

Inconsistent supply results in another muted quarter

Media & Entertainment ▶ Result Update ▶ May 14, 2024

TARGET PRICE (Rs): 1,650

PVR Inox's Q4 results reflect the subpar performance of a weak movie lineup, sans any tentpole films. Footfalls, ATP, and SPH also saw a sequential decline owing to weak performance of movies and promotional offers. Management is now taking multiple steps to improve performance of current properties on both, driving revenues higher through innovations and optimizing costs. Near-term performance should continue to be muted as the current pipeline for Q1/early Q2 is unexciting with the ongoing general elections, IPL, and the upcoming T20 world cup. We reduce our target multiple to 11.5x (from 12.5x) to factor in inconsistent content delivery and volatility in the movies' supply, as structural issues persist resulting in lower occupancies. We have also cut our FY25-26E EBITDA by 5-10% factoring in the Q4 performance, weaker near-term pipeline, and a more calibrated screen opening guidance (and screen closures). Given favorable valuations, we maintain BUY with a revised TP of Rs1,650/share (roll over to Mar-26E, 11.5x pre-IND AS EBITDA).

PVR INOX: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	13,310	37,507	61,071	66,976	77,785
EBITDA	1,057	10,473	18,101	22,478	26,975
Adj. PAT	(4,882)	(3,273)	(334)	2,510	5,628
Adj. EPS (Rs)	(80.4)	(52.0)	(3.4)	25.6	57.4
EBITDA margin (%)	7.9	27.9	29.6	33.6	34.7
EBITDA growth (%)	0.0	890.4	72.8	24.2	20.0
Adj. EPS growth (%)	0.0	0.0	0.0	0.0	124.2
RoE (%)	(30.5)	(7.5)	(0.5)	3.4	7.2
RoIC (%)	(6.7)	5.0	3.1	5.0	6.9
P/E (x)	(16.1)	(25.8)	(380.6)	50.6	22.6
EV/EBITDA (x)	118.2	15.4	11.4	9.2	7.6
P/B (x)	5.8	1.2	1.7	1.7	1.6
FCFF yield (%)	0.3	1.4	6.6	3.7	5.3

Source: Company, Emkay Research

Result Summary

PVR Inox's revenue declined 18.7% QoQ to Rs12.6bn, marginally higher than our estimate of Rs12.1bn. ATP fell sharply to Rs233 (our estimate of Rs234) from Rs271 in Q3, due to the lack of big-budget movies and promotional offers for several movies. SPH also declined to Rs129 (our estimate of Rs128) from Rs132 in Q3. Occupancy for Q4 stood at 22.6%, compared to 25.2% in Q3. Advertisement revenue declined 25.6% QoQ to Rs1bn, due to limited big-budget movies and inconsistent performance. Reported EBITDA fell 41.1% QoQ to Rs2.8bn, lower than both, our/ consensus estimates. Adjusted for IND-AS, EBITDA managed to only just break even. The company reported a net loss of Rs1.3bn. The multiplex chain opened 33 new screens during the quarter, while shutting down another 23 screens as part of its screen rationalization process. PVR Inox's gross debt increased to Rs17.2bn in Q4 from Rs16.1bn in Q3FY24, and net debt increased to Rs12.9bn from Rs12.1bn in Q3FY24.

Earnings Call KTAs

1) Merger synergies: The combined entity has achieved EBITDA-level merger synergies of Rs1.85-2.08bn of the total Rs2.25bn in expected synergies. This includes synergies related to the box office (Rs890-970mn), F&B (Rs340-400mn), manpower (Rs330-370mn), and other overheads (Rs290-340mn). Full impact of synergies will be visible as occupancies improve. 2) Screen addition: In the current year, the chain closed down 85 underperforming screens, while opening another 130. In FY25, PVR Inox is looking to add 120 new screens and close ~70 screens, with screen addition prioritization in South India. 3) The management's key strategic priorities will be to enhance ROCE and drive FCF. As part of this, the management has undertaken multiple steps such as introduction of movie passport, Cinema Lovers Day (flash sales at frequent intervals), screening of alternate content, and special F&B promotions. For cost reduction, the company will focus on closing underperforming screens, leaner organization structure, and controlling other overhead costs. 4) Over the medium term, the aim would be a transition to a capital-light model. For FY25, the management will target reduction of capex by 25%. PVR Inox will jointly partner with developers to invest in new screen capex. 5) Over the medium-to long-term, the company aims to be net-debt free. 6) Ongoing elections has impacted the near-term pipeline, which is expected to stabilize by mid-June.

