

PVR INOX Ltd

Addressing the investors' concerns

During our interaction with investors, key concerns raised were primarily around the probability of occupancy revival, threat of OTTs, potential of re-releases and outlook. In this report, we put forth points which makes us believe occupancy rates are on the cusp of recovery and footfalls should sustain in future. We remain positive on the movie exhibition industry and maintain BUY on PVRINOX with TP of Rs1,980.

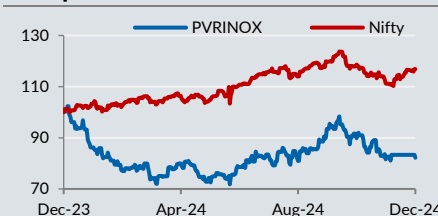
- Occupancy revival: What are the odds?** – Movie theatres witnessed a disengagement with audience in FY21-22 due to restrictions imposed on account of pandemic, further exacerbated by the rise of OTTs. We believe audience engagement is a factor of Motivation, Ability and Triggers. Motivation, being a factor of content, should improve as content pipeline is improving. Producers are adapting to changing consumer preferences and higher threshold for good quality content. This will be further supported by shift of new content from OTTs to cinema halls. Additionally, Hollywood, which was absent last year due to workforce strikes, is expected to make a strong comeback in CY25. PVRINOX has est market share of ~55% in Hollywood movies in India. On the Ability front, company has been enabling consumers to watch movies at affordable prices through PVR INOX passport program, Cinema lovers' day etc. This can help to keep broad spectrum of movie goers engaged with PVR franchise. For triggers, company is leveraging its large data base of consumers to notify them about upcoming movies and offers.
- What is the potential of Re-releases?** – PVRINOX curated shows is yielding good results with ~6-8% contribution to total footfalls, which directly provides ~200bps cushion to occupancy levels. Though ticket prices (ATP) of re-released movies are est ~30% lower compared to new releases, F&B spends generally remain healthy, ensuring better realizations for the company, especially in the periods of dry content pipeline. It also helps in re-developing the habit of experiencing movies on a large screen and keep audiences engaged with theatres.
- Where does the OTT stand?** – Investments behind new content for OTT platforms have been on the decline, especially with unclear path to profitability. This is evident by the number of direct to digital releases, which halved from 105 in 2022 to 57 in 2023. We believe role of OTTs will remain limited to day-to-day consumption of content, which can pose a threat to TV broadcasters. While new movies, will largely remain experience reserved for the cinema halls, in our view.
- Near-term outlook is also positive:** 3Q saw multiple blockbusters such as Singham Again, Bhool Bhualiya 3 and Pushpa 2. Further, Mufasa: The Lion King, Vanvaas and Baby John are key movies yet to be released in December. Q4FY25 also has a strong line-up including Fateh, Emergency, Azaad, Chhava, Captain America, Sky Force etc. Pushpa 2 has reached Rs10.5bn Domestic GBOC with Hindi version surpassing Rs5bn. Hindi accounts for ~60% of total collection for PVRINOX. Thus, it should benefit from strong show of Pushpa 2 on the box office.
- Risk Reward looks favorable:** PVRINOX is trading at a FY27E EV/EBITDA (Pre-IndAS) multiple of 8.5x, which is much lower compared to other discretionary names. Occupancy levels are unlikely to fall below current levels of 24-25%, especially with good content line-up and multiple initiatives at the company level. Given a high fixed cost model of a movie exhibition business, even a gradual increase in occupancy will also result in sharp accretion to earnings.
- Outlook and Valuation:** Over FY24-27E, we expect modest +120bps expansion in occupancy and estimate revenue/EBITDA CAGR of +9%/19%. We value PVR INOX at FY27E EV/EBITDA (Pre-IndAS) of 14x and arrive at TP of Rs1,980. Retain BUY.

