

PVR Inox

Strong pipeline, deleveraging on-track; maintaining a Buy

Rating: **Buy**

Target Price: Rs.2,065

Share Price: Rs.1,654

After a muted Q1, PVR Inox is set for sequential improvement from Q2FY25. Plus, advertising income, which has been lagging pre-Covid levels should get a boost. Ahead, Q3FY25 is expected to be a good quarter for PVR-Inox, backed by many franchise movies. PVR's Q3 performance may surpass its best quarter, Q2 FY24, (release of Gadar-2, OMG-2 and Oppenheimer). Besides, measures to pare debt (by monetising three properties in Mumbai, Pune and Vadodara), and improve operational efficiencies by adopting an asset-light model augur well for earnings growth outlook and stock re-rating. We introduce FY27e and retain our Buy with a raised TP of Rs2,065 (13x FY27e pre-Ind-AS EBITDA).

Several blockbusters to drive Q2 revenue. The quarter saw several movies doing well at the box office including Kalki 2898 AD, Stree 2, Deadpool & Wolverine, and Raayan among others. With PVR's Bollywood/regional/Hollywood market shares (~40%/~20%/~60%), we expect sequentially better occupancy/ATP starting Q2 (Q1 occupancy ~20.3%, ATP ~Rs235).

Q3 may surpass its best quarter Q2 FY24. Lately, franchise movies have been doing well as audiences are familiar with the story line. A recent example of this phenomenon was Stree-2, Gadar-2, OMG-2, KGF-2, etc. Ahead, Q3 is expected to be solid quarter for PVR-Inox, backed by many franchise movies (Pushpa-2, Singham Returns, Sitaare Zameen Par of Amir Khan, Metro in Dino, Joker, Lord of the Rings, Bhool Bhulaiya-3, etc).

Measures to pare debt and asset light model approach auger well. Gross screens added in FY25 would be ~110-120 with net screens addition of ~50-60. ~10%/20-25% of gross screen addition in FY25/FY26 would be in the form of asset-light approach, ie, management-fee and revenue-sharing models (in revenue sharing ~70-80% of capex would be borne by developer). Management fee in net collection would be ~8-9% of revenue.

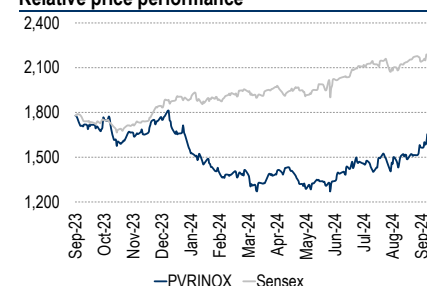
Risk: Poor content, growing penetration of OTT platforms.

Key data	PVRINOX IN
52-week high / low	Rs1830 / 1204
Sensex / Nifty	82891 / 25357
3-m average volume	\$10.9m
Market cap	Rs.163bn / \$1937.2m
Shares outstanding	98m

Shareholding pattern (%)	Jun'24	Mar'24	Dec'23
Promoters	27.8	27.8	27.8
- of which, Pledged	5.9	5.3	4.2
Free float	72.6	72.6	72.6
- Foreign institutions	18.1	16.8	21.8
- Domestic institutions	38.8	40.2	39.2
- Public	15.7	15.6	11.6

Estimates revision (%)	FY25e	FY26e
Revenue	1.9	(1.2)
EBITDA	(17.9)	(0.6)

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	37,506	61,071	65,663	73,044	81,312
Net profit (Rs m)	-2,429	1,144	1,711	5,276	6,931
EPS (Rs)	-24.8	11.7	17.5	53.8	70.7
P/E (x)	-66.7	141.7	94.7	30.7	23.4
EV / EBITDA (x)	55.1	24.6	20.6	13.0	10.7
P/BV (x)	2.2	2.2	2.2	2.0	1.9
RoE (%)	-5.6	1.6	2.3	6.8	8.3
RoCE (%)	-0.1	2.0	2.9	6.5	7.8
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	0.0	0.0	0.0	-0.0	-0.1

