

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	PVRINOX IN
Equity Shares (m)	61
M.Cap.(INRb)/(USD\$)	140.6 / 1.7
52-Week Range (INR)	2212 / 1404
1, 6, 12 Rel. Per (%)	-9/-19/-33
12M Avg Val (INR M)	1224

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	37.5	68.4	81.0
EBITDA	3.2	11.8	14.7
Adj. PAT	-2.4	4.5	6.1
EBITDA Margin (%)	8.5	17.2	18.1
Adj. EPS (INR)	-24.8	46.4	62.4
EPS Gr. (%)	LP	-287.1	34.4
BV/Sh. (INR)	748.2	794.6	856.9

Ratios

Net D:E	1.0	0.9	0.8
RoE (%)	-5.6	6.0	7.6
RoCE (%)	4.1	6.4	7.8
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	-57.8	30.9	23.0
P/BV (x)	1.9	1.8	1.7
EV/EBITDA (x)	48.3	12.8	10.0
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	27.5	16.9	17.0
DII	30.2	25.0	27.5
FII	31.2	42.0	33.3
Others	11.2	16.1	22.2

FII Includes depository receipts

CMP: INR1,433 TP: INR1,570 (+10%) Neutral

Lower occupancy dents profitability

- Adjusted EBITDA declined 70% YoY to INR108m as revenue growth of 34% (on low base of omicron-hit 4QFY22) was offset by high opex, mainly due to lower occupancy (22.2% in 4QFY23 v/s 25.1% in 4QFY22).
- Pro-forma performance v/s FY20: EBITDA saw a negative 14% CAGR due to higher opex as occupancy remained below the pre-Covid level. Revenue was flat as lower occupancy was offset by better ATP and footprint adds.
- Continued underperformance of Bollywood movies, increased competition from OTT platforms and lower occupancy continue to dent profitability. However, a healthy content pipeline, coupled with expected 150-175 screen additions annually for the combined entity, should aid revival in the coming period. We reiterate our Neutral rating with a TP of INR1,570.

Underperformance in movies leads to lower occupancy and margins

- 4QFY23 revenue grew 34% YoY to INR11.4b as 4QFY22 was affected by omicron. We estimated revenue growth of 39% YoY for PVR standalone.
 - Movie tickets/F&B revenue rose 21%/37% YoY.
 - Advertising revenues grew 2.6x YoY.
- Combined entity occupancy declined 290bp YoY and stood at 22.2% v/s 25.1% in 4QFY22.
- Admits (for the combined entity) improved 21% YoY to 30.5m. ATP/SPH improved 3%/12% YoY.
- Opex rose 39% QoQ to INR11.4b. As a result, EBITDA (pre IND-AS116) fell 85% YoY to INR53m. EBITDA Margin stood at 0.5% for 4QFY23.
 - Adjusting merger-related expenses of INR55m, EBITDA declined 70% YoY to INR108m, with margin at 0.9%.
 - We estimated a 70% YoY fall in pre Ind-AS EBITDA with margin at 5.1%.
- Other income declined 10% YoY to INR216m.
- Consequently, the company reported a loss of INR2.9b. Adjusting for exceptional items and DTA write-off of INR1.3b, the loss stood at INR1.5b.
- Net debt increased to INR14.3b in FY23 from INR9.3b in FY22.
- PVR-Inox plans to shut down ~50 cinema screens over the next six months.

Highlights from the management commentary

- PVRL plans to open 150-175 screens with an annual capex of ~INR7b. It may close ~50 screens in the next six months, which is expected to result in cost savings of ~INR100m.
- The company expects FY24 revenue to be in the range of INR60-70b and margin in the range of 19-20% (pre-Covid levels).
- Ad revenue for FY24 is expected to reach pre-Covid levels on the back of improved volumes and pricing.
- PVRL expects recovery from May'23 onward, given good responses to recently released movies and a strong pipeline of big-ticket movies.