Reco	: BUY
CMP	: Rs 1,455
Target Price	: Rs 1,980
Potential Return	: +36.1%

Stock data (as on Dec 15, 2024)

Nifty	24,768
52 Week h/l (Rs)	1830 / 1204
Market cap (Rs/USD mn)	142891 / 1685
Outstanding Shares (mn)	98
6m Avg t/o (Rs mn):	756
Div yield (%):	-
Bloomberg code:	PVRINOX IN
NSE code:	PVRINOX

Stock performance



	1M	3M	1Y
Absolute return	-0.4%	-12.1%	-18.1%

Shareholding pattern (As of Sep'24 end)

Promoter	27.5%
FII+DII	60.5%
Others	12.0%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	63,480	71,381	78,389
YoY Growth	3.9%	12.4%	9.8%
EBIDTA (pre-IndAS)	8,503	11,376	13,322
EBITDA (%)	13.4%	15.9%	17.0%
PAT	-806	3,439	6,176
ROE	-1.1	4.6	7.8
EPS	-8.2	35.1	63.0
P/E	-	41.5	23.1
BV	738.3	773.3	836.3
EV/EBITDA (Pre-IndAS)	17.2	11.5	8.4

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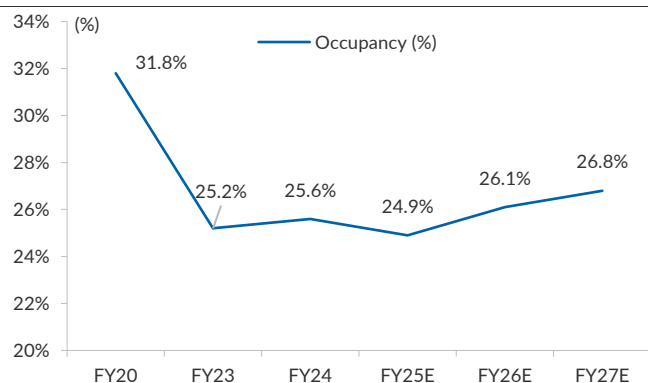
Exhibit 1: Content pipeline looks robust; Hollywood expected to stage a comeback

Movie	Date	Month	Language	Genre
Vanvaas	20-Dec-24	Dec-24	Hindi	Drama
Mufasa: The Lion King	20-Dec-24	Dec-24	English	Animation
Baby John	25-Dec-24	Dec-24	Hindi	Action
Sonic The Hedgehog 3	3-Jan-25	Jan-25	English	Animation
Nosferatu	3-Jan-25	Jan-25	English	Horror
Ekkis	10-Jan-25	Jan-25	Hindi	Drama
Fateh	10-Jan-25	Jan-25	Hindi	Drama
Den of Thieves 2	10-Jan-25	Jan-25	English	Action
Companion	10-Jan-25	Jan-25	English	Drama
Wolf Man	17-Jan-25	Jan-25	English	Horror
Emergency	17-Jan-25	Jan-25	Hindi	Historical
Azaad	17-Jan-25	Jan-25	Hindi	Action
Paddington in Peru	17-Jan-25	Jan-25	English	Animation
Presence	24-Jan-25	Jan-25	English	Horror
Flight Risk	24-Jan-25	Jan-25	English	Thriller
Sky Force	24-Jan-25	Jan-25	Hindi	Drama
Mickey 17	31-Jan-25	Jan-25	English	Adventure
Deva	31-Jan-25	Jan-25	Hindi	Drama
Dog Man	31-Jan-25	Jan-25	English	Animation
Bridget Jones: mad about the boy	14-Feb-25	Feb-25	English	Comedy
Chhaava	14-Feb-25	Feb-25	hindi	Drama
Captain America: Brave new world	14-Feb-25	Feb-25	English	Action
Love Hurts	14-Feb-25	Feb-25	English	Action
The Brutalist	28-Feb-25	Feb-25	English	Drama
The day earth blew	28-Feb-25	Feb-25	English	Animation
Sinners	7-Mar-25	Mar-25	English	Horror
Black bag	14-Mar-25	Mar-25	English	Thriller
Shankara	14-Mar-25	Mar-25	Hindi	Biography
Novocaine	14-Mar-25	Mar-25	English	Action
Snow white	21-Mar-25	Mar-25	English	Adventure
Alto knights	21-Mar-25	Mar-25	English	Biography
The woman in the yard	28-Mar-25	Mar-25	English	Horror
Sikandar	28-Mar-25	Mar-25	Hindi	Action
Greenland migration	28-Mar-25	Mar-25	English	Action
A Minecraft movie	4-Apr-25	Apr-25	English, Hindi	Animation
Drop	11-Apr-25	Apr-25	English	Thriller
Raid 2	1-May-25	May-25	Hindi	Thriller

