

## PVR Inox (PVRINOX)

BUY

Advertising and occupancy key to long term growth

## Summary

PVRINOX's revenue and profit were subdued during the quarter due to hindi content underperforming. Further, the company is shutting down 50 screens and has lowered its screen addition from 200 to 150-175 for FY24E & FY25E. We believe in near term there is still uncertainty on content and hence we are now keeping occupancy levels at 25% (below pre-covid average of 35%). We believe that certain amount of occupancy loss can be managed by improving pricing & cost rationalization. Hence, we expect margins to reach pre covid levels of 18% in FY25E. Further, considering synergy benefits due to merger with Inox and expectation of improving content we maintain our BUY rating on the stock despite lowering our target price from Rs2,010 to Rs 1,740 (14x on FY25E EBITDA).

## Key Highlights and Investment Rationale

- **Revenue growth to improve over coming years:** Improving advertising revenues, market share gain from single screen players, higher premium screens and robust spend per head (on food) will drive revenue growth. This coupled with the synergy benefits due to merger with Inox will give its economies of scale, healthy balance sheet and expansion plans of adding 150 screens on combined basis will drive long term growth.
- **Margin to improve:** Improving pricing, better content, premium screens occupancy and cost rationalization benefits of covid era will help the company to improve its margins. Hence, we expect the company to register EBITDA margins of 17% & 18% in FY24E & FY25E.

TP Rs1,740

CMP Rs1,433

Potential upside/downside 21%

Previous Rating BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.1)	(16.2)	(17.8)
Rel to Sensex	(8.5)	(17.3)	(35.1)

## V/s Consensus

EPS (Rs)	FY24E	FY25E
IDBI Capital	37	50
Consensus	48	68
% difference	(22.9)	(26.4)

## Key Stock Data

Bloomberg/Reuters	PVRINOX IN /PVRL.BO
Sector	Media
Shares o/s (mn)	98
Market cap. (Rs mn)	140,606
3-m daily avg Trd value (Rs mn)	--
52-week high / low	Rs2,212 / 1,416
Sensex / Nifty	61,932 / 18,287

## Shareholding Pattern (%)

Promoters	27.5
FII	31.2
DII	29.2
Public	12.1

## Financial snapshot

(Rs mn)

Year	FY21*	FY22	FY23	FY24E	FY25E
Revenue	3,859	20,140	52,239	65,042	71,026
Change (yoy, %)	(93)	422	159	25	9
EBITDA	(7,008)	(3,409)	5,228	11,065	12,828
Change (yoy, %)	(177)	(51)	(253)	N.A	16
EBITDA Margin(%)	(181.6)	(16.9)	10.0	17.0	18.1
Adj.PAT	(9,157)	(5,829)	(1,426)	3,600	4,848
EPS (Rs)	(93)	(59)	(15)	37	50
Change (yoy, %)	(449)	(36)	(76)	N.A	35
PE(x)	(15)	(24)	(98)	39	29
Dividend Yield (%)	-	-	-	0	0
EV/EBITDA (x)	(21)	(43)	29	14	12
RoE (%)	(36.8)	(28.4)	(3.3)	4.8	6.1
RoCE (%)	(28)	(15)	1	4	5