Valuation and view

- A dry pipeline of Hollywood movies and lower traction after 'Pathaan' in Feb-Mar'23 dragged down occupancy.
- The merged entity, with an expected revenue scale of ~INR81b as of FY25E and expected EBITDA margin of 18.1%, is currently trading at a valuation of 10x EV/EBITDA and 23x P/E on FY25 basis.
- Key things to watch out for include: 1) continued uncertainty about the acceptability of content, 2) a slower recovery in advertising revenues, 3) increased risk of rising scale, and traction in movie releases over OTT platforms, as highlighted in our report.
- While we expect some recovery in the business from FY24 onward. The level of recovery in both occupancy and ad revenue amid the increasing threat from deep-pocketed OTT players remains a key monitorable for growth. We value PVRL at 11x FY25E EV/EBITDA to arrive at a TP of INR1,570. **We reiterate our Neutral rating on the stock.**

Quarterly Performance**(INR m)**

Y/E March	FY22				FY23E				FY22	FY23*
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4Q*		
Net Sales	511	1,104	6,298	8,539	9,814	6,867	9,408	11,431	13,294	37,506
YoY Change (%)	1096.3	153.2	893.5	415.6	1821.3	522.1	49.4	33.9	380.2	182.1
Total Expenditure	1,807	2,357	5,763	8,176	7,924	6,889	8,124	11,378	15,625	34,304
EBITDA	-1,296	-1,253	535	363	1,890	-22	1,284	53	-2,331	3,202
YoY Change (%)	-22.4	54.6	-149.2	-125.3	-245.8	-98.2	140.0	-85.4	-53.4	-237.4
Depreciation	577	620	645	800	605	610	619	1,196	2,642	3,029
Interest	377	394	389	386	390	393	389	419	1,542	1,589
Other Income	198	316	125	241	190	150	128	216	777	684
PBT before EO expense	-2,052	-1,951	-373	-582	1,085	-875	404	-1,346	-5,738	-732
Extra-Ord expense	0	0	0	0	0	0	0	108	0	108
PBT	-2,052	-1,951	-373	-582	1,085	-875	404	-1,454	-5,738	-840
Tax	-633	-356	-153	-407	401	-307	152	1,402	-1548.0	1589.0
Rate (%)	30.8	18.2	41.0	70.0	37.0	35.1	37.6	-96.4	27.0	-189.2
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	-1,419	-1,595	-220	-175	684	-568	252	-2,856	-4,190	-2,429
Adj PAT	-1,419	-1,595	-220	-175	684	-568	252	-1,458	-4,190	-1,090
YoY Change (%)	-22.7	37.5	-83.9	-89.3	-148.2	-64.4	-214.4	734.3	-30.2	-74.0

*Restated for merged entity; E: MOFSL Estimates

Other highlights

Management commentary

Screen opening remains strong:

- PVR-INOX operates 361 cinemas with 1,689 screens in 115 cities. It added 79 screens across 13 properties during the quarter.
- The company plans to open 150-175 screens in FY24.

Performance across segments and expectations in FY24:

- The quarter witnessed a soaring start with 'Pathaan' in Jan'23 and the continued impressive performance of 'Avatar', which was released in Dec'22. However, Feb'23 and Mar'23 saw a dip in admissions due to lackluster performances of Hindi films. Hollywood releases, 'John Wick', 'Antman', 'Shazam 2' and 'Creed III' delivered decent performances at the Box Office.
- In FY23, the industry was marred by two major factors: 1) underperformance of Hindi films, and 2) low number of Hollywood releases. The company expects both factors to improve in FY24.
- It expects to achieve operational synergies of INR2.2b over the next 12-24 months.

Exhibit 1: Valuation summary

Particulars	Valuation
EBITDA FY25E (INR b)	14.7
Multiple	11
EV (INR b)	168
Net Debt (INR b)	14
Target market cap (INR b)	154
No. of shares	0.1
Target Price	1,570
CMP	1,433
Upside	10%

Source: MOFSL, Company



Takeaways from the management interaction

Key Highlights:

- PVRL plans to open 150-175 screens with an annual capex of ~INR7b. It may close ~50 screens in the next six months, which is expected to result in cost savings of ~INR100m.
- The company expects FY24 revenue to be in the range of INR60-70b and margin in the range of 19-20% (pre-Covid levels).
- Ad revenue for FY24 is expected to reach pre-Covid levels on the back of improved volumes and pricing.
- PVRL expects recovery from May'23 onward, given good responses to recently released movies and a strong pipeline of big-ticket movies.

Detailed Highlights:

Financial performance:

- PVRL recorded one-time merger related expenses of ~INR55m and impairment on CWIP to the tune of INR108m during the quarter. It further recognized one-time write-off on DTA to the tune of INR1.3b toward its transition to the new tax regime.
- Pro-forma revenue for the merged entity stood at INR53b for FY23.
- EBITDA decline v/s FY20 (on pro-forma basis) was mainly due to operating leverage on account of lower footfalls, slower recovery in ad-revenue and resumption of fixed costs (Rent + CAM) after Covid.

