BUY (Maintained)

CMP: **INR 1,297** Target Price: **INR 2,000 (INR 2,240)** ▲ 54%

ICICI Securities

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15 May 2024

India | Equity Research | Q4FY24 results review

PVR Inox

Media

Experimenting to beat content blues; consolidating screen portfolio

PVR Inox is undertaking a slew of new initiatives such as: 1) Tying up with Devyani International to launch branded food courts near its properties, 2) trying franchisee owned company operated (FOCO) model to reduce capex requirements, 3) experimenting with 'no-ads' in premium screens and 4) monetising real estate assets to reduce debt. Given the muted Hindi content pipeline in the near term, the company is going slow on screen additions. Management guided for 25% lower capex in FY25 vs FY24. Given the slower screen addition and sustained weakness in content, we cut our adj. EBITDA estimates by 12%/11.5% for FY25/26E. We maintain our target multiple of 16x (1-year forward) and revise our target price to INR 2,000. However, given the sharp correction in the stock price, we believe there is meaningful upside to the stock. Maintain **BUY**.

Q4FY24 performance

Revenue in Q4FY24 was INR 12.5bn (+9.9% YoY) broadly in-line with I-Sec estimates. EBITDA (adjusted for Ind-AS) was INR 12mn (I-Sec est.: INR 37mn). Net loss was INR 1.2bn in Q4FY24 (I-Sec est.: INR 1.3bn). Admits decreased 10.7% QoQ to 32.6mn in Q4FY24. There was also a sequential decline in occupancy of 290bps to 22.6% (I-Sec: 22.6% in Q3FY24). Average ticket price grew to INR 233, down 2.5% YoY and F&B spend per patron was INR 129 (up 8.4% YoY). Ticketing revenue grew 5.6% YoY to INR 6.35bn. F&B revenue was up ~17.4% YoY to INR 4.13bn. Ad revenue grew 15.2% YoY (down 25.6% QoQ) to INR 1.04bn.

Quantifying synergies

According to the management, significant merger synergies were realised within a year of merger completion. Total EBITDA synergies in the range of INR 1.8-2.08bn were realised. Box office EBITDA synergy of INR 890-970mn was realised due to a) optimised programming strategy (efficient scheduling and staggered showcasing), b) leveraged technology (occupancy linked pricing and integration of app/web) and c) improved customer engagement (personalised promotions and social media campaigns). F&B EBITDA synergy of INR 340-400mn was realised mainly due to SKU standardisation and introduction of non-veg menu at INOX. Manpower EBITDA cost synergy of INR 330-370mn was realised due to a) efficient manpower planning, b) renegotiation of contracts and c) standardisation of SOPs.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	37,507	61,071	73,877	84,660
Adj. EBITDA	2,828	7,537	10,955	12,966
Adj. EBITDA Margin (%)	7.5	12.3	14.8	15.3
Net Profit	(3,351)	(320)	4,599	6,154
EPS (INR)	(51.3)	(3.3)	46.9	62.8
EPS % Chg YoY	(35.9)	-	(1,537.1)	33.8
P/E (x)	(25.3)	(397.2)	27.6	20.7
EV/EBITDA (x)	55.3	20.7	13.8	11.2
RoCE (%)	(1.7)	0.5	7.3	8.8
RoE (%)	(7.7)	(0.4)	6.0	7.5

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Market Data

Market Cap (INR)	127bn
Market Cap (USD)	1,526mn
Bloomberg Code	PVRINOX IN
Reuters Code	PVRL.BO
52-week Range (INR)	1,880 /1,248
Free Float (%)	72.0
ADTV-3M (mn) (USD)	9.6

Price Performance (%)	3m	6m	12m
Absolute	(5.2)	(20.8)	(10.3)
Relative to Sensex	(6.7)	(32.1)	(27.6)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.1)	(3.0)
Adj. EBITDA	(12.0)	(11.5)
EPS	(19.5)	(17.0)

Previous Reports

31-03-2024: Company Update

01-02-2024: Company Update

There were savings of INR 200-223k per screen. Lastly, overhead cost synergy of INR 290-340mn was realised due to a) economies of scale and b) moving to common vendors.

Content pipe-line in H2CY24

There is a relative improvement in content pipeline in the second half of CY24.

Hindi: Vedaa, The Sabarmati Report, Stree 2, Singham 3 and Sarfira.

English: Despicable Me 4, Deadpool & Wolverine, Borderlands, Alien Romulus and Kraven The Hunter.

