

December 04, 2024

COMPANY UPDATE | Sector: Media & Entertainment

PVR INOX Ltd

Pushpa 2: 'Wildfire' expected!

Much awaited Pushpa 2 is set to release on 5th Dec and has created a strong buzz on the box office with staggering advance booking collections of INR1bn+ globally. More than 1mn tickets have been booked in advance. Further, states of Telangana and Andhra Pradesh have relaxed pricing caps for 2-3 weeks post release, which is a move in positive direction for the industry. This bolsters our bullish view on PVR INOX. We remain optimistic on revival in occupancy rates and premiumization play in movie exhibition business. Maintain BUY with TP of Rs1,980.

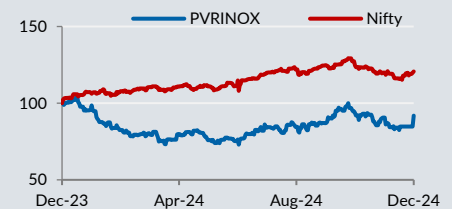
- Robust Advance collections to uplift sentiments:** Domestic advance booking collections (including blocks) for Pushpa 2 have surpassed INR 917mn, making it one of the highest day 1 advance booking of all time at the Indian box office. Telangana and Andhra Pradesh were the key drivers with ~40% contribution followed by Maharashtra and Karnataka. As per industry reports, movie is expected to garner Rs1.6-1.7bn on day 1 followed by a blockbuster weekend with collection of Rs2bn+. Total collections are expected to surpass Rs8-10bn, making it one of the highest grossing movies in India. Internationally, movie has garnered advance booking of ~USD3mn and is expected to record collections of ~Rs750-850mn on Day 1. Such strong response is likely to aid in revival of Indian movie exhibition industry and attract audience to cinema halls.
- Relaxation of price caps – A move in a right direction:** State governments of Andhra Pradesh and Telangana have approved the staggered ticket price hike for Pushpa-2, for a duration of 2-3 weeks post release. In Telangana, for multiplexes, ticket prices will increase by Rs200 from Dec 6 to 8, Rs150 from Dec 9 to 16, and Rs50 from Dec 17 to 23. While Andhra Pradesh has allowed price of Rs200 over existing rates for Multiplexes, for 13 days post release. This indicates significant price hike of est. 75-80% over existing rates. We believe this move bodes well for the growth of Indian movie industry and paves the way for premiumization of movie experience, especially in Southern markets. PVR INOX has ~160 screens (~9% of total) in Telangana and Andhra Pradesh combined and a dominant presence in Maharashtra and Karnataka, which have witnessed strong advance bookings. Thus, PVR INOX should strongly benefit from Pushpa-2
- Strong content pipeline to ensure healthy occupancy:** Content pipeline for next 12 months looks robust, both for Bollywood and Hollywood, with movies such as Lord of the rings, Zero se restart, Mufasa: The Lion King, Baby John slated to be released in December itself. Year 2025 also has a strong line-up including Fateh, Emergency, Azaad, Chhava, Captain America and much more. Such line-up shows that producers are aligning the content in-line with the consumers' expectations. Thus, occupancy levels should gradually inch-up in medium term.
- Multiple superhits in recent times bolster our view:** Q3FY25 has seen a strong collection for movies such as Singham returns (Rs3bn) and Bhool Bhulaiyya (Rs2.5bn+). Further, In FY25, Stree-2 witnessed highest ever gross BO collection of Rs7.1bn for a Hindi movie. Thus, consumers are willing to pay for good quality content, especially content which provides holistic theatrical experience.
- Outlook and Valuation:** Slew of blockbusters and strong content pipeline for December should result in a strong Q3 for PVR INOX. Over FY24-27E, we expect modest +120bps expansion in occupancy and estimate revenue/EBITDA CAGR of 9%/19%. We expect sharp increase in RPAT and expect it to reach Rs6.2bn by FY27E. Likely success of Pushpa-2 bolsters our view of revival in footfalls, and we believe worst is behind for the movie exhibition industry. 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 1,598 |
| Target Price | : Rs 1,980 |
| Potential Return | : +23.9% |

