

BSE SENSEX  
26,766

S&P CNX  
8,204

**Stock Info**

Bloomberg	PVRL IN
Equity Shares (m)	46.7
52-Week Range (INR)	977/617
1, 6, 12 Rel. Per (%)	3/15/47
M.Cap. (INR b)/(USD b)	44.3/0.7
Avg Val (INR m)	157
Free float (%)	74.3

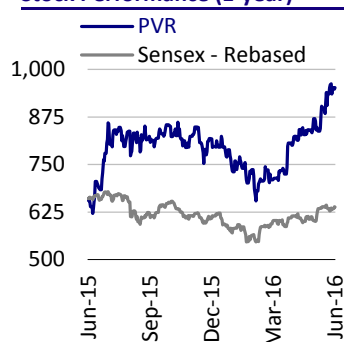
**Financials Snapshot (INR b)**

Y/E Mar	2016	2017E	2018E
Sales	18.7	22.7	27.0
EBITDA	3.3	4.3	5.3
NP	1.2	1.6	2.1
EPS (INR)	25.5	33.8	46.0
EPS Gr (%)	664.3	32.3	36.2
BV/Sh (INR)	186.2	217.5	260.6
RoE (%)	18.7	16.7	19.2
RoCE (%)	14.5	13.3	15.4
P/E (x)	37.2	28.1	20.6
EV/EBITDA (x)	15.4	11.9	9.3

**Shareholding pattern (%)**

As On	Mar-16	Dec-15	Mar-15
Promoter	25.7	26.0	29.5
DII	31.2	34.5	7.7
FII	28.0	24.8	23.5
Others	15.1	14.7	39.3

FII Includes depository receipts

**Stock Performance (1-year)**

**CMP: INR949 TP: INR1,140 (+20%)**
**Buy**
**Growth show set to get bigger**
**EBITDA margin to expand ~440bp at 18% GST**
**Benefits from reduction in effective indirect tax rates and availability of input credit ...**

PVRL is currently subject to multiple indirect taxes: (a) entertainment tax of 26.9% in FY16 on net box office collection (ticket sales constituted ~54% of FY16 revenue), (b) service tax of 14.5% on advertising revenue (~11% of FY16 revenue), and (c) blended VAT of 8% on F&B revenue (~25% of FY16 revenue). Service tax of ~INR760m paid on rent, maintenance and other expenses relating to properties was expensed out in FY16, as credit wasn't allowed. Multiplexes largely operate through leased premises and incur significant lease rentals and infrastructure costs, on which they pay service tax. However, in the absence of significant service tax/excise liability, they are unable to set off the service tax paid by them. Once all taxes are subsumed under GST, the credit of tax paid on rentals and infrastructure services will be available even against tax collected on box office collections and F&B revenue. This will lower operational costs and drive margin expansion.

**.... accelerates margins by additional 440bp**

PVRL has significant pricing power to retain the benefits from a lower effective indirect tax rate, given its premium location advantage and strong brand. In the best case scenario of 18% GST, we see margin expansion of ~440bp and an EBITDA upgrade of 26%. Resultantly, RoCE shall increase from 15.4% to 23.5% in FY18. If the GST rate is higher at 20%, the margin expansion will be ~390bp, leading to an EBITDA upgrade of 21%. RoCE in this case shall be 22.0%.

**DT acquisition synergies to kick start FY18**

DT Cinemas is expected to add significant value, as its average ticket price (ATP) and spend per head (SPH) are higher than competitors due premium locations of its properties. Ad revenues per screen for DT stood at around 2.5m as compared to PVR of ~4.2m per screen for PVR in FY16 thereby providing huge opportunity for scaling up ad revenues and in turn margins. PVRL expects DT Cinemas to add ~INR450m to EBITDA (margin of ~24%, ex-GST benefits) in FY18 (~INR300m for FY17). DT Cinema's, SPH is likely to grow 15-20% in FY18 from the current INR98 on synergies with PVRL. PVRL added 52 screens in FY16, taking its total number of screens to 516. It has guided 60-65 screen additions in FY17 and ~65 screens in FY18, the integration with DT Cinemas adding another 32 screens.

