

Retail Equity Research
PVR Inox Ltd.
Media

Accumulate

12 Months Investment Period Rating as per Small Cap
CMP Rs. 1,454 TARGET Rs. 1,709 RETURN 18% ↑
(Closing: 08-08-2024)

KEY CHANGES:

TARGET ↔

RATING ↓

EARNINGS ↓

Profitability Hiccups, Long-Term Confidence Intact ...

PVR Ltd. and Inox Leisure Ltd. merged on Jan-2023 and formed PVR Inox Ltd. It owns and operates multiplexes across in 113 cities, with a total of 1,754 screens in India and Sri Lanka. Major income segments for them are box office, food & beverage (F&B) and advertisement (Ad).

- In Q1FY25, revenue declined by 9% YoY to Rs. 1,191cr, mainly due to fewer film releases and no blockbuster hits during the election period.
- The weak content lineup resulted in a ~5% YoY decrease in average ticket price (ATP) to Rs. 235, and occupancy rates fell from 22.3% in Q1FY24 to 20.3% in Q1FY25, a 200bps decline.
- Several releases were postponed to Q2 and Q3, expected to boost revenues. The festival season demand looks promising, supported by a strong content pipeline.
- The lower-than-expected Q1 performance led to a downward revision of our estimates. However, the long-term outlook remains positive due to a strong content pipeline with re-releases.
- The stock remains attractive due to its appealing valuation. As a result, we are revising our rating to Accumulate while maintaining the target price at Rs. 1,709 based on 2.4x FY26E EV/Sales.

Profit disruption due to postponed movie release...

In Q1FY25, revenue declined to Rs. 1,191cr, representing a 9% YoY decrease. This decline was primarily due to a reduced number of film releases and the absence of blockbuster hits during the election season. The weak content lineup also led to a ~5% YoY decrease in the average ticket price (ATP) to Rs. 235. However, management noted an improvement towards the end of Q1 following the release of the movie 'Kalki.' Occupancy rates dropped from 22.3% in Q1FY24 to 20.3% in Q1FY25, reflecting a decline of 200bps. EBITDA decreased by 589bps YoY, dropping from 27% to 21.1%, primarily due to a subdued topline. The combination of lower revenue and increased costs resulted in a loss of Rs. 179cr. Given the lower-than-expected Q1 performance, we are revising our FY25 estimates and adopting a conservative approach for FY26 projections.

Festival seasons expected to drive topline growth..

Compared to Q1FY24, the general elections in April and May affected the release calendar, resulting in a 13%YoY decline in film releases for Q1FY25. Several releases were deferred to Q2 and Q3, which is anticipated to boost revenues for 9MFY25, particularly in those quarters. The demand for the festival season looks promising, supported by a strong content pipeline.

Strategic focus shifts toward the southern region..

By the end of Q1FY25, the company successfully launched 50 new screens, with a focus on the southern region of India. Currently, ~33% of PVR's screens are in the southern region. This strategic concentration is expected to significantly boost revenue, particularly from regional films. The growing trend of higher consumption and compelling content from the south further enhances the attractiveness of this market. During Q1FY25, there was a net addition of 36 screens, as 14 screens were closed. Looking ahead, we anticipate 50-60 additional screens throughout the remainder of FY25, aligning with the management's target of 120 screens.

Valuation

The recent decline in revenue can be attributed to a slightly weaker content lineup during the election season, prompting us to revise our estimates downward. In addition to the decline in topline, there has been a significant increase in per-screen costs related to the right-to-use asset, along with higher amortization expenses. As a result, we have adjusted our PAT estimates. However, the stock remains attractive due to its appealing valuation. Consequently, we are revising our rating to 'Accumulate' while maintaining the target price of Rs. 1,709 based on 2.4x FY26E EV/Sales.

