

Q3 movie pipeline inspires confidence

Media & Entertainment ▶ Company Update ▶ October 7, 2024

TARGET PRICE (Rs): 1,850

Post Covid, PVR Inox's stock performance has been tracking box office collections/upcoming pipeline. After a dull H1CY24, box office collections have picked up and are expected to further improve in Q3FY25. We note a couple of key trends in movies: i) dichotomy in performance of big-budget and mid-size/small movies – big-budget movies that offer differentiated content / experience are seeing more traction; ii) better performance of franchisee movies. The Q3 movie pipeline ticks these boxes and provides comfort on better box office performance, even as we remain cognizant of the structural issues hampering the industry. To improve profitability, mgmt is extensively working on cost control measures, some of which though we reckon may only fructify in the medium term. We tweak FY25-27E EBITDA by 0-2%, factoring in the recent NBOC, but raise target multiple to 12x (from 11.5x), given a better content pipeline; retain BUY; revise up TP to Rs1,850 (12x Sep-26E pre-IndAS EBITDA).

PVR INOX: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37,507	61,071	64,466	75,568	83,719
EBITDA	10,473	18,101	19,986	26,432	29,129
Adj. PAT	(3,273)	(334)	650	5,274	6,626
Adj. EPS (Rs)	(52.0)	(3.4)	6.6	53.8	67.6
EBITDA margin (%)	27.9	29.6	31.0	35.0	34.8
EBITDA growth (%)	890.4	72.8	10.4	32.3	10.2
Adj. EPS growth (%)	0.0	0.0	0.0	711.4	25.6
RoE (%)	(7.5)	(0.5)	0.9	6.9	8.0
RoIC (%)	5.0	3.1	5.4	6.7	7.2
P/E (x)	(30.8)	(454.3)	233.5	28.8	22.9
EV/EBITDA (x)	17.0	12.7	11.6	8.7	7.8
P/B (x)	1.4	2.1	2.1	1.9	1.8
FCFF yield (%)	1.3	5.7	2.6	4.1	4.7

Source: Company, Emkay Research

Content pipeline improving

H1CY24 box-office collections have been weak, owing to: i) lower number of releases in Bollywood and Hollywood; ii) lack of big-budget movies; iii) multiple movies releasing on same day, thus eating into each other's collections. Box-office collections in Q2 picked up pace, albeit largely led by regional movies where PVR Inox has a lower market share. Among Bollywood, *Stree 2* was the standout performer, emerging as the highest-ever Hindi grossing movie. The Q3 pipeline is much stronger, and is dominated by franchisee movies, which have done exceedingly well in the last few quarters. Some key franchisee Indian movies include *Singham Again*, *Bhool Bhulaiyaa 3*, *Dhadak 2*, *Metro In Dino*, *Pushpa 2*, and *Sitare Zameen Par*, along with a few Hollywood movies as well. The upcoming Hollywood pipeline is also normalizing, as the impact of the strike by writers and actors subsides. Management expects Q3 to be the highest grossing quarter of FY25, given the strength of the titles to be released.

Recalibrating in the post-Covid era

PVR Inox's occupancies have settled below pre-Covid levels, owing to: i) rapid adoption of OTT; ii) higher ticket and F&B prices; iii) proliferation of social media, with decision-making based on word-of-mouth. This has led to a sharper filtration process, with fewer trips to theatres. To adjust to this new reality, management is taking steps to improve profitability. Screen addition guidance is now much more calibrated compared with that at the announcement of the merger. Further, loss-making screens are being culled on a regular basis. On the revenue front, management's initiatives include: i) introduction of special offers on ticket prices and F&B; 2) screening of alternate content; 3) introduction of movie passport to drive theatre footfalls. The multiplex chain is also transitioning to a more capital-light model, wherein PVR Inox will jointly partner with developers to invest in new screen capex. All these initiatives are aimed at driving higher footfalls to theaters, while also redistributing the risk with mall developers. However, the impact of these cost initiatives is only likely to be visible a few years from now, in our view.

