

Retail Equity Research
PVR Inox Ltd.
Media

Accumulate

12 Months Investment Period Rating as per Small Cap

CMP Rs. 1,576 TARGET Rs. 1,878 RETURN 19% ↑

(Closing: 26-10-2023)

BSE CODE : 532689

NSE CODE: PVRINOX

BLOOMBERG CODE: PVRINOX:IN

SENSEX : 63,148

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

Remarkable collections record....

PVR Ltd. and Inox Leisure Ltd. merged on Jan-2023 and formed PVR Inox Ltd. It owns and operates multiplexes across 361 cinemas in 115 cities, with a total of 1,708 screens in India and Sri Lanka. Major income segments for them are box office, food & beverage (F&B) and advertisement (Ad).

- In Q2FY24, ATP (Average ticket price) rose to Rs.276, and SPH (Spend Per Head) reached Rs. 136, reflecting a QoQ growth of 12.2% and 4.6%, respectively.
- In Q2FY24, the total admits reached 48.4mn, showing a substantial 43% QoQ increase, mainly due to outstanding performances in both the Hindi and regional box office segments.
- Increased ATP, SPH, and total admits resulted in a record operational revenue of Rs. 2,000cr, resulting in 53% QoQ growth.
- Net debt reduced to Rs.1,103cr from Rs.1,430cr in Q2 FY24, with Rs.390cr paid off through free cash flow. More reductions are expected using future cash flows, targeting a 1:1 debt-to-EBITDA ratio.
- Given the increased trust in regional films, the management is strategically concentrating on the South Indian region, aiming to introduce an more screens.
- We expect a strong performance in the upcoming quarters due to a strong content lineup with the added benefits of synergy. However, valuation appears expensive at the current level. Hence, we downgrade our rating on the stock to Accumulate with a revised target price of Rs.1,878 at 2.5x FY25E EV/Sales.

Prominent Growth in ATP and Occupancy

In Q2FY24, the Average Ticket Price (ATP) surged to Rs.276, marking a substantial 23% YoY increase from the Rs. 224 recorded in the same quarter of FY23. This increase is attributed to rising inflation and the contribution of the entire synergy's ATP. Additionally, the pipeline of blockbuster movies has played a significant role in bolstering ATP. Moreover, the Spend Per Head (SPH) reached 136 in this quarter, marking the highest SPH ever recorded compared to the past. In tandem with the growth in ATP and SPH, the sector also witnessed its highest-ever admissions of 48.4mn, driven by the performance of blockbuster movies. The rise in ATP, SPH, and Admits collectively led to the highest-ever operational revenue of Rs. 2,000cr and EBITDA of Rs. 706cr.

Expansion of screens and content lineup to drive demand

Volatility in the performance of Hindi films has significantly diminished, leading to an improvement in the average collections of Hindi movies. The presence of Hollywood films also contributed to an excellent start to the quarter. The success of regional films underscores the increasing acceptance and appeal of regional content. In the first half of this fiscal year, the company successfully added 68 new screens while strategically discontinuing 33 underperforming screens. Looking ahead to FY24, there are plans to introduce 150 to 160 new screens and an exit strategy for a total of 60 screens during the current fiscal year. There is a particular emphasis on the South Indian, where there is a high level of confidence due to the continued success of regional films in the coming years. The anticipated expansion is set to be funded through internal funds to avoid any impact on the debt profile. PVR anticipates further debt reduction using future cash flows.

Valuation

We expect the company to achieve healthy revenue growth and profitability, aided by the new screen additions, healthy content pipeline, upcoming festival season, industry-leading ATP, and a robust SPH on food. However, valuation appears expensive at the current level. Therefore, we downgrade our rating to Accumulate with a revised target price of Rs.1,878 at 2.5x FY25E EV/Sales.