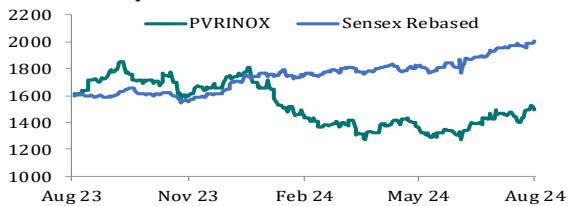
Company Data

Market Cap (Rs.cr)	14,622
Enterprise Value (Rs.cr)	22,506
Outstanding Shares (cr)	9.8
Free Float (%)	72%
Dividend Yield (%)	0
52 week high (Rs)	1,880
52 week low (Rs)	1,204
6m average volume (cr)	0.1
Beta	0.8
Face value (Rs)	10.0

Shareholding (%)	Q1FY25	Q4FY24	Q3FY24
Promoters	27.8	27.8	27.8
FII's	21.8	16.8	18.1
MFs/Institutions	39.2	40.2	38.8
Public	11.1	15.1	15.3
Total	100.0	100.0	100.0
Promoter pledge	5.8	5.3	4.2

Price Performance	3 Month	6 Month	1 Year
Absolute Return	12.78%	3.87%	-7.40%
Absolute Sensex	10.81%	13.57%	24.45%
Relative Return*	1.96%	-9.70%	-31.86%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	6,107	6,571	7,337
Growth (%)	62.8	7.6	11.7
EBITDA	1,810	1,905	2,156
EBITDA Margin(%)	29.6	29.0	29.4
PAT Adj.	-32	26	177
Growth (%)	0.0	0.0	578.6
Adjusted EPS	-3	3	18
Growth (%)	0.0	0.0	578.6
P/E	0.0	565.7	83.4
P/B	2.0	2.0	2.0
EV/Sales	2.6	2.4	2.1
ROE (%)	-0.4	0.4	2.4
D/E	0.2	0.2	0.2

Quarterly Financials

Profit & Loss

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	1,191	1,305	-9	1,256	-5
EBITDA	252	353	-28.65	278	-9.66
EBITDA margins (%)	21.1%	27.0%	-589bps	22%	-104bps
Depreciation	314	291	8	303	4
EBIT	-63	62	-202	-24	-157%
Interest	204	195	5	200	2
Other Income	29	25	15	49	-42
Exceptional Items					
PBT	-238	-108	-121	-175	-36
Tax	-59	-26	-128	-46	-30
Share of profit from Associate	0	0		0	
Reported PAT	-179	-82	-118	-130	-38
Adjustments				-	
Adj PAT	-179	-82	-118	-130	-38
No. of Shares	10	10		10	
EPS (Rs)	-18	-8	-118	-13	-38

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	7,271	8,167	6,571	7,337	-10	-10
EBITDA	2,195	2,488	1,905	2,156	-13	-13
Margin (%)	30.2	30.0	29.0	29.4	-119bps	-62bps
Adj. PAT	373	607	26	177	-93	-71
EPS	38	62	3	18	-93	-71

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	1,331	3,751	6,107	6,571	7,337
% change	375.3	181.8	62.8	7.6	11.7
EBITDA	106	1,048	1,810	1,905	2,156
% change	-131.6	890.9	72.8	5.3	13.2
Depreciation	614	753	1,219	1,262	1,371
EBIT	-509	294	591	644	785
Interest	498	572	791	792	738
Other Income	326	79	157	183	194
PBT	-681	-209	-44	35	241
% change	-27.4	-69.3	-79.0	-179.0	594.6
Tax	-192	127	-11	9	65
Tax Rate (%)	0%	-61%	26%	26%	26%
Reported PAT	-488	-335	-32	26	177
Adj.*	0	161	0	0	0
Adj. PAT	-488	-496	-32	26	177
% change	0.0	1.6	-93.6	-181.3	578.6
No. of shares (cr)	6	10	10	10	10
Adj EPS (Rs)	-80	-51	-3	3	18
% change	0	0	-94	-181	579
DPS (Rs)	0	0	0	0	0