Regional: Pushpa 2, Indian 2, Devara and Game Changer.

Valuation

We revise our target price to INR 2,000 (from INR 2,240) with a multiple of 16x adj. EBITDA (1-year forward). Key risks: Lower-than-expected performance of upcoming movies and merger synergies not playing out as expected.

Exhibit 1: Q4FY24 performance

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)	Q4FY24E	Diff
Revenue	**11,432**	**13,049**	**19,999**	**15,459**	**12,564**	**(18.7)**	**9.9**	**12,392**	**1.4**
Cost of goods sold	3,527	4,051	6,498	4,958	3,600	**(27.4)**	**2.1**	3,594	**0.2**
Gross Profit	**7,904**	**8,998**	**13,501**	**10,501**	**8,964**	**(14.6)**	**13.4**	**8,798**	**1.9**
% Gross profit margin	69.1	69.0	67.5	67.9	71.3			71.0	
Employee Cost	1,514	1,559	1,679	1,629	1,706	**4.7**	**12.7**	1,662	**2.6**
% of revenue	13.2	11.9	8.4	10.5	13.6			13.4	**1.2**
Other expenses	3,752	3,914	4,754	4,148	4,474	**7.9**	**19.3**	4,127	**8.4**
% of revenue	32.8	30.0	23.8	26.8	35.6			33.3	**6.9**
Total expenses	**5,266**	**5,473**	**6,433**	**5,777**	**6,180**	**7.0**	**17.4**	**5,789**	**6.8**
EBITDA	**2,639**	**3,525**	**7,068**	**4,724**	**2,784**	**(41.1)**	**5.5**	**3,010**	**(7.5)**
EBITDA margin (%)	*23.1*	*27.0*	*35.3*	*30.6*	*22.2*			*24.3*	
Adj. EBITDA	**54**	**808**	**4,276**	**2,025**	**12**	**(99.4)**	**(77.7)**	**37**	**(67.6)**
Adj. EBITDA margin (%)	*0.5*	*6.2*	*21.4*	*13.1*	*0.1*			*0.3*	
Depreciation	2,962	2,908	3,086	3,171	3,028	**(4.5)**	**2.2**	3,100	**(2.3)**
EBIT	**(323)**	**617**	**3,982**	**1,553**	**(244)**	**NA**	**NA**	**(90)**	**NA**
EBIT margin (%)	*(2.8)*	*4.7*	*19.9*	*10.0*	*(1.9)*			*(0.7)*	
Other income	218	249	238	588	491	**(16.5)**	**125.7**	250	**96.4**
Finance cost	1,886	1,945	2,003	1,966	1,999	**1.7**	**6.0**	1,914	**4.5**
PBT	**(1,992)**	**(1,079)**	**2,217**	**175**	**(1,752)**	**NA**	**NA**	**(1,754)**	**NA**
Tax expenses	1,240	(259)	555	47	(455)	**NA**	**NA**	(446)	**NA**
ETR (%)	*(62.2)*	*24.0*	*25.0*	*26.9*	*26.0*			*25.4*	
PAT	**(3,334)**	**(816)**	**1,663**	**128**	**(1,297)**	**NA**	**NA**	**(1,305)**	**NA**
Net profit margin (%)	*(29.2)*	*(6.3)*	*8.3*	*0.8*	*(10.3)*			*(10.5)*	
EPS	**(51.3)**	**(8.3)**	**16.9**	**1.3**	**(13.2)**	**NA**	**NA**	**(13.3)**	**NA**

Source: I-Sec research, Company data

Exhibit 2: Revenue metrics

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)	Q4FY24E	Diff
Revenue break-up									
Sale of movie tickets	6016	6945	11193	8308	6353	(23.5)	5.6	6249	1.7
F&B	3520	4277	6412	4763	4132	(13.2)	17.4	4143	(0.3)
Advertisement	907	893	1176	1405	1045	(25.6)	15.2	1000	4.5
Others	614	934	1218	983	1034	5.2	68.4	1000	3.4
Total income	**11,057**	**13,049**	**19,999**	**15,459**	**12,564**	(18.7)	13.6	**12,392**	1.4
Revenue mix (%)									
Sale of movie tickets	54.4	53.2	56.0	53.7	50.6			50.4	
F&B	31.8	32.8	32.1	30.8	32.9			33.4	
Advertisement	8.2	6.8	5.9	9.1	8.3			8.1	
Others	5.6	7.2	6.1	6.4	8.2			8.1	