Stock data (as on Dec 4, 2024)

| | |
|-------------------------|---------------|
| Nifty | 24,467 |
| 52 Week h/l (Rs) | 1830 / 1204 |
| Market cap (Rs/USD mn) | 156942 / 1853 |
| Outstanding Shares (mn) | 98 |
| 6m Avg t/o (Rs mn): | 791 |
| Div yield (%): | - |
| Bloomberg code: | PVRINOX IN |
| NSE code: | PVRINOX |

Stock performance



| | 1M | 3M | 1Y |
|-----------------|------|------|-------|
| Absolute return | 6.7% | 4.6% | -8.7% |

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 | 176.0 | 41.2 | 23.0 |
| BV | 738.3 | 773.3 | 836.3 |
| EV/EBITDA | 17.1 | 11.4 | 8.3 |

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CHARTS

Exhibit 1: Pushpa The Rule: Part 2 – Strong Gross Advance Bookings

| Language | Format | Gross Collections (INR Mn) | Tickets Sold | ATP (INR) | Shows (nos) |
|------------------|---------|----------------------------|------------------|-----------|---------------|
| Telugu | 2D | 403.50 | 1,284,609 | 313 | 8,082 |
| Hindi | 2D | 304.21 | 1,075,655 | 276 | 18,016 |
| Tamil | 2D | 24.85 | 152,942 | 163 | 2,283 |
| Telugu | IMAX 2D | 4.55 | 6,258 | 720 | 68 |
| Hindi | IMAX 2D | 5.53 | 8,134 | 699 | 86 |
| Kannada | 2D | 2.02 | 8,260 | 241 | 253 |
| Malayalam | 2D | 21.37 | 130,841 | 151 | 1,678 |
| Telugu | 4DX | 1.03 | 1,430 | 897 | 54 |
| Hindi | 4DX | 2.44 | 3,623 | 706 | 84 |
| All India | - | 769.50 | 2,671,752 | - | 30,604 |

Source: Industry Reports, YES Sec

Exhibit 2: Pushpa 2 – State-wise collection data: Strong traction in non-south states bodes well for PVR INOX

| State | Gross Collections (INR Mn) | With Block Seats (INR Mn) | Real Occupancy | Shows | Almost Full |
|----------------|----------------------------|---------------------------|----------------|-------|-------------|
| Telangana | 166.5 | 207.2 | 59% | 2300 | 1267 |
| Andhra Pradesh | 148.6 | 191.1 | 48% | 3200 | 1396 |
| Karnataka | 79.7 | 96.4 | 30% | 2176 | 537 |
| Maharashtra | 82.1 | 89.4 | 31% | 3952 | 1112 |
| Tamil Nadu | 33.3 | 47.9 | 22% | 2408 | 418 |
| Delhi | 39.5 | 41.7 | 27% | 1954 | 293 |
| Gujarat | 35.6 | 39.4 | 19% | 3700 | 584 |
| Kerala | 23.7 | 31.8 | 26% | 1979 | 349 |
| Uttar Pradesh | 26.2 | 29.1 | 36% | 1445 | 465 |
| West Bengal | 21.6 | 23.5 | 38% | 1052 | 377 |
| Rajasthan | 17.4 | 19.2 | 30% | 851 | 263 |
| Odisha | 17.8 | 18.4 | 64% | 557 | 363 |
| Tripura | 0.1 | 0.2 | 27% | 15 | 6 |
| Madhya Pradesh | 13.2 | 14.9 | 23% | 1182 | 277 |
| Bihar | 9.1 | 9.4 | 50% | 433 | 228 |
| Chhattisgarh | 8.9 | 9.4 | 40% | 503 | 266 |
| Assam | 8.8 | 8.9 | 60% | 334 | 214 |
| Punjab | 7.6 | 8.6 | 14% | 1119 | 121 |
| Jharkhand | 6.3 | 6.4 | 51% | 261 | 142 |
| Haryana | 3.4 | 4.3 | 16% | 434 | 49 |
| Uttarakhand | 3.4 | 3.8 | 25% | 323 | 51 |
| Goa | 1.9 | 1.9 | 35% | 100 | 31 |