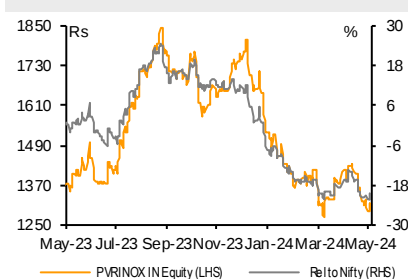
Target Price – 12M	Mar-25
Change in TP (%)	(13.2)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	27.2
CMP (14-May-24) (Rs)	1,297.5

Stock Data	Ticker
52-week High (Rs)	1,880
52-week Low (Rs)	1,248
Shares outstanding (mn)	98.1
Market-cap (Rs bn)	127
Market-cap (USD mn)	1,525
Net-debt, FY25E (Rs mn)	79,370
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	804.1
ADTV-3M (USD mn)	9.6
Free float (%)	72.5
Nifty-50	22,218
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	27.8
FPIs/MFs (%)	16.8/40.2

Price Performance

(%)	1M	3M	12M
Absolute	(8.2)	(5.2)	(10.3)
Rel. to Nifty	(7.0)	(6.8)	(26.1)

1-Year share price trend (Rs)



Pulkit Chawla

pulkit.chawla@emkayglobal.com
+91 22 6624 2458

Other key highlights

- Partnership with Devyani: PVR Inox has entered into a strategic partnership with Devyani International for the purpose of development and operation of food courts within shopping malls. This will allow the company to pivot to a pre-ticketing F&B business and gain more wallet share of customers. The investment plans regarding the partnership will be shared in due course.
- PVR Passport: There are currently 180,000 subscribers, of which 35% is contributed by the South, followed by 32-33% in the North. Passport can be a game changer once the pipeline of movies improve.
- The company is working on a FOCO (Franchisee owned, Company operated) model, partnering with developers for jointly investing in new screen capex. Substantial management fee will only come over the medium term, once the model scales.
- Screen closures is an ongoing process. The screen closures is largely in cases where they have come to the end of their life cycles, in malls that have been built 10-15 years ago.
- The ad-free campaign is currently being done on a trial basis and being introduced in premium formats. The customers for these formats are not very price sensitive and prefer a better movie experience.

Exhibit 1: Actual vs Estimates (Q4FY24)

(Rs mn)	Actual	Estimate		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	12,564	12,060	13,042	4%	-4%	Marginally higher than our estimates due to better footfalls
EBITDA	2,784	2,909	3,527	-4%	-21%	Higher other expenses
EBITDA, margin	22.2%	24.1%	27.0%	-196 bps	-488 bps	
PAT	-1,295	-1,181	-1,115	10%	16%	

Source: Company, Emkay Research

Exhibit 2: Quarterly financial snapshot

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Total Sales	11,432	13,049	19,999	15,459	12,564	9.9	-18.7
Film exhibition cost	2597	2980	4954	3710	2469	-4.9	-33.5
as % of sales	22.7	22.8	24.8	24.0	19.7		
Cost of materials consumed	930	1071	1544	1248	1131	21.6	-9.4
as % of sales	8.1	8.2	7.7	8.1	9.0		
Employee costs	1514	1559	1679	1629	1706	12.7	4.7
as % of sales	13.2	11.9	8.4	10.5	13.6		
Repairs & maintenance	3752	3914	4754	4148	4474	19.3	7.9
as % of sales	32.8	30.0	23.8	26.8	35.6		
Total Expenditure	8,793	9,524	12,931	10,735	9,780	11.2	-8.9
EBITDA	2,639	3,525	7,068	4,724	2,784	5.5	-41.1
Depreciation	2,962	2,908	3,086	3,171	3,028	2.2	-4.5
EBIT	(323)	617	3,982	1,553	(244)	-24.5	-115.7
Other Income	218	249	238	588	491	125.7	-16.5
Interest	1,886	1,945	2,003	1,966	1,999	6.0	1.7
Exceptional item	(108)	-	-	-	-		
PBT	(2,100)	(1,079)	2,217	175	(1,752)	-16.6	-1,101.1
Tax	1,240	(259)	555	47	(455)	-136.7	-1,068.1
PAT before MI	(3,340)	(820)	1,662	128	(1,297)	-61.2	-1,113.3
Minority interest	(6)	(4)	(1)	(2)	(2)	-71.8	0.0
PAT	(3,334)	(816)	1,663	130	(1,295)	(61)	(1,098)