**Valuation and view**

We upgrade our revenue estimates by 2% each for FY17/FY18, translating into an EBITDA upgrade of 4.7%/3.6%. We expect PVRL to record 20% revenue CAGR and 26% EBITDA CAGR over FY16-18. Overall EBITDA margin should improve from 17.7% in FY16 to 19.5% in FY18, driven mainly by synergies resulting from the integration with DT Cinemas and better content. GST implementation could act as a huge trigger and drive further margin expansion. Maintain **Buy** with a target price of INR1,140.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Exhibit 1: Impact on FY18 estimates at 18% GST rate**

(INR m)	Pre GST	GST Impact	Post GST	Comments and Assumptions
Ticket Sales	14,060	1,315	15,375	E-tax post GST @ 18% vs 23.8%
F&B Sales	8,036	(634)	7,403	VAT for F&B to rise from 8% to 18%
Other Revenues	4,873	-	4,873	Impact of change will be passed on entirely
<b>Total Revenues</b>	<b>26,970</b>	<b>681</b>	<b>27,651</b>	
Film Distributor Share	5,933	555	6,488	Distributor share to go up
F&B Cost	1,753	(138)	1,615	Savings due to input tax set-off being available
Rental Expense	4,552	(520)	4,032	Savings due to input tax set-off being available
Other expenses	6,904	(572)	6,332	Savings due to input tax set-off being available
Employee expenses	2,562	-	2,562	No impact
<b>Total Expenditure</b>	<b>21,705</b>	<b>(675)</b>	<b>21,030</b>	
<b>EBITDA</b>	<b>5,264</b>	<b>1,356</b>	<b>6,621</b>	
<b>EBITDA Margin</b>	<b>19.5%</b>		<b>23.9%</b>	<b>EBITDA margins to expand 440bp due to GST</b>

Source: MOSL, Company

**Exhibit 2: Impact on FY18 estimates at 20% GST rate**

(INR m)	Pre GST	GST Impact	Post GST	Comments and Assumptions
Ticket Sales	14,060	1,058	15,119	E-tax post GST @ 20% vs 23.8%
F&B Sales	8,036	(757)	7,279	VAT for F&B to rise from 8% to 20%
Other Revenues	4,873	-	4,873	Impact of change will be passed on entirely
<b>Total Revenues</b>	<b>26,970</b>	<b>301</b>	<b>27,271</b>	
Film Distributor Share	5,933	447	6,380	Distributor share to go up
F&B Cost	1,753	(165)	1,588	Savings due to input tax set-off being available
Rental Expense	4,552	(520)	4,032	Savings due to input tax set-off being available
Other expenses	6,904	(572)	6,332	Savings due to input tax set-off being available
Employee expenses	2,562	-	2,562	No impact
<b>Total Expenditure</b>	<b>21,705</b>	<b>811</b>	<b>20,895</b>	
<b>EBITDA</b>	<b>5,264</b>	<b>1,112</b>	<b>6,376</b>	
<b>EBITDA Margin</b>	<b>19.5%</b>		<b>23.4%</b>	<b>EBITDA margins to expand 390bp due to GST</b>

Source: MOSL, Company

**Valuations and view – Maintain ‘Buy’**

We value PVRL at 11x FY18E EV/EBITDA with a target price of INR1,140 justified by:

- Continued leadership in film exhibition business in India.
- Significant screen additions in the pipeline.
- Strong content outlook going forward.
- GST rollout which can result in 390-440bp margin expansion.

**We believe the following factors pose risks to our assumptions:**

- Weaker content which can reduce footfall growth.
- Slower than expected roll out of GST which can delay margin expansion.
- Escalating rental costs which can put pressure on margins.
- Continued price controls by state governments in several states like TN and AP.