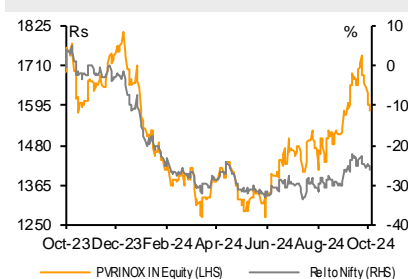
Target Price – 12M	Sep-25
Change in TP (%)	12.1
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	19.4
CMP (07-Oct-24) (Rs)	1,548.9

Stock Data	Ticker
52-week High (Rs)	1,830
52-week Low (Rs)	1,204
Shares outstanding (mn)	98.2
Market-cap (Rs bn)	152
Market-cap (USD mn)	1,811
Net-debt, FY25E (Rs mn)	80,956
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	804.6
ADTV-3M (USD mn)	9.6
Free float (%)	72.5
Nifty-50	24,796
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	27.8
FPIs/MFs (%)	18.1/38.8

Price Performance

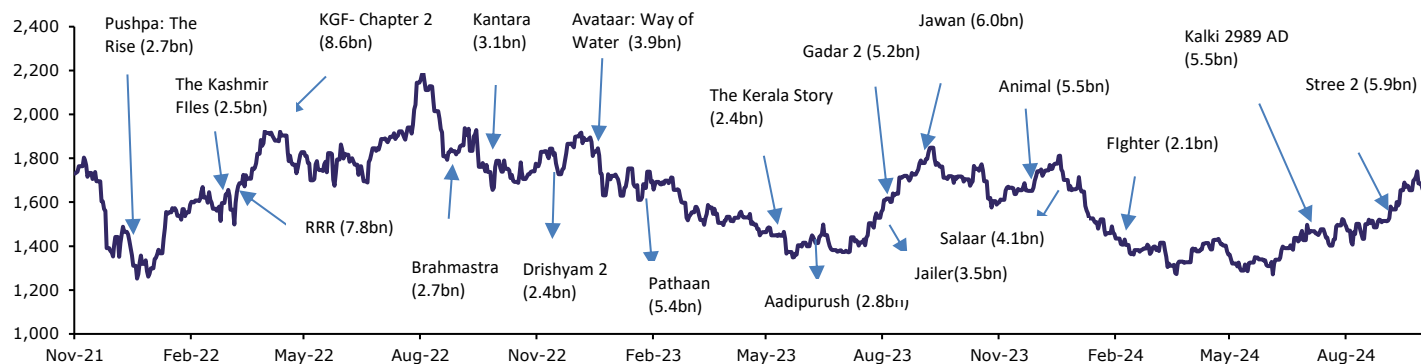
(%)	1M	3M	12M
Absolute	(1.2)	5.5	(9.1)
Rel. to Nifty	(0.9)	3.5	(28.0)

1-Year share price trend (Rs)



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Exhibit 1: PVR Inox's stock performance and key movies' NBOC

Source: Company, Emkay Research

Exhibit 2: Q2FY25 – Net box-office collections

Q2FY25		
Film	Release date	Box office collections (Rs mn)
Bollywood		
Kill	5-Jul-24	250
Sarfira	12-Jul-24	249
Bad Newz	19-Jul-24	645
Auron Mein Kahan Dum Tha	2-Aug-24	122
Khel Khel Mein	15-Aug-24	389
Vedaa	15-Aug-24	203
Stree 2	15-Aug-24	5,887
The Buckingham Murders	13-Sep-24	101
Yudhra	20-Sep-24	113
Hollywood		
Despicable Me 4	5-Jul-24	168
Deadpool and Wolverine	26-Jul-24	1,326
Regional		
Kalki 2898	27-Jun-24	3,437
Jatt and Juliet 3	27-Jun-24	215
Indian 2	12-Jul-24	813
Bidurbhai	19-Jul-24	132
Raayan	26-Jul-24	945
Bheema	9-Aug-24	193
Thangalaan	15-Aug-24	446
Double iSmart	15-Aug-24	150
Aay	15-Aug-24	139
Vaazha - Biopic of a Billion Boys	15-Aug-24	235
Nunakkuzhi	15-Aug-24	119
Krishnam Pranaya Sakhi	15-Aug-24	183
Mr. Bachchan- The Only Hope	15-Aug-24	107
Demonte Colony 2	15-Aug-24	357
Vaazhai	23-Aug-24	288
Saripodhaa Sanivaaram	29-Aug-24	631
Bibi Rajni	30-Aug-24	166
The Greatest of All Time	5-Sep-24	2502
Aayante Randam Moshanam (ARM)	12-Sep-24	481
Kishkindha Kaandam	12-Sep-24	346
Mathu Vadalara 2	13-Sep-24	192
Ardaas Sarbat De Bhale Di	13-Sep-24	132
Lubber Pandhu	20-Sep-24	161
Navra Maza Navsacha 2	20-Sep-24	164
Meiyazhagan	27-Sep-24	160
Devara - Part 1	27-Sep-24	1,731

