

July 23, 2024

## Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	1,474		1,480	
Sales (Rs. m)	66,972	74,594	67,136	74,777
% Chng.	(0.2)	(0.2)		
EBITDA (Rs. m)	21,328	24,633	21,378	24,690
% Chng.	(0.2)	(0.2)		
EPS (Rs.)	16.6	39.2	17.0	39.7
% Chng.	(2.3)	(1.1)		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	37,507	61,071	66,972	74,594
EBITDA (Rs. m)	10,477	18,101	21,328	24,633
Margin (%)	27.9	29.6	31.8	33.0
PAT (Rs. m)	(3,243)	(320)	1,633	3,850
EPS (Rs.)	(33.1)	(3.3)	16.6	39.2
Gr. (%)	NA	NA	NA	135.7
DPS (Rs.)	-	-	-	1.5
Yield (%)	-	-	-	0.1
RoE (%)	NA	NA	2.2	4.9
RoCE (%)	2.0	3.9	5.7	7.5
EV/Sales (x)	5.8	3.6	3.3	2.9
EV/EBITDA (x)	20.7	12.1	10.2	8.7
PE (x)	NA	NA	85.9	36.4
P/BV (x)	1.9	1.9	1.9	1.8

### Key Data

### PVRL.BO | PVRINOX IN

52-W High / Low	Rs.1,880 / Rs.1,204
Sensex / Nifty	80,502 / 24,509
Market Cap	Rs.140bn/ \$ 1,677m
Shares Outstanding	98m
3M Avg. Daily Value	Rs.920.34m

### Shareholding Pattern (%)

Promoter's	27.84
Foreign	18.08
Domestic Institution	38.78
Public & Others	15.31
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(0.5)	(6.1)	(4.9)
Relative	(4.6)	(17.9)	(21.3)

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## PVR Inox (PVRINOX IN)

Rating: HOLD | CMP: Rs1,430 | TP: Rs1,474

### All eyes on movie calendar of 2HFY25

#### Quick Pointers:

- Number of releases down 13% YoY to 208 in 1QFY25 amid general elections and strike in Hollywood
- 50 new screens opened and 14 under-performing ones closed

**PVR-Inox reported weak performance in 1QFY25 with pre-IND AS EBITDA loss of Rs381mn led by 1) lower number of releases amid general elections, 2) absence of blockbuster content, barring Kalki 2898 AD, and 3) strike in Hollywood. As the movie calendar is considerably better in 2HFY25E with movies like Pushpa-2, Singham Again, Sitare Zameen Par, and Bhool Bhulaiya-3 scheduled to hit the big screen post Oct'24, we expect sharp recovery in BO fortunes in the second half. We believe PVR-Inox is in the reset mode, where the focus is on rationalizing cost, reducing capex and debt, which should yield results once content flow stabilizes. We broadly maintain our estimates and expect pre-IND AS EBITDA margin of 14.5%/16.7% for FY25E/FY26E. Retain 'HOLD' on the stock with a TP of Rs1,474 (earlier Rs1,480) by assigning EV/EBITDA multiple of 12x (no change).**

**Top-line down by 8.8% YoY:** Revenue decreased 8.8% YoY to Rs11,907mn (PLe Rs11,754mn) due to lower number of releases and weak content. Footfalls declined 10.3% YoY to 30.4mn (PLe 30.0mn) with 20.3% occupancy. Gross ATP decreased 4.5% YoY to Rs235 (PLe Rs233), while gross F&B SPH was up 3.1% YoY to Rs134 (PLe Rs134).

**Pre-Ind AS EBITDA loss at Rs381mn:** Ind AS adjusted EBITDA loss stood at Rs381mn (PLe Rs719mn). This was the weakest-ever quarter since 1QFY23, as barring Kalki 2898 AD and Munjya, most movies like Bade Miyan Chote Miyan and Madaan did not perform well at BO. Ind AS adjusted loss stood at Rs1,366mn (PLe Rs1,536mn) in comparison with Ind AS adjusted loss of Rs441mn in 1QFY24.

