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India | Equity Research | Company Update

## PVR Inox

Media

## Content makes a strong comeback ; PVR Inox's bull case scenario playing out

PVR Inox performance update states that they have achieved 'highest ever daily and weekend admissions and box office'. On 13<sup>th</sup> Aug'23, PVR Inox had 1.28mn admits and 3.36mn admits over Friday to Sunday with GBO revenue >INR 1bn. We think this implies an occupancy of 72-75% on Sunday and 63-65% over 3 days. We have been bullish on the recovery of the movie exhibition business given the strong pipeline since Q2FY24 ([link](#)). However, the current performance is a positive surprise. Merger synergies have also started playing out ([link](#)). Given the high operating leverage that plays out in this business, we believe earnings upgrades are necessary. We, therefore, upgrade adjusted EBITDA estimates for FY24E/25E by 48%/12%. We are now 52%/8% above consensus. Given our bull case is playing out, it remains a top pick ([link](#)) as we raise our target price to INR 2,240. Re-iterate **BUY**.

## Hindi movie-goers returning to theatres should assuage investor concerns

- We believe investor concerns around digital disruption by OTT players was one of the key reasons behind PVR Inox's de-rating. Now, as a strong content pipeline manifests into tangible box office collections, we think investor concerns regarding relevance of movie exhibition in today's context should be assuaged.
- In our deep dive on PVR Inox ([link](#)), we analysed trends in the global music industry over the last two decades to understand the impact of digital disruption on content industry. We noted that though digital streaming completely upended the physical distribution mediums (CDs, cassettes), the 'experiential' aspect of live music managed to grow at a steady CAGR of 6% over 15 years.

## Exhibit 1: Movie collections

Movie	Collections (INR mn)	Article Source	Article as on
Mission Impossible 7	1060	<a href="#">Link</a>	1st Aug'23
Oppenheimer	1003	<a href="#">Link</a>	3rd Aug'23
Rocky Aur Rani Ki Prem Kahaani	1200	<a href="#">Link</a>	11th Aug'23
Gadar 2	1200	<a href="#">Link</a>	14th Aug'23
Jailer	1464	<a href="#">Link</a>	14th Aug'23
OMG 2	435	<a href="#">Link</a>	14th Aug'23
Satyaprem Ki Katha	714	<a href="#">Link</a>	13th Jul'23

Source: I-Sec research

## Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	13,310	37,507	66,788	71,733
EBITDA	1,057	10,477	24,620	26,424
EBITDA Margin (%)	7.9	27.9	36.9	36.8
Net Profit	(4,882)	(3,351)	4,453	6,581
EPS (Rs)	(80.0)	(51.3)	45.5	67.2
EPS % Chg YoY	-	(35.9)	-	47.8
P/E (x)	(21.4)	(33.4)	37.7	25.5
EV/EBITDA (x)	(48.7)	64.4	13.4	12.3
RoCE (%)	(28.1)	(1.7)	7.8	10.1
RoE (%)	(30.5)	(7.7)	5.9	8.0

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## Market Data

Market Cap (INR)	168bn
Market Cap (USD)	2,021mn
Bloomberg Code	PVRINOX IN
Reuters Code	PVRL.BO
52-week Range (INR)	2,013 /1,336
Free Float (%)	71.0
ADTV-3M (mn) (USD)	14.0

Price Performance (%)	3m	6m	12m
Absolute	18.4	1.1	(14.9)
Relative to Sensex	6.4	8.2	11.4

ESG Disclosure	2021	2022	Change
ESG score	39.2	38.6	(0.6)
Environment	12.1	12.1	-
Social	26.8	24.9	(1.8)
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	15	7
Adj. EBITDA	48	12
EPS	62	20

## Previous Reports

02-08-2023: [Q1FY24 results review](#)29-06-2023: [Company Update](#)

- We believe a similar trend is likely to play out in the movie exhibition business, given its 'experiential' appeal. However, we believe the growth rates will be higher given the low penetration of screens in India and a strong growth outlook for discretionary incomes.

### Valuation

We upgrade our revenue, adjusted EBITDA and PAT estimates for FY24E/25E by 15%/7%, 48%/12% and 62%/20% respectively. Accordingly, our revised target price is INR 2,240 (from INR 1,950 earlier) with an unchanged multiple of 16x FY25E adj. EBITDA. Key risks: Lower than expected performance of upcoming movies and merger synergies not playing out as expected

**Exhibit 2: Shareholding pattern**

%	Dec'22	Mar'23	Jun'23
Promoters	16.9	27.5	27.6
Institutional investors	67.0	61.4	60.0
MFs and other	17.6	24.6	28.3
FIs/ Banks	0.1	0.0	0.0
Insurance Cos.	6.3	4.6	3.9
FII's	43.0	32.2	27.8
Others	16.1	11.1	12.4