Source: Company, Anand Rathi Research

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m) (pre-Ind AS)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues (Rs m)	37,506	61,071	65,663	73,044	81,312
Growth (%)	203.5	62.8	7.5	11.2	11.3
Occupancy (%)	27.2	25.6	27.1	28.5	30.0
Direct costs	11,286	19,107	19,963	21,956	24,632
Gross profit	26,220	41,964	45,700	51,088	56,680
Gross margins (%)	69.9	68.7	69.6	69.9	69.7
Other expenses	23,018	34,843	37,205	37,983	41,469
EBITDA	3,202	7,121	8,495	13,106	15,211
EBITDA margins (%)	8.5	11.7	12.9	17.9	18.7
- Depreciation	3,029	4,707	4,988	5,173	5,401
Other income	684	966	500	500	500
Interest expenses	1,589	1,854	1,724	1,394	1,064
PBT	-732	1,526	2,282	7,038	9,246
Effective tax rates (%)	-189.2	25.0	25.0%	25.0%	25.0%
+ Associates / (Minorities)	-	-	-	-	-
Net income	-2,429	1,144	1,711	5,276	6,931
WANS	98.0	98.0	98.0	98.0	98.0
FDEPS (Rs)	-24.8	11.7	17.5	53.8	70.7

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	-732	1,526	2,282	7,038	9,246
+ Non-cash items	11,191	17,048	6,213	6,068	5,965
Oper. prof. before WC	10,459	18,574	8,495	13,106	15,211
- Incr./ (decr.) in WC	-1,429	890	-1,125	-125	182
Others incl. taxes	-	326	-571	-1,762	-2,314
Operating cash-flow	9,030	19,790	6,799	11,219	13,079
- Capex (tang. + intang.)	-6,273	-6,269	-5,236	-5,356	-5,476
Free cash-flow	2,757	13,521	1,563	5,863	7,603
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	305	188	-	-	-
+ Debt raised	1,264	-732	-3,000	-3,000	-3,000
- Misc. (CFI + CFF)	-7,721	-12,583	-1,228	-894	-564
Net cash-flow	NA	422	-2,662	1,969	4,038

Source: Company, Anand Rathi Research

Fig 5 – Price movement


Source: Bloomberg

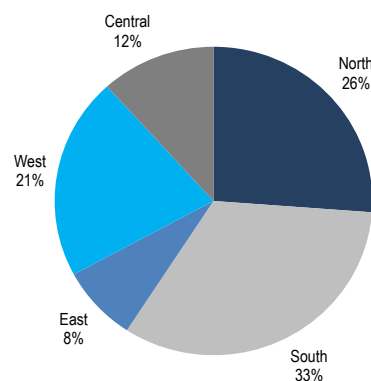
Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	980	981	981	981	981
Net worth	73,292	73,232	74,939	80,215	87,146
Debt	17,927	17,177	14,177	11,177	8,177
Minority interest	-	-	-	-	-
DTL / (Assets) / Lease liabilities	58,236	60,995	60,995	60,995	60,995
Capital employed	149,455	151,404	150,111	152,387	156,318
Net tangible assets	83,177	85,973	86,221	86,403	86,478
Net intangible assets	1,480	1,377	1,377	1,377	1,377
Goodwill	57,428	57,431	57,431	57,431	57,431
CWIP (tang. & intang.)	2,473	2,464	2,464	2,464	2,464
Investments (strategic)	2	161	161	161	161
Investments (financial)	11,708	11,020	11,020	11,020	11,020
Current assets (excl. cash)	4,880	5,740	7,159	7,613	8,165
Cash	3,616	4,038	1,372	3,341	7,379
Current liabilities	15,309	16,800	17,094	17,424	18,157
Working capital	-10,429	-11,060	-9,935	-9,810	-9,993
Capital deployed	149,455	151,404	150,111	152,387	156,318