**Con-call highlights:** **1)** Single screens were shut in Telangana for a few days in May'24 due to dearth of content. While PVR-Inox did not close any screens in the state, scheduling was staggered. **2)** Ad revenue increased 4.6% YoY due to Kalki's success supplemented by off-screen sponsorship deals. **3)** ~0.25mn PVR-Inox passports were sold in 1QFY25. **4)** As per media reports, Karnataka government is considering a proposal to levy 2% cess on movie tickets, although it has not issued a definitive order yet. **5)** Rent expense increased 8.1% YoY. On same-store basis, rise was ~3.7% YoY, with the remainder being attributed to new screen openings. **6)** Windowing gap for Bollywood and Hollywood movies is ~8 weeks, while it is ~4 weeks for South Indian movies. **7)** PVR-Inox has formed a JV with 'Devyani International' to start a new food court business, branded as 'Street Junction'. Roughly, 2 outlets will be opened in the next 2-3 months and 4-5 outlets will be operational by the end of FY25E. **8)** ~1.3mn admits were from re-releases in 1QFY25. **9)** Deleveraging is on track and asset monetization of Rs3-3.5bn is being planned in the near term. **10)** Premium screens constitute ~15% of the portfolio.

**Exhibit 1: 1QFY25 Result Overview – Consolidated (Rs mn)**

Y/e March	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.
<b>Net sales</b>	<b>11,907</b>	<b>13,049</b>	<b>-8.8%</b>	<b>12,564</b>	<b>-5.2%</b>
Movie exhibition cost	2,451	2,980	-17.8%	2,469	-0.7%
<i>As a % of sales</i>	<i>20.6%</i>	<i>22.8%</i>		<i>19.7%</i>	
Consumption of F&B	1,005	1,071	-6.2%	1,131	-11.1%
<i>As a % of sales</i>	<i>8.4%</i>	<i>8.2%</i>		<i>9.0%</i>	
Employee expenses	1,643	1,559	5.4%	1,706	-3.7%
<i>As a % of sales</i>	<i>13.8%</i>	<i>11.9%</i>		<i>13.6%</i>	
Other expenses	4,293	3,914	9.7%	4,474	-4.0%
<i>As a % of sales</i>	<i>36.1%</i>	<i>30.0%</i>		<i>35.6%</i>	
<b>EBITDA</b>	<b>2,515</b>	<b>3,525</b>	<b>-28.7%</b>	<b>2,784</b>	<b>-9.7%</b>
<i>EBITDA margin</i>	<i>21.1%</i>	<i>27.0%</i>		<i>22.2%</i>	
Depreciation	3,142	2,908	8.0%	3,028	3.8%
<b>EBIT</b>	<b>(627)</b>	<b>617</b>	<b>NM</b>	<b>(244)</b>	<b>NM</b>
<i>EBIT margin</i>	<i>NM</i>	<i>4.7%</i>		<i>NM</i>	
Interest cost	2,041	1,945	4.9%	1,999	2.1%
Other income	287	249	15.3%	491	-41.5%
<b>PBT</b>	<b>(2,381)</b>	<b>(1,079)</b>	<b>NM</b>	<b>(1,752)</b>	<b>NM</b>
Exceptional items/Share of JVs	-	-	NM	-	NM
Tax expenses	(591)	(259)	NM	(455)	NM
Tax rate	24.8%	24.0%		26.0%	
<b>PAT</b>	<b>(1,790)</b>	<b>(820)</b>	<b>NM</b>	<b>(1,297)</b>	<b>NM</b>
<i>PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>	
Non-controlling interest	3	4	-25.0%	2	50.0%
Other comprehensive income (OCI)	(1)	11	NM	(7)	NM
<b>PAT inclusive of OCI</b>	<b>(1,786)</b>	<b>(827)</b>	<b>NM</b>	<b>(1,288)</b>	<b>NM</b>
<b>EPS (Rs)</b>	<b>(18.2)</b>	<b>(8.3)</b>	<b>NM</b>	<b>(13.2)</b>	<b>NM</b>

