

PVR Inox's Q4FY23 results (first as a merged entity) reflected weak box office performance, as revenue declined by 21.5% QoQ to Rs11.4bn (pro-forma for Q3FY23), slightly below our estimates. Footfalls at 30.5mn were tad below our estimates, while ATP and SPH were broadly in-line. Bollywood's inconsistent performance persisted with only two movies breaching the Rs1bn barrier. The company has highlighted that it will shut 50 screens over the next six months, culling out non-profitable screens. Screen addition guidance of 150-175 screens for FY24 is slightly lower than the previously stated number of 180-200. Additionally, the company will realign the upcoming handover of new sites for fit outs till the full business recovers, indicating a calibrated strategy for screen additions. We have cut our FY24/25 EBITDA estimates by 10-15% to factor in screen closures, lower screen additions, and slower ramp-up in film releases and have arrived at a revised TP of Rs1,700, (11.5x Mar-25E pre IND-AS EBITDA)

PVR INOX: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,800	13,310	37,507	66,887	76,168
EBITDA	(3,349)	1,057	10,473	22,642	26,677
Adj. PAT	(7,472)	(4,882)	(3,273)	4,225	5,901
Adj. EPS (Rs)	(123.0)	(80.4)	(52.0)	43.1	60.2
EBITDA margin (%)	(119.6)	7.9	27.9	33.9	35.0
EBITDA growth (%)	(131.1)	0.0	890.4	116.2	17.8
Adj. EPS growth (%)	(2,811.1)	0.0	0.0	0.0	39.7
RoE (%)	(45.1)	(30.5)	(7.5)	5.6	7.3
RoIC (%)	(12.8)	(6.7)	5.0	6.7	7.6
P/E (x)	NA	NA	NA	33.3	23.8
EV/EBITDA (x)	NA	126.1	16.3	9.5	8.0
P/B (x)	4.8	6.4	1.3	1.8	1.7
FCFF yield (%)	(4.1)	0.3	1.3	5.5	3.9

Source: Company, Emkay Research

Results Summary: PVR Inox's revenue fell by 21.5% QoQ/grew 33% YoY (pro-forma numbers) to Rs11.4bn in Q4FY23. ATP and SPH stood at Rs239 and Rs119, respectively, broadly in-line with our estimates, while footfalls of 30.5mn were marginally below our estimates. Footfalls in FY23 remained 16% lower than FY20 levels, indicating sluggish box office recovery, despite 14% growth in the number of screens. Reported EBITDA stood at Rs2.6bn, while adjusted for IND-AS, EBITDA stood at Rs54mn, below our estimate of Rs350mn. Weak EBITDA was on account of higher-than-estimated employee expenses. There were exceptional items of Rs1.6bn related to (1) Impairment of capital work in progress (Rs108.2mn); (2) Accelerated depreciation on cinemas proposed to be shut down (Rs105.8mn); (3) Merger-related expenses (Rs54.9mn); and (4) Deferred tax assets write-off (Rs1,343mn). PVR Inox reported net loss of Rs3.3bn in FY23. Net debt jumped to Rs14.3bn in FY23 from Rs9.2bn in FY22. The merged entity added 79 screens during Q4FY23, taking the total additions to 168 for FY23. PVR Inox has guided for 150-175 screen additions for FY24, lower than its previous number of 180-200 screens.