De de pyaar de 2	1-May-25	May-25	Hindi	Romance
Thunderbolts	2-May-25	May-25	English	Action
Flowerwale street	16-May-25	May-25	English	Mystery
Karate kid	30-May-25	May-25	English, Hindi	Action
Ballerina	6-Jun-25	Jun-25	English	Action
Housefull 5	6-Jun-25	Jun-25	Hindi	Drama
How to train your dragon	13-Jun-25	Jun-25	English	Action
F1	27-Jun-25	Jun-25	English	Sports
The Black phone 2	27-Jun-25	Jun-25	English	Horror
Jurassic world rebirth	4-Jul-25	Jul-25	English	Action
superman legacy	11-Jul-25	Jul-25	English	Action
The bad guys 2	1-Aug-25	Aug-25	English	Animation
War 2	14-Aug-25	Aug-25	Hindi	Action
Nobody 2	22-Aug-25	Aug-25	English	Action
The conjuring: last rites	5-Sep-25	Sep-25	English	Horror
Baaghi 4	5-Sep-25	Sep-25	Hindi	Action
Downtown Abbey 3	12-Sep-25	Sep-25	English	Drama
HIM	19-Sep-25	Sep-25	English	Horror
The bride	26-Sep-25	Sep-25	English	Drama
Gabbys dollhouse: the movie	17-Oct-25	Oct-25	English	Animation
Mortal Kombat 2	24-Oct-24	Oct-25	English	Action
Bugonia	14-Nov-25	Nov-25	English	Comedy
Wicked Part 2	21-Nov-25	Nov-25	English	Drama
Five nights at Freddy's 2	5-Dec-25	Dec-25	English	Horror
Alpha	25-Dec-25	Dec-25	Hindi	Action

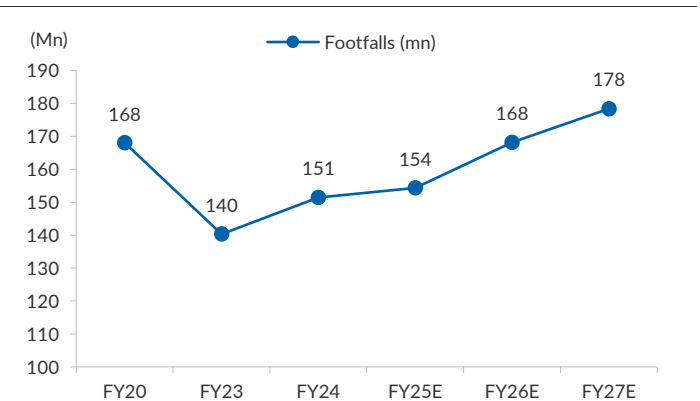
Source: Company, YES Sec

Exhibit 2: We expect +120bps expansion in Occupancy rates over FY24-27E



Source: Company, YES Sec

Exhibit 3: Footfalls expected to surpass FY20 levels by FY27E and reach ~178mn for PVR INOX



Source: Company, YES Sec

FINANCIALS

Exhibit 4: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Capital	980	981	981	981	981
Reserves and surplus	72,312	72,251	71,445	74,884	81,060
Net Worth	73,292	73,232	72,426	75,865	82,041
Total borrowings	17,926	17,177	14,477	8,977	2,477
Trade Payables	5,143	6,511	7,671	8,643	9,441
Other liabilities	68,403	71,284	73,882	79,662	86,951
Total liabilities	91,473	94,972	96,031	97,282	98,868
Gross Assets	44,066	57,884	62,584	66,884	70,884
Accumulated depreciation	14,635	26,828	40,141	54,034	68,749
Fixed Assets	29,431	31,056	22,443	12,849	2,135
Investments	2	161	161	161	161
Inventories	664	725	754	847	931
Trade Receivables	1,825	2,346	2,439	2,742	3,011
Cash & other bank balances	3,616	4,038	10,568	20,913	33,080
Other assets	129,226	129,878	132,093	135,635	141,592
Total Assets	164,764	168,204	168,457	173,147	180,909