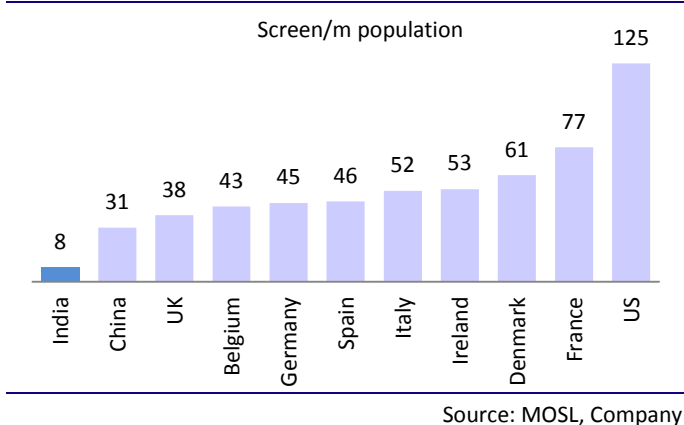
**Exhibit 3: Target Price Methodology**

Valuations	(INR m)
EBITDA- FY18E	5,264
Target Multiple	11.0
<b>Target Enterprise Value</b>	<b>57,909</b>
Net Debt	4,766
<b>Target Market cap</b>	<b>53,143</b>
No of shares	46.7
<b>Value per share</b>	<b>1,140</b>

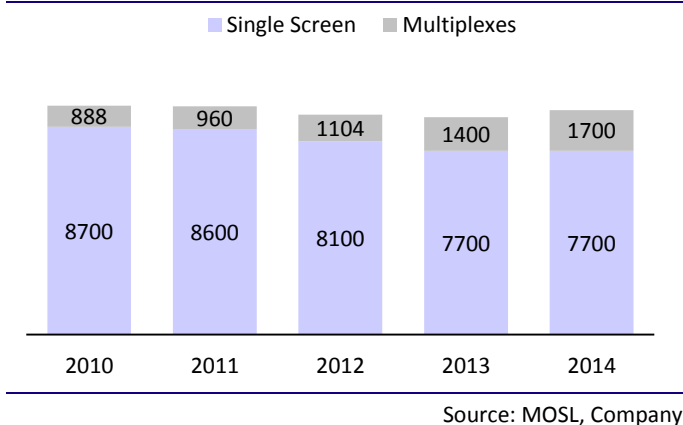
Source: MOSL

## Story in charts

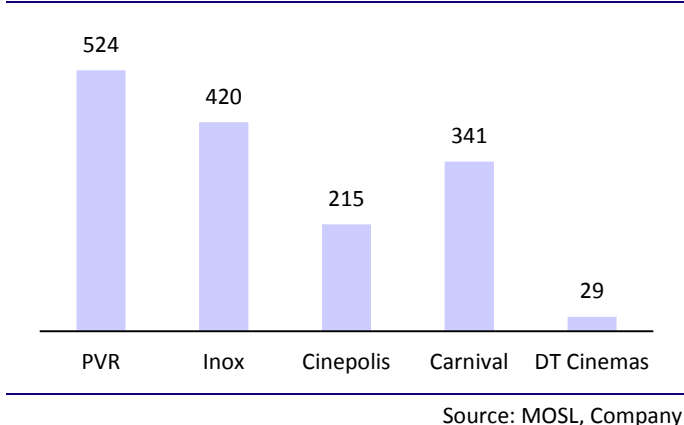
**Exhibit 4: India has the lowest screen density**



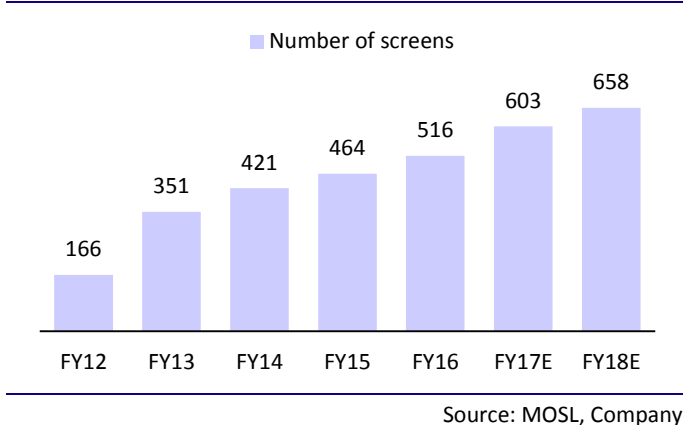
**Exhibit 5: Multiplex penetration still quite low**