Earnings Call KTAs: (1) Screen Opening: Mgmt. expects to open 150-175 screens in FY24 (gross addition). It expects box office volatility to stabilize before taking handover, hence it is realigning the upcoming handovers. PVR Inox will be closing 50 screens (in Tier-1 and Tier-2 cities) in the next six months. EBITDA boost of closing down these screens would be Rs100mn. Mgmt. is focusing on profitable growth and unit level economics. 40-50% of screens will be added in the South going ahead. Total capex should be Rs7bn for this year. (2) Ad revenue: The immediate aim is to get closer to pre-Covid levels. Mgmt. hopes to get stronger numbers by the start of the festive season. The merger has aided in driving synergies; and limiting under-cutting of prices. Mgmt. expects growth in both value and volume of ads. Currently, it is focused on getting volumes back. (3) Debt: Incremental debt has gone up to fund capex. Net debt in FY24 should be lower than FY23. New screens in FY24 will be funded via internal accruals. (4) Margins: Post-Covid, margins have fallen due to the negative impact of operating leverage. Mgmt. aims to get back to pre-Covid levels of 18-20% next year. (5) Quarter update and outlook: Q4 started off on a high note; February and March footfalls were dismal. Hollywood delivered a decent Q4 performance, while regional movies continued to perform strongly. Mgmt. expects volatility in box office collections to settle down in FY24. It expects Rs60-70bn revenue in FY24; these estimates are based on a strong movie line-up and screen opening. (6) Merger: Bulk of synergies are going to be on the revenue side. PVR Inox should see breakeven at the EBITDA level at occupancies of ~20% at normalized advertising levels.

Target Price – 12M	Mar-24
Change in TP (%)	(17.1)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.4
CMP (16-May-23) (Rs)	1,435.2

Stock Data	Ticker
52-week High (Rs)	2,215
52-week Low (Rs)	1,403
Shares outstanding (mn)	98.0
Market-cap (Rs bn)	141
Market-cap (USD mn)	1,710
Net-debt, FY24E (Rs mn)	73,476
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	818.5
ADTV-3M (USD mn)	10.0
Free float (%)	72.5
Nifty-50	18,287
INR/USD	82.2
Shareholding, Dec-20	
Promoters (%)	27.5
FPIs/MFs (%)	29.7/24.6

Price Performance

(%)	1M	3M	12M
Absolute	(6.2)	(16.1)	(17.6)
Rel. to Nifty	(8.6)	(17.3)	(28.6)

1-Year share price trend (Rs)



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Exhibit 1: Actual vs. Estimates (Q4FY23)

(Rs mn)	Actual	Estimate		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	11,432	11,768	10,904	-3%	5%	Marginally lower footfalls
EBITDA	2,639	2,979	2,624	-11%	1%	Higher employee expenses
EBITDA, margin	23.1%	25.3%	24.1%	-223 bps	-98 bps	
PAT	-3,334	-761	-817	NA	NA	

Source: Company, Emkay Research

Exhibit 2: Quarterly financial snapshot

(Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Net Sales	5,371	9,814	6,867	9,407	11,432	113	22	37,507	13,310	182
Total Sales	5,371	9,814	6,867	9,407	11,432	113	22	37,507	13,310	182
Film exhibition cost	1322	2389	1462	1677	2597	96	55	8,188	2,860	186
As a % of sales	24.6	24.3	21.3	17.8	22.7			21.8	21.5	
Cost of Materials	448	765	629	778	930	108	20	3,102	1,115	178
As a % of sales	8.3	7.8	9.2	8.3	8.1			8.3	8.4	
Employee costs	814	1040	947	943	1514	86	61	4,389	2,693	63
As a % of sales	15.2	10.6	13.8	10.0	13.2			11.7	20.2	
Repairs & maintenance	1788	2204	2292	3122	3752	110	20	11,355	5,585	103
As a % of sales	33.3	22.5	33.4	33.2	32.8			30.3	42.0	
Total Expenditure	4,373	6,398	5,331	6,519	8,793	101	35	27,041	12,253	121
EBITDA	999	3,416	1,537	2,888	2,639	164	-9	10,465	1,057	890
Depreciation	1,687	1,494	1,525	1,552	2,962	76	91	7,533	6,144	23
EBIT	(688)	1,922	11	1,335	(323)	-53	-124	2,932	(5,087)	-158
Other Income	425	209	164	201	218	-49	8	791	3,261	-76
Interest	1,252	1,280	1,277	1,275	1,886	51	48	5,716	4,982	15
Exceptional item	-	-	-	-	(108)			-108	0	
PBT	(1,515)	851	(1,102)	262	(2,100)	39	-903	(2,101)	(6,807)	-69
Tax	(460)	319	(387)	102	1,240	-369	1,112	1,274	-1,922	-166
PAT before MI	(1,055)	532	(715)	159	(3,340)	217	-2,198	(3,376)	(4,885)	-31
Minority interest	-	(2)	(3)	(2)	(6)	NA	170	-13	-2	-
PAT	(1,055)	534	(712)	162	(3,334)	216	-2,164	(3,362)	(4,883)	-31
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	18.6	34.8	22.4	30.7	23.1	449	-762	27.9	7.9	1,996
EBIT	-12.8	19.6	0.2	14.2	-2.8	998	-1,702	7.8	-38.2	4,603
PBT	-28.2	8.7	-16.0	2.8	-18.4	984	-2,115	-5.6	-51.1	4,554
PAT	-19.6	5.4	-10.4	1.7	-29.2	-952	-3,088	-9.0	-36.7	2,772
Effective Tax rate	30.4	37.5	35.1	39.1	-59.0	-8,941	-9,816	-60.6	28.2	-8,887