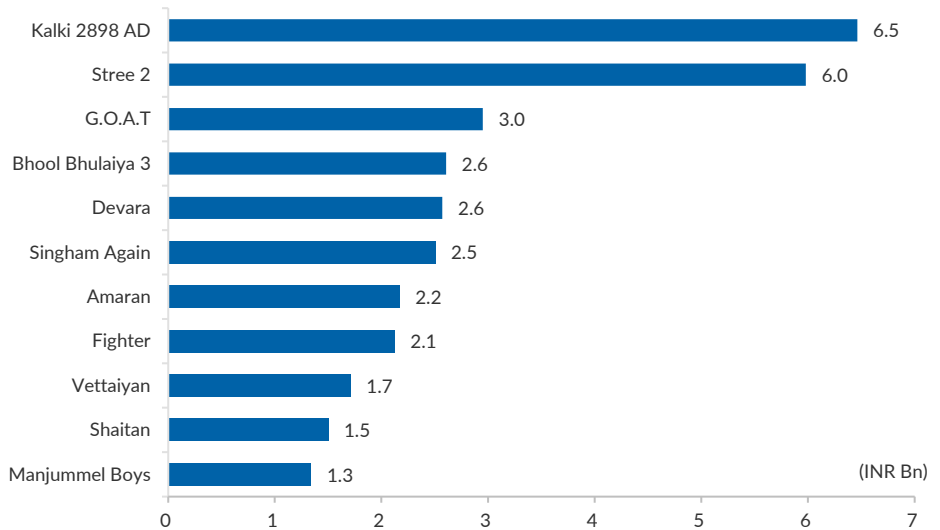
Source: Industry Reports, YES Sec

Exhibit 3: Relaxation of Price caps in Telangana and Andhra Pradesh bodes well for the industry

| State | Existing Ticket Prices (INR) | | New Ticket Prices (INR) | |
|----------------|------------------------------|---------|---|---|
| | Regular | Premium | Regular | Premium |
| Telangana | 295 | 350 | Dec 6-8: 495 Dec 9-16: 445 Dec 17-23: 345 | Dec 6-8: 550 Dec 9-16: 500 Dec 17-23: 400 |
| Andhra Pradesh | 177 | 295 | 377 | 595 |
| Tamil Nadu | 150 (excl. GST) | | - | - |
| Karnataka | 200 | | - | - |

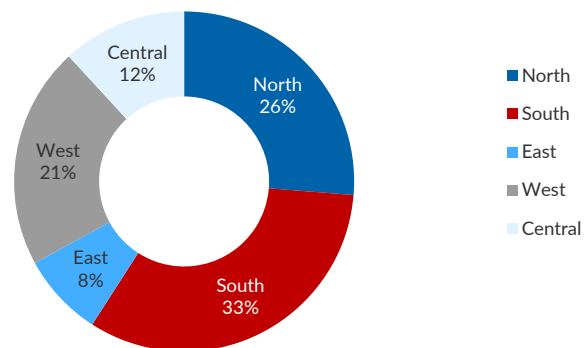
Source: Industry Reports, YES Sec

Exhibit 4: Multiple Blockbusters in CY24 shows consumers' willingness to spend on good quality content



