

Subpar movie slate drags down performance

Media & Entertainment ▶ Result Update ▶ July 22, 2024

TARGET PRICE (Rs): 1,650

PVR Inox's results reflect the subpar box-office collections during the quarter due to a weak slate of movie-lineup, given the general elections happening over an extended period, and the IPL and T20 World Cup held during Q1. Footfalls fell further to 30.4mn, down 6.7% QoQ, whereas ATP inched up marginally to Rs235 from Rs233 in Q4 albeit still impacted by the lack of big-budget releases and higher promotional offers. Occupancy was weak at 20.6%. Select small-to-mid-budget movies did see some traction, though not enough to move the needle. The management is taking steps to drive higher revenue and to optimize costs, but these are likely to fructify only in the medium term. The near-term movie pipeline has improved which should result in some pick-up in collections going ahead. We cut FY25E/26E EBITDA by 9%/2%, to factor in the Q1 performance; also, we introduce FY27 estimates. We maintain BUY on the stock, with unchanged TP of Rs1,650/sh (roll-over to Jun-26E pre-IndAS EBITDA).

PVR INOX: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37,507	61,071	64,478	75,832	83,968
EBITDA	10,473	18,101	20,333	26,490	29,177
Adj. PAT	(3,273)	(334)	1,135	5,317	6,557
Adj. EPS (Rs)	(52.0)	(3.4)	11.6	54.3	66.9
EBITDA margin (%)	27.9	29.6	31.5	34.9	34.7
EBITDA growth (%)	890.4	72.8	12.3	30.3	10.1
Adj. EPS growth (%)	0.0	0.0	0.0	368.4	23.3
RoE (%)	(7.5)	(0.5)	1.5	6.9	7.9
RoIC (%)	5.0	3.1	4.9	6.7	7.2
P/E (x)	(28.3)	(418.3)	123.1	26.3	21.3
EV/EBITDA (x)	16.2	12.1	10.9	8.2	7.4
P/B (x)	1.3	1.9	1.9	1.8	1.6
FCFF yield (%)	1.4	6.2	2.6	5.1	4.4

Source: Company, Emkay Research

Results Summary

Revenue declined 5.2% QoQ to Rs11.9bn, broadly in line with our estimates. ATP improved marginally to Rs235 from Rs233 in Q4FY24, but is still trending at lower levels due to lack of big-budget films and given promotional offers. Also, SPH improved to Rs134 from Rs129 in Q4FY24. Occupancy declined to 20.3% from 22.6% in Q4, while Admits fell 6.7% QoQ to 30.4mn. Advertisement revenue also declined 10.6% QoQ to Rs0.9bn, owing to inconsistent performance of movies. Reported EBITDA declined 9.7% QoQ to Rs2.5bn – higher than our estimate. Adjusted for IndAS, EBITDA loss was Rs327mn. The company reported net loss of Rs1.8bn. The multiplex chain opened 50 screens in the quarter, while shutting down another 14. It is on track to open 120 screens in FY25 and shut 50-60. Gross debt decreased, from Rs17.2bn to Rs16.9bn, whereas net debt inched up, from Rs12.9bn to Rs13.2bn.

Earnings Call KTAs

1) Quarterly Results: The quarterly performance was hit by the 2024 General Elections, with 13% drop in the number of releases (YoY) and only 3 movies crossing the Rs1-billion mark. In this quarter, 1.25mn admits were from re-release of movies. 2) ATP: The company has always followed the flexi pricing model. It did increase ticket prices by 4% YoY, to pass on the higher inflation to customers, but given lack of blockbuster movies, reported ATP was lower. Beginning-Q2 has seen strong growth in ATP. 3) Pipeline: The management does not see any more external events hampering the pipeline. The CY25/FY26 content pipeline should be back to pre-Covid levels, with Q3FY25 expected to be the strongest quarter in the year. 4) Passport Program: The company has already sold 0.25mn passes, and expects a pickup as the content pipeline improves. 5) OTT Window period: The general viewpoint across stakeholders is that the OTT window period should be common across languages. 6) JV with Devyani International: This JV has already been set up, with 2 food courts expected to be operational in coming 2-3 months, and 4-5 courts expected to be operational by FY25-end. 7) Media reports on additional cess in Karnataka: There is no confirmation that this is a definitive order. If the cess were to be imposed, it would be detrimental for the industry. 8) Expenses: Like-to-like rentals have increased 3.7% YoY, in line with lease agreements, with total fixed costs rising 7% YoY; of this, 4-4.5% cost is on account of new cinemas opened last year.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	15.7
CMP (22-Jul-24) (Rs)	1,426.0