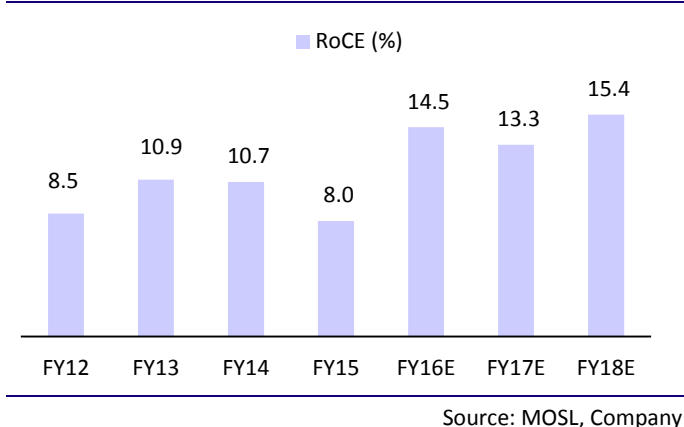
**Exhibit 6: PVR is India's largest multiplex chain (screens)**



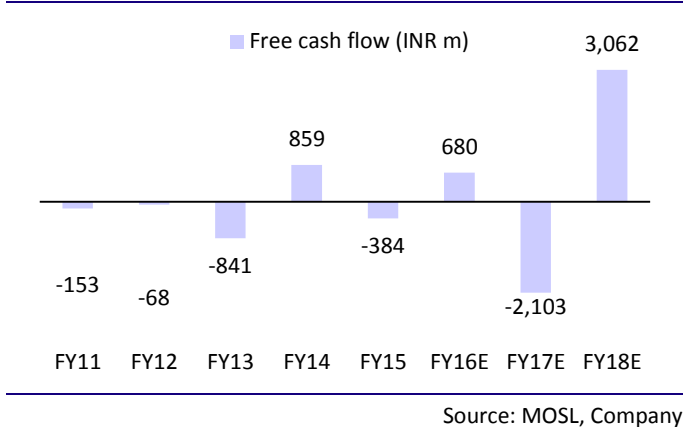
**Exhibit 7: PVR – aggressive screen additions**



**Exhibit 8: RoCE to improve significantly**



**Exhibit 9: Free cash to improve significantly**



## Financials and Valuations

### Consolidated - Income Statement

(INR Million)

Y/E March	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Net Sales</b>	<b>5,171</b>	<b>8,053</b>	<b>13,475</b>	<b>14,771</b>	<b>18,688</b>	<b>22,684</b>	<b>26,970</b>
Change (%)	12.6	55.7	67.3	9.6	26.5	21.4	18.9
<b>EBITDA</b>	<b>761</b>	<b>1,169</b>	<b>2,117</b>	<b>2,008</b>	<b>3,299</b>	<b>4,310</b>	<b>5,264</b>
Margin (%)	14.7	14.5	15.7	13.6	17.7	19.0	19.5
Depreciation	365	560	944	1,168	1,252	1,600	1,906
<b>EBIT</b>	<b>396</b>	<b>609</b>	<b>1,173</b>	<b>840</b>	<b>2,047</b>	<b>2,710</b>	<b>3,359</b>
Int. and Finance Charges	185	368	795	783	839	805	733
Other Income - Rec.	120	91	113	89	283	198	238
<b>PBT bef. EO Exp.</b>	<b>331</b>	<b>332</b>	<b>491</b>	<b>146</b>	<b>1,491</b>	<b>2,103</b>	<b>2,864</b>
EO Expense/(Income)	-22	-12	32	-22	67	0	0
<b>PBT after EO Exp.</b>	<b>310</b>	<b>320</b>	<b>523</b>	<b>125</b>	<b>1,425</b>	<b>2,103</b>	<b>2,864</b>
Current Tax	-5	94	140	2	232	526	716
Deferred Tax	62	-218	-121	6	0	0	0
Tax Rate (%)	18.5	-38.7	3.7	6.5	16.3	25.0	25.0
Less: Minority Interest	1	2	57	11	0.0	0.0	0.0
<b>Reported PAT</b>	<b>254</b>	<b>445</b>	<b>560</b>	<b>128</b>	<b>1,193</b>	<b>1,577</b>	<b>2,148</b>
<b>PAT Adj for EO items</b>	<b>272</b>	<b>463</b>	<b>530</b>	<b>148</b>	<b>1,248</b>	<b>1,577</b>	<b>2,148</b>
Change (%)	232.1	70.3	14.5	-72.1	744	26.4	36.2
Margin (%)	5.3	5.7	3.9	1.0	6.7	7.0	8.0