Margins (%)						(bps)	(bps)
EBITDA	23.1	27.0	35.3	30.6	22.2	-92	-840
EBIT	-2.8	4.7	19.9	10.0	-1.9	88	-1,199
PBT	-18.4	-8.3	11.1	1.1	-13.9	443	-1,508
PAT	-29.2	-6.3	8.3	0.8	-10.3	1,885	-1,115
Effective Tax rate	-59.0	24.0	25.0	26.9	26.0	8,501	-89

Source: Company, Emkay Research

Exhibit 3: Change in estimates

Particulars	FY25E			FY26E		
	Old	New	% Change	Old	New	% Change
Revenue	74,032	66,976	-9.5	82,645	77,785	-5.9
EBITDA	24,989	22,478	-10.0	28,429	26,975	-5.1
EBITDA Margin %	33.8	33.6	-24 bps	34.4	34.7	28 bps
EBITDA (Adj. for IND AS)	13,977	11,169	-20.1	16,866	15,213	-9.8
PAT	4,178	2,510	-39.9	6,475	5,628	-13.1
EPS	42.6	25.6	-39.9	66.1	57.4	-13.1

Source: Emkay Research

PVR INOX: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	13,310	37,507	61,071	66,976	77,785
Revenue growth (%)	375.3	181.8	62.8	9.7	16.1
EBITDA	1,057	10,473	18,101	22,478	26,975
EBITDA growth (%)	0.0	890.4	72.8	24.2	20.0
Depreciation & Amortization	6,144	7,533	12,193	12,700	13,200
EBIT	(5,087)	2,940	5,908	9,778	13,775
EBIT growth (%)	0.0	0.0	101.0	65.5	40.9
Other operating income	0	0	0	0	0
Other income	3,261	791	1,566	1,600	1,700
Financial expense	4,982	5,716	7,913	8,025	7,955
PBT	(6,807)	(1,986)	(439)	3,354	7,521
Extraordinary items	0	(108)	0	0	0
Taxes	(1,922)	1,274	(112)	844	1,893
Minority interest	(3)	13	7	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	(4,882)	(3,381)	(334)	2,510	5,628
PAT growth (%)	0.0	0.0	0.0	0.0	124.2
Adjusted PAT	(4,882)	(3,273)	(334)	2,510	5,628
Diluted EPS (Rs)	(80.4)	(52.0)	(3.4)	25.6	57.4
Diluted EPS growth (%)	0.0	0.0	0.0	0.0	124.2
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 (%)	7.9	27.9	29.6	33.6	34.7
EBIT margin (%)	(38.2)	7.8	9.7	14.6	17.7
Effective tax rate (%)	28.2	(64.2)	25.5	25.2	25.2
NOPLAT (pre-IndAS)	(3,650)	4,826	4,401	7,317	10,308
Shares outstanding (mn)	60.8	65.0	98.0	98.0	98.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	(6,807)	(1,986)	(439)	3,354	7,521
Others (non-cash items)	7,943	12,589	19,013	8,025	7,955
Taxes paid	99	1	326	(844)	(1,893)
Change in NWC	434	(1,969)	890	1,940	1,361
Operating cash flow	1,668	8,635	19,790	12,474	14,943
Capital expenditure	(1,298)	(6,339)	(6,269)	(4,822)	(4,236)
Acquisition of business	0	0	0	0	0
Interest & dividend income	270	88	17	0	0
Investing cash flow	(28)	(5,759)	(6,266)	(4,822)	(4,236)
Equity raised/(repaid)	183	305	188	0	0
Debt raised/(repaid)	1,533	1,260	(732)	(1,000)	(1,000)
Payment of lease liabilities	(2,638)	(7,059)	(10,589)	659	1,330
Interest paid	(1,246)	(1,442)	(1,792)	(8,025)	(7,955)
Dividend paid (incl tax)	0	0	0	0	0
Others	802	301	285	285	285
Financing cash flow	(1,366)	(6,634)	(12,640)	(8,081)	(7,339)
Net chg in Cash	274	(3,758)	884	(429)	3,368
OCF	1,668	8,635	19,790	12,474	14,943
Adj. OCF (w/o NWC chg.)	2,102	6,666	20,680	14,415	16,304
FCFF	370	2,296	13,521	7,653	10,707
FCFE	(4,342)	(3,333)	5,625	(372)	2,752