Source: Company, PL

**Exhibit 2: Revenue mix (Rs mn)**

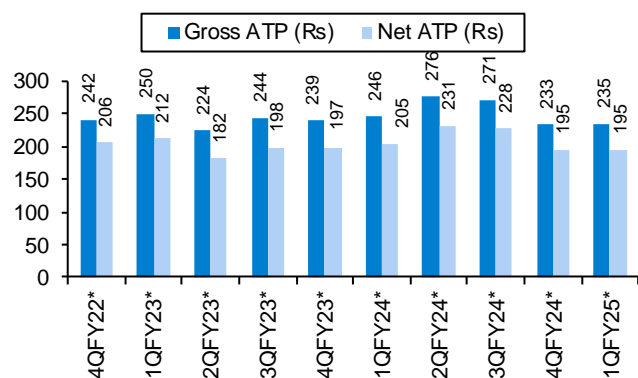
Y/e March	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.
<b>NBOC</b>	<b>5,935</b>	<b>6,945</b>	<b>-14.5%</b>	<b>6,353</b>	<b>-6.6%</b>
<i>As a % of total</i>	<i>49.8%</i>	<i>53.2%</i>		<i>50.6%</i>	
<b>Net F&amp;B</b>	<b>4,018</b>	<b>4,277</b>	<b>-6.1%</b>	<b>4,132</b>	<b>-2.8%</b>
<i>As a % of total</i>	<i>33.7%</i>	<i>32.8%</i>		<i>32.9%</i>	
<b>Advertisement revenue</b>	<b>934</b>	<b>893</b>	<b>4.6%</b>	<b>1,045</b>	<b>-10.6%</b>
<i>As a % of total</i>	<i>7.8%</i>	<i>6.8%</i>		<i>8.3%</i>	
<b>Other revenue from operations</b>	<b>1,020</b>	<b>934</b>	<b>9.2%</b>	<b>1,034</b>	<b>-1.4%</b>
<i>As a % of total</i>	<i>8.6%</i>	<i>7.2%</i>		<i>8.2%</i>	
<b>Total sales</b>	<b>11,907.0</b>	<b>13,049.0</b>	<b>-8.8%</b>	<b>12,564.0</b>	<b>-5.2%</b>

Source: Company, PL.

**Exhibit 3: Ind-AS 116 Adjusted Consolidated Financials (Rs mn)**

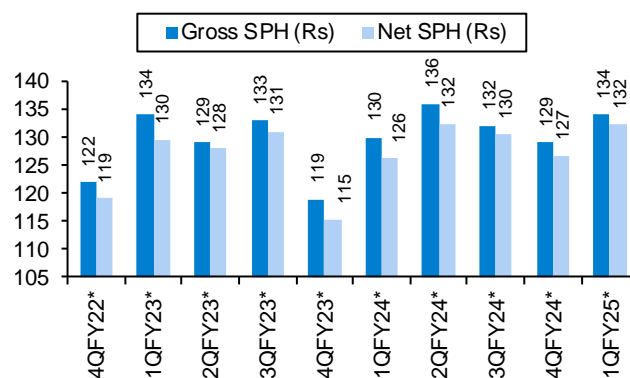
Y/e March	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales	11,907	13,049	-8.8%	12,564	-5.2%	2,800	13,310	37,507	61,071	66,972	74,594
Ind-AS Adjusted EBITDA	(381)	805	NM	9	NM	(4,545)	(2,331)	3,194	7,110	9,694	12,464
Ind-AS Adjusted EBITDA margin	NM	6.2%		0.1%		NM	NM	8.5%	11.6%	14.5%	16.7%
Ind-AS Adjusted PAT	(1,366)	(441)	NM	(901)	NM	(6,656)	(4,189)	(2,429)	1,143	3,333	5,373
Ind-AS Adjusted PAT margin	NM	NM		NM		NM	NM	NM	1.9%	5.0%	7.2%