Source: Bloomberg, I-Sec research

**Exhibit 3: Price chart**



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 4: Profit & Loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Net Sales</b>	<b>13,310</b>	<b>37,507</b>	<b>66,788</b>	<b>71,733</b>
Operating Expenses	8,278	15,744	20,973	22,778
<b>EBITDA</b>	<b>1,057</b>	<b>10,477</b>	<b>24,620</b>	<b>26,424</b>
EBITDA Margin (%)	7.9	27.9	36.9	36.8
Depreciation & Amortization	6,144	7,533	11,500	10,259
EBIT	(5,087)	2,944	13,120	16,165
Interest expenditure	4,982	5,716	7,710	7,962
Other Non-operating Income	3,261	791	525	578
<b>Recurring PBT</b>	<b>(6,807)</b>	<b>(1,982)</b>	<b>5,936</b>	<b>8,781</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	(1,922)	1,274	1,496	2,213
PAT	(4,885)	(3,256)	4,440	6,568
Less: Minority Interest	3	13	13	13
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>(4,885)</b>	<b>(3,364)</b>	<b>4,440</b>	<b>6,568</b>
<b>Net Income (Adjusted)</b>	<b>(4,882)</b>	<b>(3,351)</b>	<b>4,453</b>	<b>6,581</b>

Source Company data, I-Sec research

### Exhibit 5: Balance sheet

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	8,656	8,496	12,867	15,401
of which cash & cash eqv.	5,781	3,616	3,994	5,871
Total Current Liabilities & Provisions	6,858	10,557	19,001	20,415
<b>Net Current Assets</b>	<b>1,798</b>	<b>(2,062)</b>	<b>(6,134)</b>	<b>(5,014)</b>
Investments	5	2	2	2
Net Fixed Assets	15,180	29,431	23,762	26,070
ROU Assets	26,783	53,746	64,806	64,806
Capital Work-in-Progress	645	2,473	2,473	2,473
Total Intangible Assets	12,110	58,908	57,428	57,428
Other assets	1,342	2,312	4,117	4,422
Deferred Tax assets	5,951	4,767	4,767	4,767
<b>Total Assets</b>	<b>66,401</b>	<b>1,54,207</b>	<b>1,57,418</b>	<b>1,61,761</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>15,052</b>	<b>17,926</b>	<b>15,926</b>	<b>12,926</b>
<b>Deferred Tax Liability</b>	<b>25</b>	<b>32</b>	<b>32</b>	<b>32</b>
provisions	97	276	290	304
other Liabilities	618	88	157	169
Equity Share Capital	610	980	980	980
Reserves & Surplus	13,091	72,312	77,440	84,757
<b>Total Net Worth</b>	<b>13,701</b>	<b>73,292</b>	<b>78,420</b>	<b>85,736</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>66,401</b>	<b>1,54,207</b>	<b>1,57,418</b>	<b>1,61,761</b>

Source Company data, I-Sec research

### Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	6,867	9,407	11,432	13,049
% growth (YOY)	471	53	113	33
Reported EBITDA	1,541	2,888	2,640	3,525
Margin %	30.7	23.1	27.0	28.3
Other Income	164	201	218	249
Net Profit	(708)	162	(3,333)	(816)

Source Company data, I-Sec research

### Exhibit 7: Cashflow statement

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>1,668</b>	<b>8,639</b>	<b>22,253</b>	<b>24,092</b>
Working Capital Changes	434	(1,969)	(885)	(132)
Capital Commitments	(1,298)	(6,339)	(6,995)	(5,946)
<b>Free Cashflow</b>	<b>2,966</b>	<b>14,978</b>	<b>29,249</b>	<b>30,039</b>
<b>Other investing cashflow</b>	<b>1,270</b>	<b>581</b>	<b>525</b>	<b>578</b>
Cashflow from Investing Activities	(28)	(5,759)	(6,470)	(5,369)
Issue of Share Capital	183	305	-	-
Interest Cost	(1,246)	(1,442)	(1,862)	(1,587)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	1,553	1,260	(2,000)	(3,000)
Cash flow from Financing Activities	(2,168)	(6,935)	(15,108)	(16,847)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(528)</b>	<b>(4,055)</b>	<b>675</b>	<b>1,877</b>
Closing cash & balance	4,996	3,319	3,994	5,871

Source Company data, I-Sec research

### Exhibit 8: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	(80.0)	(51.3)	45.5	67.2
Adjusted EPS (Diluted)	(80.0)	(51.3)	45.5	67.2
Cash EPS	20.7	42.7	162.8	171.9
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	224.7	748.2	800.5	875.2
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	375.3	181.8	78.1	7.4
EBITDA	(131.6)	890.9	135.0	7.3
EPS (INR)	-	(35.9)	-	47.8
<b>Valuation Ratios (x)</b>				
P/E	(21.4)	(33.4)	37.7	25.5
P/CEPS	82.9	40.1	10.5	10.0
P/BV	7.6	2.3	2.1	2.0
EV / EBITDA	(48.7)	64.4	13.4	12.3
P / Sales	7.9	4.5	2.5	2.3
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	70.1	69.9	68.3	68.6
EBITDA Margins (%)	7.9	27.9	36.9	36.8
Effective Tax Rate (%)	28.2	(64.3)	25.2	25.2
Net Profit Margins (%)	(36.7)	(8.7)	6.6	9.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	1.9	5.1	5.9	7.6
Net Debt / EBITDA (x)	4.7	12.1	8.2	9.6
<b>Profitability Ratios</b>				
RoCE (%)	(28.1)	(1.7)	7.8	10.1
RoE (%)	(30.5)	(7.7)	5.9	8.0
RoIC (%)	(25.8)	(3.1)	6.1	8.0
Fixed Asset Turnover (x)	0.8	1.6	2.3	2.6
Inventory Turnover Days	32	26	24	19
Receivables Days	262	52	28	31
Payables Days	173	73	63	51

Source Company data, I-Sec research

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