Source: I-Sec research, Company data

Exhibit 3: Movie exhibition metrics

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
Seat Capacity	**137**	**152**	**150**	**145**	**144**	(0.4)	5.0
Occupany (%)	22.2	22.3	32.3	25.2	22.6		
Admits (mn)	**30.5**	**33.9**	**48.4**	**36.5**	**32.6**	(10.7)	6.9
ATP (Rs)	239	246	276	271	233	(14.0)	(2.5)
Gross ticket revenue	7290	8339	13358	9892	7596	(23.2)	4.2
Taxes	1273.5	1394.4	2165.4	1583.5	1242.8		
Tax rate (%)	21.2	20.1	19.3	19.1	19.6		
Ticket revenue	**6,016**	**6,945**	**11,193**	**8,308**	**6,353**	(23.5)	5.6
Gross profit	**3,419**	**3,965**	**6,239**	**4,598**	**3,884**	(15.5)	13.6
Gross profit margin (%)	*56.8*	*57.1*	*55.7*	*55.3*	*61.1*		

Source: I-Sec research, Company data

Exhibit 4: F&B metrics

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
Spend per head (Rs)	**119**	**130**	**136**	**132**	**129**	(2.3)	8.4
SPH to ATP ratio (%)	*49.8*	*52.8*	*49.3*	*48.7*	*55.4*		
Gross F&B revenue	**3,630**	**4,407**	**6,582**	**4,818**	**4,205**	(12.7)	15.9
Taxes	*110*	*130*	*170*	*55*	*73*		
Tax rate (%)	3.1	3.0	2.7	1.2	1.8		
F&B revenue	**3,520**	**4,277**	**6,412**	**4,763**	**4,132**	(13.2)	17.4
COGS	930	*1,071*	*1,544*	*1,248*	*1,131*		
Gross profit	**2,590**	**3,206**	**4,868**	**3,515**	**3,001**	(14.6)	15.9
Gross profit margin (%)	*73.6*	*75.0*	*75.9*	*73.8*	*72.6*		

Source: I-Sec research, Company data

Exhibit 5: Cost analysis

(in INR mn)	Q4FY24	Q3FY24	Q4FY23	QoQ (%)	YoY (%)
Variable Cost					
FHC(%)	44.4	46.9	46.9	(250) bps	(250) bps
COGS(%)	27.4	26.2	26	120 bps	140 bps
Fixed Cost					
Rent	2993	3005	2674	(0.4)	11.9
CAM	832	833	733	(0.1)	13.5
Personnel	1706	1629	1514	4.7	12.7
Electricity & Water utilities	758	920	761	(17.6)	(0.4)
Other expenses	2025	1759	1903	15.1	6.4
Movie distribution charges	638	330	266	93.3	139.8
Total fixed expenses	**8952**	**8476**	**7851**	5.6	14.0

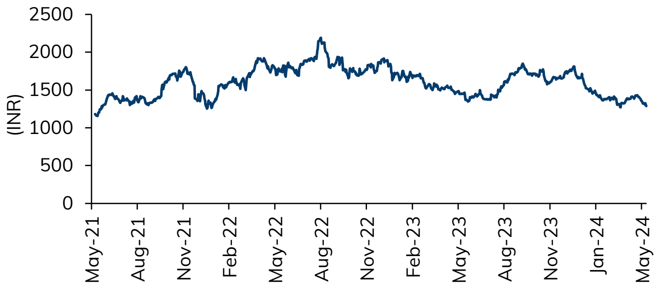
Source: I-Sec research, Company data

Exhibit 6: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	27.8	27.8	27.8
Institutional investors	60.5	61.1	57.0
MFs and others	32.0	33.9	35.2
FIs/Banks	1.1	0.5	0.5
Insurance	4.1	4.3	4.2
FIIs	23.3	22.4	17.6
Others	11.7	11.1	15.2

Source: Bloomberg

Exhibit 7: Price chart



Source: Bloomberg

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	**37,507**	**61,071**	**73,877**	**84,660**
Operating Expenses	15,744	23,863	28,254	32,348
EBITDA	**10,477**	**18,101**	**22,566**	**25,925**
EBITDA Margin (%)	27.9	29.6	30.5	30.6
Depreciation & Amortization	7,533	12,193	9,908	10,927
EBIT	2,944	5,908	12,658	14,998
Interest expenditure	5,716	7,913	7,624	7,996
Other Non-operating Income	791	1,566	1,097	1,207
Recurring PBT	**(1,982)**	**(439)**	**6,131**	**8,209**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	1,274	(112)	1,545	2,069
PAT	(3,256)	(327)	4,586	6,141
Less: Minority Interest	13	7	13	13
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**(3,364)**	**(327)**	**4,586**	**6,141**
Net Income (Adjusted)	**(3,351)**	**(320)**	**4,599**	**6,154**

