PVR Inox Ltd. (PVRLIM)

ICICI direct Research

CMP: ₹ 1288 Target: ₹ 1700 (32%) Target Period: 6-12 months

BUY

May 13, 2024

Poised to witness recovery ahead...

About the stock: PVR Inox is the market leader in terms of multiplex screen count in India. Currently, it operates 1748 screens in 361 cinemas in 112 cities in India and Sri Lanka

- The company has spelt out EBITDA synergy target of ₹ 225 crore by FY25 (~60-65% of the same likely to be realised in FY24), led by revenue synergies along with opex synergies on scale and supply chain integration

Investment Rationale:

- **FY25 content pipeline looks strong; to drive footfall recovery:** We highlight that major content release momentum have been lower in last couple of quarter especially in regional and Hollywood. With strong big budget release pipeline lined up (incl. *Pushpa 2, Kantara 2, Kalki 2898 AD, Indian 2, Deadpool & Wolverine, Despicable Me 4, Transformers One, Joker: Folie à Deux, Gladiator II* etc) from Q2FY25 onwards, we expect footfalls to witness a recovery. We expect footfalls of 178 mn in FY26 vs. likely 152 million in FY24, driving 10%/17% CAGR in box office/Food & Beverages (F&B) revenues over FY24-26E.
- **Realising synergy & other measures to boost margins expansion**: The company has spelt out EBITDA synergy target of ₹ 225 crore by FY25 (~60-65% of the same likely to be realised in FY24). The company expects ~₹ 35-40 crore worth of F&B synergies to be achieved due to revised menu and portfolio mix. Furthermore, increase in advertisement revenue will be led mostly by increase in ad minutes and partially by improvement in realisation. We have baked in ad revenues of ₹ 600 crore in FY26 (vs. likely ₹ 450 crore in FY24). Thus, we expect EBITDA margins (ex- IND AS) of 18% in FY26 vs. 11.6% (likely) in FY24.
- **Deleveraging and other capex sharing measures to be seen ahead:** De-leveraging is likely to be key focus of PVR ahead. The company intends to enter capex sharing contracts with landlords to increase RoCE. The objective is to bring down the overall capex by ~35-40%. Furthermore, it has non-core assets (real estate space), which may be liquidated to reduce debt. These measures are likely to improve the free cash flows and accelerate deleveraging ahead.

Rating and Target Price

- We believe that that with strong content pipeline, a sharp recovery will be seen ahead. PVR Inox remain a proxy play on urban/semi urban discretionary spends.
- Given the likelihood of strong recovery, we assign a target of ₹1700, valuing the stock at 12.5x FY26 ex-IND AS EBITDA. Recommend a **BUY**. PVR is one of our top picks in the small cap space.

PVR INOX

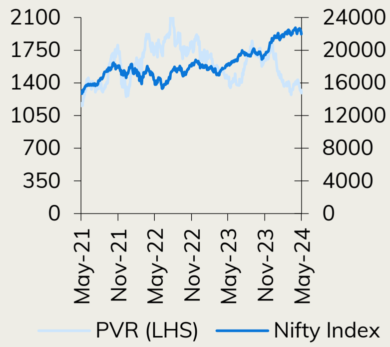
Particulars

Particulars	Amount
Market Cap (₹ Crore)	12,641
Total Debt (₹ Crore)	1,608
Cash & Equi. (₹ Crore)	396
EV (₹ crore)	13,853
52 week H/L (₹)	1875 / 1248
Equity capital (₹ crore)	9.8
Face value (₹)	10.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	27.6	27.8	27.8	27.8
DII	33.1	37.2	39.2	40.2
FIIs	26.8	23.3	21.8	16.8
Other	12.4	11.7	11.1	15.2

Price Chart



Key risks

(i) Continued weakness in content

(ii) Delay in ad revenues recovery

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Key Financial Summary

(Year-end March)	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	FY26E	2 yr CAGR (FY24-26)
Net Sales (₹ crore)	280.0	1,331.0	3,750.7	NA	6,090.7	6,579.1	7,764.2	13%
EBITDA (₹ crore)	(334.9)	105.7	1,047.7	NA	1,822.1	2,189.0	2,761.5	23%
Net Profit (₹ crore)	(747.8)	(488.2)	(335.1)	NA	(23.0)	152.4	437.4	LP
EPS (₹)	(76.3)	(49.8)	(34.2)		(2.3)	15.5	44.6	
P/E (x)	(16.9)	(25.8)	(37.7)		(548.7)	82.9	28.9	
Price / Book (x)	6.9	9.2	1.7		1.7	1.7	1.6	
EV/EBITDA (x)	(50.5)	163.2	19.6		11.4	9.4	4.9	
RoCE (%)	(6.3)	(2.8)	2.4		4.9	6.4	16.2	
RoE (%)	(40.8)	(35.6)	(4.3)		(0.3)	2.1	5.6	

Source: Company, ICICI Direct Research ** Merged entity numbers since Q4FY23. Thus, prior numbers are not comparable*

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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