Revenue recovery:

- The company stated that while 4QFY23 started on a good note with strong responses to 'Pathaan' and 'Avatar', Feb-Mar'23 months witnessed lower occupancy due to lacklustre performance in the Bollywood segment.
- Regional movies, however, continued to perform well, with good responses to releases like 'Varisu' and 'Waltair'.
- In the current quarter, the performance for Apr'23 was below expectations, while May'23 surprised with good releases like 'Kerala story' and 'Guardians of Galaxy'. Further, a strong response is expected toward 'Fast X'.

Business outlook:

- A strong line-up of big-ticket movies across genres is expected to accelerate recovery from Jun'23 onward.
- The company expects FY24 revenue in the range of INR60-70b and margin in the range of 19-20% (pre-Covid levels).
 - **Ad revenues:**
 - Expects to end the year by reaching pre-Covid levels with recovery to be seen from 2QFY24 and 3QFY24 onwards
 - The company is currently running slots in the average range of 12-12.5 mins (v/s 19 mins of standard slot)
 - Growth in ad revenue is expected to come from both volume and pricing, as PVRL looks to increase the slots by 6 mins and monetising off screen media assets as well.

- Costs: The company expects a sharp reduction in costs/heads in the next couple of months on the back of footfall recovery.
- Partnerships with some online aggregators are due for renewal in the current year, which is expected to continue.
- The company expects the synergies to be driven by revenue, with advertising revenue playing a major role.

Capex and screens adds:

- The company added 79 screens in 4QFY23 and 168 screens in FY23 on a combined basis.
- It plans to open 150-175 screens annually, of which 9 have already been opened, 15 screens awaiting licence and 175 screens under fit-outs. It expects an annual capex of ~INR6.5-7b in FY24.
- A large proportion of new adds would be in the southern market (40-50% of screen adds in south).
- The company has re-aligned hand-out of certain properties as per the market recovery.
- The company plans to shut down 50 underperforming screens in the next six months, which is in line with its strategy to improve unit level economics and focus on profitable growth. It expects cost savings of INR100m on EBITDA led by these closures.
- PVRL is in talks with developers for revenue sharing, with some of them already operating at 100% variable model.
- The company is further looking to open screens in small markets, which present better opportunities like right locations and good malls. It recently opened screens in Lucknow (Phoenix and LULU mall).
- The company earns management fees from 38 management properties (35 of which from Inox). While the capex on these properties is incurred by developers, branding remains with PVRL.

Other Highlights:

- SPH improvement could be equally attributed to value increase and volume mix as the company has introduced new and better products and variety.
- Leverage: The incremental debt during the year was mainly to fund screens adds (including acquisition of Jazz Cinemas in South) with a capex of INR3b. Management expects improvement in earnings to aid its leverage position.
- The company's focus would be on bringing down rental and occupancy costs to improve operational performance, with a slight increase in pricing.
- As the company continues to monitor elasticity in pricing, its focus will remain on bringing footfalls, rather than charging higher prices.
- An exclusive window for Hindi movies remains at right weeks, while the company is in negotiation with producers of other languages to increase the gap.

Exhibit 2: Consolidated quarterly performance (INR m)

	4QFY22	4QFY23	YoY (%)
Revenue	8,539	11,431	34
Total operating cost	8,176	11,378	39
EBITDA	363	53	-85
<i>EBITDA margin (%)</i>	4.3	0.5	NM
Depreciation	800	1,196	50
EBIT	-437	-1,143	162
Interest	386	419	9
Other Income	241	216	-10
PBT	-582	-1,346	131
Share in Profit and loss of JV	0	108	NM
PBT	-582	-1,454	150
Tax	-407	1,402	-445
<i>Tax rate (%)</i>	70.0	-96.4	-238
Reported PAT	-175	-2,856	1,534
Adjusted PAT	-175	-1,458	734

*QoQ not comparable ; Source: MOFSL, Company

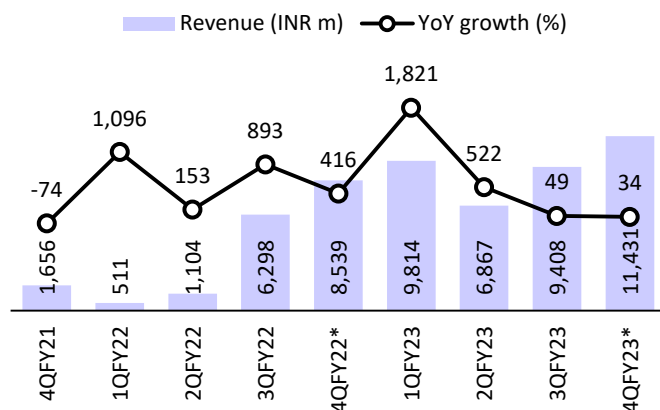
Exhibit 3: KPI snapshot

KPI	4QFY22	4QFY23	YoY (%)
Screens	1,546	1,680	9%
Admits ('000)	25,300	30,500	21%
Occupancy (%)	18%	21%	21%
ATP (INR)	232	239	3%
SPH (INR)	106	119	12%