### Consolidated - Balance Sheet

(INR Million)

Y/E March	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Equity Share Capital	259	396	411	415	467	467	467
Total Reserves	2,571	6,031	3,582	3,677	8,228	9,686	11,698
<b>Net Worth</b>	<b>2,830</b>	<b>6,427</b>	<b>3,993</b>	<b>4,092</b>	<b>8,695</b>	<b>10,153</b>	<b>12,165</b>
Minority Interest	139	854	771	383	401	401	401
Deferred Liabilities	106	7	4	11	93	93	93
Total Loans	2,033	6,566	6,133	7,470	6,623	7,373	5,373
<b>Capital Employed</b>	<b>5,109</b>	<b>13,854</b>	<b>10,902</b>	<b>11,956</b>	<b>15,812</b>	<b>18,020</b>	<b>18,033</b>
Gross Block	4,271	7,955	11,889	13,356	16,639	22,389	24,089
Less: Accum. Deprn.	1,569	2,066	3,723	4,784	6,036	7,636	9,542
Intangible assets- Goodwill	27	4,072	31	31	52	52	52
<b>Net Fixed Assets</b>	<b>2,728</b>	<b>9,960</b>	<b>8,197</b>	<b>8,604</b>	<b>10,655</b>	<b>14,805</b>	<b>14,599</b>
Capital WIP	876	1,541	806	611	0	454	539
<b>Total Investments</b>	<b>6</b>	<b>380</b>	<b>235</b>	<b>19</b>	<b>2,446</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>2,516</b>	<b>3,970</b>	<b>4,294</b>	<b>5,055</b>	<b>6,007</b>	<b>6,606</b>	<b>7,513</b>
Inventory	79	107	106	126	205	138	163
Account Receivables	270	425	523	767	901	932	1,108
Cash and Bank Balance	216	368	273	267	244	413	607
Loans and Advances	1,950	3,070	3,392	3,895	4,658	5,123	5,636
<b>Curr. Liability &amp; Prov.</b>	<b>1,017</b>	<b>2,014</b>	<b>2,631</b>	<b>2,333</b>	<b>3,296</b>	<b>3,845</b>	<b>4,619</b>
Account Payables	918	1,888	2,392	2,161	3,051	3,587	4,308
Provisions	99	126	239	172	245	257	311
<b>Net Current Assets</b>	<b>1,498</b>	<b>1,957</b>	<b>1,663</b>	<b>2,723</b>	<b>2,711</b>	<b>2,762</b>	<b>2,894</b>
<b>Appl. of Funds</b>	<b>5,108</b>	<b>13,855</b>	<b>10,902</b>	<b>11,955</b>	<b>15,812</b>	<b>18,020</b>	<b>18,033</b>

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>9.9</b>	<b>11.3</b>	<b>15.0</b>	<b>3.3</b>	<b>25.5</b>	<b>33.8</b>	<b>46.0</b>
Cash EPS	24.6	25.8	35.8	31.7	53.6	68.1	86.8
BV/Share	109.3	162.2	97.1	98.5	186.2	217.5	260.6
DPS	6.0	1.5	4.0	1.6	3.1	4.0	4.5
Payout (%)	70.7	10.4	21.5	39.5	7.7	7.6	6.3
<b>Valuation (x)</b>							
P/E				283.9	37.2	28.1	20.6
Cash P/E				30.0	17.7	13.9	10.9
P/BV				9.6	5.1	4.4	3.6
EV/Sales				3.5	2.7	2.3	1.8
EV/EBITDA				25.7	15.4	11.9	9.3
Dividend Yield (%)				0.2	0.3	0.4	0.5
<b>Return Ratios (%)</b>							
RoE	8.2	9.7	11.8	3.4	18.7	16.7	19.2
RoCE	8.5	10.9	10.7	8.0	14.5	13.3	15.4
RoIC	7.4	10.8	10.7	7.6	14.2	13.4	14.8
<b>Working Capital Ratios</b>							
Asset Turnover (x)	1.0	0.6	1.2	1.2	1.2	1.3	1.5
Inventory (Days)	6	5	3	3	4	2	2
Debtor (Days)	19	19	14	19	18	13	13
Creditor (Days)	65	86	65	53	60	58	58
Working Capital Turnover (Days)	90	72	38	61	48	38	31
<b>Leverage Ratio (x)</b>							
Debt/Equity	0.7	1.0	1.5	1.8	0.8	0.7	0.4

