

02 August 2023

India | Equity Research | Q1FY24 Result Update

PVR Inox

Media

Merger synergies drive Q1 beat; if July momentum sustains, H2CY23 may set new benchmarks

PVR Inox beat revenue estimates in Q1FY24, helped by flow through of merger synergies (+9% QoQ in SPH and +3% QoQ in ATP). Admits also increased 11% QoQ despite flattish occupancy (+10 bps QoQ) led by an increased number of shows per screen. We believe this is commendable given the muted performance of some big budget movies in Q1FY24. Now that 'movie-going' has gathered momentum among premium viewers aided by 'MI7', 'Oppenheimer' and 'Barbie', we believe Q2 and Q3 could be breakthrough quarters for PVR Inox, given its strong content line-up (OMG 2, Gadar 2, Jawan). The stock had corrected meaningfully from its historical multiples owing to investor concerns around the relevance of movie exhibition amidst OTT disruption. We believe these concerns are not warranted ([link](#)) and re-iterate **BUY** on this stock.

Uptick in sequential performance

Revenue in Q1FY24 was INR 13.04bn (+14% QoQ/ -17% YoY pro forma). Gross profit margin remained stable at 69%. Employee cost was up 3% QoQ. EBITDA (adjusted for Ind-AS) was INR 808mn (vs INR 54 mn in Q4FY23). Net loss was INR 816 mn in Q1FY24, improving sequentially from INR 3.3 bn (net loss) in Q4FY23. Admits increased 11% QoQ to 33.9mn in Q1FY24 led to due to improvement in number of shows per screen. Average ticket price grew to INR 246, +2.9% QoQ and F&B spend per patron grew to INR 130, +9.2% QoQ as merger synergies started playing out. Ticketing revenue grew 15.4% QoQ despite muted April'23. F&B revenue was up 22% QoQ at INR 4.2bn led by higher admits and SPH. Ad revenue was flattish QoQ. PVR added 17 screens on a net basis during Q1FY24.

Management commentary

Management mentioned volatility in the performance of Hindi movies is reducing as medium-tier film like 'Zara Hatke Zara Bachke' was able to draw audiences. According to the management, the negative sentiment around movie exhibition business is slowly receding. It also sounded confident that the current content line-up should result in robust performance in FY24. Management also noted that bulk of ATP synergies will flow through in coming quarters, with SPH already showing promising results. Management attributed the 9% QoQ increase in SPH to 1) change in menu 2) new SKUs and 3) introduction of non-vegetarian items in some INOX properties. If big budget movies do well in Q2FY24, with higher attachment rates in F&B (driven by value for-money offerings), both ATP and SPH are likely to improve materially hereon.

Financial Summary

Y/E March (Rs mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	13,310	37,507	57,986	67,265
EBITDA	1,057	10,477	20,188	24,847
EBITDA Margin (%)	7.9	27.9	34.8	36.9
Net Profit	(4,882)	(3,351)	2,751	5,492
EPS (Rs)	(80.0)	(51.3)	28.1	56.1
EPS % Chg YoY	-	(35.9)	-	99.7
P/E (x)	(19.6)	(30.5)	55.8	27.9
EV/EBITDA (x)	(40.1)	52.9	16.7	11.6
RoCE (%)	(28.1)	(1.7)	5.4	8.8
RoE (%)	(30.5)	(7.7)	3.7	6.9

Abhisek Banerjee

abhisek.banerjee@icicisecurities.com
+91 22 6807 7574

Pradyut Ganesh

pradyut.ganesh@icicisecurities.com

Market Data

Market Cap (INR)	153bn
Market Cap (USD)	1,863mn
Bloomberg Code	PVRINOX IN
Reuters Code	PVRL.BO
52-week Range (INR)	2,215 /1,336
Free Float (%)	71.0
ADTV-3M (mn) (USD)	12.8

Price Performance (%)	3m	6m	12m
Absolute	7.0	(5.6)	(27.4)
Relative to Sensex	9.5	12.3	15.8

ESG Disclosure	2021	2022	Change
ESG score	39.2	38.6	(0.6)
Environment	12.1	12.1	-
Social	26.8	24.9	(1.8)
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Previous Reports

29-06-2023: [Company Update](#)

20-01-2023: [Q3FY23 results review](#)

Valuation

We see the content pipeline for PVR Inox improving from Q2FY24E and occupancy levels improving in tandem. We have factored in 9.2% revenue growth (pro-forma) for FY24E with 560 bps EBITDA margin (pro-forma) expansion. Accordingly, our target price is INR 1,950 (maintained) with an unchanged multiple of 16x FY25E EBITDA.