Source: Company, Emkay Research. Financials are not comparable due to the merger in Q4FY23.

Exhibit 3: Change in Estimates

Particulars	FY24E			FY25E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	72,859	66,887	-8.2	81,183	76,168	-6.2
EBITDA	26,585	22,642	-14.8	29,662	26,677	-10.1
EBITDA Margin (%)	36.5	33.9	-264 bps	36.5	35.0	-151 bps
EBITDA (Adj. for IND AS)	15,473	11,992	-22.5	17,640	15,388	-12.8
PAT	6,115	4,225	-30.9	7,951	5,901	-25.8
EPS (Rs)	62.4	43.1	-30.9	81.2	60.2	-25.8

Source: Emkay Research

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Exhibit 4: Box office recovery has been weak – FY23 footfalls lower despite a higher number of screens

Particulars (INR Mn)	FY'23	FY'20			Change
	PVR + INOX	PVR	INOX	Total	
Screens*	1,680	845	626	1,471	14%
Admits (Mn)	140	102	66	168	-16%
Occupancy %	25.2%	34.9%	28.0%	31.8%	-21%
Gross ATP (INR)	236	204	200	203	16% (CAGR : 5.2%)
Gross SPH (INR)	120	99	80	92	30% (CAGR : 9.3%)
Financial Performance					
Sale of Movie Tickets	27,514	17,312	11,046	28,357	-3%
Sale of Food & Beverages	16,180	9,605	4,972	14,577	11%
Advertisement Income	3,818	3,759	1,790	5,549	-31%
Convenience Fees	2,470	1,719	668	2,387	3%
Other Income	3,124	2,128	670	2,798	12%
Total Income	53,105	34,522	19,146	53,668	-1%
Total Expenses	47,012	28,383	15,678	44,061	7%
EBITDA	6,093 ⁽¹⁾	6,139	3,468	9,607	-37%
EBITDA Margin	11.5%	17.8%	18.1%	17.9%	-6%

Source: Company

Exhibit 5: Operational parameters comparison

Q4, FY'23 vs Q4, FY'22;		12M, FY'23 vs 12M, FY'22				
Particulars	Q4, FY'23	Q4, FY'22	% Change	12M, FY'23	12M, FY'22	
<u>Operating Numbers</u>	<i>PVR INOX Reported (A)</i>	<i>PVR Reported</i>	<i>PVR + INOX Proforma (B)</i>	<i>(A/B) -1</i>	<i>PVR INOX Reported</i>	<i>PVR Reported</i>
Cinemas	359	181	341	5%	359	181
Screens*	1,680	871	1,546	9%	1,680	871
Seats	357k	184k	336k	6%	357k	184k
Admits (Mns)	30.5	14.3	25.3	20%	95.1	33.5
Occupancy (%)	22.2%	26.0%	25.1%	-290 bps	26.4%	22.1%
ATP (INR)	239	242	232	3%	240	235
SPH (INR)	119	122	106	13%	128	124