Source: Sacnilk, Emkay Research

Exhibit 3: Upcoming movie pipeline

Release Date	Movie Name	Language	Cast
11-Oct-24	Jigra	Hindi	Alia Bhatt, Vedang Raina
11-Oct-24	Vicky Vidya Ka Woh Wala Trailer	Hindi	Rajkummar Rao, Triptii Dimri
18-Oct-24	The Apprentice	English	Sebastian Stan, Jeremy Strong
18-Oct-24	Goodrich	English	Michael Keaton, Mila Kunis
31-Oct-24	Lucky Bhaskar	Malayalam	Dulquer Salman, Meenakshi Chaudhary
1-Nov-24	Singham Again	Hindi	Ajay Devgan, Kareena Kapoor Khan
1-Nov-24	Bhool Bhulaiyaa 3	Hindi	Kartik Aaryan, Vidya Balan
14-Nov-24	Kanguva	Tamil	Suriya, Bobby Deol
15-Nov-24	Gladiator 2	English	Paul Mescal, Denzel Washington
15-Nov-24	The Sabarmati Report	Hindi	Vikrant Massey, Raashii Khanna
22-Nov-24	Dhadak 2	Hindi	Siddhant Chaturvedi, Tripti Dimrii
29-Nov-24	Metro In Dino	Hindi	Aditya Roy Kapur, Sara Ali Khan
29-Nov-24	Moana 2	English	Auli'i Cravalho, Dwayne Johnson
6-Dec-24	Chhaava	Hindi	Vicky Kaushal, Rashmika Mandanna
6-Dec-24	Pushpa 2: The Rule	Telugu	Allu Arjun, Fahad Faasil
13-Dec-24	Lord of the Rings: The War of Rohirrim	English	Brian Cox, Miranda Otto
13-Dec-24	Kraven The Hunter	English	Aaron Taylor Johnson, Russell Crowe
20-Dec-24	Thandel	Telugu	Naga Chaitanya, Sai Pallavi
20-Dec-24	Viduthali- Part 2	Tamil	Soori, Vijay Sethupati
20-Dec-24	Mufasa: The Lion King	English	Aaron Pierre, Kelvin Harisson Jr.
25-Dec-24	Baby John	Hindi	Varun Dhawan, Keerthy Suresh
25-Dec-24	Sitaare Zameen Par	Hindi	Aamir Khan, Genelia D'Souza

Source: Company, Emkay Research

Exhibit 4: Change in Estimates

Particulars	FY25E			FY26E			FY27E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue (Rs mn)	64,478	64,466	0.0	75,832	75,568	-0.3	83,968	83,719	-0.3
EBITDA (Rs mn)	20,333	19,986	-1.7	26,490	26,432	-0.2	29,177	29,129	-0.2
EBITDA Margin (%)	31.5	31.0	-50 bps	34.9	35.0	8 bps	34.7	34.8	9 bps
EBITDA (Adj. for IndAS; Rs mn)	9,021	8,500	-5.8	14,687	14,687	0.0	17,138	17,149	0.1
PAT (Rs mn)	1,135	650	-42.7	5,317	5,274	-0.8	6,557	6,626	1.1
EPS (Rs)	11.6	6.6	-42.8	54.3	53.8	-0.9	66.9	67.6	1.1