Exhibit 1: Q1FY24 Review

INR mn	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)	I-Sec Estimates	Diff. (%)
Admits (mn)	33.9	30.5	25	11.1	35.6	33	2.5
ATP (Rs)	246	239	250	2.9	-1.6	242	1.7
SHP (Rs)	130	119	134	9.2	-3.0	128	1.6
Revenue	13049	11432	9814	14.1	33.0	12337	5.8
Gross profit	8998	7904	6660	13.8	35.1	8389	7.3
GPM (%)	69.0	69.1	67.9			68.0	
Reported EBITDA	3525	2639	3416	33.6	3.2	3489	1.0
EBITDA margin (%)	27.0	23.1	34.8			28.3	
PAT	-816	-3334	534	-75.5	-252.9	-476	
PAT (%)	-6.3	-29.2	5.4			-3.9	
EPS	-8.33	-51	9	-83.8	-195.2	-5	

Source: I-Sec research, Company data

Exhibit 2: Financials

(in INR mn)	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)
Sale of movie tickets	6945	6016	8828	15.4	-31.9
Sale of food and beverages	4277	3520	4879	21.5	-27.9
Advertisement Income	893	907	931	-1.5	-2.6
Convenience fees	532	591	693	-10.0	-14.7
Other operating income	402	398	306	1.0	30.1
Other income	195	216	260	-9.7	-16.9
Total income	13244	11648	15897	13.7	-26.7

Source: I-Sec research, Company data

Exhibit 3: Operating numbers

	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)
Cinemas	360	359	337	0.3	6.5
Screens	1697	1680	1550	1.0	8.4
Seats ('000s)	359	357	334	0.6	6.9
Admits (mn)	33.9	30.5	43.4	11.1	-29.7
Occupancy (%)	22.3	22.2	31.4	10 bps	-990 bps
ATP (INR)	246	239	241	2.9	-0.8
SPH (INR)	130	119	118	9.2	0.8

Source: I-Sec research, Company data

Exhibit 4: Expense analysis

	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)
Variable Cost					
FHC (%)	45.7	46.9	45.6	-120 bps	-10 bps
COGS (%)	25	26.4	23.1	-140 bps	190 bps
Fixed Cost					
Rent	2801	2674	2651	4.7	0.9
CAM	795	733	692	8.5	5.9
Personnel	1559	1514	1297	3.0	16.7
Electricity & Water utilities	1058	761	926	39.0	-17.8
Other expenses	1646	1903	1754	-13.5	8.5
Movie distribution charges	331	266	65	24.4	309.2
Total fixed expenses	8190	7851	7385	4.3	6.3

Source: I-Sec research, Company data

Exhibit 5: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	16.9	27.5	27.6
Institutional investors	67.0	61.4	60.0
MFs and other	17.6	24.6	28.3
FIs/ Banks	0.1	0.0	0.0
Insurance Cos.	6.3	4.6	3.9
FII's	43.0	32.2	27.8
Others	16.1	11.1	12.4

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	13,310	37,507	57,986	67,265
Operating Expenses	8,278	15,744	20,095	21,830
EBITDA	1,057	10,477	20,188	24,847
EBITDA Margin (%)	7.9	27.9	34.8	36.9
Depreciation & Amortization	6,144	7,533	9,398	10,197
EBIT	(5,087)	2,944	10,789	14,650
Interest expenditure	4,982	5,716	7,655	7,902
Other Non-operating Income	3,261	791	525	578
Recurring PBT	(6,807)	(1,982)	3,659	7,325
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(1,922)	1,274	922	1,846
PAT	(4,885)	(3,256)	2,737	5,479
Less: Minority Interest	3	13	13	13
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	(4,885)	(3,364)	2,737	5,479
Net Income (Adjusted)	(4,882)	(3,351)	2,751	5,492