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	-66.7	141.7	94.7	30.7	23.4
EV / EBITDA (x)	55.1	24.6	20.6	13.0	10.7
EV / sales (x)	4.7	2.9	2.7	2.3	2.0
P/B (x)	2.2	2.2	2.2	2.0	1.9
RoE (%)	-5.6	1.6	2.3	6.8	8.3
RoCE (%) - after tax	-0.1	2.0	2.9	6.5	7.8
RoIC (%) - after tax	-0.1	2.0	2.9	6.7	8.2
DPS (Rs)	-	-	-	-	-
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	0.0	0.0	0.0	-0.0	-0.1
Receivables (days)	21	21	21	21	21
Inventory (days)	7	5	5	5	5
Payables (days)	54	43	43	43	43

Source: Company, Anand Rathi Research

Fig 6 – Percent of screens, by region (Q1– 1,754 screens)


Source: Company

Several blockbusters to drive Q2 revenue

The quarter saw several movies doing well at the box office including Deadpool vs Wolverine (GBOC stood at ~Rs 1.20bn, PVRINOX's share ~Rs 670m; ~56% share), Kalki 2898 AD (GBOC - Q1+Q2 stood at ~Rs6.5bn, PVRINOX's share ~Rs1.8bn; ~28% share), Stree 2 (GBOC stood at ~Rs 5.5bn, PVRINOX's share ~Rs2.6bn; ~47% share). With PVR's Bollywood/regional/Hollywood market share (~40%/~20%/ ~60%), we expect sequentially better occupancy and ATP starting Q2 (Q1 FY25 occupancy ~20.3%, ATP ~Rs 235) and expect revenue to grow by ~20%q/q in Q2 with EBITDA margins of ~10%-12% (Pre-Ind AS).

Fig 7 – Collections (Q2 FY25)

Name	Release Date	Cast	Genre	GBOC (Rs m)
Kalki	27th June'24	Deepika Padukone, Amitabh Bachchan, Prabhas	Sci-Fi/Action	6,460
Bad Newz	19 th Jul'24	Vicky Kaushal, Tripti Dimri, Ammy Virk	Drama	642
Deadpool & Wolverine	26th Jul'24	Shawn Levy	Action	1,330
Raayan (Tamil)	26 th Jul'24	Dhanush	Action/Drama	942
Auron Mein Kahan Dum Tha	2 nd Aug'24	Neeraj Pandey	Drama	121
Ulajh	2 nd Aug'24	Sudhanshu Saria	Thriller/Drama	90
Stree 2*	15th Aug'24	Amar Kaushik	Horror	5,427
Vedaa	15 th Aug'24	Nikhil Advani	Action	215
Khel Khel Mein	15 th Aug'24	Mudassar Aziz	Thriller/Comedy	344
Thangalaan	15 th Aug'24	Vikram, Parvathy Thiruvothu	Action/Fantasy	450
Double Ismart (Telugu)	15 th Aug'24	Puri Jagannadh	Action/Thriller	143
Saripodhaa Sanivaaram	29th Aug'24	Surya, PC Charulatha	Action/Thriller	567
The Greatest of All Time (Tamil)*	5th Sep'24	Venkat Prabhu	Action	1,848

Source: Company *Ongoing

Fig 8 – Movie line-up for Q2FY25

Name	Date	Star	Director	Genre
Bollywood				
Yudhra	20 th Sep'24	Siddhant Chaturvedi, Malavika Mohanan	Ravi Udyawar	Action, Drama
Regional				
Devara Part 1	27 th Sep'24	N.T. Rama Rao Jr., Saif Ali Khan, Janhvi Kapoor	Koratata Siva	Action, Romance
Petta Rap	27 th Sep'24	Prabhu Deva, Vedhika	SJ Sinu	Romance
Hollywood				
Transformers One	20 th Sep'24	Chris Hemsworth, Brian Tyree Henry, Scarlett Johansson	Josh Cooley	Animation, Action & Adventure