Source: Company, Emkay Research

PVR INOX: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	37,507	61,071	64,466	75,568	83,719
Revenue growth (%)	181.8	62.8	5.6	17.2	10.8
EBITDA	10,473	18,101	19,986	26,432	29,129
EBITDA growth (%)	890.4	72.8	10.4	32.3	10.2
Depreciation & Amortization	7,533	12,193	12,700	13,200	14,500
EBIT	2,940	5,908	7,286	13,232	14,629
EBIT growth (%)	0.0	101.0	23.3	81.6	10.6
Other operating income	0	0	0	0	0
Other income	791	1,566	1,337	1,700	1,900
Financial expense	5,716	7,913	8,025	7,885	7,675
PBT	(1,986)	(439)	598	7,048	8,855
Extraordinary items	(108)	0	0	0	0
Taxes	1,274	(112)	(52)	1,774	2,229
Minority interest	13	7	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	(3,381)	(334)	650	5,274	6,626
PAT growth (%)	0.0	0.0	0.0	711.4	25.6
Adjusted PAT	(3,273)	(334)	650	5,274	6,626
Diluted EPS (Rs)	(52.0)	(3.4)	6.6	53.8	67.6
Diluted EPS growth (%)	0.0	0.0	0.0	711.4	25.6
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	27.9	29.6	31.0	35.0	34.8
EBIT margin (%)	7.8	9.7	11.3	17.5	17.5
Effective tax rate (%)	(64.2)	25.5	(8.7)	25.2	25.2
NOPLAT (pre-IndAS)	4,826	4,401	7,920	9,902	10,947
Shares outstanding (mn)	65.0	98.0	98.0	98.0	98.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	(1,986)	(439)	598	7,048	8,855
Others (non-cash items)	12,589	19,013	8,025	7,885	7,675
Taxes paid	1	326	52	(1,774)	(2,229)
Change in NWC	(1,969)	890	2,213	752	517
Operating cash flow	8,635	19,790	10,888	13,910	14,817
Capital expenditure	(6,339)	(6,269)	(4,822)	(4,236)	(3,980)
Acquisition of business	0	0	0	0	0
Interest & dividend income	88	17	0	0	0
Investing cash flow	(5,759)	(6,266)	(4,822)	(4,236)	(3,980)
Equity raised/(repaid)	305	188	0	0	0
Debt raised/(repaid)	1,260	(732)	0	(2,000)	(3,000)
Payment of lease liabilities	(7,059)	(10,589)	659	1,330	1,357
Interest paid	(1,442)	(1,792)	(8,025)	(7,885)	(7,675)
Dividend paid (incl tax)	0	0	0	0	0
Others	301	108	108	108	108
Financing cash flow	(6,634)	(12,817)	(7,259)	(8,446)	(9,210)
Net chg in Cash	(3,758)	707	(1,192)	1,228	1,627
OCF	8,635	19,790	10,888	13,910	14,817
Adj. OCF (w/o NWC chg.)	6,666	20,680	13,101	14,663	15,334
FCFF	2,296	13,521	6,066	9,674	10,837
FCFE	(3,333)	5,625	(1,958)	1,790	3,163
OCF/EBITDA (%)	82.5	109.3	54.5	52.6	50.9
FCFE/PAT (%)	98.6	(1,684.1)	(301.3)	33.9	47.7
FCFF/NOPLAT (%)	47.6	307.2	76.6	97.7	99.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	980	980	980	980	980
Reserves & Surplus	72,319	72,254	72,904	78,178	84,803
Net worth	73,299	73,234	73,884	79,157	85,783
Minority interests	(7)	(3)	(3)	(3)	(3)
Deferred tax liability (net)	(4,735)	(4,881)	(4,881)	(4,881)	(4,881)
Total debt	80,519	83,035	83,694	83,024	81,381
Total liabilities & equity	1,49,076	1,51,385	1,52,693	1,57,297	1,62,280
Net tangible fixed assets	29,432	32,227	36,527	40,327	43,827
Net intangible assets	1,480	1,377	1,652	1,818	1,999
Net ROU assets	53,746	53,746	53,746	53,746	53,746
Capital WIP	2,473	2,464	2,710	2,981	3,280
Goodwill	57,428	57,431	57,431	57,431	57,431
Investments [JV/Associates]	2,312	161	161	161	161
Cash & equivalents	3,616	4,038	2,737	3,857	5,377
Current assets (ex-cash)	9,510	11,852	11,958	13,388	14,453
Current Liab. & Prov.	10,922	11,910	14,230	16,412	17,993
NWC (ex-cash)	(1,411)	(58)	(2,271)	(3,024)	(3,540)
Total assets	1,49,076	1,51,385	1,52,694	1,57,298	1,62,281
Net debt	76,903	78,997	80,956	79,167	76,004
Capital employed	1,49,076	1,51,385	1,52,693	1,57,297	1,62,280
Invested capital	1,40,674	1,44,723	1,47,085	1,50,298	1,53,463
BVPS (Rs)	1,127.2	747.5	754.1	808.0	875.6
Net Debt/Equity (x)	1.0	1.1	1.1	1.0	0.9
Net Debt/EBITDA (x)	7.3	4.4	4.1	3.0	2.6
Interest coverage (x)	1.5	1.1	0.9	0.5	0.5
RoCE (%)	3.6	5.0	5.7	9.6	10.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	(30.8)	(454.3)	233.5	28.8	22.9
P/CE(x)	24.4	13.2	11.7	8.5	7.4
P/B (x)	1.4	2.1	2.1	1.9	1.8
EV/Sales (x)	4.7	3.8	3.6	3.1	2.7
EV/EBITDA (x)	17.0	12.7	11.6	8.7	7.8
EV/EBIT(x)	61.5	39.9	32.6	17.8	15.9
EV/IC (x)	1.3	1.6	1.6	1.6	1.5
FCFF yield (%)	1.3	5.7	2.6	4.1	4.7
FCFE yield (%)	(3.2)	3.6	(1.2)	1.1	2.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
DuPont-RoE split					
Net profit margin (%)	(8.7)	(0.5)	1.0	7.0	7.9
Total asset turnover (x)	0.4	0.4	0.4	0.5	0.5
Assets/Equity (x)	2.4	2.1	2.1	2.0	1.9
RoE (%)	(7.5)	(0.5)	0.9	6.9	8.0
DuPont-RoIC					
NOPLAT margin (%)	12.9	7.2	12.3	13.1	13.1
IC turnover (x)	0.4	0.4	0.4	0.5	0.6
RoIC (%)	5.0	3.1	5.4	6.7	7.2
Operating metrics					
Core NWC days	(13.7)	(0.3)	(12.9)	(14.6)	(15.4)
Total NWC days	(13.7)	(0.3)	(12.9)	(14.6)	(15.4)
Fixed asset turnover	0.3	0.3	0.3	0.4	0.4
Opex-to-revenue (%)	50.2	47.3	46.0	41.7	41.8

