



Powered by the Sharekhan 3R Research Philosophy

3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

ESG Disclosure Score

NEW

ESG RISK RATING
Updated Aug 07, 2023

20.04

Medium Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

Company details

Market cap:	Rs. 17,413 cr
52-week high/low:	Rs. 1,975/1,337
NSE volume: (No of shares)	6.7 lakh
BSE code:	532689
NSE code:	PVRINOX
Free float: (No of shares)	7.1 cr

Shareholding (%)

Promoters	27.6
FII	26.8
DII	33.2
Others	12.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	16.3	25.6	17.2	-3.0
Relative to Sensex	17.9	22.2	6.8	-12.3

Sharekhan Research, Bloomberg

Consumer Discretionary

Sharekhan code: PVRINOX

Reco/View: Buy

CMP: Rs. 1,777

Price Target: Rs. 2,200

Upgrade ↔ Maintain ↓ Downgrade

Summary

- We maintain Buy rating with revised PT of Rs 2,200 on account of strong BO collections and expect marked improvement in operational metrics, backed by strong content pipeline across languages coupled with merger-related cost and revenue synergies. At the CMP the stock trades at 21.9x its FY26E EPS and 10.8x its FY26E EV/ EBITDA.
- The company is witnessing robust BO collections, driven by Hindi blockbusters – Gadar 2, OMG 2; Hollywood movies; and Regional Blockbusters, rekindling the OOH entertainment medium as strong content continues to drive footfalls.
- A robust content pipeline across languages is lined up in Q3, which is expected to maintain footfalls despite Cricket World Cup in October-November 23.
- Operational metrics are expected to witness a marked improvement, starting Q2FY2024, led by strong footfalls, while diversified and strong content is expected to reduce content risk.

PVR INOX is expected to benefit from the strong surge in box office (BO) collection witnessed during the current quarter, owing to Hindi blockbusters like Gadar 2, OMG 2, and Rocky Aur Rani Ki Prem Kahani. Hollywood blockbusters like Oppenheimer and Mission Impossible: Dead Reckoning Part 1 and regional films like Jailer and Carry on Jatta chipped in strongly to push BO collections as well. A strong content pipeline across languages is expected to further continue in Q3FY24, which is set to drive footfalls to cinemas and multiplexes. Occupancy and advertising income, which were muted in the earlier quarters, are expected to recover in Q2FY24 and trend upwards in Q3FY24. Further, the diversified and consistent box office performance will assist in reducing content risk. We maintain Buy rating with a revised price target (PT) of Rs. 2,200, as we are witnessing strong BO collections and expect marked improvement in operational metrics, backed by a strong content pipeline across languages coupled with merger-related revenue and cost synergies. At the CMP, the stock trades at its 21.9x FY26E EPS and 10.8x FY26E EV/ EBITDA.

Strong BO Collection in Q2FY24: During the current quarter, the BO has witnessed strong collections, led by robust performances by Gadar 2, OMG 2, and Rocky Aur Rani Ki Prem Kahani. Further, success of Hollywood blockbusters like Oppenheimer, Mission Impossible: Dead Reckoning Part 1; and regional films like Jailer and Carry on Jatta reaffirm the belief that audience's enthusiasm for theatrical moviegoing remains intact when there is compelling content. Strong BO collections across languages is higher than anticipated and is expected to drive improvement in operational metrics, leading to a strong uptick in revenue and margins for the quarter and hence, we have raised our estimates to factor the strong performance.

Strong content pipeline for Q3FY24: The strong content pipeline across languages is expected to further continue in Q3FY24 with releases like Tiger 3, Fukrey 3, Ganapath, Tejas Animal etc. in Hindi, The Exorcist: Believer, and The Marvels. Wish etc. in English and Leo, Ayalaan, and Captain Miller etc. in regional languages which are set to drive footfalls to cinemas and multiplexes. Despite the Cricket World Cup in October-November 23, we expect the decent pipeline of strong content releases across languages would assist in keeping movie goers' momentum steady.

Improvement in operational metrics: Occupancy and advertising income, which were muted in earlier quarters, are expected to recover in Q2FY24 as footfalls return strongly. Further, the diversified and consistent box office performance witnessed during the quarter is assisting in reducing content risk that was largely seen during Q1FY23 when few regional films like RRR and KGF2 only performed.