Source: Company

Fig 9 – Re-releases lined-up

Name	Initial Release Date	Star	Director	Genre
Rehnaa Hai Terre Dil Mein	19 th Oct'01	R. Madhavan, Dia Mirza	Gautham Vasudev Menon	Romance
Tujhe Meri Kasam Its Not A Love Story	3 rd Jan'03	Ritesh Deshmukh, Genelia D'Souza	K. Vijaya Bhaskar	Romance, Drama, Family
Veer Zaara	12 th Nov'04	Shah Rukh Khan, Preity Zinta	Yash Chopra	Drama
Laila Majnu	7 th Sep'18	Tripti Dimri, Avinash Tiwary	Sajid Ali	Drama, Romance
Rockstar	11 th Nov'11	Ranbir Kapoor, Nargis Fakhri	Imtiaz Ali	Drama
Tumbbad	12 th Oct'18	Sohum Shah, Mohammad Samad	Rahi Anil Barve	Horror, Drama

Source: Company

Q3 may surpass its best quarter (Q2 FY24)

Lately, franchise movies have been doing well as audiences are familiar with the story line. When a film turns into a classic, it earns plenty of goodwill, which further improves its performance at the box office when the second/third part comes out. Recent examples of this phenomenon include Stree-2, Gadar-2, OMG-2, KGF-2, Bhool Bhulaiyaa 2, Drishyam 2 etc. Ahead, Q3 FY25 is expected to be a roaring quarter for PVR-Inox backed by many franchise movies (Pushpa-2, Singham Returns, Sitaare Zameen Par of Amir Khan, Metro In Dino, Joker, Lord of the Rings, Bhool Bhulaiyaa-3, etc.). PVR's Q3 performance may surpass its best quarter, Q2 FY24 (quarter saw release of Gadar-2, OMG-2 and Oppenheimer). We expect ~30%/q/q revenue growth in Q3 FY25 with ~20%-22% EBITDA margins.

Fig 10 – How franchises did in the past

Franchise	Movies under franchise	Release date	India NBOC (Rs m)
Singham	Singham	22 July, 2011	1,010
	Singham Returns	15 Aug, 2014	1,410
	Simmba	28 Dec, 2018	2,400
	Sooryavanshi	5 Nov, 2021	1,960
Drishyam	Drishyam	31 Jul, 2015	670
	Drishyam 2	18 Nov, 2022	2,400
Stree	Stree	31 Aug, 2018	1,300
	Stree 2	15 Aug, 2024	5,500
Gadar	Gadar	15 Jun, 2001	770
	Gadar 2	11 Aug, 2023	5,260
Bhool Bhulaiyaa	Bhool Bhulaiyaa	12 Oct, 2007	490
	Bhool Bhulaiyaa 2	20 May, 2022	1,840
Fukrey	Fukrey	14 June, 2013	360
	Fukrey Returns	8 Dec, 2017	800
	Fukrey 3	28 Sep, 2017	960
Tiger	Ek Tha Tiger	15 Aug, 2012	1,990
	Tiger Zinda Hai	22 Dec, 2017	3,390
	Tiger 3	12 Nov, 2023	3,400
Oh My God	Oh My God	28 Sep, 2012	810
	Oh My God 2	11 Aug, 2023	1,690
Deadpool	Deadpool	12 Feb, 2016	290
	Deadpool 2	15 May, 2018	580
	Deadpool & Wolverine	26 Jul, 2024	1,330
Aquaman	Aquaman	14 Dec, 2018	430
	Aquaman & The Lost Kingdom	22 Dec, 2023	200
Avataar	Avataar	18 Dec, 2009	-
	Avataar: The Way of Water	16 Dec, 2022	3,910
Pushpa	Pushpa: The Rise	17 Dec, 2021	2,680
KGF	KGF: Chapter 1	21 Dec, 2018	2,280
	KGF: Chapter 2	14 Apr, 2022	10,010

