

23 July 2024

India | Equity Research | Q1FY25 results concall

## PVR Inox

Media

### Takeaways from conference call: Pipeline improving, de-leveraging on track

We expect H2CY24 to be meaningfully better for movie exhibition business compared to H1CY24. We note many producers delayed the scheduled releases, which has now led to a pent-up content pipeline. Prominent titles to boost Q2FY25 collections: Kalki (spill over), Deadpool and Wolverine, Stree 2, Vedaa and Devara Part 1. We believe this could help in reversing the losses of H1CY24. In particular, Q3FY25E could rival the success of Q2FY24, in our view. Reiterate **BUY** with TP of INR 2,000.

On Jul 22, '24, PVR Inox hosted its earnings call. The session provided clarity on many points highlighted in our previous note ([link](#)). A summary of the key points is given below.

### Effectiveness of passport programme

Management stated that the company has sold 250k passports and expects the programme to gain further momentum due to improved content visibility, indicating customer readiness for the initiative.

### Partnership with Devyani to launch food courts

A joint venture has been created with Devyani, which will set up food courts under the brand name 'Treat Junction', which will be operational in next 2-3 months. For FY25, the plan is to make 4-5 food courts operational. These food courts will be situated outside cinema premises, and hence, accessible to general public. This is unlikely to impact PVR's F&B sales.

### Negotiations with landlords on revenue/capex sharing

Management indicated that majority of new properties are being negotiated under 'capital light', 'asset light model'. This is likely to show up in lower capex outgo FY26 onwards.

### Outlook on ad revenue

Management reiterated the need for blockbuster movies to draw crowds to theatres that in turn drive ad revenues. In Q1FY25, despite lacklustre content for most of the quarter, 4 days of Kalki aided ad revenue growth of 4.5% YoY as advertisers tried to capitalise on increased footfalls. Management expects ad revenue growth to continue led by improved content line-up.

### Financial Summary

| Y/E March (INR mn) | FY24A  | FY25E  | FY26E  | FY27E  |
|--------------------|--------|--------|--------|--------|
| Net Revenue        | 61,071 | 70,529 | 80,867 | 91,775 |
| EBITDA             | 18,101 | 21,510 | 26,092 | 30,676 |
| EBITDA Margin (%)  | 29.6   | 30.5   | 32.3   | 33.4   |
| Net Profit         | (320)  | 1,769  | 4,984  | 7,084  |
| EPS (INR)          | (3.3)  | 18.1   | 50.9   | 72.3   |
| EPS % Chg YoY      | -      | -      | 181.7  | 42.1   |
| P/E (x)            | -      | 79.2   | 28.1   | 19.77  |
| EV/EBITDA (x)      | 24.3   | 17.7   | 12.5   | 4.5    |
| RoCE (%)           | (0.3)  | 4.3    | 6.6    | 8.3    |
| RoE (%)            | (0.4)  | 2.4    | 6.1    | 7.6    |

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### Market Data

|                     |              |
|---------------------|--------------|
| Market Cap (INR)    | 140bn        |
| Market Cap (USD)    | 1,677mn      |
| Bloomberg Code      | PVRINOX IN   |
| Reuters Code        | PVRL.BO      |
| 52-week Range (INR) | 1,880 /1,204 |
| Free Float (%)      | 72.0         |
| ADTV-3M (mn) (USD)  | 11.0         |

| Price Performance (%) | 3m    | 6m     | 12m    |
|-----------------------|-------|--------|--------|
| Absolute              | (0.3) | (6.1)  | (4.9)  |
| Relative to Sensex    | (9.6) | (18.8) | (25.7) |

### Previous Reports

21-07-2024: [Q1FY25 results review](#)

15-05-2024: [Q4FY24 results review](#)

PVR is running a pilot for 'ad free' movies in 8 premium theatres. While management noted that there is initial positivity surrounding the initiative, they believe that it will take a couple of quarters to assess its feasibility

### Monetisation of non-core assets

Management stated that are in advanced negotiations to monetise two of their non-core assets with likely inflow of ~INR 3bn to INR 3.5bn over the next 3-4 months. The proceeds from these sales will be used to deleverage the balance sheet.

### Other points

- Management has reported that rerun of old movies has attracted an audience of ~1.3mn. The company is committed to consistently re-release classic films and has a dedicated team to curate and release these films based on regional preference.
- Management has clarified regarding the Karnataka cess tax, that is not a definitive order. The company is in communication with the relevant ministry and remains optimistic about a positive resolution.
- The company has passed on inflation through a 4% hike in ticket prices. However, ATP has not moved in tandem due to the absence of blockbuster films (poor content mix). The company anticipates an ATP growth in upcoming quarters, as momentum has picked up after the release of 'Kalki'.