Source: Company, PL

**Exhibit 4: Gross ATP trend over the last few quarters**


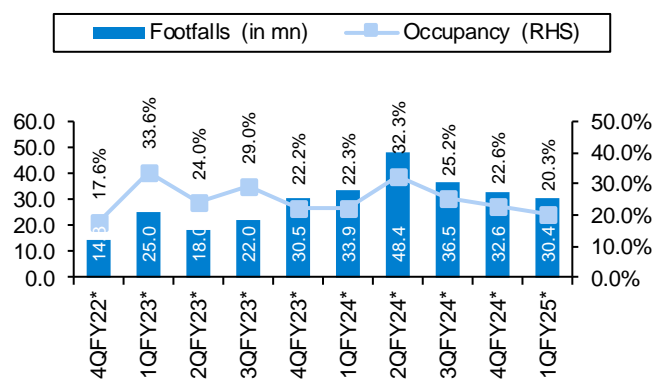
Source: Company, PL

\*Including SPI Cinema's

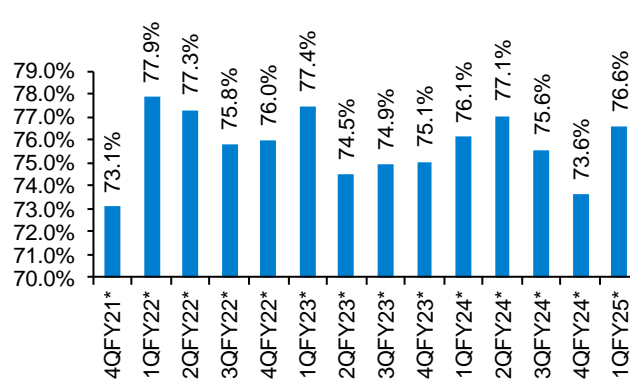
**Exhibit 5: Gross SPH trend over the last few quarters**


Source: Company, PL

\*Including SPI Cinema's Note: Net SPH is NM due to sale of other traded goods

**Exhibit 6: Footfalls are volatile, driven by content**


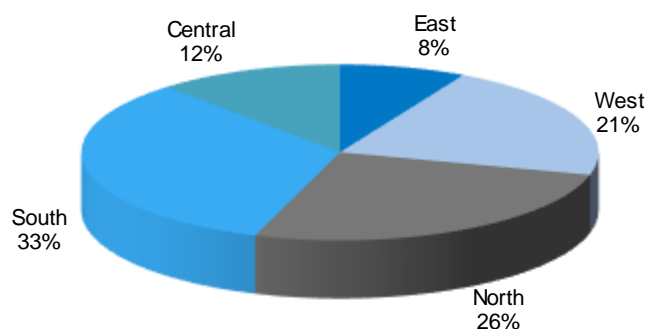
Source: Company, PL \*Including SPI Cinema's Note: Occupancy calculated based on 4-5 shows per day with no caps

**Exhibit 7: F&B GM is in the steady range of 73-77%**


Source: Company, PL

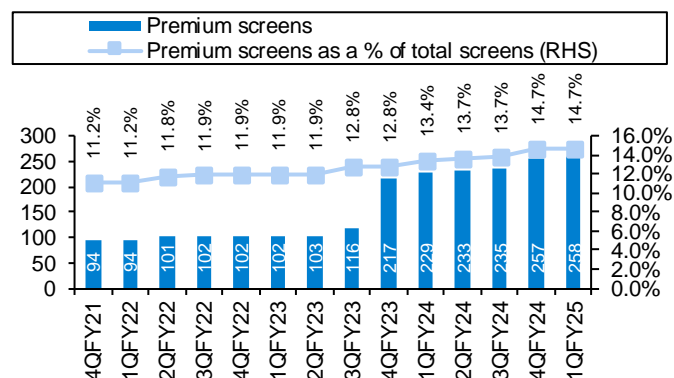
\*Including SPI Cinema's

Exhibit 8: Screen mix as of 1QFY25



Source: Company, PL

Exhibit 9: PVR's premium screen count is on the rise



Source: Company, PL

Exhibit 10: Relative valuation table

Particulars (Rs mn)	FY26E
EV/EBITDA	12.0
EBITDA*	12,464
EV	1,49,572
Less: Debt*	12,177
Add: Cash	7,199
Equity Value	1,44,594
No of shares	98
<b>Per share value (Rs)</b>	<b>1,474</b>