Source: YES Sec

Exhibit 5: Profit & Loss

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	52,239	61,071	63,480	71,381	78,389
Other Income	992	1,566	1,413	3,215	4,187
Total Income	53,231	62,637	64,894	74,595	82,576
Total Expenditure	37,107	42,970	44,440	48,155	52,055
Direct Expenses	16,053	19,107	18,667	21,031	22,972
Employee expenses	5,313	6,573	6,729	7,138	7,525
Other expenses	15,741	17,290	19,044	19,987	21,557
EBIDTA (Excl. OI)	15,133	18,101	19,041	23,226	26,334
EBIDTA (Incl. OI)	16,124	19,667	20,454	26,440	30,521
EBITDA (Pre-IndAS)	6,008	7,939	8,503	11,376	13,322
EBITDA Margin (pre IndAS, %)	11.5%	13.0%	13.4%	15.9%	17.0%
Depreciation	9,848	12,193	13,313	13,894	14,714
EBIT	6,277	7,474	7,141	12,547	15,807
Interest	7,743	7,913	8,160	7,962	7,572
EBDT	8,382	11,754	12,294	18,479	22,949
PBT & EO Items	-1,466	-439	-1,020	4,585	8,234
Extra Ordinary Exps/(Inc.)	-352	-	-	-	-
Profit Before Tax	-1,818	-439	-1,020	4,585	8,234
Tax	1,783	-112	-214	1,146	2,059
Net Profit	-3,601	-327	-806	3,439	6,176
Share in profit of joint venture	-	-	-	-	-
Net Profit (Reported)	-3,601	-327	-806	3,439	6,176

Source: YES Sec

Exhibit 6: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	-2,090	-439	-1,020	4,585	8,234
Depreciation & w.o.	2,763	4,272	13,313	13,894	14,714
Net Interest Exp	5,315	7,528	6,747	4,747	3,386
Direct taxes paid	1	326	214	-1,146	-2,059
Change in Working Capital	-1,969	890	1,039	574	446
Non-Cash	4,619	7,213	-	-	-
(A) Cash Flow from Operating Activities	8,639	19,790	20,294	22,653	24,721
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	-6,360	-6,344	-4,700	-4,300	-4,000
Free Cash Flow	2,280	13,446	15,594	18,353	20,721
(Inc.)/ Dec. in Investments	601	78	1,568	5,050	4,888
(B) Cash Flow from Investing Activities	-5,759	-6,266	-3,132	750	888
Issue of Equity/ Preference	305	188	-	-	-
Inc./(Dec.) in Debt	11,236	14,045	-	-	-
Interest exp net	-1,442	-1,792	-8,160	-7,962	-7,572
Dividend Paid (Incl. Tax)	-	-	-	-	-
Other	-17,034	-25,366	-2,471	-5,097	-5,869
(C) Cash Flow from Financing	-6,935	-12,925	-10,632	-13,059	-13,442

Source: YES Sec

Exhibit 7: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Ebit Margin (%)	10	10	9	13	15
Asset Turnover (x)	0.38	0.37	0.38	0.42	0.44
Financial Leverage (x)	3.0	2.3	2.3	2.3	2.2
Interest burden (x)	-0.3	-0.1	-0.2	0.5	0.7
Tax Burden (x)	2.0	0.7	0.8	0.8	0.8
RoE (%)	-7.7	-0.45	-1.11	4.64	7.82

Source: YES Sec

Exhibit 8: Ratio Analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	159.3%	16.9%	3.9%	12.4%	9.8%
Op profit growth	4,562	20	5	22	13
EBIT growth	-	19	-4	76	26
Net profit growth	-	-	-	-	80
Profitability ratios (%)					
OPM (Pre-IndAS)	11.5%	13.0%	13.4%	15.9%	17.0%
EBIT margin	10.1%	9.7%	9.0%	13.1%	14.8%
Net profit margin	-6.2%	-0.5%	-1.3%	4.8%	7.9%
RoCE	4.4	4.1	4.0	6.4	7.6
RoNW	-7.7	-0.4	-1.1	4.6	7.8
RoA	-2.6	-0.2	-0.5	2.0	3.5
Per share ratios					
EPS	-36.7	-3.3	-8.2	35.1	63.0
Dividend per share	-	-	-	-	-
Cash EPS	88.1	201.7	206.9	230.9	252.0
Book value per share	747.1	746.5	738.3	773.3	836.3
Valuation ratios					
P/E	-	-	-	41.2	23.0
P/CEPS	16.5	7.2	7.0	6.3	5.8
P/B	1.9	1.9	2.0	1.9	1.7
EV/EBIDTA (Pre-IndAS)	26.1	19.6	17.2	11.5	8.4
Payout (%)					
Dividend payout	-	-	-	-	-
Tax payout	-	25.5%	21.0%	25.0%	25.0%
Liquidity ratios					
Debtor days	13	14	14	14	14
Inventory days	5	4	4	4	4
Creditor days	117	124	150	150	150

Source: YES Sec

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BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

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REDUCE: Downside between 0% to -10% over 12 months

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Analyst signature

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