### Valuation

We maintain our target price of INR 2,000 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: Shareholding pattern

| %                       | Dec'23 | Mar'24 | Jun'24 |
|-------------------------|--------|--------|--------|
| Promoters               | 27.8   | 27.8   | 27.8   |
| Institutional investors | 61.1   | 57.0   | 56.5   |
| MFs and others          | 33.9   | 35.2   | 34.0   |
| FIs/Banks               | 0.5    | 0.5    | 0.0    |
| Insurance               | 4.3    | 4.2    | 4.0    |
| FIIIs                   | 22.4   | 17.6   | 18.5   |
| Others                  | 11.1   | 15.2   | 15.7   |

Source: Bloomberg

#### Exhibit 2: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 3: Profit & Loss

(INR mn, year ending March)

|  | FY24A         | FY25E         | FY26E         | FY27E         |
|--|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>                       | <b>61,071</b> | <b>70,529</b> | <b>80,867</b> | <b>91,775</b> |
| Operating Expenses                     | 23,863        | 26,768        | 29,249        | 32,174        |
| <b>EBITDA</b>                          | <b>18,101</b> | <b>21,510</b> | <b>26,092</b> | <b>30,676</b> |
| EBITDA Margin (%)                      | 29.6          | 30.5          | 32.3          | 0.3           |
| Depreciation & Amortization            | 12,193        | 10,756        | 11,996        | 13,267        |
| EBIT                                   | 5,908         | 10,754        | 14,096        | 17,408        |
| Interest expenditure                   | 7,913         | 10,129        | 9,345         | 10,039        |
| Other Non-operating Income             | 1,566         | 1,723         | 1,895         | 2,084         |
| <b>Recurring PBT</b>                   | <b>(439)</b>  | <b>2,348</b>  | <b>6,646</b>  | <b>9,453</b>  |
| <b>Profit / (Loss) from Associates</b> | -             | -             | -             | -             |
| Less: Taxes                            | (112)         | 592           | 1,675         | 2,382         |
| PAT                                    | (327)         | 1,756         | 4,971         | 7,071         |
| Less: Minority Interest                | 7             | 13            | 13            | 13            |
| Extraordinaries (Net)                  | -             | -             | -             | -             |
| <b>Net Income (Reported)</b>           | <b>(327)</b>  | <b>1,756</b>  | <b>4,971</b>  | <b>7,071</b>  |
| <b>Net Income (Adjusted)</b>           | <b>(320)</b>  | <b>1,769</b>  | <b>4,984</b>  | <b>7,084</b>  |

Source Company data, I-Sec research

### Exhibit 4: Balance sheet

(INR mn, year ending March)

|  | FY24A           | FY25E           | FY26E           | FY27E           |
|--|-----------------|-----------------|-----------------|-----------------|
| Total Current Assets                   | 9,778           | 10,444          | 16,237          | 25,382          |
| of which cash & cash eqv.              | 4,038           | 3,815           | 8,636           | 16,757          |
| Total Current Liabilities & Provisions | 11,007          | 12,727          | 14,606          | 16,590          |
| <b>Net Current Assets</b>              | <b>(1,229)</b>  | <b>(2,283)</b>  | <b>1,630</b>    | <b>8,793</b>    |
| Investments                            | 161             | 161             | 161             | 161             |
| Net Fixed Assets                       | 31,056          | 34,351          | 37,945          | 41,870          |
| ROU Assets                             | 54,917          | 54,917          | 54,917          | 54,917          |
| Capital Work-in-Progress               | 2,464           | 2,464           | 2,464           | 2,464           |
| Total Intangible Assets                | 58,808          | 58,808          | 58,808          | 58,808          |
| Other assets                           | 1,806           | 2,086           | 2,391           | 2,714           |
| Deferred Tax Assets                    | 4,908           | 4,908           | 4,908           | 4,908           |
| <b>Total Assets</b>                    | <b>1,57,197</b> | <b>1,60,385</b> | <b>1,68,927</b> | <b>1,81,106</b> |
| <b>Liabilities</b>                     |                 |                 |                 |                 |
| <b>Borrowings</b>                      | <b>17,177</b>   | <b>16,177</b>   | <b>15,177</b>   | <b>14,177</b>   |
| <b>Deferred Tax Liability</b>          | <b>123</b>      | <b>123</b>      | <b>123</b>      | <b>123</b>      |
| provisions                             | 141             | 148             | 155             | 163             |
| other Liabilities                      | 666             | 769             | 882             | 1,001           |
| Equity Share Capital                   | 981             | 980             | 980             | 980             |
| Reserves & Surplus                     | 72,251          | 76,330          | 85,752          | 98,804          |
| <b>Total Net Worth</b>                 | <b>73,232</b>   | <b>77,310</b>   | <b>86,731</b>   | <b>99,784</b>   |
| Minority Interest                      | -               | -               | -               | -               |
| <b>Total Liabilities</b>               | <b>1,57,197</b> | <b>1,60,385</b> | <b>1,68,927</b> | <b>1,81,106</b> |

Source Company data, I-Sec research

### Exhibit 5: Quarterly trend

(INR mn, year ending March)

|                     | Sep-23 | Dec-23 | Mar-24 | Jun-24 |
|---------------------|--------|--------|--------|--------|
| Net Sales           | 19,999 | 15,459 | 12,564 | 11,907 |
| % growth (YOY)      | 191    | 64     | 10     | (9)    |
| EBITDA              | 7,068  | 4,724  | 2,784  | 2,515  |
| Margin %            | 35.3   | 30.6   | 22.2   | 21.1   |
| Other Income        | 238    | 588    | 491    | 287    |
| Extraordinaries     | -      | -      | -      | -      |
| Adjusted Net Profit | 1,663  | 128    | (1297) | (1790) |