### Consolidated - Cash Flow Statement

(INR Million)

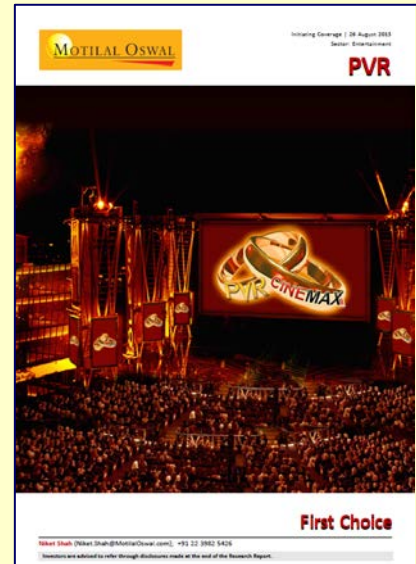
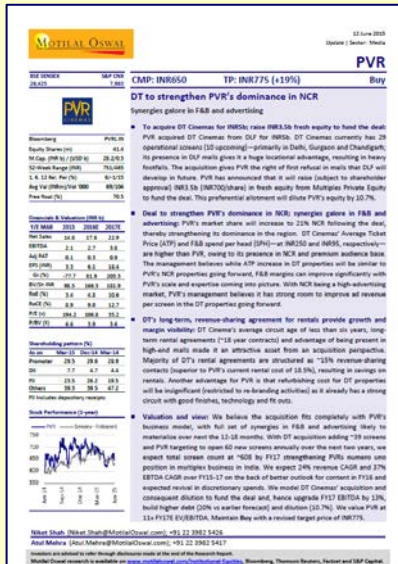
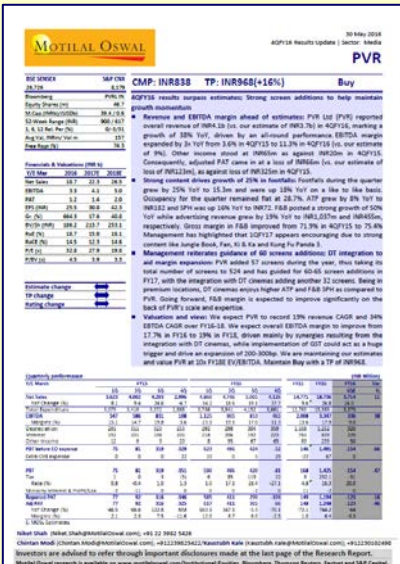
Y/E March	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Net Profit / (Loss) Before Tax / EO	310	319	523	125	1,425	2,103	2,864
Depreciation	365	560	944	1,168	1,252	1,600	1,906
Interest & Finance Charges	159	326	743	783	839	805	733
Direct Taxes Paid	-108	-233	-154	-69	-232	-526	-716
(Inc)/Dec in WC	-152	556	91	-863	-12	118	62
<b>CF from Operations</b>	<b>573</b>	<b>1,529</b>	<b>2,147</b>	<b>1,144</b>	<b>3,272</b>	<b>4,101</b>	<b>4,848</b>
EO Expense	-82	1	-15	163	81	0	0
<b>CF from Operating incl EO</b>	<b>491</b>	<b>1,530</b>	<b>2,132</b>	<b>1,307</b>	<b>3,353</b>	<b>4,101</b>	<b>4,848</b>
(inc)/dec in FA	-560	-2,372	-1,273	-1,691	-2,672	-6,204	-1,786
(Pur)/Sale of Investments	-502	-5,712	193	-131	-2,427	2,446	0
Others	31	11	14	14	0	0	0
<b>CF from Investments</b>	<b>-1,031</b>	<b>-8,073</b>	<b>-1,065</b>	<b>-1,808</b>	<b>-5,099</b>	<b>-3,758</b>	<b>-1,786</b>
Issue of Shares	-66	3,820	121	100	3,502	0	0
(Inc)/Dec in Debt	427	3,278	-434	1,337	-847	750	-2,000
Interest Paid	-207	-425	-812	-827	-839	-805	-733
Dividend Paid	-150	-60	-46	-122	-92	-119	-135
Others	-38	82	9	8	0	0	0
<b>CF from Fin. Activity</b>	<b>-34</b>	<b>6,695</b>	<b>-1,162</b>	<b>496</b>	<b>1,724</b>	<b>-174</b>	<b>-2,868</b>
<b>Inc/Dec of Cash</b>	<b>-574</b>	<b>151</b>	<b>-95</b>	<b>-6</b>	<b>-23</b>	<b>169</b>	<b>194</b>
Add: Beginning Balance	790	216	368	272	267	243	412
<b>Closing Balance</b>	<b>216</b>	<b>368</b>	<b>272</b>	<b>267</b>	<b>243</b>	<b>412</b>	<b>606</b>

