

Company Overview

Post the merger with Inox, PVR Inox Ltd. dominates the domestic market as the largest film exhibition company. The company has a collective 1,697 screens spread across 360 properties in 114 cities (including Sri Lanka), with an aggregate seating capacity of 3.59 lakhs. Extending its services beyond box office collections, the company has diversified its revenue stream which includes food & beverage offerings, advertisement income, convenience fees, and income from movie distribution. In FY23, the merged company added a total of 168 screens (of which 79 were added in Q4FY23). Progressing forward in FY24, the merged company intends to open 150-175 screens during the year, of which 9 have already opened, 15 screens awaiting license commercial opening, and 152 screens under fit-out stages. The company's long-term plan includes adding more than 700-1,000 screens in the next 5-7 years.

Investment Rationale

Robust pipeline of movie releases in the upcoming quarters to boost business

The company began Q4FY23 on a strong note, with the success of 'Pathaan' in January and 'Avataar' continuing its impressive performance from December 2022. Apart from an average response to 'Bhola' and 'Tu Jhooti Main Makkar', the overall performance of the Hindi film industry continued to remain underwhelming as compared to the regional films that managed to pull the anchor and sail through the headwinds. While high volatility in Hindi films and an overall lower release of Hollywood movies impacted the road to recovery for PVR Inox in FY23, we expect a turnaround story for the business in the next two quarters. We build this optimism based on big box releases like 'Rocky aur Rani ki Prem Kahani' starring Ranveer Singh and Alia Bhatt in July; 'Dream Girl 2' starring Ayushman Khurana and 'Animal' featuring Ranbir Kapoor in August. Other highly anticipated movies like 'Jawan' with Shahrukh Khan and 'Tiger 3' with Salman Khan in November build onto the comeback of traditional cinema back to its glory. Moreover, Hollywood movies ('Mission Impossible: Dead Reckoning Part 1', 'Barbie' and 'Oppenheimer') and regional movies ('Maveeran' in July, 'Jailer' starring Rajinikanth and 'Bhola Shankar' starring Chiranjeevi in August) add to the growth trajectory for the business. Taking this strong pipeline of films into picture which should result in higher footfalls, the company expects to deliver a topline of around Rs. 6,000-7,000 crores in FY24 along with scaling its margin levels back in the 18-20% range.

Merged business to drive operational synergies

Being the two largest market players in the business of film exhibition, the merger of PVR and Inox as PVR Inox Ltd. (effective from April 2023), the company highlighted unlocking operational synergies of around Rs. 225 crores in the next 12-24 months. This is on the back of the company as a merged entity enjoying higher economies of scale which will effectively aid in reducing its major cost overheads over time. Adding to this, the company has decided to close 50 of its loss-making screens to improve its operational performance going forward. As highlighted earlier, the anticipation of big box releases will lead to better occupancy levels for the merged entity which will improve cashflows and help reduce its net debt level compared to the previous fiscal. Another positive that we would highlight is an uptick in ATP (average ticket prices) from Rs. 200 in FY20 to Rs. 236 in FY23 and SPH (spending per head) increasing to Rs. 120 in FY23 as compared to Rs. 92 in FY20 which is slated to rise further due to better synchronization of the merged entities going forward.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	1,438
Target Price (INR)	1,637
NSE Symbol	PVRINOX
BSE Code	532689
Bloomberg	PVRINOX IN
Reuters	PVRL.BO

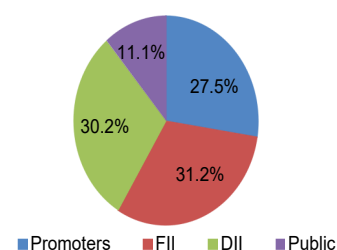
Key Data

Nifty	19,331
52WeekH/L(INR)	2,215 / 1,336
O/s Shares (Mn)	98
Market Cap (INR bn)	141
Face Value (INR)	10

Average volume

3 months	5,88,360
6 months	6,07,840
1 year	7,04,840

Share Holding Pattern (%)



Relative Price Chart



PVR Inox Ltd.

Valuation and Outlook

PVR Inox Ltd. has strategized to realign all its upcoming handovers of new site fit-outs to the next calendar year till the time there is a strong bounce-back in the box office. This is in line with its aim to keep a prudent check on its net debt levels and fund its growth through internal accruals. Another apprehension is the growing popularity of OTT platforms replacing traditional cinema which in our opinion is somehow misplaced. Considering the strong response and increasing footfalls for movies like 'Pathaan' and sleeper hits like 'The Kerala Story', we remain optimistic about our belief that the upcoming slate of big-box movies will augment the prospects of the industry in the coming period. A key concern in the company's FY23 financial metrics was its advertising income which fell to Rs. 3,818 million compared to Rs. 5,549 million in FY20. However, with the realization of benefits from the merger with Inox (reduced need for the company to undercut its rates) and the company re-emphasizing the linkage of an improving advertising income to big movie releases, we expect the business to post-recovery in the upcoming quarters. **Thus, we give the stock a "Buy" rating based on the above factors. On the valuation front, we value the company based on 8x of FY24E EBITDA and arrived at a target price of INR 1,637 (14% upside from CMP) with a 12 months investment horizon.**

Key Financials								
YE March (Rs. millions)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E
Revenue	21,194	23,341	30,856	34,144	2,800	13,310	37,510	55,500
Revenue Growth (Y-o-Y)		10.1%	32.2%	10.7%	(91.8%)	375.3%	181.8%	48.0%
EBIDTA	3,044	3,990	5,844	10,743	(3,411)	1,033	10,480	20,050
EBIDTA Growth (Y-o-Y)		31.1%	46.5%	83.8%	(131.7%)	130.3%	914.1%	91.3%
Net Profit	958	1,240	1,894	269	(7,482)	(4,885)	(3,360)	2,451
Net Profit Growth (Y-o-Y)		29.4%	52.7%	(85.8%)	(2886.6%)	34.7%	31.2%	172.9%
Diluted EPS	9.8	12.7	19.3	2.7	(76.4)	(49.9)	(34.3)	25.0
Diluted EPS Growth (Y-o-Y)		29.4%	52.7%	(85.8%)	(2886.6%)	34.7%	31.2%	172.9%
Key Ratios								
EBIDTA margin (%)	14.4%	17.1%	18.9%	31.5%	-121.8%	7.8%	27.9%	36.1%
NPM (%)	4.5%	5.3%	6.1%	0.8%	-267.2%	-36.7%	-9.0%	4.4%
RoE (%)	9.9%	11.5%	12.7%	1.8%	-40.8%	-35.6%	-4.6%	3.3%
RoCE (%)	18.4%	23.2%	22.5%	41.6%	-11.6%	4.2%	12.3%	4.9%
Valuation Ratios								
P/E (x)	147.2x	113.8x	74.5x	525.4x	-18.9x	-28.9x	-42.0x	57.6x
EV/EBITDA	48.5x	36.9x	26.0x	13.9x	-42.4x	141.5x	14.3x	22.5x
P/BV (x)	14.6x	13.1x	9.4x	9.5x	7.7x	10.3x	2.0x	1.9x
Market Cap. / Sales (x)	6.7x	6.0x	4.6x	4.1x	50.4x	10.6x	3.8x	2.5x

Source: Company, BP Equities Research

**BP WEALTH**

Tel: +91 22 61596406

Research Desk

Institutional Sales Desk

Tel: +91 22 61596403/04/05

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Week Gone**Corporate Office:**

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392