Source: Company, PL \*Pre IND-AS figures

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>37,507</b>	<b>61,071</b>	<b>66,972</b>	<b>74,594</b>
YoY gr. (%)	181.8	62.8	9.7	11.4
Cost of Goods Sold	11,286	19,107	20,835	23,270
Gross Profit	26,221	41,964	46,138	51,324
Margin (%)	69.9	68.7	68.9	68.8
Employee Cost	4,389	6,573	7,005	7,468
Other Expenses	11,355	17,290	17,805	19,223
<b>EBITDA</b>	<b>10,477</b>	<b>18,101</b>	<b>21,328</b>	<b>24,633</b>
YoY gr. (%)	890.9	72.8	17.8	15.5
Margin (%)	27.9	29.6	31.8	33.0
Depreciation and Amortization	7,533	12,193	12,600	13,100
<b>EBIT</b>	<b>2,944</b>	<b>5,908</b>	<b>8,728</b>	<b>11,533</b>
Margin (%)	7.8	9.7	13.0	15.5
Net Interest	5,716	7,913	7,800	7,800
Other Income	791	1,566	1,250	1,400
<b>Profit Before Tax</b>	<b>(2,090)</b>	<b>(439)</b>	<b>2,178</b>	<b>5,133</b>
Margin (%)	NA	NA	3.3	6.9
Total Tax	1,274	(112)	544	1,283
Effective tax rate (%)	(61.0)	25.5	25.0	25.0
<b>Profit after tax</b>	<b>(3,364)</b>	<b>(327)</b>	<b>1,633</b>	<b>3,850</b>
Minority interest	(13)	(7)	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(3,243)</b>	<b>(320)</b>	<b>1,633</b>	<b>3,850</b>
YoY gr. (%)	NA	NA	NA	135.7
Margin (%)	NA	NA	2.4	5.2
Extra Ord. Income / (Exp)	(108)	-	-	-
<b>Reported PAT</b>	<b>(3,351)</b>	<b>(320)</b>	<b>1,633</b>	<b>3,850</b>
YoY gr. (%)	NA	NA	NA	135.7
Margin (%)	NA	NA	2.4	5.2
Other Comprehensive Income	14	5	-	-
Total Comprehensive Income	(3,337)	(315)	1,633	3,850
<b>Equity Shares O/s (m)</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>
<b>EPS (Rs)</b>	<b>(33.1)</b>	<b>(3.3)</b>	<b>16.6</b>	<b>39.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>99,292</b>	<b>1,14,178</b>	<b>1,25,503</b>	<b>1,37,756</b>
Tangibles	96,413	1,11,401	1,22,727	1,34,979
Intangibles	2,880	2,776	2,776	2,776
<b>Acc: Dep / Amortization</b>	<b>14,635</b>	<b>26,828</b>	<b>39,428</b>	<b>52,528</b>
Tangibles	13,235	25,428	38,028	51,128
Intangibles	1,399	1,399	1,399	1,399
<b>Net fixed assets</b>	<b>84,658</b>	<b>87,350</b>	<b>86,076</b>	<b>85,228</b>
Tangibles	83,177	85,973	84,699	83,851
Intangibles	1,480	1,377	1,377	1,377
Capital Work In Progress	2,473	2,464	2,464	2,464
Goodwill	57,428	57,431	57,431	57,431
Non-Current Investments	4,628	4,306	5,023	5,595
Net Deferred tax assets	4,735	4,881	3,654	2,734
Other Non-Current Assets	2,312	1,806	1,641	1,982
<b>Current Assets</b>				
Investments	2	161	161	161
Inventories	664	725	550	613
Trade receivables	1,825	2,346	3,853	4,496
Cash & Bank Balance	3,616	4,038	4,622	7,199
Other Current Assets	2,293	2,137	2,679	3,133
<b>Total Assets</b>	<b>1,64,764</b>	<b>1,68,204</b>	<b>1,68,449</b>	<b>1,71,361</b>
<b>Equity</b>				
Equity Share Capital	980	981	981	981
Other Equity	72,319	72,254	73,887	77,590
<b>Total Network</b>	<b>73,299</b>	<b>73,235</b>	<b>74,868</b>	<b>78,571</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	75,316	76,332	76,985	76,296
Provisions	276	141	268	298
Other non current liabilities	-	96	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	5,204	6,703	6,203	5,703
Trade payables	5,143	6,511	5,505	5,722
Other current liabilities	5,414	4,496	3,931	4,080
<b>Total Equity &amp; Liabilities</b>	<b>1,64,764</b>	<b>1,68,204</b>	<b>1,68,450</b>	<b>1,71,361</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	(2,090)	(439)	2,178	5,133
Add. Depreciation	3,010	4,524	12,600	13,100
Add. Interest	5,600	7,913	7,800	7,800
Less Financial Other Income	791	1,566	1,250	1,400
Add. Other	4,087	6,576	435	225
Op. profit before WC changes	10,607	18,574	23,013	26,258
Net Changes-WC	(1,969)	890	(2,339)	(488)
Direct tax	1	326	(544)	(1,283)
<b>Net cash from Op. activities</b>	<b>8,639</b>	<b>19,790</b>	<b>20,129</b>	<b>24,487</b>
Capital expenditures	(6,339)	(6,269)	(11,326)	(12,252)
Interest / Dividend Income	88	17	-	-
Others	493	(14)	(453)	(602)
<b>Net Cash from Invt. activities</b>	<b>(5,759)</b>	<b>(6,266)</b>	<b>(11,779)</b>	<b>(12,854)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	1,260	(732)	153	(1,188)
Dividend paid	-	-	-	(147)
Interest paid	(1,442)	(1,792)	(7,800)	(7,800)
Others	(6,754)	(10,401)	(119)	79
<b>Net cash from Fin. activities</b>	<b>(6,935)</b>	<b>(12,925)</b>	<b>(7,766)</b>	<b>(9,056)</b>
<b>Net change in cash</b>	<b>(4,055)</b>	<b>599</b>	<b>584</b>	<b>2,577</b>
Free Cash Flow	2,280	13,446	8,803	12,235