Our Call

Valuation: Maintain Buy with revised PT of Rs. 2,200: Strong BO collections, driven by a robust content pipeline in Q2, has rekindled the OOH entertainment medium, which is expected to gain further traction, led by continuation of strong releases over the next quarter. We have revised FY24 earnings estimate to reflect the strong BO collections in Q2 and robust content pipeline for Q3 and have introduced FY26 earnings estimates. We maintain Buy rating with revised PT of Rs. 2,200 (increase in PT reflects rollover of valuation multiple to Sep 25 earnings estimates), as we are witnessing strong BO collections and expect marked improvement in operational metrics, backed by a strong content pipeline across languages coupled with merger-related cost and revenue synergies. At CMP, the stock trades at 21.9x its FY26E EPS and 10.8x FY26E EV/ EBITDA.

Key Risks

- Emerging competition from OTT players;
- Deterioration of content quality might affect footfalls and advertisement revenue growth;
- Inability to take adequate price hikes at the right time would affect margins in the F&B segment on account of rising input costs.

Valuation (Consolidated)

Particulars	FY23	FY24E	FY25E	FY26E
Total Revenue	3751	6435	7293	8126
EBITDA margin (%)	8.5%	16.5%	20.0%	21.0%
Adjusted Net Profit	-98	406	636	796
YoY growth (%)	NA	NA	56.6	25.1
EPS (Rs.)	-10.0	41.5	65.0	81.3
P/E (x)	NA	42.8	27.4	21.9
P/BV (x)	2.4	2.3	2.1	1.9
EV/EBITDA	58.8	17.6	12.7	10.8
ROE (%)	NA	5.4	7.9	9.1
ROCE (%)	1.8	14.4	19.8	23.9

Source: Company; Sharekhan estimates

Stellar BO performance:

During the current quarter, the BO has witnessed robust collections, led by strong performances by Hindi blockbusters Gadar 2, OMG 2, and Rocky Aur Rani Ki Prem Kahani. Further, success of Hollywood blockbusters like Oppenheimer and Mission Impossible: Dead Reckoning Part 1 and regional films like Jailer and Carry on Jatta have further fueled BO collections. During the month, PVR INOX attained significant milestones as it achieved its highest-ever admissions and BO performance in a single day on August 13, 2023. The company entertained approximately 12.8 lakh guests and earned a gross BO revenue of approximately Rs. 39.5 crore. Additionally, the weekend of August 11-13, 2023, was the biggest weekend in the company's history, with around 33.6 lakh guests and a gross box office revenue of over Rs. 100 crore. Strong footfalls are expected to drive improvement in operational metrics, leading to a strong uptick in revenue and margins for the quarter.

All-India BO Collection significantly higher than our estimates

Movie	India NBOC (Rs. cr)
Gadar 2	475.2
OMG 2	140.4
Rocky aur Rani Ki Prem Kahaani	149.8
Dream Girl 2	60.0
Jailer	322.6

Source: Sacnilk

Movie Pipeline in Q2FY24

Release date	Movie	Language	Industry
01-Sep-23	The Equalizer 3	English, Hindi	Hollywood
01-Sep-23	Khushi	Telugu, Tamil, Kannada Malayalam	Regional
07-Sep-23	Jawan	Hindi	Bollywood
08-Sep-23	The Nun 2	English	Hollywood
15-Sep-23	SRI	Hindi	Bollywood
15-Sep-23	Maujaan hi Maujaan	Punjabi	Regional
15-Sep-23	Skanda	Telugu, Hindi, Tamil, Kannada Malayalam	Regional
22-Sep-23	Expendables	English, Hindi	Hollywood
28-Sep-23	Viduthalai - Part 2	Tamil	Regional
28-Sep-23	Salaar	Telugu	Regional