Stock Data	Ticker
52-week High (Rs)	1,880
52-week Low (Rs)	1,204
Shares outstanding (mn)	98.1
Market-cap (Rs bn)	140
Market-cap (US\$ mn)	1,673
Net-debt, FY25E (Rs mn)	81,176
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	920.3
ADTV-3M (US\$ mn)	11.0
Free float (%)	72.5
Nifty-50	24,509
INR/US\$	83.7
Shareholding, Jun-24	
Promoters (%)	27.8
FPIs/MFs (%)	18.1/38.8

Price Performance

(%)	1M	3M	12M
Absolute	(0.8)	(0.5)	(5.2)
Rel. to Nifty	(4.8)	(9.3)	(23.6)

1-Year share price trend (Rs)



Pulkit Chawla

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

Exhibit 1: Actual vs Estimates (Q1FY25)

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	11,907	11,974	13,037	-1%	-9%	Broadly in line with our estimates
EBITDA	2,515	2,193	2,836	15%	-11%	Aided by lower than expected film exhibition and employee expenses
EBITDA margin	21.1%	18.3%	21.8%	281 bps	-63 bps	
PAT	-1,787	-1,743	-1,692	3%	6%	

Source: Company, Emkay Research

Exhibit 2: Quarterly financial snapshot

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Net Sales	13,049	19,999	15,459	12,564	11,907	-8.8	-5.2
Film exhibition cost	2980	4954	3710	2469	2451	-17.8	-0.7
as % of sales	22.8	24.8	24.0	19.7	20.6		
Cost of materials consumed	1071	1544	1248	1131	1005	-6.2	-11.1
as % of sales	8.2	7.7	8.1	9.0	8.4		
Employee costs	1559	1679	1629	1706	1643	5.4	-3.7
as % of sales	11.9	8.4	10.5	13.6	13.8		
Repairs & maintenance	3914	4754	4148	4474	4293	9.7	-4.0
as % of sales	30.0	23.8	26.8	35.6	36.1		
Total Expenditure	9,524	12,931	10,735	9,780	9,392	-1.4	-4.0
EBITDA	3,525	7,068	4,724	2,784	2,515	-28.7	-9.7
Depreciation	2,908	3,086	3,171	3,028	3,142	8.0	3.8
EBIT	617	3,982	1,553	(244)	(627)	-201.6	157.0
Other Income	249	238	588	491	287	15.3	-41.5
Interest	1,945	2,003	1,966	1,999	2,041	4.9	2.1
Exceptional item	-	-	-	-	-		
PBT	(1,079)	2,217	175	(1,752)	(2,381)	120.7	35.9
Tax	(259)	555	47	(455)	(591)	128.2	29.9
PAT before MI	(820)	1,662	128	(1,297)	(1,790)	118.3	38.0
Minority interest	(4)	(1)	(2)	(2)	(3)	-25.0	71.4
PAT	(816)	1,663	130	(1,295)	(1,787)	119.0	38.0
(%)						(bps)	(bps)
EBITDAM	27.0	35.3	30.6	22.2	21.1	-589	-104
EBITM	4.7	19.9	10.0	-1.9	-5.3	-999	-332
PBTM	-8.3	11.1	1.1	-13.9	-20.0	-1,173	-605
PATM	-6.3	8.3	0.8	-10.3	-15.0	-875	-470
Effective Tax rate	24.0	25.0	26.9	26.0	24.8	82	-115

