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India | Equity Research | Company Update

PVR Inox

Media

'Animal' spirit to rescue a cricket-impacted quarter

PVR Inox suffered in the first half of Q3FY24 due to the Cricket World Cup as big budget theatrical releases (Hindi) were moved to the second half. In addition, Hollywood content pipeline was weak (impacted by screenwriters strike). 'Leo' collected INR3.4bn and 'Tiger3' collected INR2.8bn (Nett. India). However, 'Animal' released on 1st Dec'23 appears to be progressing towards becoming one of the top 10 blockbusters of all time. In 6 days, it has collected ~INR3.2bn (Nett. India), which is significantly higher than expectations. Over the same period, 'Sam Bahadur' collected ~INR0.4bn (Nett. India) with strong word of mouth promotion. Our channel checks indicate occupancy in PVR Inox in Dec'23 has been in the range of 55-60%. Given 'Dunki', 'Salaar' and 'Aquaman' are in the pipeline in Q3FY24, we re-iterate **BUY**.

What makes us bullish

PVR Inox is a strong market leader in its category with rich history of value creation and a clean record on corporate governance. Further, competitive intensity in the space has reduced materially over the past couple of years, with top 2 players having merged. Given India's per capita GDP growth is likely to be sustained over the foreseeable future, we think movie exhibition may benefit as more Indians enter the category of discretionary consumers.

Is there any structural change

PVR Inox is benefitting from merger synergies. In H1FY24, management estimated merger synergies of ~INR750mn-840mn, which may sustain as a structural improvement. Management is also trying to re-negotiate rental leases to reduce minimum guarantees and increase the proportion of revenue-sharing contracts which should aid in reducing the volatility of earnings. This in our view should aid multiple re-ratings in medium term.

Q4FY24E content pipeline looks promising as well

We note 4-5 big budget Hindi movies such as 'Fighter', 'Merry Christmas', 'Yodha' and 2-3 untitled projects are slated to release in Q4FY24E. This may be aided by a strong line-up of Hollywood movies such as 'Madame Web', 'Kung Fu Panda 4' and 'Dune part two'. Regional content line up is also looking strong with releases such as 'Lal Salaam', 'Captain Miller', 'Ayalaan', 'Aranmanai' and 'Guntur Kaaram'.

Financial Summary

Y/E March (Rs mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	13,310	37,507	69,197	79,645
Adj. EBITDA	(2,333)	2,828	11,003	13,613
Adj. EBITDA Margin (%)	(17.5)	7.5	15.9	17.1
Net Profit	(4,882)	(3,351)	2,974	6,561
EPS (Rs)	(80.0)	(51.3)	30.4	67.0
EPS % Chg YoY	-	-	-	120.6
P/E (x)	(21.6)	(33.8)	57.1	25.9
EV/EBITDA (x)	(48.7)	64.4	16.5	13.0
RoCE (%)	(28.1)	(1.7)	5.2	9.7
RoE (%)	(30.5)	(7.7)	4.0	8.1

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Market Data

Market Cap (INR)	170bn
Market Cap (USD)	2,040mn
Bloomberg Code	PVRINOX IN
Reuters Code	PVRL.BO
52-week Range (INR)	1,925 / 1,336
Free Float (%)	71.0
ADTV-3M (mn) (USD)	10.7

Price Performance (%)	3m	6m	12m
Absolute	(5.2)	19.5	(9.6)
Relative to Sensex	5.9	11.7	12.7

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

Previous Reports

20-10-2023: [Q2FY24 results review](#)

29-06-2023: [Company update](#)

Valuation

Our target price stands at INR 2,240 with an unchanged multiple of 16x 1-yr forward adj. EBITDA, in line with historical valuation multiples.

Key risks: Lower than-expected performance of upcoming movies and merger synergies not playing out as expected.