Source: MOFSL, Company

Story in charts

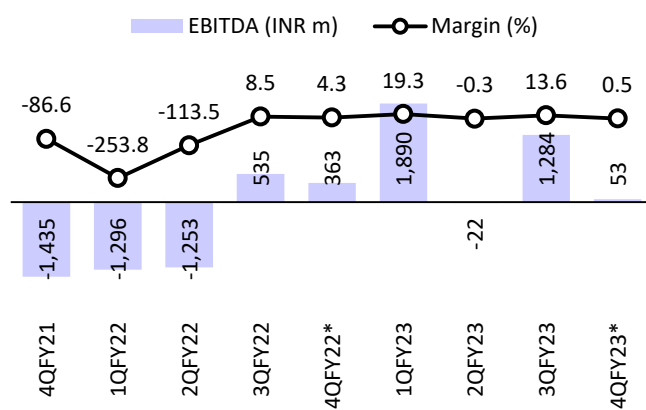
Exhibit 4: Revenue grew 34% YoY on lower base



*Merged entity revenue

Source: MOFSL, Company

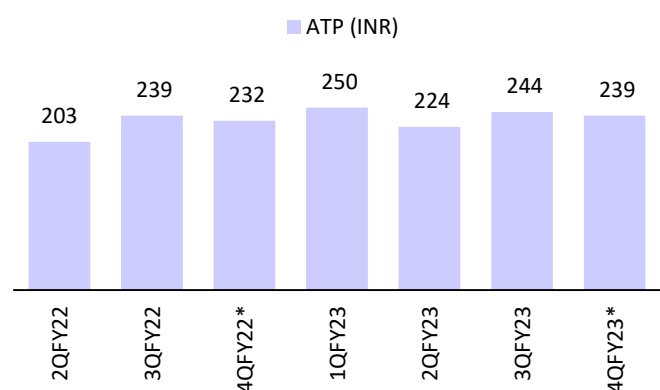
Exhibit 5: Consolidated EBITDA contracts YoY



*Merged entity EBITDA

Source: MOFSL, Company

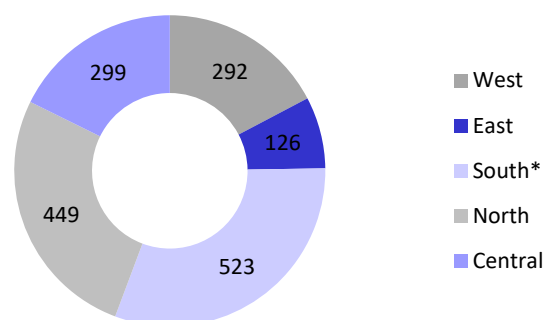
Exhibit 6: ATP grew 3% YoY for 4QFY23



*Merged entity

Source: MOFSL, Company

Exhibit 7: Merged entity to have pan-India presence with 1,689 screens



*South includes Sri-Lanka; Source: MOFSL, Company

Exhibit 8: Content Pipeline – List of big-ticket releases across languages

Movie	Region/ Language	Date
Fast X	English	18-05-2023
Takkar	Tamil	26-05-2023
Spider-man Across Spider-verse	English	02-06-2023
Luka Chuppi 2	Hindi	02-06-2023
Transformers: Rise of the beasts	English	09-06-2023
The Flash	English	15-06-2023
Adipurush	Hindi	16-06-2023
Maidaan	Hindi	23-06-2023
Indiana Jones	English	29-06-2023
Mission Impossible	English	12-07-2023
Oppenheimer	English	21-07-2023
Rocky aur Rani ki Prem Kahani	Hindi	28-07-2023
Jailer	Tamil	10-08-2023
Animal	Hindi	11-08-2023