Source: Company

PVR INOX : Consolidated Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,800	13,310	37,507	66,887	76,168
Revenue growth (%)	(91.8)	375.3	181.8	78.3	13.9
EBITDA	(3,349)	1,057	10,473	22,642	26,677
EBITDA growth (%)	(131.1)	0.0	890.4	116.2	17.8
Depreciation & Amortization	5,749	6,144	7,533	10,000	12,000
EBIT	(9,097)	(5,087)	2,940	12,642	14,677
EBIT growth (%)	(270.3)	0.0	0.0	330.0	16.1
Other operating income	0	0	0	0	0
Other income	4,693	3,261	791	1,280	1,400
Financial expense	4,978	4,982	5,716	8,277	8,191
PBT	(9,382)	(6,807)	(1,986)	5,646	7,887
Extraordinary items	0	0	(108)	0	0
Taxes	(1,906)	(1,922)	1,274	1,421	1,985
Minority interest	(4)	(3)	13	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	(7,472)	(4,882)	(3,381)	4,225	5,901
PAT growth (%)	(2,811.1)	0.0	0.0	0.0	39.7
Adjusted PAT	(7,472)	(4,882)	(3,273)	4,225	5,901
Diluted EPS (Rs)	(123.0)	(80.4)	(52.0)	43.1	60.2
Diluted EPS growth (%)	(2,811.1)	0.0	0.0	0.0	39.7
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	(119.6)	7.9	27.9	33.9	35.0
EBIT margin (%)	(324.9)	(38.2)	7.8	18.9	19.3
Effective tax rate (%)	20.3	28.2	(64.2)	25.2	25.2
NOPLAT	(7,249)	(3,650)	4,826	9,460	10,983
Shares outstanding (mn)	60.8	60.8	65.0	98.0	98.0

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	(9,382)	(6,807)	(1,986)	5,646	7,887
Others (non-cash items)	5,993	7,943	12,589	8,277	8,191
Taxes paid	72	99	1	(1,421)	(1,985)
Change in NWC	(803)	434	(1,969)	4,746	(2,398)
Operating cash flow	(4,121)	1,668	8,635	17,247	11,694
Capital expenditure	(1,166)	(1,298)	(6,339)	(5,543)	(3,361)
Acquisition of business	0	0	0	0	0
Interest & dividend income	28	270	88	0	0
Investing cash flow	(2,886)	(28)	(5,759)	(5,543)	(3,361)
Equity raised/(repaid)	10,931	183	305	0	0
Debt raised/(repaid)	1,768	1,533	1,260	(3,000)	(1,000)
Payment of lease liabilities	(962)	(2,638)	(7,059)	626	632
Interest paid	(982)	(1,246)	(1,442)	(8,277)	(8,191)
Dividend paid (incl tax)	0	0	0	0	0
Others	0	0	0	0	0
Financing cash flow	10,755	(2,168)	(6,935)	(10,651)	(8,559)
Net chg in Cash	3,748	(528)	(4,059)	1,053	(225)
OCF	(4,121)	1,668	8,635	17,247	11,694
Adj. OCF (w/o NWC chg.)	(4,924)	2,102	6,666	21,992	9,296
FCFF	(5,287)	370	2,296	11,703	8,333
FCFE	(10,238)	(4,342)	(3,333)	3,427	143
OCF/EBITDA (%)	123.1	157.7	82.5	76.2	43.8
FCFE/PAT (%)	137.0	88.9	98.6	81.1	2.4
FCFF/NOPLAT (%)	72.9	(10.1)	47.6	123.7	75.9