Source : Company, Sharekhan

Movie Pipeline in Q3FY24

Release date	Movie	Language	Industry
5-Oct-23	The Great Indian Rescue	Hindi	Bollywood
13-Oct-23	Jatt Nuu Chudail Takri	Punjabi	Regional
13-Oct-23	The Exorcist : Believer	English	Hollywood
19-Oct-23	Leo	Tamil, Telugu, Hindi, Kannada	Regional
20-Oct-23	Gaddi Jaandi Ae Chhalanga Maardi	Punjabi	Regional
20-Oct-23	Sapta Sagaradaache Ello	Kannada, Tamil, Telugu	Regional
20-Oct-23	Ganapath	Hindi	Bollywood
20-Oct-23	Tejas	Hindi	Bollywood
20-Oct-23	Tiger Nageswara Rao	Telugu	Regional
10-Nov-23	The Marvels	English	Hollywood
10-Nov-23	Tiger 3	Hindi, Tamil, Telugu	Bollywood
10-Nov-23	Ayalaan	Tamil, Hindi	Regional
24-Nov-23	Wish	English	Hollywood
1-Dec-23	Fukrey 3	Hindi	Bollywood
1-Dec-23	Animal	Hindi	Bollywood
1-Dec-23	Sam Bahadur	Hindi	Bollywood
15-Dec-23	Yodha	Hindi	Bollywood
15-Dec-23	Captain Miller	Tamil, Telugu	Regional
15-Dec-23	Merry Christmas	Hindi	Bollywood
21-Dec-23	Hi Nanna	Telugu, Tamil	Regional
22-Dec-23	Dunki	Hindi	Bollywood

Source : Company, Sharekhan

Outlook and Valuation

■ Sector view - Long-term structural story intact

The movie exhibition business is highly under-penetrated in India as compared to the other developed and developing countries. In addition, a favourable demographic mix and increased discretionary spending bode well for robust growth in the multiplex industry.

■ Company outlook - Premium player

PVRINOX is a strong premium theatre chain in India, which provides enhanced movie-watching experience to its customers. The merger between PVR and Inox has created a multiplex giant with 359 properties and 1,697 screens in 114 cities. Aggressive expansion plans, robust line-up of content, and increasing average ticket prices (ATP) and spend per head (SPH) are expected to result in healthy revenue and earnings for the merged entity.

■ Valuation - Maintain Buy with revised PT of Rs. 2,200

Strong BO collections, driven by a robust content pipeline in Q2, has rekindled the OOH entertainment medium, which is expected to gain further traction, led by continuation of strong releases over the next quarter. We have revised FY24 earnings estimate to reflect the strong BO collections in Q2 and robust content pipeline for Q3 and have introduced FY26 earnings estimates. We maintain Buy rating with revised PT of Rs. 2,200 (increase in PT reflects rollover of valuation multiple to Sep 25 earnings estimates), as we are witnessing strong BO collections and expect marked improvement in operational metrics, backed by a strong content pipeline across languages coupled with merger-related cost and revenue synergies. At CMP, the stock trades at 21.9x its FY26E EPS and 10.8x FY26E EV/ EBITDA.

About company

PVRINOX Limited is India's largest and most premium film exhibition company. PVR was incorporated in April 1995 pursuant to a joint venture agreement between Priya Exhibitors Private Limited, India, and Village Roadshow Limited, Australia. Recently, PVR Ltd. merged with Inox Leisure Ltd. and has been renamed as PVR Inox Ltd. after acquiring Inox in February 2023. PVR Inox Ltd. currently operates a cinema network consisting of 1,697 screens located in 359 properties spread across 114 cities.

Investment theme

We believe PVRINOX, with its strong brand and extended reach, is well poised to leverage the opportunity in India's under-penetrated multiplex sector. Moreover, we believe PVRINOX's leadership position will remain as it continues to gain from its i) first-mover advantage (in terms of properties location), ii) aggressive screen additions post normalisation, iii) permanent downward reset in cost structure, iv) enhanced bargaining power with advertisers owing to increased advertising space, and v) higher spends in the food and beverage space to provide additional delta

Key Risks

(1) Emerging competition from OTT players. (2) Deterioration of content quality might affect footfalls and advertisement revenue growth. and (3) Inability to take adequate price hikes at the right time would impact margins in the F&B segment on account of rising input costs.

Additional Data

Key management personnel

Ajay Bijli	Executive Chairman cum Managing Director
Gautam Dutta	Chief Executive Officer
Nitin Sood	Chief Financial Officer
Rahul Singh	Chief Operating Officer
Mukesh Kumar	Company Secretary cum Compliance Officer

Source: Bloomberg

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd	8.09
2	ICICI Prudential Asset Management	7.44
3	Nippon Life India Asset Management	7.04
4	SBI Life Insurance Co Ltd	3.15
5	Prudential PLC	3.03
6	Vanguard Group Inc/The	2.88
7	Berry Creek Investment Ltd	2.49
8	KUWAIT INVESTMENT AUTHORITY 238	2.25
9	HDFC Asset Management Co Ltd	2.23
10	BlackRock Inc	1.88

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

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