OCF/EBITDA (%)	157.7	82.5	109.3	55.5	55.4
FCFE/PAT (%)	88.9	98.6	(1,684.1)	(14.8)	48.9
FCFF/NOPLAT (%)	(10.1)	47.6	307.2	104.6	103.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	610	980	980	980	980
Reserves & Surplus	13,093	72,319	72,254	74,764	80,391
Net worth	13,703	73,299	73,234	75,743	81,371
Minority interests	(3)	(7)	(3)	(3)	(3)
Deferred tax liability (net)	(5,925)	(4,735)	(4,881)	(4,881)	(4,881)
Total debt	51,959	80,519	83,035	82,694	83,024
Total liabilities & equity	59,734	1,49,076	1,51,385	1,53,553	1,59,511
Net tangible fixed assets	15,181	29,432	32,227	36,527	40,327
Net intangible assets	1,590	1,480	1,377	1,652	1,818
Net ROU assets	26,784	53,746	53,746	53,746	53,746
Capital WIP	645	2,473	2,464	2,710	2,981
Goodwill	10,520	57,428	57,431	57,431	57,431
Investments [JV/Associates]	5	2,312	161	161	161
Cash & equivalents	5,798	3,616	4,038	3,324	6,406
Current assets (ex-cash)	6,788	9,510	11,852	12,515	13,668
Current Liab. & Prov.	7,573	10,922	11,910	14,513	17,027
NWC (ex-cash)	(785)	(1,411)	(58)	(1,998)	(3,359)
Total assets	59,738	1,49,076	1,51,386	1,53,553	1,59,511
Net debt	46,161	76,903	78,997	79,370	76,618
Capital employed	59,734	1,49,076	1,51,385	1,53,553	1,59,511
Invested capital	53,290	1,40,674	1,44,723	1,47,358	1,49,963
BVPS (Rs)	225.5	1,127.2	747.5	773.1	830.6
Net Debt/Equity (x)	3.4	1.0	1.1	1.0	0.9
Net Debt/EBITDA (x)	43.7	7.3	4.4	3.5	2.8
Interest coverage (x)	(2.7)	1.5	1.1	0.7	0.5
RoCE (%)	(2.9)	3.6	5.0	7.5	9.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	(16.1)	(25.8)	(380.6)	50.6	22.6
P/CE(x)	62.5	19.8	10.7	8.4	6.8
P/B (x)	5.8	1.2	1.7	1.7	1.6
EV/Sales (x)	9.4	4.3	3.4	3.1	2.6
EV/EBITDA (x)	118.2	15.4	11.4	9.2	7.6
EV/EBIT(x)	(24.6)	54.9	34.9	21.1	14.8
EV/IC (x)	2.3	1.1	1.4	1.4	1.4
FCFF yield (%)	0.3	1.4	6.6	3.7	5.3
FCFE yield (%)	(5.5)	(4.0)	4.4	(0.3)	2.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(36.7)	(8.7)	(0.5)	3.7	7.2
Total asset turnover (x)	0.2	0.4	0.4	0.4	0.5
Assets/Equity (x)	3.9	2.4	2.1	2.0	2.0
RoE (%)	(30.5)	(7.5)	(0.5)	3.4	7.2
DuPont-RoIC					
NOPLAT margin (%)	(27.4)	12.9	7.2	10.9	13.3
IC turnover (x)	0.2	0.4	0.4	0.5	0.5
RoIC (%)	(6.7)	5.0	3.1	5.0	6.9
Operating metrics					
Core NWC days	(21.5)	(13.7)	(0.3)	(10.9)	(15.8)
Total NWC days	(21.5)	(13.7)	(0.3)	(10.9)	(15.8)
Fixed asset turnover	0.2	0.3	0.3	0.3	0.4
Opex-to-revenue (%)	70.6	50.2	47.3	43.2	42.1

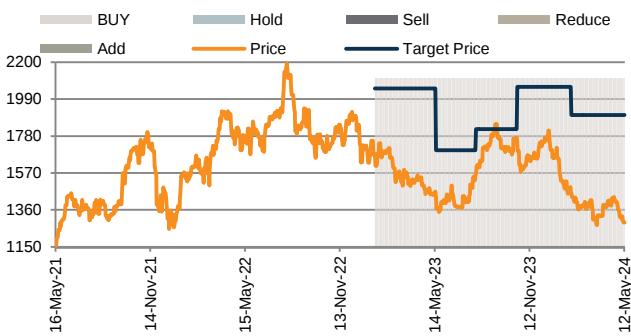
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
31-Jan-24	1,455	1,900	Buy	Pulkit Chawla
30-Nov-23	1,718	2,060	Buy	Pulkit Chawla
19-Oct-23	1,745	2,060	Buy	Pulkit Chawla
01-Aug-23	1,565	1,820	Buy	Pulkit Chawla
25-Jul-23	1,484	1,700	Buy	Pulkit Chawla
16-May-23	1,435	1,700	Buy	Pulkit Chawla
19-Jan-23	1,678	2,050	Buy	Pulkit Chawla

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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