Source: IDBI Capital Research; \*Numbers are of combined entity

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### Concall Highlights

- Revenue for the quarter stood at Rs. 11,432 mn. Net box office collection stood at Rs. 6,016 mn, F&B revenue came in at Rs. 3,520 mn, ad revenue stood at Rs. 907 mn (still below pre covid levels) and convenience fee came in at Rs. 591 mn.
- Growth in box office collection was due to healthy traction observed by regional movies and uptick in both ATP (+3% YoY to Rs 239) as well as SPH (+12% YoY to Rs. 119 on the back of volume and value increase). Bollywood and Hollywood movies continued to perform below par. Poor performance of Bollywood content was the major reason for below expected footfalls (30.5 mn) which impacted occupancy.
- Lower occupancy, below par ad revenue and rise in rental expense impacted profitability. Company posted EBITDA profit of Rs. 54mn translating into EBITDA margin of 0.5%.
- Company will shut down 50 low/no profitable screens in the next 6 months (resulting in addition of Rs 100 mn to EBTDA). Net off these closures, PVRInox aims to add 100-125 screens during FY24E (focus on the southern market) of which 9 have commenced operations, 15 are awaiting license and 152 are in progress. Also, screen openings in FY25E will be delayed as the company will wait for the demand environment to improve and will remain cautious as to where will the capital be invested. Aspires to add close to 700 screens in the next 5 years. Capex for FY24E is expected to be close to Rs.7,000 mn.
- In terms of advertisement revenue, management informed that prior to covid, on an average 19 minutes of advertisement was played before and during a movie. However, this matrix has come down to 12.5 minutes. Going forward, company expects this to reach pre covid levels on the back of strong content pipeline and will also monetize off screen space for increasing advertisement revenue.
- Company informed that May has been a good month for business as 'The Kerala Story' has been received well by the audience.
- Going forward, the company expects merger synergies, revival of bollywood, increased advertisement revenue, addition of new screens and expansion in smaller cities to drive revenue growth. Management aspires to record revenue of Rs 60,000-70,000 mn in FY24E (v/s 38,190 mn in FY23).
- As the revenue picks up, company expects operating leverage to kick in which will aid in achieving 18% EBITDA margin (pre covid levels).

## Exhibit 1: Financial snapshot

(Rs mn)

Year to March (Rs mn)	Q4FY23	Q4FY22	YoY (%)
<b>Revenue</b>	<b>11,432</b>	<b>5,362</b>	<b>113.2</b>
COGS	8,449	5,118	65.1
Gross profit	2,983	244	1,121.6
Other Expenses	2,930	586	399.8
<b>EBITDA</b>	<b>54</b>	<b>(342)</b>	<b>n.m.</b>
Depreciation & amortization	1,197	800	49.6
EBIT	(1,143)	(1,142)	n.m.
Other income	216	165	30.6
Interest cost	419	386	8.7
PBT	(1,347)	(1,363)	n.m.
Tax	1,402	(407)	n.m.
Minority interest	6	0	n.m.
<b>Adjusted net profit</b>	<b>(2,743)</b>	<b>(956)</b>	<b>n.m.</b>
Ind-AS 116 impact	483	99	387.9
Exceptional Item	108	0	
<b>Reported net profit</b>	<b>(3,334)</b>	<b>(1,055)</b>	<b>n.m.</b>
<b>Net profit/loss post Ind AS Adj</b>	<b>(2,857)</b>	<b>(956)</b>	<b>n.m.</b>
<b>Reported EPS (Rs)</b>	<b>(43.9)</b>	<b>(15.7)</b>	<b>n.m.</b>
<b>As % of net revenue</b>			
Gross profit	26.1	4.6	
SG&A	25.6	10.9	
EBITDA	0.5	(6.4)	
EBIT	(10.0)	(21.3)	
Reported net profit	(29.2)	(19.7)	
Tax rate	(104.1)	29.9	

Source: Company; IDBI Capital Research.

**Exhibit 2: Actual vs. estimates**

Year-end: March	Q4FY23	Q4FY23E	Variance (%)
Revenue (Rs mn)	11,432	11,188	2.2%
EBITDA* (Rs mn)	54	47	14.6%
EBITDA margin* (%)	0.5%	0.4%	5bps
PAT* (Rs mn)	(2,743)	(847)	n.m.
PAT margin* (%)	-24.0%	-7.6%	n.m.
EPS* (Rs)	-43.9	-8.7	n.m.

Source: Company; IDBI Capital Research; \*Adjusted for Ind-AS impact

**Exhibit 3: Earnings revision**

Year-end: March	FY24E*			FY25E*		
	New	Old**	Ch (%)	New	Old**	Ch (%)
Revenue (Rs mn)	65,042	NA	n.m.	71,026	NA	n.m.
EBITDA* (Rs mn)	11,065	NA	n.m.	12,828	NA	n.m.
EBITDA margin* (%)	17.0%	NA	n.m.	18.1%	NA	n.m.
Net Profit (Rs mn)	3,600	NA	n.m.	4,848	NA	n.m.
EPS* (Rs)	36.7	NA	n.m.	49.5	NA	n.m.