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
<b>Net Revenue</b>	<b>19,999</b>	<b>15,459</b>	<b>12,564</b>	<b>11,907</b>
YoY gr. (%)	191.2	64.3	9.9	(8.8)
Raw Material Expenses	6,498	4,958	3,600	3,456
Gross Profit	13,501	10,501	8,964	8,451
Margin (%)	67.5	67.9	71.3	71.0
<b>EBITDA</b>	<b>7,068</b>	<b>4,724</b>	<b>2,784</b>	<b>2,515</b>
YoY gr. (%)	360.0	63.6	5.5	(28.7)
Margin (%)	35.3	30.6	22.2	21.1
Depreciation / Depletion	3,086	3,171	3,028	3,142
<b>EBIT</b>	<b>3,982</b>	<b>1,553</b>	<b>(244)</b>	<b>(627)</b>
Margin (%)	19.9	10.0	NA	NA
Net Interest	2,003	1,966	1,999	2,041
Other Income	238	588	491	287
<b>Profit before Tax</b>	<b>2,217</b>	<b>175</b>	<b>(1,752)</b>	<b>(2,381)</b>
Margin (%)	11.1	1.1	NA	NA
Total Tax	555	47	(455)	(591)
Effective tax rate (%)	25.0	26.9	26.0	24.8
<b>Profit after Tax</b>	<b>1,662</b>	<b>128</b>	<b>(1,297)</b>	<b>(1,790)</b>
Minority interest	(1)	-	(2)	(3)
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,663</b>	<b>128</b>	<b>(1,295)</b>	<b>(1,787)</b>
YoY gr. (%)	NA	(20.7)	NA	NA
Margin (%)	8.3	0.8	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,663</b>	<b>128</b>	<b>(1,295)</b>	<b>(1,787)</b>
YoY gr. (%)	NA	(20.7)	NA	NA
Margin (%)	8.3	0.8	NA	NA
Other Comprehensive Income	2	7	7	1
<b>Total Comprehensive Income</b>	<b>1,665</b>	<b>135</b>	<b>(1,288)</b>	<b>(1,786)</b>
Avg. Shares O/s (m)	98	98	98	98
<b>EPS (Rs)</b>	<b>17.0</b>	<b>1.3</b>	<b>(13.2)</b>	<b>(18.2)</b>