Exhibit 1: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	27.5	27.6	27.8
Institutional investors	61.4	60.0	60.5
MFs and others	24.6	28.3	32.0
FIs/Banks	0.0	0.0	1.1
Insurance	4.6	3.9	4.1
FIIIs	32.2	27.8	23.3
Others	11.1	12.4	11.7

Source: Bloomberg

Exhibit 2: Price chart



Source: Bloomberg

Financial Summary

Exhibit 3: Profit & Loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	13,310	37,507	69,197	79,645
Operating Expenses	8,278	15,744	25,241	28,765
EBITDA	1,057	10,477	22,085	25,793
EBITDA Margin (%)	(17.5)	7.5	15.9	17.1
Depreciation & Amortization	6,144	7,533	11,500	10,216
EBIT	(5,087)	2,944	10,585	15,577
Interest expenditure	4,982	5,716	7,625	7,920
Other Non-operating Income	3,261	791	998	1,097
Recurring PBT	(6,807)	(1,982)	3,958	8,754
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(1,922)	1,274	997	2,206
PAT	(4,885)	(3,256)	2,960	6,548
Less: Minority Interest	3	13	13	13
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	(4,885)	(3,364)	2,960	6,548
Net Income (Adjusted)	(4,882)	(3,351)	2,974	6,561

Source Company data, I-Sec research

Exhibit 4: Balance sheet

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	8,656	8,496	11,141	14,406
of which cash & cash eqv.	5,781	3,616	1,949	3,826
Total Current Liabilities & Provisions	6,858	10,557	19,697	22,700
Net Current Assets	1,798	(2,062)	(8,555)	(8,294)
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	4,265	4,910
Deferred Tax assests	5,951	4,767	4,767	4,767
Total Assets	66,401	1,54,207	1,55,934	1,60,265
Liabilities				
Borrowings	15,052	17,926	15,926	12,926
Deferred Tax Liability	25	32	32	32
provisions	97	276	290	304
other Liabilities	618	88	163	188
Equity Share Capital	610	980	980	980
Reserves & Surplus	13,091	72,312	75,951	83,243
Total Net Worth	13,701	73,292	76,930	84,222
Minority Interest	-	-	-	-
Total Liabilities	66,401	1,54,207	1,55,934	1,60,265

Source Company data, I-Sec research

Exhibit 5: Quarterly trend

(INR mn, year ending March)

	Dec-22	Mar-23	Jun-23	Sep-23
Net Sales	9,407	11,433	13,049	19,999
% growth (YOY)	53	113	33	113
EBITDA	2,888	2,640	3,525	7,068
Margin %	30.7	23.1	27	35.3
Other Income	201	218	249	238
Net Profit	162	(3,333)	(816)	1,663

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	1,668	8,639	20,152	23,321
Working Capital Changes	434	(1,969)	(949)	(279)
Capital Commitments	(1,298)	(6,339)	(6,995)	(5,946)
Free Cashflow	2,966	14,978	27,147	29,267
Other investing cashflow	1,270	581	998	1,097
Cashflow from Investing Activities	(28)	(5,759)	(5,998)	(4,849)
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)	(14,944)	(16,767)
Chg. in Cash & Bank balance	(528)	(4,055)	(790)	1,705
Closing cash & balance	4,996	3,319	2,529	4,234

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	(80.0)	(51.3)	30.4	67.0
Adjusted EPS (Diluted)	(80.0)	(51.3)	30.4	67.0
Cash EPS	20.7	42.7	147.7	171.2
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	224.7	748.2	785.3	859.7
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	375.3	181.8	84.5	15.1
EBITDA	(131.6)	890.9	110.8	16.8
EPS (INR)	-	-	-	120.6
Valuation Ratios (x)				
P/E	(21.6)	(33.8)	57.1	25.9
P/CEPS	83.8	40.6	11.7	10.1
P/BV	7.7	2.3	2.2	2.0
EV / EBITDA	(48.7)	64.4	16.5	13.0
P / Sales	7.9	4.5	2.5	2.1
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	70.1	69.9	68.4	68.5
EBITDA Margins (%)	(17.5)	7.5	15.9	17.1
Effective Tax Rate (%)	28.2	(64.3)	25.2	25.2
Net Profit Margins (%)	(36.7)	(8.7)	4.3	8.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	1.9	5.1	5.8	7.5
Net Debt / EBITDA (x)	4.7	12.1	8.1	9.5
Profitability Ratios				
RoCE (%)	(28.1)	(1.7)	5.2	9.7
RoE (%)	(30.5)	(7.7)	4.0	8.1
RoIC (%)	(25.8)	(3.1)	4.0	7.5
Fixed Asset Turnover (x)	0.8	1.6	2.4	2.9
Inventory Turnover Days	32	26	24	20
Receivables Days	262	52	13	19
Payables Days	173	73	64	53

Source Company data, I-Sec research

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