Source: Company, Emkay Research

Exhibit 3: Change in estimates

(Rs mn)	FY25E			FY26E			FY27E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue	66,976	64,478	-3.7	77,785	75,832	-2.5	83,968
EBITDA	22,478	20,333	-9.5	26,975	26,490	-1.8	29,177
EBITDA Margin (%)	33.6	31.5	-207 bps	34.7	34.9	23 bps	34.7
EBITDA (Adj. for IndAS)	11,169	9,021	-19.2	15,213	14,687	-3.5	17,138
PAT	2,510	1,135	-54.8	5,628	5,317	-5.5	6,557
EPS (Rs)	25.6	11.6	-54.7	57.4	54.3	-5.5	66.9

Source: Emkay Research

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PVR INOX: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37,507	61,071	64,478	75,832	83,968
Revenue growth (%)	181.8	62.8	5.6	17.6	10.7
EBITDA	10,473	18,101	20,333	26,490	29,177
EBITDA growth (%)	890.4	72.8	12.3	30.3	10.1
Depreciation & Amortization	7,533	12,193	12,700	13,200	14,500
EBIT	2,940	5,908	7,633	13,290	14,677
EBIT growth (%)	0.0	101.0	29.2	74.1	10.4
Other operating income	0	0	0	0	0
Other income	791	1,566	1,600	1,700	1,900
Financial expense	5,716	7,913	8,025	7,885	7,815
PBT	(1,986)	(439)	1,208	7,105	8,763
Extraordinary items	(108)	0	0	0	0
Taxes	1,274	(112)	73	1,788	2,206
Minority interest	13	7	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	(3,381)	(334)	1,135	5,317	6,557
PAT growth (%)	0.0	0.0	0.0	368.4	23.3
Adjusted PAT	(3,273)	(334)	1,135	5,317	6,557
Diluted EPS (Rs)	(52.0)	(3.4)	11.6	54.3	66.9
Diluted EPS growth (%)	0.0	0.0	0.0	368.4	23.3
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 (%)	27.9	29.6	31.5	34.9	34.7
EBIT margin (%)	7.8	9.7	11.8	17.5	17.5
Effective tax rate (%)	(64.2)	25.5	6.0	25.2	25.2
NOPLAT (pre-IndAS)	4,826	4,401	7,171	9,945	10,983
Shares outstanding (mn)	65.0	98.0	98.0	98.0	98.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	(1,986)	(439)	1,208	7,105	8,763
Others (non-cash items)	12,589	19,013	8,025	7,885	7,815
Taxes paid	1	326	(73)	(1,788)	(2,206)
Change in NWC	(1,969)	890	1,509	2,212	(979)
Operating cash flow	8,635	19,790	10,669	15,413	13,392
Capital expenditure	(6,339)	(6,269)	(4,822)	(4,236)	(3,980)
Acquisition of business	0	0	0	0	0
Interest & dividend income	88	17	0	0	0
Investing cash flow	(5,759)	(6,266)	(4,822)	(4,236)	(3,980)
Equity raised/(repaid)	305	188	0	0	0
Debt raised/(repaid)	1,260	(732)	(1,000)	(1,000)	(1,000)
Payment of lease liabilities	(7,059)	(10,589)	659	1,330	1,357
Interest paid	(1,442)	(1,792)	(8,025)	(7,885)	(7,815)
Dividend paid (incl tax)	0	0	0	0	0
Others	301	108	108	108	108
Financing cash flow	(6,634)	(12,817)	(8,259)	(7,446)	(7,350)
Net chg in Cash	(3,758)	707	(2,412)	3,731	2,063
OCF	8,635	19,790	10,669	15,413	13,392
Adj. OCF (w/o NWC chg.)	6,666	20,680	12,178	17,625	12,413
FCFF	2,296	13,521	5,847	11,177	9,412
FCFE	(3,333)	5,625	(2,178)	3,292	1,598