Source: Company Data, PL Research

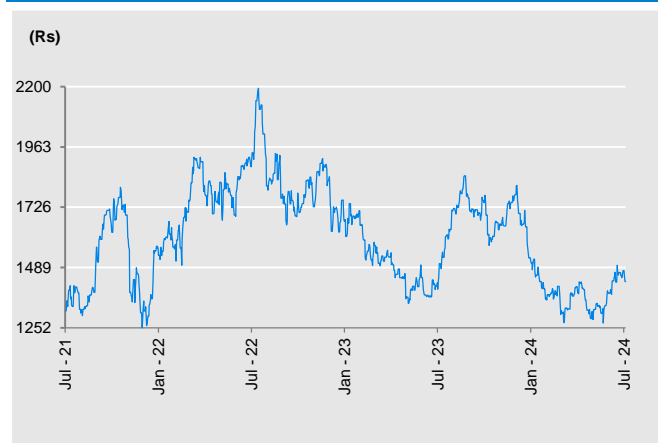
### Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	(33.1)	(3.3)	16.6	39.2
CEPS	43.8	121.3	145.4	173.1
BVPS	748.7	748.1	764.7	802.6
FCF	23.3	137.3	89.9	125.0
DPS	-	-	-	1.5
<b>Return Ratio(%)</b>				
RoCE	2.0	3.9	5.7	7.5
ROIC	6.4	10.8	12.7	14.4
RoE	NA	NA	2.2	4.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	1.0	1.1	1.0	0.9
Net Working Capital (Days)	(26)	(21)	(6)	(3)
<b>Valuation(x)</b>				
PER	NA	NA	85.9	36.4
P/B	1.9	1.9	1.9	1.8
P/CEPS	32.6	11.8	9.8	8.3
EV/EBITDA	20.7	12.1	10.2	8.7
EV/Sales	5.8	3.6	3.3	2.9
Dividend Yield (%)	-	-	-	0.1

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Hold	1,480	1,469
2	15-May-24	Accumulate	1,431	1,285
3	09-Apr-24	Accumulate	1,663	1,385
4	01-Feb-24	Accumulate	1,719	1,455
5	08-Jan-24	Accumulate	1,923	1,649
6	19-Oct-23	BUY	1,984	1,745
7	04-Oct-23	BUY	1,862	1,715
8	02-Aug-23	BUY	1,797	1,565

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	902	850
2	Imagicaaworld Entertainment	BUY	112	76
3	Indian Railway Catering and Tourism Corporation	Reduce	811	1,026
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	4,667	4,322
6	Lemon Tree Hotels	BUY	162	148
7	Navneet Education	Accumulate	167	156
8	Nazara Technologies	Hold	878	919
9	PVR Inox	Hold	1,480	1,469
10	S Chand and Company	BUY	307	245
11	Safari Industries (India)	BUY	2,364	2,166
12	V.I.P. Industries	Hold	529	481
13	Zee Entertainment Enterprises	Hold	160	151

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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