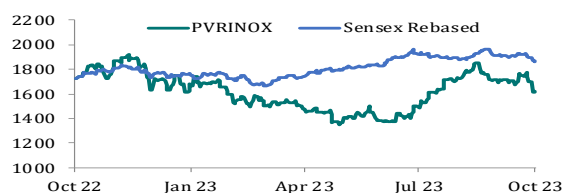
Company Data

Market Cap (Rs.cr)	15,889
Enterprise Value (Rs.cr)	23,463
Outstanding Shares (cr)	9.8
Free Float (%)	72.2
Dividend Yield (%)	0.0
52 week high (Rs)	1,925
52 week low (Rs)	1,336
6m average volume (cr)	0.07
Beta	1.02
Face value (Rs)	10

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	27.5	27.6	27.8
FII's	31.2	26.8	23.2
MFs/Institutions	30.2	33.1	37.1
Public	11.1	12.4	11.7
Total	100.0	100.0	100.0
Promoter pledge	2.4	2.4	2.4

Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.53%	10.67%	-6.24%
Absolute Sensex	-3.35%	4.81%	7.57%
Relative Return*	7.88%	5.86%	-13.81%

*over or under performance to benchmark index



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	3,751	6,519	7,714
Growth (%)	182	74	18
EBITDA	1,048	2,174	2,459
EBITDA Margin(%)	27.9	33.4	31.9
PAT Adj.	-496	196	448
Growth (%)	2	0	129
Adjusted EPS	-51	20	46
Growth (%)	0	0	129
P/E	0.0	80.8	35.4
P/B	2.2	2.1	2.0
EV/Sales	4.6	2.6	2.1
ROE (%)	-11.4	2.6	5.8
D/E	1.1	1.1	1.0

Quarterly Financials

Profit & Loss

Rs.cr	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)	H1FY24	H1FY23	YoY Growth (%)
Sales	2,000	687	<i>191</i>	1,305	<i>53</i>	3,305	1,668	<i>98</i>
EBITDA	707	154	-	353	<i>100.5</i>	1,059	495	
EBITDA margins (%)	35.3	22.4	-	27		32.1	30	
Depreciation	309	153	<i>102</i>	291	<i>6</i>	599	302	<i>99</i>
EBIT	398	1	-	62	-	460	193	
Interest	200	128	<i>57</i>	195	<i>3</i>	395	256	<i>54</i>
Other Income	24	16	<i>45</i>	25	<i>-4</i>	49	37	<i>31</i>
Exceptional Items	-	-	-	-	-	-	-	-
PBT	222	-110		-108		114	-25	
Tax	56	-39	-	-26	-	30	-7	-
Share of profit from Associate	-	-	-	-	-	-	-	-
Reported PAT	166	-71	-	-82	-	84	-18	-
Adjustments			-	-	-			-
Adj PAT	166	-71	-	-82	-	84	-18	-
No. of Shares	6.1	6.1		6.1		6.1	6.1	
EPS (Rs)	17	-7	-	-8	-	9	-2	-

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	6,479	7,492	6,519	7,714	1	3
EBITDA	1,840	2,185	2,174	2,459	18	13
Margin (%)	28.4	29.2	33.4	31.9	50 bps	270 bps
Adj. PAT	31	281	196	448	533	60
EPS	3.1	28.7	20.0	45.8	546	59

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	280	1,331	3,751	6,519	7,714
% change	-91.8	375.3	181.8	73.8	18.3
EBITDA	-335	106	1,048	2,174	2,459
% change	-131.1	-131.6	890.9	107.5	13.1
Depreciation	575	614	753	1,195	1,267
EBIT	-910	-509	294	979	1192
Interest	498	498	572	837	726
Other Income	469	326	79	117	147
PBT	-938	-681	-209	260	612
% change	-1141.0	-27.4	-69.3	-224.3	135.7
Tax	-191	-192	127	65	165
Tax Rate (%)	20	0	-61	25	25
Reported PAT	-748	-488	-335	196	448
Adj.*	0	0	161	0	0
Adj. PAT	-748	-488	-496	196	448
% change	0.0	0.0	1.6	-139.5	128.5
No. of shares (cr)	6	6	10	10	10
Adj EPS (Rs)	-123	-80	-51	20	46
% change	0	0	0	-140	129
DPS (Rs)	0	0	0	0	0