Source: Company

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	23,341	30,856	34,144	2,769	13,294	37,506	68,368	80,988
Change (%)	10.1	32.2	10.7	-91.9	380.2	182.1	82.3	18.5
Total Production Expenses	6,967	9,407	9,971	1,156	4,013	11,286	20,701	24,127
% of Sales	29.8	30.5	29.2	41.8	30.2	30.1	30.3	29.8
Personnel Expenses	2,541	3,373	3,938	2,171	2,651	4,389	6,153	7,046
% of Sales	10.9	10.9	11.5	78.4	19.9	11.7	9.0	8.7
Rent	4,111	5,091	5,659	1,196	3,213	7,654	12,043	14,173
% of Sales	17.6	16.5	16.6	43.2	24.2	20.4	17.6	17.5
Administrative & Other Expenses	5,703	7,122	8,815	3,249	5,749	10,975	17,694	20,959
% of Sales	24.4	23.1	25.8	117.4	43.2	29.3	25.9	25.9
Total Expenditure	19,323	24,992	28,383	7,771	15,625	34,304	56,591	66,305
% of Sales	82.8	81.0	83.1	280.7	117.5	91.5	82.8	81.9
EBITDA	4,018	5,863	5,762	-5,003	-2,331	3,202	11,777	14,683
Margin (%)	17.2	19.0	16.9	-180.7	-17.5	8.5	17.2	18.1
Depreciation	1,537	1,913	2,324	2,383	2,642	3,029	4,507	5,411
EBIT	2,481	3,951	3,437	-7,386	-4,973	173	7,270	9,273
Int. and Finance Charges	837	1,280	1,521	1,490	1,542	1,589	1,881	1,791
Other Income	313	331	378	336	777	684	684	684
PBT bef. EO Exp.	1,958	3,002	2,294	-8,540	-5,738	-732	6,073	8,165
EO Expense/(Income)	6	0	5	0	0	108	0	0
PBT after EO Exp.	1,952	3,002	2,288	-8,540	-5,738	-840	6,073	8,165
Current Tax	489	1,017	627	-2,539	-1,548	1,589	1,529	2,055
Deferred Tax	216	79	0	0	0	0	0	0
Tax Rate (%)	36.1	36.5	27.4	29.7	27.0	-189.2	25.2	25.2
Less: Minority Interest	0	-68	-5	3	0	0	0	0
Reported PAT	1,247	1,838	1,656	-5,998	-4,190	-2,429	4,545	6,110
Adj. PAT	1,250	1,838	1,708	-6,010	-4,190	-1,090	4,545	6,110
Change (%)	27.1	47.0	-7.1	-451.9	-30.3	-74.0	-516.9	34.4
Margin (%)	5.4	6.0	5.0	-217.1	-31.5	-2.9	6.6	7.5

Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	467	467	514	608	610	980	980	980
Total Reserves	10,286	14,490	14,289	17,726	13,094	72,319	76,863	82,974
Net Worth	10,754	14,957	14,802	18,334	13,704	73,299	77,843	83,953
Minority Interest	8	5	3	0	-3	-7	-7	-7
Deferred Liabilities (net)	-150	266	-2,049	-3,987	-5,926	-4,735	-4,735	-4,735
Total Loans	6,614	11,039	48,723	47,524	51,959	80,519	78,519	76,519
Lease Liabilities			37,715	36,512	36,907	62,593	62,593	62,593
Capital Employed	17,226	26,267	61,479	61,871	59,734	1,49,076	1,51,620	1,55,730
Gross Block	24,676	38,193	71,953	70,227	72,192	1,63,232	1,69,732	1,76,232
Less: Accum. Deprn.	8,856	10,769	13,093	15,476	18,118	21,147	25,654	31,064
Intangible assets- Goodwill	79	0	0	0	0	0	0	0
Net Fixed Assets	15,899	27,425	58,860	54,751	54,074	1,42,086	1,44,079	1,45,168
Right to use Assets			30,047	27,554	26,783	26,783	26,783	26,783
Capital WIP	1,017	2,208	1,547	2,172	645	2,473	2,473	2,473
Total Investments	209	111	23	3	5	2	2	2
Curr. Assets, Loans&Adv.	6,208	8,659	11,799	14,106	12,584	15,436	20,850	26,476
Inventory	198	303	307	250	342	664	577	678
Account Receivables	1,556	1,839	1,893	307	707	1,825	3,746	4,438
Cash and Bank Balance	328	341	3,223	7,314	5,781	3,616	5,288	8,047
Loans and Advances	4,126	6,175	6,377	6,235	5,754	9,332	11,239	13,313
Curr. Liability & Prov.	6,107	12,135	10,750	9,161	7,573	10,922	15,784	18,389
Account Payables	5,980	11,920	10,571	8,909	7,448	10,291	15,428	18,211
Provisions	127	215	180	252	126	631	356	178
Net Current Assets	101	-3,477	1,049	4,945	5,011	4,515	5,066	8,087
Appl. of Funds	17,226	26,267	61,479	61,872	59,734	1,49,076	1,51,620	1,55,730

