11.0)</i>	<i>51.8</i>
Depreciation	(151)	(189)	(215)	(243)
Other income	86	71	20	42
<b>EBIT</b>	<b>387</b>	<b>313</b>	<b>188</b>	<b>381</b>
Interest paid	(68)	(114)	(105)	(125)
Pre-tax profit	319	198	83	256
(before non-recurring)				
Pre-tax profit	319	198	83	256
(after non-recurring)				
Tax (current + deferred)	(108)	(72)	(26)	(84)
Net profit (before Minority Interest, Pref. Dividend, etc.)	211	127	57	172
Preference dividend	(7)	0	0	0
Reported PAT	203	127	57	172
<b>Adjusted net profit</b>	<b>203</b>	<b>127</b>	<b>57</b>	<b>172</b>
<i>Growth (%)</i>	<i>112.6</i>	<i>(37.8)</i>	<i>(55.1)</i>	<i>202.1</i>

**Balance Sheet (Standalone)**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Cash & marketable sec.	134	87	535	223
Other current assets	802	1,184	1,303	1,433
Investments	785	670	695	710
Net fixed assets	1,833	1,890	2,102	2,543
<b>Total assets</b>	<b>3,554</b>	<b>3,831</b>	<b>4,635</b>	<b>4,909</b>
Current liabilities	424	551	667	840
Total debt	955	968	1,150	1,050
Other non-current liabilities	70	208	235	266
<b>Total liabilities</b>	<b>1,449</b>	<b>1,727</b>	<b>2,053</b>	<b>2,156</b>
Share capital	330	230	256	256
Reserves & surplus	1,774	1,873	2,326	2,498
<b>Shareholders' funds</b>	<b>2,105</b>	<b>2,103</b>	<b>2,582</b>	<b>2,754</b>
<b>Total equity &amp; liabilities</b>	<b>3,554</b>	<b>3,831</b>	<b>4,635</b>	<b>4,909</b>
<b>Capital employed</b>	<b>3,129</b>	<b>3,280</b>	<b>3,967</b>	<b>4,070</b>

**Cash Flow Statement (Standalone)**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	319	198	83	256
Depreciation	151	189	215	243
Change in working capital	36	(256)	(2)	42
Total tax paid	(103)	67	1	(54)
<b>Cash flow from oper. (a)</b>	<b>403</b>	<b>199</b>	<b>297</b>	<b>487</b>
Capital expenditure	(438)	(240)	(228)	(564)
Change in investments	(160)	108	(30)	(22)
Others	(8)	(6)	(0)	0
<b>Cash flow from inv. (b)</b>	<b>(611)</b>	<b>(138)</b>	<b>(258)</b>	<b>(585)</b>
<b>Free cash flow (a+b)</b>	<b>(208)</b>	<b>61</b>	<b>38</b>	<b>(98)</b>
Equity raised/(repaid)	(74)	(125)	422	0
Debt raised/(repaid)	354	13	182	(100)
Dividend (incl. tax)	(36)	(28)	(28)	(28)
Others	5	0	0	0
<b>Cash flow from fin. (c)</b>	<b>249</b>	<b>(140)</b>	<b>576</b>	<b>(128)</b>
<b>Net chg in cash (a+b+c)</b>	<b>41</b>	<b>(80)</b>	<b>614</b>	<b>(226)</b>

**Key Ratios (Standalone)**

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs)	8.8	5.5	2.2	6.7
Growth	112.6	(37.8)	(59.6)	202.1
Book NAV/share (Rs)	91.5	91.4	101.0	107.7
Dividend/share (Rs)	1.0	1.0	0.9	0.9
Dividend payout ratio	13.9	22.3	49.6	16.4
Tax	33.9	36.2	31.6	32.9
EBITDA margin	19.1	15.9	13.5	15.4
EBIT margin	16.4	11.5	6.6	10.1
RoCE	13.3	9.8	5.2	9.5
Net debt/Equity	39.0	41.9	16.1	18.4

**Valuations (Standalone)**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	19.7	31.7	78.3	25.9
PCE	11.3	12.7	16.4	10.7
Price/Book	1.9	1.9	1.7	1.6
Yield (%)	0.6	0.6	0.5	0.5
EV/Net sales	1.9	1.6	1.6	1.2
EV/EBITDA	9.8	10.3	11.5	7.6

**Du Pont Analysis – ROE (Standalone)**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	8.6	4.7	2.0	4.5
Asset turnover	0.7	0.7	0.7	0.8
Leverage factor	1.6	1.8	1.8	1.8
Return on equity (%)	9.9	6.0	2.4	6.4

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**Analyst Declaration:** We, Rohit Dokania & Vikash Mantry, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

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  2. **OUTPERFORMER:** 0 to +25%
  3. **UNDERPERFORMER:** 0 to -25%
  4. **SELL:** Potential downside of < -25% (absolute returns)
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