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	731	578	362	830	1340
Account Receivable	31	71	182	357	423
Inventories	25	34	66	94	104
Other Cur. Assets	533	491	702	989	1,106
Investments	2	0	0	0	0
Net Fixed Assets	1,490	1,518	2,943	2,611	2,266
CWIP	217	64	247	371	453
Intangible Assets	1,229	1,211	5,891	5,992	6,025
Def. Tax (Net)	399	595	474	497	597
Other Assets	2,845	2,762	5,606	5,453	5,399
Total Assets	7,502	7,326	1,6473	17,194	17,712
Current Liabilities	763	1,094	1,020	1,484	1,729
Provisions	22	13	63	71	72
Debt Funds	1,232	1,156	1,793	1,722	1,611
Other Liabilities	3,651	3,693	6,267	6,393	6,329
Equity Capital	61	61	98	98	98
Reserves & Surplus	1,773	1,309	7,232	7,427	7,874
Shareholder's Fund	1,833	1,370	7,330	7,525	7,972
Total Liabilities	7,502	7,326	16,473	17,194	17,712
BVPS	302	225	748	768	814

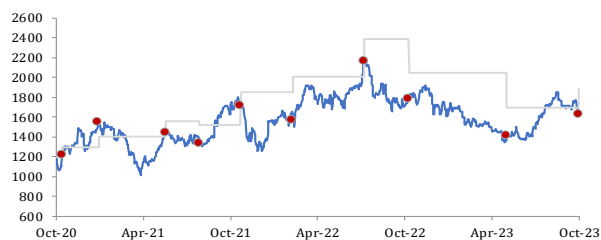
CASH FLOW

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	-705	-420	92	1,390	1,714
Non-cash adj.	372	544	969	696	479
Changes in W.C	-80	43	-197	-17	53
C.F. Operation	-413	167	864	2,069	2,247
Capital exp.	-117	-125	-636	-329	-217
Change in inv.	-169	100	51	-605	-765
Other invest.CF	-3	22	9	117	147
C.F - Investment	-289	-3	-576	-692	-900
Issue of equity	1,093	18	31	0	0
Issue/repay debt	177	155	126	-71	-111
Dividends paid	0	0	0	0	0
Other finance.CF	-194	-390	-850	-837	-726
C.F - Finance	1,075	-217	-694	-908	-837
Chg. in cash	374	-53	-405	469	510
Closing cash	552	500	332	802	1312

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab & Return					
EBITDA margin (%)	-119.6	7.9	27.9	33.4	31.9
EBIT margin (%)	-324.9	-38.2	7.8	15.0	15.4
Net profit mgn.(%)	-267.2	-36.7	-13.2	3.0	5.8
ROE (%)	-45.1	-30.5	-11.4	2.6	5.8
ROCE (%)	-12.4	0.4	7.3	9.0	10.4
W.C & Liquidity					
Receivables (days)	143.4	13.9	12.3	15.1	18.4
Inventory (days)	36.3	8.1	4.9	4.5	4.7
Payables (days)	1081.7	254.6	102.9	70.1	76.0
Current ratio (x)	1.7	1.1	1.2	1.5	1.7
Quick ratio (x)	0.3	0.1	0.2	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	0.1	0.5	1.1	1.5	1.7
Total asset T.O (x)	0.0	0.2	0.3	0.4	0.4
Int. covge. ratio (x)	-1.8	-1.0	0.5	1.2	1.6
Adj. debt/equity (x)	0.7	3.5	1.1	1.1	1.0
Valuation					
EV/Sales (x)	37.5	8.3	4.6	2.6	2.1
EV/EBITDA (x)	-31.4	103.9	16.5	7.7	6.6
P/E (x)	-13.4	-21.3	-31.9	80.8	35.4
P/BV (x)	5.5	7.6	2.2	2.1	2.0



Recommendation summary (Last 3Years)


Source: Bloomberg, Geojit Research.

DATE	RATING	TARGET
06.Nov.20	Hold	1,295
21.Jan.21	Reduce	1,403
11.Jun.21	Hold	1,555
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

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time.

Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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