BALANCE SHEET

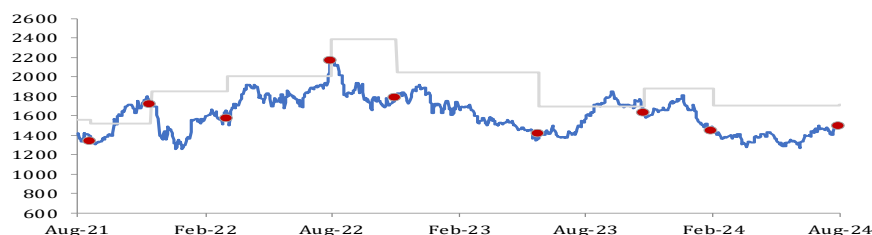
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	578	362	404	421	449
Account Receivable	71	182	235	288	291
Inventories	34	66	73	90	79
Other Cur. Assets	491	702	714	796	764
Investments	0	0	0	0	0
Net Fixed Assets	1,518	2,943	3,106	3,024	2,767
CWIP	64	247	246	259	246
Intangible Assets	1,211	5,891	5,881	5,900	5,893
Def. Tax (Net)	595	474	488	562	565
Other Assets	2,762	5,606	5,672	5,587	5,664
Total Assets	7,326	16,473	16,818	16,926	16,717
Current Liabilities	1,094	1,020	1,055	1,179	1,165
Provisions	13	63	60	63	60
Debt Funds	1,156	1,793	1,718	1,543	1,413
Other Liabilities	3,693	6,267	6,662	6,792	6,554
Equity Capital	61	98	98	98	98
Reserves & Surplus	1,309	7,232	7,225	7,251	7,427
Shareholder's Fund	1,370	7,330	7,324	7,349	7,525
Total Liabilities	7,326	16,473	16,818	16,926	16,717
BVPS	225	748	747	749	767

CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	-420	92	1,175	1,287	1,547
Non-cash adj.	544	969	715	535	541
Changes in W.C	43	-197	89	-25	23
C.F. Operation	167	864	1,979	1,797	2,111
Capital exp.	-125	-636	-634	-422	-230
Change in inv.	100	51	8	-704	-941
Other invest.CF	22	9	0	183	194
C.F - Investment	-3	-576	-627	-813	-1,215
Issue of equity	18	31	19	0	0
Issue/repay debt	155	126	-60	-175	-130
Dividends paid	0	0	0	0	0
Other finance.CF	-390	-850	-1,073	-792	-738
C.F - Finance	-217	-694	-1,293	-967	-868
Chg. in cash	-53	-405	60	17	28
Closing cash	500	332	393	410	438

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	7.9	27.9	29.6	29.0	29.4
EBIT margin (%)	-38.2	7.8	9.7	9.8	10.7
Net profit mgn.(%)	-36.7	-13.2	-0.5	0.4	2.4
ROE (%)	-30.5	-11.4	-0.4	0.4	2.4
ROCE (%)	0.4	7.3	6.1	6.7	8.0
W.C & Liquidity					
Receivables (days)	13.9	12.3	12.5	14.5	14.4
Inventory (days)	8.1	4.9	4.1	4.5	4.2
Payables (days)	254.6	102.9	62.0	62.1	58.3
Current ratio (x)	1.1	1.2	1.3	1.3	1.3
Quick ratio (x)	0.1	0.2	0.2	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	0.5	1.1	1.3	1.3	1.4
Total asset T.O (x)	0.2	0.3	0.4	0.4	0.4
Int. covge. ratio (x)	-1.0	0.5	0.7	0.8	1.1
Adj. debt/equity (x)	0.8	0.2	0.2	0.2	0.2
Valuation					
EV/Sales (x)	8.3	4.7	2.6	2.4	2.1
EV/EBITDA (x)	104.6	16.9	8.8	8.3	7.3
P/E (x)	-21.5	-32.8	-456.6	565.7	83.4
P/BV (x)	7.6	2.2	2.0	2.0	2.0

Recommendation summary (Last 3Years)


Source: Bloomberg, Geojit Research.

DATE	RATING	TARGET
20.Aug.21	Hold	1,515
15.Nov.21	Hold	1,852
04.Mar.22	Buy	2,011
01.Aug.22	Accumulate	2,390
3.Nov.22	Accumulate	2,042
26.May.23	Buy	1,700
27-Oct-23	Accumulate	1,878
06-Feb-24	Buy	1,709
09-Aug-24	Accumulate	1,709

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral
Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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