Source: Company, Sacnilk

Fig 11 – Franchises lined up in Q3 FY25

Franchise	Movies under franchise	Release date
Bollywood		
Bhool Bhulaiyaa	Bhool Bhulaiyaa-3	1 st Nov'24
Singham	Singham Again	1 st Nov'24
Dhadak	Dhadak 2	22 nd Nov'24
Taare Zameen Par	Sitaare Zameen par	25 th Dec'24
Life In A Metro	Metro In Dino	29 th Nov'24
Hollywood		
Joker	Joker: Folie a Deux	2 nd Oct'24
Gladiator	Gladiator 2	15 th Nov'24
Moana	Moana 2	27 th Nov'24
Lord of the Rings	Lord Of The Rings: The War Of Rohirrim - IMAX, ICE	13 th Dec'24
The Lion King	Mufasa: The Lion King	20 th Dec'24
Regional		
Pushpa	Pushpa-2: The Rule	6 th Dec'24

Source: Company, Sacnilk

Fig 12 – Other movies lined-up in Q3 & Q4 FY25

Name	Date	Star	Director	Genre
Q3FY25 Lineup				
Bollywood				
Vicky Vidya Ka Woh Wala Video	11th Oct'24	Rajkumar Rao, Tripti Dimri	Raaj Shaandilyaa	Comedy
Jigra	11th Oct'24	Alia Bhatt, Vedant Raina	Vasan Bala	Action
Chaava	6th Dec'24	Vicky Kaushal, Rashmika Mandanna	Laxman Utekar	Drama
Baby John - IMAX	25th Dec'24	Varun Dhawan	Kalees	Action, Drama
Regional				
Barroz	3rd Oct'24	Mohanlal	Mohanlal	Action, Drama
Vettaiyan (Tamil)	10th Oct'24	Rajnikanth, Amitabh Bachchan	TJ Gnanavel	Adventure
Kanguva (Tamil)	10th Oct'24	Suriya, Disha Patani	Siva	Action, Fantasy
Thandel (Telugu)	20h Dec'24	Naga Chaitanya, Sai Pallavi	Chandoo Mondeti	Action, Drama
Hollywood				
Venom: The Last Dance - IMAX	25th Oct'24	Tom Hardy	Kelly Marcel	Action, Sci-fi
Thunderbolts	20 th Dec'24	Florence Pugh, Sebastian Stan	Jake Sreier	Action
Q4FY25 Lineup				
Bollywood				
Ekkis	10th Jan'25	Dharmendra, Agastya Nanda, Jaideep Ahlawat	Sriram Raghavan	Drama
Sky Force	26 th Jan'25	Akshay Kumar, Veer Pahariya	Abhishek Anil Kapur, Sandeep Kewlani	Drama
Lahore 1947	26th Jan'25	Sunny Deol, Preity Zinta	Rajkumar Santoshi	Drama
Deva	14th Feb'25	Shahid Kapoor, Pooja Hegde	Rosshan Andrews	Action/Thriller
Vampires of Vijaynagar	14 th Feb'25	Ayushmann Khurrana	Aditya Sarpotdar	Drama
Raid 2	21 st Feb'25	Ajay Devgn, Vaani Kapoor	Raj Kumar Gupta	Thriller, Drama
Sikandar	30th Mar'25	Salman Khan, Rashmika Mandanna	A.R. Murugadoss	Action/Drama
Regional				
Vishwambhara (Telugu)	10th Jan'25	Chiranjeevi, Trisha Krishnan, Meenakshi Chaudhary	Mallidi Vassishtha	Drama
Hollywood				
Mickey 17	31st Jan'25	Robert Pattinson, Naomi Ackie, Mark Ruffalo	Bong Joon-ho	Adventure
Captain America: Brave New World	14th Feb'25	Anthony Mackie, Danny Ramirez, Shira Haas	Julius Onah	Action
Snow White	21st Mar'25	Rachel Zegler, Gal Gadot	Marc Webb	Adventure
Alto Knights	21st Mar'25	Robert De Niro, Debra Messing	Barry Levinson	Biography

Source: Company

Measures to pare debt and asset light model approach auger well

Gross number of screens added in FY25: ~110-120, with ~50-60 net screen additions. ~10%/20-25% of gross screens added in FY25/FY26 would be asset-light, ie, management-fee and revenue-sharing models (in the latter, ~70-80% capex would be borne by the developer). Management fee in net collection would be ~8-9% of revenue.