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	8,496	10,062	13,640	17,998
of which cash & cash eqv.	3,616	1,949	3,826	6,751
Total Current Liabilities & Provisions	10,557	17,350	21,034	24,133
Net Current Assets	**(2,062)**	**(7,288)**	**(7,394)**	**(6,136)**
Investments	2	2	2	2
Net Fixed Assets	29,431	23,762	26,070	28,682
ROU Assets	53,746	64,806	64,806	64,806
Capital Work-in-Progress	2,473	2,473	2,473	2,473
Total Intangible Assets	58,908	57,428	57,428	57,428
Other assets	2,312	3,765	4,554	5,219
Deferred Tax Assets	4,767	4,767	4,767	4,767
Total Assets	**1,54,207**	**1,52,590**	**1,54,930**	**1,67,688**
Liabilities				
Borrowings	**17,926**	**15,926**	**12,926**	**9,926**
Deferred Tax Liability	**32**	**32**	**32**	**32**
provisions	276	290	304	319
other Liabilities	88	144	174	199
Equity Share Capital	980	980	980	980
Reserves & Surplus	72,312	72,626	77,921	84,852
Total Net Worth	**73,292**	**73,606**	**78,901**	**85,832**
Minority Interest	-	-	-	-
Total Liabilities	**1,54,207**	**1,52,590**	**1,54,930**	**1,67,688**

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	13,049	19,999	15,459	12,564
% growth (YOY)	33	113	64	9
EBITDA	3,525	7,068	4,724	2,784
Margin %	27	35.3	30.6	22.2
Other Income	249	238	588	491
Net Profit	(816)	1,663	128	(1,297)

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**8,639**	**17,488**	**20,692**	**23,581**
Working Capital Changes	(1,969)	(732)	(342)	(288)
Capital Commitments	(6,339)	(6,995)	(5,946)	(6,541)
Free Cashflow	**14,978**	**24,484**	**26,638**	**30,122**
Other investing cashflow	**581**	**1,566**	**1,097**	**1,207**
Cashflow from Investing Activities	(5,759)	(5,429)	(4,849)	(5,334)
Issue of Share Capital	305	-	-	-
Interest Cost	(1,442)	(1,862)	(1,587)	(1,257)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	1,260	(2,000)	(3,000)	(3,000)
Cash flow from Financing Activities	(6,935)	(14,426)	(16,198)	(17,216)
Chg. in Cash & Bank balance	**(4,055)**	**(2,367)**	**(354)**	**1,031**
Closing cash & balance	3,319	952	597	1,629

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	(51.3)	(3.3)	46.9	62.8
Adjusted EPS (Diluted)	(51.3)	(3.3)	46.9	62.8
Cash EPS	42.7	121.2	148.1	174.3
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	748.2	751.4	805.4	876.1
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	181.8	62.8	21.0	14.6
EBITDA	890.9	72.8	24.7	14.9
EPS (INR)	(35.9)	-	(1,537.1)	33.8
Valuation Ratios (x)				
P/E	(25.3)	(397.2)	27.6	20.7
P/CEPS	30.4	10.7	8.8	7.4
P/BV	1.7	1.7	1.6	1.5
EV / EBITDA	55.3	20.7	13.8	11.2
P / Sales	3.4	2.1	1.7	1.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	69.9	68.7	68.8	68.8
EBITDA Margins (%)	27.9	29.6	30.5	30.6
Effective Tax Rate (%)	(64.3)	25.5	25.2	25.2
Net Profit Margins (%)	(8.7)	(0.5)	6.2	7.3
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	5.1	5.6	7.1	9.6
Net Debt / EBITDA (x)	12.1	7.3	9.3	8.8
Profitability Ratios				
RoCE (%)	(1.7)	0.5	7.3	8.8
RoE (%)	(7.7)	(0.4)	6.0	7.5
RoIC (%)	(3.1)	0.4	5.6	7.0
Fixed Asset Turnover (x)	1.6	2.1	2.7	2.8
Inventory Turnover Days	26	23	21	20
Receivables Days	52	14	21	31
Payables Days	73	61	54	53

Source Company data, I-Sec research

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