E: MOSL Estimates

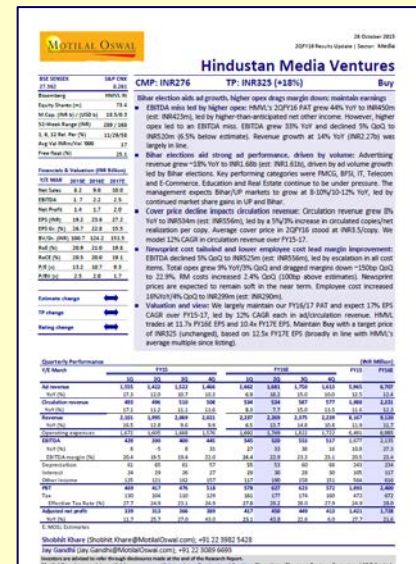
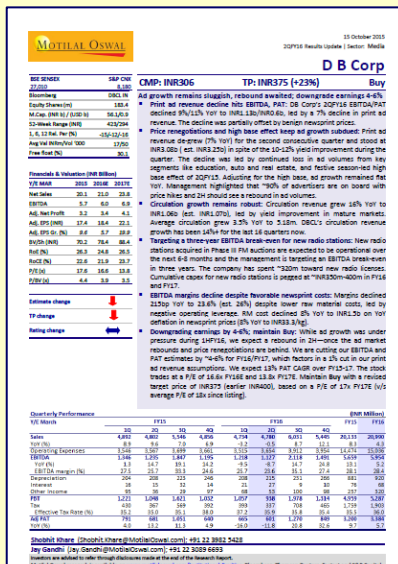
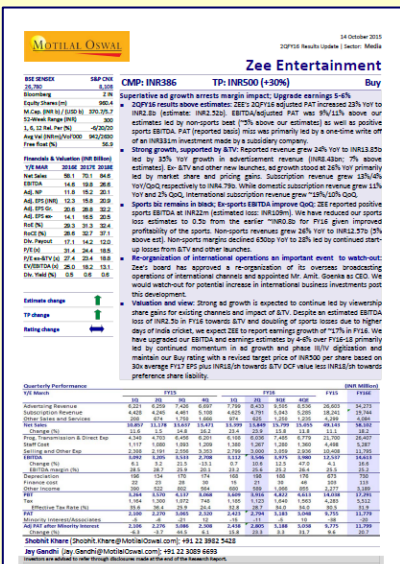


# PVR GALLERY

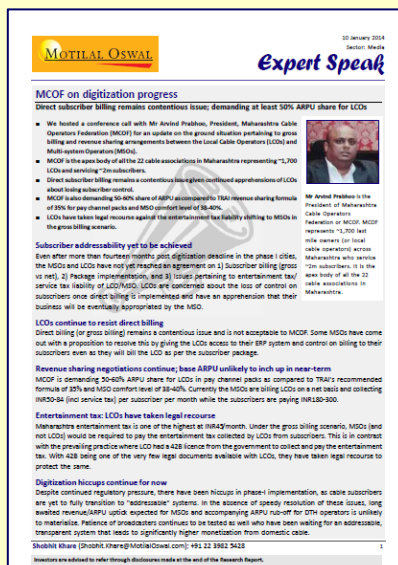
## PVR



## OTHER COMPANIES



## SECTOR UPDATES



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