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	26.7	37.9	32.2	-98.7	-68.7	-24.8	46.4	62.4
Cash EPS	59.6	80.2	78.5	-59.7	-25.4	19.8	92.4	117.6
BV/Share	230.1	320.0	288.3	301.7	224.7	748.2	794.6	856.9
DPS	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	9.0	6.1	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	53.7	37.8	44.5	NM	-20.9	-57.8	30.9	23.0
Cash P/E	24.0	17.9	18.2	NM	-56.5	72.4	15.5	12.2
P/BV	6.2	4.5	5.0	4.7	6.4	1.9	1.8	1.7
EV/Sales	6.3	4.9	5.4	65.2	14.0	5.8	3.1	2.6
EV/EBITDA	36.5	25.8	32.3	NM	-64.2	48.3	12.8	10.0
Dividend Yield (%)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	12.2	13.8	11.1	-36.2	-26.2	-5.6	6.0	7.6
RoCE	10.4	12.5	10.7	-10.7	-10.5	4.1	6.4	7.8
RoIC	10.2	12.8	11.7	-14.3	-22.5	1.0	6.7	8.5
Working Capital Ratios								
Asset Turnover (x)	1.4	1.2	0.6	0.0	0.2	0.3	0.5	0.5
Inventory (Days)	3	4	3	33	9	6	3	3
Debtor (Days)	24	22	20	40	19	18	20	20
Creditor (Days)	94	141	113	1,175	204	100	82	82
Working Capital Turnover (Days)	-4	-45	-23	-312	-21	9	-1	0
Leverage Ratio (x)								
Current Ratio	1.0	0.7	1.1	1.5	1.7	1.4	1.3	1.4
Debt/Equity	0.6	0.7	3.3	2.6	3.8	1.1	1.0	0.9

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Profit / (Loss) Before Tax / EO	1,952	3,002	896	-9,388	-6,807	-2,089	6,073	8,165
Depreciation	1,537	1,913	5,425	5,748	6,144	3,010	4,507	5,411
Interest & Finance Charges	837	1,280	4,730	4,949	4,938	5,600	1,881	1,791
Direct Taxes Paid	-704	-1,097	-295	72	99	1	-1,529	-2,055
(Inc)/Dec in WC	699	4,007	-2,647	-803	434	-1,969	1,120	-261
CF from Operations	4,320	9,105	8,108	578	4,808	4,553	12,053	13,051
Others	-163	-331	-238	-4,705	-3,140	4,086	-684	-684
CF from Operating incl EO	4,157	8,774	7,870	-4,127	1,668	8,639	11,369	12,367
(inc)/dec in FA	-2,302	-14,630	-3,838	-1,166	-1,245	-6,339	-6,500	-6,500
Free Cash Flow	1,856	-5,856	4,033	-5,293	423	2,300	4,869	5,867
(Pur)/Sale of Investments	-190	99	0	0	0	0	0	0
Others	0	2,739	-66	-1,720	1,217	581	684	684
CF from Investments	-2,491	-11,793	-3,903	-2,886	-28	-5,759	-5,816	-5,816
Issue of Shares	0	0	5,041	10,931	183	305	0	0
(Inc)/Dec in Debt	-687	4,425	-674	1,768	1,553	1,260	-2,000	-2,000
Interest Paid	-837	-1,280	-1,151	-982	-1,246	-1,442	-1,881	-1,791
Dividend Paid	-113	-113	-360	0	0	0	0	0
Others	0	0	-4,965	-962	-2,658	-7,059	0	0
CF from Fin. Activity	-1,637	3,033	-2,110	10,755	-2,168	-6,935	-3,881	-3,791
Inc/Dec of Cash	29	14	1,857	3,742	-528	-4,055	1,672	2,759
Add: Beginning Balance	299	328	-74	1,783	5,524	4,996	941	2,613
Closing Balance	328	341	1,783	5,524	4,996	941	2,613	5,372
Other balances	0		1,441	1,790	785	2,675	2,675	2,675
Net Closing Balance	328	341	3,223	7,314	5,781	3,616	5,288	8,047

E: MOFSL Estimates

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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