Source: Industry Reports, YES Sec

Exhibit 5: Region wise Screen Break-up



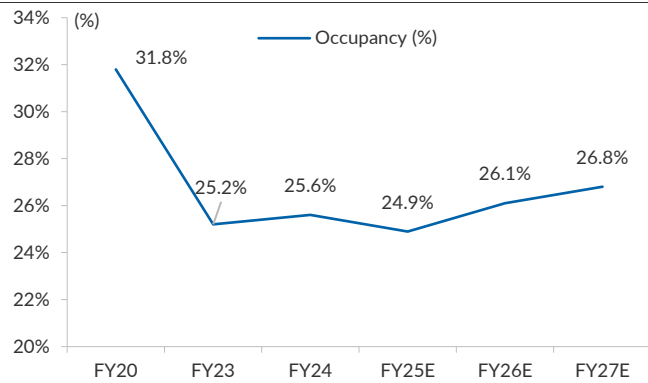
Source: Company, YES Sec

Exhibit 6: State-wise Screen Break-up

| State | Region | Cinemas | Screens |
|----------------|---------|------------|-------------|
| J&K | North | 2 | 5 |
| Uttarakhand | North | 2 | 10 |
| Punjab | North | 17 | 90 |
| Chandigarh | North | 3 | 15 |
| Haryana | North | 21 | 93 |
| Uttar Pradesh | North | 27 | 138 |
| Delhi | North | 27 | 108 |
| Jharkhand | East | 4 | 15 |
| Rajasthan | West | 21 | 82 |
| Gujarat | Central | 28 | 134 |
| Bihar | East | 2 | 7 |
| Assam | East | 4 | 14 |
| Madhya Pradesh | Central | 8 | 48 |
| West Bengal | East | 19 | 74 |
| Maharashtra | West | 54 | 273 |
| Chhattisgarh | Central | 6 | 25 |
| Goa | West | 4 | 14 |
| Odisha | East | 7 | 29 |
| Karnataka | South | 36 | 215 |
| Telangana | South | 19 | 106 |
| Andhra Pradesh | South | 13 | 52 |
| Kerala | South | 6 | 42 |
| Puducherry | South | 1 | 5 |
| Colombo | South | 1 | 9 |
| Tamil Nadu | South | 24 | 144 |
| Total | | 356 | 1747 |

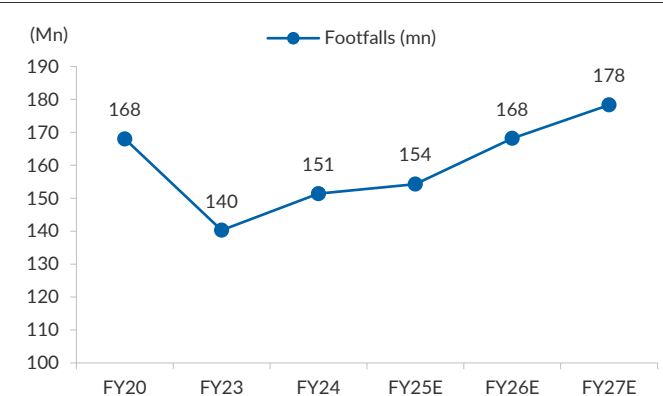
Source: Company, YES Sec

Exhibit 7: We expect +120bps expansion in Occupancy rates over FY24-27E



Source: Company, YES Sec

Exhibit 8: Footfalls expected to surpass FY20 levels by FY27E and reach ~178mn for PVR INOX



Source: Company, YES Sec

FINANCIALS

Exhibit 9: 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 10: 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 11: 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 12: Du-pont analysis

| Y/e 31 Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------|------|-------|-------|-------|-------|
| Tax burden (x) | 10 | 10 | 9 | 13 | 15 |
| Interest burden (x) | 0.38 | 0.37 | 0.38 | 0.42 | 0.44 |
| EBIT margin (x) | 3 | 2 | 2 | 2 | 2 |
| Asset turnover (x) | -0 | -0 | -0 | 0 | 1 |
| Financial leverage (x) | 2 | 1 | 1 | 1 | 1 |
| RoE (%) | -8 | -0.45 | -1.11 | 4.64 | 7.82 |

Source: YES Sec

Exhibit 13: 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 | -39.4 | -433.5 | -176.0 | 41.2 | 23.0 |
| P/CEPS | 16.4 | 7.2 | 7.0 | 6.3 | 5.7 |
| P/B | 1.9 | 1.9 | 2.0 | 1.9 | 1.7 |
| EV/EBIDTA (Pre-IndAS) | 26.0 | 19.5 | 17.1 | 11.4 | 8.3 |
| 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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