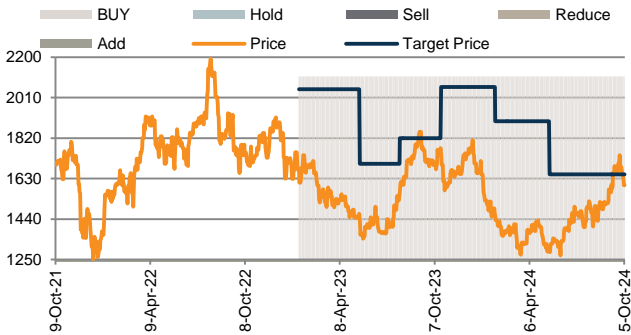
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
22-Jul-24	1,430	1,650	Buy	Pulkit Chawla
20-Jun-24	1,384	1,650	Buy	Pulkit Chawla
14-May-24	1,297	1,650	Buy	Pulkit Chawla
31-Jan-24	1,455	1,900	Buy	Pulkit Chawla
30-Nov-23	1,718	2,060	Buy	Pulkit Chawla
19-Oct-23	1,745	2,060	Buy	Pulkit Chawla
01-Aug-23	1,565	1,820	Buy	Pulkit Chawla
25-Jul-23	1,484	1,700	Buy	Pulkit Chawla
16-May-23	1,435	1,700	Buy	Pulkit Chawla
19-Jan-23	1,678	2,050	Buy	Pulkit Chawla

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
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