Company is also aiming for sale of properties in Mumbai, Pune and Vadodara which can potentially yield ~Rs3bn-Rs4bn cash. This cash would be in be used to pay off debt which currently stands at ~Rs17bn (FY24). Details of assets:

- CR2 Inox Theatre at Nariman Point, Mumbai: company to explore sale-and-leaseback route
- Theatre at Pune (Bund Garden) and Vadodara: both assets have land parcels; company exploring sale of these properties to residential developer

Fig 13 – Debt Scenario

(Rs m)	FY23	FY24	FY25e	FY26e	FY27e
Gross Debt	17,927	17,177	14,177	11,177	8,177
Less: Cash & Eq.	3,616	4,038	1,372	3,341	7,379
Net Debt	14,311	13,139	12,805	7,836	798

Source: Company, Anand Rathi Research

Other updates

PVR/INOX and Devyani International JV

- Two food courts to be launched in next couple of months; Capex: ~Rs50m-60m/food court, split between both entities.

Passport program

- Currently, ~0.47m PVR/INOX passport holders; program gives access to ~5 movies/month on weekdays (Mon-Thu) for ~Rs349
- Revenue share happens with the producer in the same proportion (box office collection % share for a movie) as and when a passport holder books a ticket.
- New update in this program is that users cannot use this facility in 1st week of new movie release

Fig 14 – Key assumptions

	Merged entity FY25e	Merged entity FY26e	Merged entity FY27e
Revenue mix (consolidated) (Rs m)			
Ticket sales / Revenue share income	34,367	38,029	43,000
% of overall revenue	52.3	52.1	52.9
F&B	21,934	23,933	26,288
% of overall revenue	33.4	32.8	32.3
Ad & Royalty Income	4,900	5,810	6,752
% of overall revenue	7.5	8.0	8.3
Other operating income	4,462	5,272	5,272
% of overall revenue	6.8	7.2	6.5
Total revenue	65,663	73,044	81,312
Cost elements (Rs m)			
Variable cost			
Film distributor's share	14,479	15,972	18,060
As % of ticket sales	42.1	42.0	42.0
F&B cost	5,484	5,983	6,572
As % of F&B income	25.0	25.0	25.0
Semi variable / Fixed cost			
Employee cost	7,507	7,304	8,131
% of revenue	11.4	10.0	10.0
Other expenses	29,698	30,678	33,338
% of revenue	45.2	42.0	41.0
Total expenditure	57,167	59,938	66,101
EBITDA (pre-Ind AS)	8,495	13,106	15,211
EBITDA Margins (%)	12.9	17.9	18.7
EBITDA y/y change (%)	19.3	54.3	16.1
Operating metrics			
Occupancy (%)	27	29	30
Footfalls (m)	161	173	186
No. of screens	1,778	1,838	1,898
Screens added	60	60	60
Average ticket price (Rs)	264	277	291
Spend per head (Rs)	136	139	141
Ad revenue / screen (Rs m)	2.8	3.2	3.6
Cost / screen (Rs m)	32.2	32.6	34.8
EBITDA / screen (Rs m)	4.8	7.1	8.0

Source: Company, Anand Rathi Research

Valuation

Ahead, we expect sequentially better occupancy-levels and ticket rates, supported by strong content line-up and growth in number of screens with a sharper focus on asset-light approach. Factoring in all this, we introduce FY27e, while retaining our Buy recommendation with a higher TP of Rs2,065 (13x FY27e pre-Ind-AS EBITDA). We believe good content would be appreciated, regardless of budgets and stars. Movies with good content are larger than ever; those that don't work have fallen far.