Source: Company; IDBI Capital Research; \*Adjusted for Ind-AS impact; \*\*Numbers of merged entity unavailable, therefore not comparable

**Exhibit 4: Merged entity pro-forma**

Year-end: March	Q4FY23	Q4FY22	Variance (%)
Revenue (Rs mn)	11,432	8,770	30%
Adj. EBITDA* (Rs mn)	53.70	(202)	n.m.
PAT* (Rs mn)	(2,857)	(1,085)	n.m.
Occupancy	22.20%	25.10%	(290) bps
SPH	119	106	12%
ATP	239	232	3%
Admits (mn.)	30.5	25.3	21%

Source: Company; IDBI Capital Research; \*Adjusted for Ind-AS impact

## Financial Summary

### Profit & Loss Account\*

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>53,119</b>	<b>3,859</b>	<b>20,140</b>	<b>52,239</b>	<b>65,042</b>	<b>71,026</b>
<i>Change (yoy, %)</i>	11	(93)	422	159	25	9
Operating expenses	(44,055)	(10,867)	(23,549)	(47,012)	(53,977)	(58,198)
<b>EBITDA</b>	<b>9,064</b>	<b>(7,008)</b>	<b>(3,409)</b>	<b>5,228</b>	<b>11,065</b>	<b>12,828</b>
<i>Change (yoy, %)</i>	1	(177)	(51)	(253)	112	16
<i>Margin (%)</i>	17.1	(181.6)	(16.9)	10.0	17.0	18.1
Depreciation	(3,399)	(3,505)	(3,790)	(3,913)	(4,917)	(5,235)
<b>EBIT</b>	<b>5,665</b>	<b>(10,513)</b>	<b>(7,200)</b>	<b>1,314</b>	<b>6,148</b>	<b>7,593</b>
Interest paid	(1,639)	(1,661)	(1,646)	(1,676)	(1,745)	(1,811)
Other income	550	727	996	866	398	701
<b>Pre-tax profit</b>	<b>4,576</b>	<b>(11,488)</b>	<b>(7,849)</b>	<b>(281)</b>	<b>4,800</b>	<b>6,482</b>
Tax	(1,953)	2,288	2,018	(1,917)	(1,200)	(1,633)
<i>Effective tax rate (%)</i>	43	20	26	(681)	25	25
Minority Interest	(0)	2	3	(13)	-	-
<b>Adj. net profit before Ind AS adjustment</b>	<b>2,623</b>	<b>(9,157)</b>	<b>(5,829)</b>	<b>(1,426)</b>	<b>3,600</b>	<b>4,848</b>
Exceptional items	-	(41)	-	(786)	-	-
<b>Adj. net profit after Ind AS adjustment</b>	<b>2,623</b>	<b>(9,198)</b>	<b>(5,829)</b>	<b>(2,212)</b>	<b>3,600</b>	<b>4,848</b>
<i>Change (yoy, %)</i>	(22)	(449)	(36)	(76)	(352)	35
EPS	26.8	(93.9)	(59.5)	(22.6)	36.7	49.5
Dividend per sh	1	-	-	-	2	2
<i>Dividend Payout %</i>	2	-	-	-	5	4

\*From FY20 onward, numbers are of merged entity

**Balance Sheet\***

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Shareholders' funds</b>	<b>22,470</b>	<b>27,291</b>	<b>13,704</b>	<b>73,299</b>	<b>76,703</b>	<b>81,355</b>
Share capital	514	608	610	980	980	980
Reserves & surplus	21,956	26,684	13,094	72,319	75,723	80,375
<b>Total Debt</b>	<b>12,947</b>	<b>13,519</b>	<b>10,333</b>	<b>12,723</b>	<b>13,723</b>	<b>13,723</b>
Other liabilities	-	-	34,259	57,841	57,841	57,841
<b>Curr Liab &amp; prov</b>	<b>8,811</b>	<b>6,654</b>	<b>14,939</b>	<b>20,877</b>	<b>13,598</b>	<b>14,849</b>
Current liabilities	8,632	6,429	14,814	20,247	12,813	13,992
Provisions	180	225	126	631	785	857
<b>Total liabilities</b>	<b>21,758</b>	<b>20,173</b>	<b>59,532</b>	<b>91,441</b>	<b>85,161</b>	<b>86,413</b>
<b>Total equity &amp; liabilities</b>	<b>44,231</b>	<b>47,464</b>	<b>73,233</b>	<b>164,732</b>	<b>161,857</b>	<b>167,761</b>
Net fixed assets	30,360	29,369	54,719	144,559	141,187	143,026
Investments	11	3	-	-	-	-
Other non-curr assets	3,928	5,599	9,854	11,676	13,377	14,172
<b>Current assets</b>	<b>9,932</b>	<b>12,493</b>	<b>8,661</b>	<b>8,498</b>	<b>7,294</b>	<b>10,563</b>
Inventories	307	250	342	664	826	902
Sundry Debtors	1,891	307	818	1,825	2,272	2,481
Cash and Bank	3,235	7,323	5,781	3,616	1,218	3,928
Loans and advances	2,482	2,547	18	34	42	46
<b>Total assets</b>	<b>44,231</b>	<b>47,464</b>	<b>73,233</b>	<b>164,732</b>	<b>161,857</b>	<b>167,761</b>