OCF/EBITDA (%)	82.5	109.3	52.5	58.2	45.9
FCFE/PAT (%)	98.6	(1,684.1)	(191.9)	61.9	24.4
FCFF/NOPLAT (%)	47.6	307.2	81.5	112.4	85.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	980	980	980	980	980
Reserves & Surplus	72,319	72,254	73,389	78,706	85,263
Net worth	73,299	73,234	74,369	79,686	86,243
Minority interests	(7)	(3)	(3)	(3)	(3)
Deferred tax liability (net)	(4,735)	(4,881)	(4,881)	(4,881)	(4,881)
Total debt	80,519	83,035	82,694	83,024	83,381
Total liabilities & equity	1,49,076	1,51,385	1,52,178	1,57,826	1,64,740
Net tangible fixed assets	29,432	32,227	36,527	40,327	43,827
Net intangible assets	1,480	1,377	1,652	1,818	1,999
Net ROU assets	53,746	53,746	53,746	53,746	53,746
Capital WIP	2,473	2,464	2,710	2,981	3,280
Goodwill	57,428	57,431	57,431	57,431	57,431
Investments [JV/Associates]	2,312	161	161	161	161
Cash & equivalents	3,616	4,038	1,518	5,141	7,095
Current assets (ex-cash)	9,510	11,852	11,961	13,442	14,487
Current Liab. & Prov.	10,922	11,910	13,528	17,221	17,287
NWC (ex-cash)	(1,411)	(58)	(1,567)	(3,779)	(2,799)
Total assets	1,49,076	1,51,385	1,52,179	1,57,826	1,64,740
Net debt	76,903	78,997	81,176	77,883	76,285
Capital employed	1,49,076	1,51,385	1,52,178	1,57,826	1,64,740
Invested capital	1,40,674	1,44,723	1,47,789	1,49,543	1,54,204
BVPS (Rs)	1,127.2	747.5	759.1	813.4	880.3
Net Debt/Equity (x)	1.0	1.1	1.1	1.0	0.9
Net Debt/EBITDA (x)	7.3	4.4	4.0	2.9	2.6
Interest coverage (x)	1.5	1.1	0.9	0.5	0.5
RoCE (%)	3.6	5.0	6.1	9.7	10.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	(28.3)	(418.3)	123.1	26.3	21.3
P/CE(x)	21.8	11.8	10.1	7.5	6.6
P/B (x)	1.3	1.9	1.9	1.8	1.6
EV/Sales (x)	4.5	3.6	3.4	2.9	2.6
EV/EBITDA (x)	16.2	12.1	10.9	8.2	7.4
EV/EBIT(x)	57.7	37.0	28.9	16.4	14.7
EV/IC (x)	1.2	1.5	1.5	1.5	1.4
FCFF yield (%)	1.4	6.2	2.6	5.1	4.4
FCFE yield (%)	(3.6)	4.0	(1.6)	2.4	1.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(8.7)	(0.5)	1.8	7.0	7.8
Total asset turnover (x)	0.4	0.4	0.4	0.5	0.5
Assets/Equity (x)	2.4	2.1	2.1	2.0	1.9
RoE (%)	(7.5)	(0.5)	1.5	6.9	7.9
DuPont-RoIC					
NOPLAT margin (%)	12.9	7.2	11.1	13.1	13.1
IC turnover (x)	0.4	0.4	0.4	0.5	0.6
RoIC (%)	5.0	3.1	4.9	6.7	7.2
Operating metrics					
Core NWC days	(13.7)	(0.3)	(8.9)	(18.2)	(12.2)
Total NWC days	(13.7)	(0.3)	(8.9)	(18.2)	(12.2)
Fixed asset turnover	0.3	0.3	0.3	0.4	0.4
Opex-to-revenue (%)	50.2	47.3	45.4	41.6	41.8

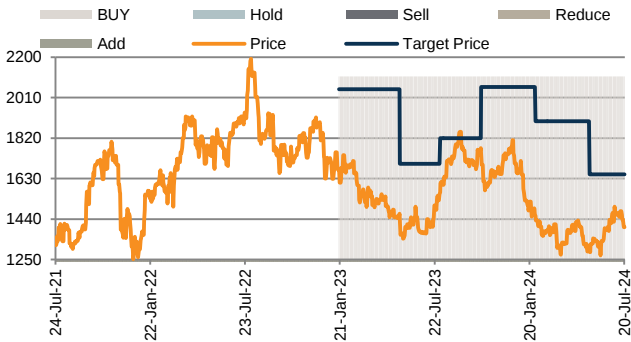
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
20-Jun-24	1,384	1,650	Buy	Pulkit Chawla
14-May-24	1,297	1,650	Buy	Pulkit Chawla
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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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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