Fig 15 – Valued at 13x FY27e EV / EBITDA

(Rs m)	FY27e
EBITDA, ex-IND-AS	15,211
EV / EBITDA (x)	13
EV	194,698
Net debt	798
M. Cap	193,901
No. of shares (m)	98.0
TP (Rs)	2,065
CMP (Rs)	1,654
Upside (%)	25.0%

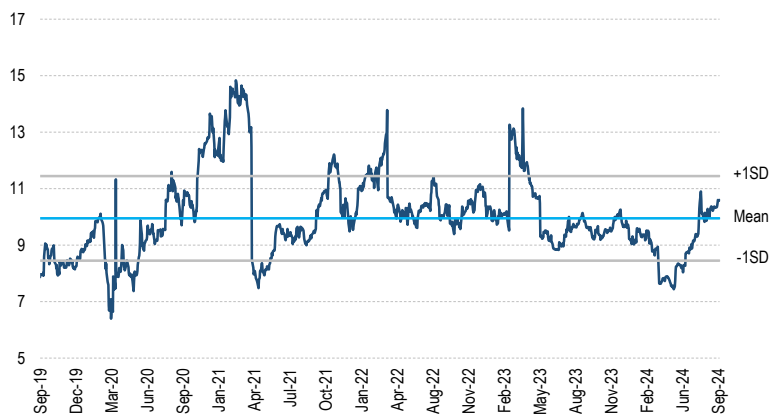
Source: Anand Rathi Research

Fig 16 – Change in estimates

(Rs m)	FY25e			FY26e		
	New	Old	% change	New	Old	% change
Revenue	65,663	64,469	1.9	73,044	73,932	(1.2)
EBITDA	8,495	10,348	(17.9)	13,106	13,179	(0.6)
EBITDA margins %	12.9	16.1	-311 bps	17.9	17.8	12 bps
EBIT	4,007	5,829	(31.3)	8,432	8,421	0.1
EBIT margins %	6.1	9.0	-294 bps	11.5	11.4	15 bps
PBT	2,282	4,050	(43.6)	7,038	6,917	1.7
Net profit	1,711	3,038	(43.7)	5,276	5,187	1.7

Source: Anand Rathi Research

Fig 17 – EV / EBITDA



Source: Bloomberg, Anand Rathi Research

Risks

- Shrinking consumer discretionary spends in an inflationary context.
- Poor movies.
- deeper penetration of OTT platforms.

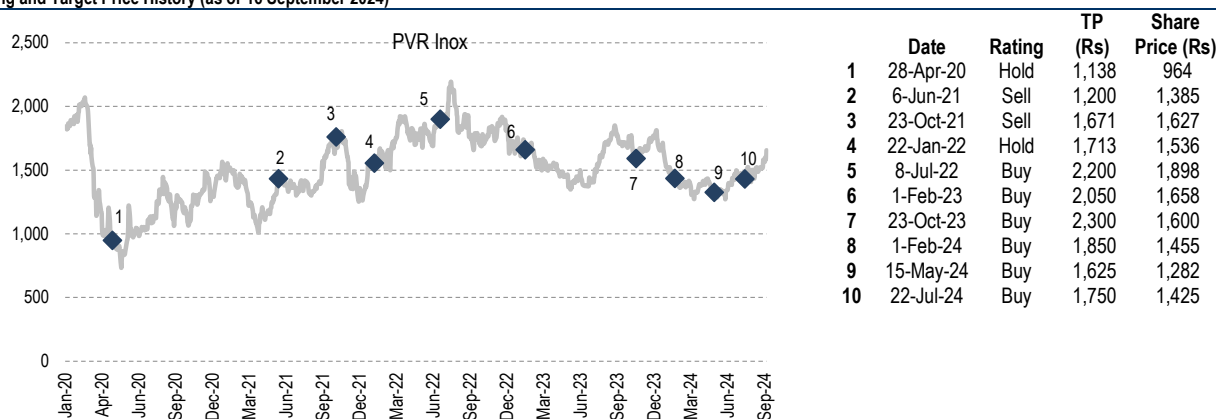
Appendix

Analyst Certification

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