\*From FY23 onwards, numbers are of merged entity

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23*	FY24E	FY25E
Pre-tax profit	4,576	(11,488)	(7,849)	(281)	4,800	6,482
Depreciation	2,324	2,383	3,790	3,913	8,076	5,235
Tax paid	(4,849)	350	78	(727)	(1,200)	(1,633)
Chg in working capital	(3,744)	(581)	10,211	4,593	(7,897)	962
Other operating activities	-	-	-	(3,372)	3,338	(716)
<b>Cash flow from operations (a)</b>	<b>(1,693)</b>	<b>(9,335)</b>	<b>6,230</b>	<b>4,126</b>	<b>7,117</b>	<b>10,330</b>
Capital expenditure	(2,469)	(1,391)	(29,140)	(93,753)	(4,704)	(7,075)
Chg in investments	89	8	3	-	-	-
Other investing activities	9,412	14,142	24,549	81,348	-	-
<b>Cash flow from investing (b)</b>	<b>7,032</b>	<b>12,759</b>	<b>(4,588)</b>	<b>(12,405)</b>	<b>(4,704)</b>	<b>(7,075)</b>
Equity raised/(repaid)	46	94	2	3,742	-	-
Debt raised/(repaid)	123	573	(3,186)	2,390	1,000	-
Dividend (incl. tax)	(62)	-	-	-	(196)	(196)
Chg in minorities	(2,563)	(1)	-	(17)	-	-
Other financing activities	-	-	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(2,456)</b>	<b>666</b>	<b>(3,184)</b>	<b>6,114</b>	<b>804</b>	<b>(196)</b>
<b>Net chg in cash (a+b+c)</b>	<b>2,882</b>	<b>4,089</b>	<b>(1,541)</b>	<b>(2,165)</b>	<b>3,217</b>	<b>3,059</b>

\*From FY23 onwards, numbers are of merged entity

**Financial Ratios**

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	229.4	278.6	139.9	748.2	782.9	830.4
Adj EPS (Rs)	27	-93	-59	-15	37	49
Adj EPS growth (%)	-22	-449	-36	-76	-352	35
EBITDA margin (%)	17	-182	-17	10	17	18
Pre-tax margin (%)	9	-298	-39	-1	7	9
Net Debt/Equity (x)	0	0	0	0	0	0
ROCE (%)	18	-28	-15	1	4	5
ROE (%)	15.0	-36.8	-28.4	-3.3	4.8	6.1

**DuPont Analysis**

Asset turnover (x)	1.3	0.1	0.3	0.4	0.4	0.4
Leverage factor (x)	2.4	1.8	2.9	2.7	2.2	2.1
Net margin (%)	4.9	-237.3	-28.9	-2.7	5.5	6.8

**Working Capital & Liquidity ratio**

Inventory days	2	24	6	5	5	5
Receivable days	13	29	15	13	13	13
Payable days	26	68	47	40	43	44

**Valuations**

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	53.5	-15.3	-24.1	-98.4	39.0	29.0
Price/Book value (x)	6.2	5.1	10.2	1.9	1.8	1.7
EV/Net sales (x)	2.8	38.0	7.2	2.9	2.4	2.1
EV/EBITDA (x)	17	-21	-43	29	14	12
Dividend Yield (%)	0	0	0	0	0	0

Source: Company; IDBI Capital Research





# Notes

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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