Source Company data, I-Sec research

### Exhibit 6: Cashflow statement

(INR mn, year ending March)

|  | FY24A         | FY25E          | FY26E         | FY27E         |
|--|---------------|----------------|---------------|---------------|
| <b>Operating Cashflow</b>              | <b>19,790</b> | <b>20,925</b>  | <b>24,424</b> | <b>28,300</b> |
| Working Capital Changes                | 890           | (6)            | (6)           | (7)           |
| Capital Commitments                    | (6,269)       | (6,978)        | (7,676)       | (8,444)       |
| <b>Free Cashflow</b>                   | <b>26,059</b> | <b>27,904</b>  | <b>32,100</b> | <b>36,744</b> |
| <b>Other investing cashflow</b>        | <b>3</b>      | <b>1,723</b>   | <b>1,895</b>  | <b>2,084</b>  |
| Cashflow from Investing Activities     | (6,266)       | (5,256)        | (5,781)       | (6,360)       |
| Issue of Share Capital                 | 188           | -              | -             | -             |
| Interest Cost                          | (1,792)       | (3,194)        | (1,724)       | (1,614)       |
| Inc (Dec) in Borrowings                | -             | -              | -             | -             |
| Dividend paid                          | -             | -              | -             | (1,417)       |
| Others                                 | (11,321)      | (1,000)        | (1,000)       | (1,000)       |
| Cash flow from Financing Activities    | (12,925)      | (17,291)       | (17,379)      | (20,233)      |
| <b>Chg. in Cash &amp; Bank balance</b> | <b>599</b>    | <b>(1,622)</b> | <b>1,263</b>  | <b>1,707</b>  |
| Closing cash & balance                 | 3,918         | 2,296          | 3,559         | 5,267         |

Source Company data, I-Sec research

### Exhibit 7: Key ratios

(Year ending March)

|                             | FY24A | FY25E   | FY26E | FY27E   |
|-----------------------------|-------|---------|-------|---------|
| <b>Per Share Data (INR)</b> |       |         |       |         |
| Reported EPS                | (3.3) | 18.1    | 50.9  | 72.3    |
| Adjusted EPS (Diluted)      | (3.3) | 18.1    | 50.9  | 72.3    |
| Cash EPS                    | 121.0 | 127.8   | 173.3 | 207.7   |
| Dividend per share (DPS)    | -     | -       | -     | -       |
| Book Value per share (BV)   | 746.5 | 789.1   | 885.3 | 1,018.5 |
| Dividend Payout (%)         | -     | -       | -     | -       |
| <b>Growth (%)</b>           |       |         |       |         |
| Net Sales                   | 62.8  | 15.5    | 14.7  | 13      |
| EBITDA                      | 72.8  | 18.8    | 21.3  | 18      |
| EPS (INR)                   | -     | (653.7) | 181.7 | 42      |
| <b>Valuation Ratios (x)</b> |       |         |       |         |
| P/E                         | -     | 79.2    | 28.1  | 19.77   |
| P/CEPS                      | 11.8  | 11.2    | 8.2   | 6.9     |
| P/BV                        | 1.9   | 1.8     | 1.6   | 1.4     |
| EV / EBITDA                 | 24.3  | 17.7    | 12.5  | 4.5     |
| P / Sales                   | 2.3   | 2.0     | 1.7   | 1.5     |
| Dividend Yield (%)          | -     | -       | -     | 0.0     |
| <b>Operating Ratios</b>     |       |         |       |         |
| Gross Profit Margins (%)    | 68.7  | 68.5    | 68.4  | 68.5    |
| EBITDA Margins (%)          | 29.6  | 30.5    | 32.3  | 33.4    |
| Effective Tax Rate (%)      | 25.5  | 25.2    | 25.2  | 25.2    |
| Net Profit Margins (%)      | (0.5) | 2.5     | 6.1   | 7.7     |
| NWC / Total Assets (%)      | -     | -       | -     | -       |
| Net Debt / Equity (x)       | 5.3   | 5.8     | 6.7   | 8.0     |
| Net Debt / EBITDA (x)       | 7.4   | 8.7     | 8.5   | 8.6     |
| <b>Profitability Ratios</b> |       |         |       |         |
| RoCE (%)                    | (0.3) | 4.3     | 6.6   | 8.3     |
| RoE (%)                     | (0.4) | 2.4     | 6.1   | 7.6     |
| RoC (%)                     | (0.2) | 3.4     | 5.3   | 7.1     |
| Fixed Asset Turnover (x)    | 1.9   | 2.0     | 2.1   | 2.2     |
| Inventory Turnover Days     | 17    | 15      | 15    | 15      |
| Receivables Days            | 30    | 21      | 42    | 71      |
| Payables Days               | 30    | 26      | 26    | 26      |

Source Company data, I-Sec research

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