

Why is PVR-Inox not FIRING if Pushpa is a WILDFIRE!

Pushpa-2 has set the BO on FIRE. The film has been a rage amongst movie-goers having amassed ~Rs9bn (India, net) till date and is currently placed second in the list of all time highest collections. There is a strong possibility that it will topple Bahubali 2 – The Conclusion and emerge as one of the highest netting movies in India. List of top 5 movies with record net collections is given below:-

Exhibit 1: List of top 5 movies in India with best BO figures

Movie Name	NBOC (Rs bn)
Bahubali 2 - The Conclusion	10.3
Pushpa-2	9.0
KGF Chapter 2	8.6
RRR	7.8
Kalki 2898 AD	6.5

Source: PL Note: All figures are India, net

Will 3QFY25E match one of the best quarters post COVID?

Till date, industry wide NBOC's stand at ~Rs27.4bn dominated by Pushpa-2, Singham Again and Bhul Bhulaiyaa-3. Notable releases in the next 15 days include Mufasa – The Lion King and Baby John. If we assume both these movies would net ~Rs2-2.5bn and add another ~Rs1-1.5bn from residual screening tenure of Pushpa-2, industry wide NBOC may settle at ~Rs30-31bn for 3QFY25E. Post COVID, 2QFY24 was the best ever quarter with industry wide collections of ~Rs32.7bn. Thus, prima facie, 3QFY25 may fall marginally short of 2QFY24 or may even be at par considering additional collections from miscellaneous releases in next 15 days.

Historical trend of PVR-Inox's market share in industry wide collections is given in the table below:-

Exhibit 2: PVR-Inox's BO market share hovers in the 30%+ range

Particulars (Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E
Industry wide NBOC	18,797	18,694	32,799	25,572	19,338	19,460	26,339	~Rs31,000+
PVR-Inox's NBOC	6,016	6,945	11,193	8,308	6,353	5,935	8,376	?
Market share	32%	37%	34%	32%	33%	31%	32%	?

Source: Company, PL

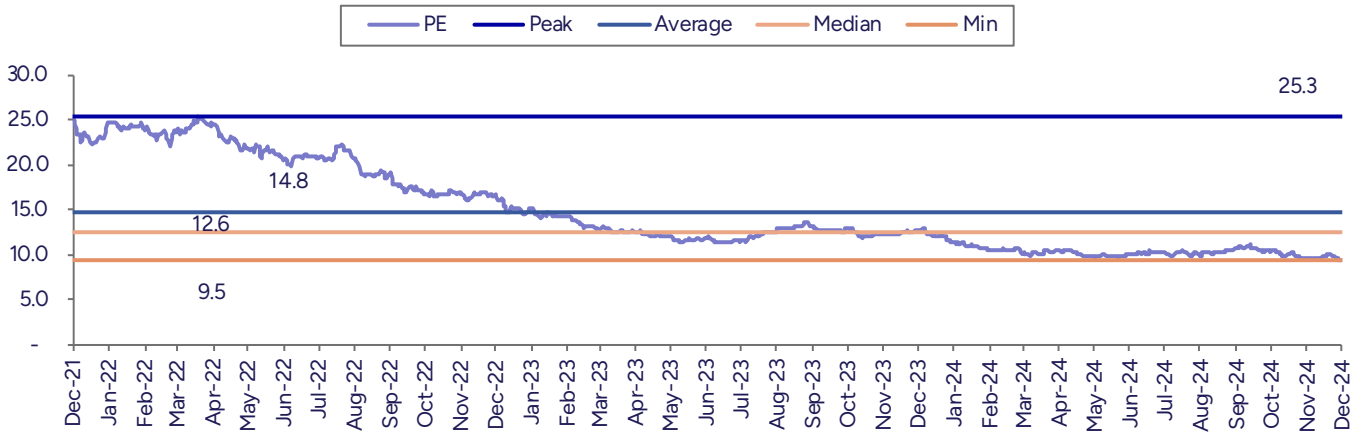
Thus, if industry wide BO collections settle upwards of Rs31,000mn and PVR-Inox's market share remains in the sub-30% range, NBOC's for the quarter could mimic the performance of 2QFY24.

If 3QFY25 is equal to 2QFY24, is PVR-Inox a bargain BUY at CMP?

While PVR-Inox has traded at an average EV/EBITDA multiple of 14.8x over the last 3 years, since Jan-23 the stock has traded in the band of 10-12.5x (1-year forward). We believe the trajectory of valuation multiple has been reset to the latest trading band given:-

- Rising volatility in flow, acceptability and predictability of content
- Rising screen closures and re-runs which indicate evolving viewing habits on big screen

Exhibit 3: EV/EBITDA Band Chart



Source: Company, PL

Further, we believe a leader struggling to make profits consistently reflects inherent volatility in the business model. The stock trades at EV/EBITDA multiple of 12.1x/9.6x our FY26E/FY27E pre-IND AS EBITDA estimates and leaves little headroom for an upside amid the valuation reset. We maintain HOLD with a TP of Rs1,598 (12x Sep-26 EBITDA).

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Hold	361	371
3	DOMS Industries	BUY	3,337	2,789
4	Imagicaaworld Entertainment	BUY	110	74
5	Indian Railway Catering and Tourism Corporation	Hold	833	829
6	InterGlobe Aviation	Accumulate	4,919	4,366
7	Lemon Tree Hotels	BUY	158	122
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	139	135
10	Nazara Technologies	BUY	1,182	98
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	322	209
13	Safari Industries (India)	BUY	2,989	2,235
14	TCI Express	Accumulate	1,119	977
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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