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	8,656	8,496	8,178	10,077
of which cash & cash eqv.	5,781	3,616	475	1,141
Total Current Liabilities & Provisions	6,858	10,557	16,459	19,124
Net Current Assets	1,798	(2,062)	(8,280)	(9,048)
Investments	5	2	2	2
Net Fixed Assets	15,180	29,431	23,762	26,070
ROU Assets	26,783	53,746	64,806	64,806
Capital Work-in-Progress	645	2,473	2,473	2,473
Total Intangible Assets	12,110	58,908	57,428	57,428
Other assets	1,342	2,312	3,574	4,146
Deferred Tax assets	5,951	4,767	4,767	4,767
Total Assets	66,401	1,54,207	1,55,688	1,58,945
Liabilities				
Borrowings	15,052	17,926	15,926	12,926
Deferred Tax Liability	25	32	32	32
provisions	97	276	290	304
other Liabilities	618	88	137	158
Equity Share Capital	610	980	980	980
Reserves & Surplus	13,091	72,312	75,731	81,952
Total Net Worth	13,701	73,292	76,711	82,932
Minority Interest	-	-	-	-
Total Liabilities	66,401	1,54,207	1,55,688	1,58,945

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	6,867	9,407	11,432	13,049
% growth (YOY)	471	53	113	33
Reported EBITDA	1,541	2,888	2,640	3,525
Margin %	30.7	23.1	27	28.3
Other Income	164	201	218	249
Net Profit	(708)	162	(3,333)	(816)

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	1,668	8,639	18,629	22,767
Working Capital Changes	434	(1,969)	(650)	(248)
Capital Commitments	(1,298)	(6,339)	(6,995)	(5,946)
Free Cashflow	2,966	14,978	25,625	28,713
Other investing cashflow	1,270	581	525	578
Cashflow from Investing Activities	(28)	(5,759)	(6,470)	(5,369)
Issue of Share Capital	183	305	-	-
Interest Cost	(1,246)	(1,442)	(1,862)	(1,587)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	1,553	1,260	(2,000)	(3,000)
Cash flow from Financing Activities	(2,168)	(6,935)	(15,003)	(16,732)
Chg. in Cash & Bank balance	(528)	(4,055)	(2,844)	666
Closing cash & balance	4,996	3,319	475	1,141

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	(80.0)	(51.3)	28.1	56.1
Adjusted EPS (Diluted)	(80.0)	(51.3)	28.1	56.1
Cash EPS	20.7	42.7	124.0	160.1
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	224.6	748.1	783.0	846.5
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	375.3	181.8	54.6	16.0
EBITDA	(131.6)	890.9	92.7	23.1
EPS (INR)	-	(35.9)	-	99.7
Valuation Ratios (x)				
P/E	(19.6)	(30.5)	55.8	27.9
P/CEPS	75.7	36.7	12.6	9.8
P/BV	7.0	2.1	2.0	1.8
EV / EBITDA	(40.1)	52.9	16.7	11.6
P / Sales	7.2	4.1	2.6	2.3
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	70.1	69.9	69.5	69.4
EBITDA Margins (%)	7.9	27.9	34.8	36.9
Effective Tax Rate (%)	28.2	(64.3)	25.2	25.2
Net Profit Margins (%)	(36.7)	(8.7)	4.7	8.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	1.9	5.1	5.8	7.4
Net Debt / EBITDA (x)	4.7	12.1	9.9	9.4
Profitability Ratios				
RoCE (%)	(28.1)	(1.7)	5.4	8.8
RoE (%)	(30.5)	(7.7)	3.7	6.9
RoC (%)	(25.8)	(3.1)	4.2	6.7
Fixed Asset Turnover (x)	0.8	1.6	2.0	2.5
Inventory Turnover Days	32	26	23	20
Receivables Days	262	52	4	7
Payables Days	173	73	60	53

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Abhisek Banerjee, MBA; Pradyut Ganesh, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