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	608	610	980	980	980
Reserves & Surplus	17,728	13,093	72,319	76,543	82,445
Net worth	18,335	13,703	73,299	77,523	83,425
Minority interests	0	(3)	(7)	(7)	(7)
Deferred tax liability (net)	(3,987)	(5,925)	(4,735)	(4,735)	(4,735)
Total debt	50,031	51,959	80,519	78,145	77,777
Total liabilities & equity	64,380	59,734	149,076	150,926	156,460
Net tangible fixed assets	14,904	15,181	29,431	34,431	37,431
Net intangible assets	1,773	1,590	1,480	1,776	1,865
Net ROU assets	27,554	26,784	53,746	53,746	53,746
Capital WIP	2,172	645	2,473	2,721	2,993
Goodwill	10,520	10,520	57,428	57,428	57,428
Investments	12	5	2,312	2,312	2,312
Cash & equivalents	7,311	5,798	3,616	4,669	4,443
Current assets (ex-cash)	6,786	6,788	9,510	17,006	16,900
Current Liab. & Prov.	6,654	7,573	10,922	23,163	20,659
NWC (ex-cash)	132	(785)	(1,411)	(6,157)	(3,759)
Total assets	64,380	59,738	149,076	150,926	156,460
Net debt	42,719	46,161	76,903	73,476	73,334
Capital employed	64,380	59,734	149,076	150,926	156,460
Invested capital	54,885	53,290	140,674	141,225	146,711
BVPS (Rs)	301.8	225.5	1,127.2	791.3	851.5
Net Debt/Equity (x)	2.3	3.4	1.0	0.9	0.9
Net Debt/EBITDA (x)	(12.8)	43.7	7.3	3.2	2.7
Interest coverage (x)	(1.1)	(2.7)	1.5	0.6	0.5
RoCE (%)	(6.9)	(2.9)	3.6	9.3	10.5

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E March	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	NA	NA	NA	33.3	23.8
P/CE(x)	NA	69.1	21.9	9.9	7.9
P/B (x)	4.8	6.4	1.3	1.8	1.7
EV/Sales (x)	46.4	10.0	4.5	3.2	2.8
EV/EBITDA (x)	NA	126.1	16.3	9.5	8.0
EV/EBIT(x)	NA	NA	57.9	16.9	14.6
EV/IC (x)	2.4	2.5	1.2	1.5	1.5
FCFF yield (%)	(4.1)	0.3	1.3	5.5	3.9
FCFE yield (%)	(11.7)	(5.0)	(3.6)	2.4	0.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(266.8)	(36.7)	(8.7)	6.3	7.7
Total asset turnover (x)	0.0	0.2	0.4	0.4	0.5
Assets/Equity (x)	3.9	3.9	2.4	2.0	1.9
RoE (%)	(45.1)	(30.5)	(7.5)	5.6	7.3
DuPont-RoIC					
NOPLAT margin (%)	(258.9)	(27.4)	12.9	14.1	14.4
IC turnover (x)	0.0	0.2	0.4	0.5	0.5
RoIC (%)	(12.8)	(6.7)	5.0	6.7	7.6
Operating metrics					
Core NWC days	17.3	(21.5)	(13.7)	(33.6)	(18.0)
Total NWC days	17.3	(21.5)	(13.7)	(33.6)	(18.0)
Fixed asset turnover	0.0	0.2	0.3	0.4	0.4
Opex-to-revenue (%)	202.7	70.6	50.2	43.2	42.1

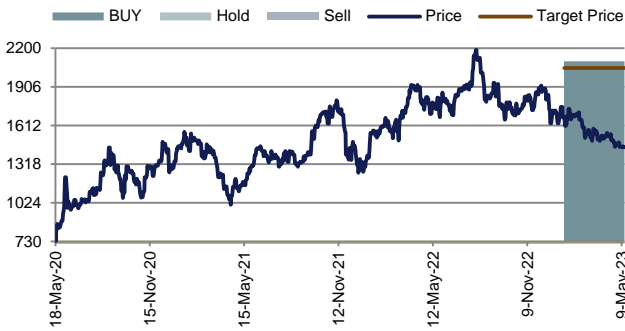
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
19-Jan-23	1,678	2,050	Buy	Pulkit Chawla

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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