PVR INOX | BUY

An encore

Cinemas around the globe are witnessing a renaissance. A slew of blockbusters have pulled movie-goers back to theatres. But for the film exhibition business to thrive, blockbusters alone are not enough. We address three debates to figure if this is indeed a recovery. On content versus behavioural change, revival across Hollywood ("Barbenheimer"), Bollywood ("Gadar 2") and Chinese ("Lost in The Stars") movies has tilted the scale in favour of content. On OTT vs. theatrical, rather than either/or, we see a symbiotic relationship emerging. Our statistical analysis of box office collection ("BOC") indicates distribution (across hit and flop movies) is reverting to pre-Covid levels – implying a return to normalcy. PVR-INOX is better placed today than ever before to ride the revival. Cost efficiencies and better ATP/SPH mean screen economics is viable even at structurally lower occupancies. Lack of inorganic expansion avenues, especially in single screen dominant south India, means PVR-INOX's gross fixed assets/screen should stay in check, thus improving RoCE. We value the stock using DCF to arrive at a TP of INR 2,270 as lack of listed peers make valuation benchmarking difficult. That said, our DCF implied FY25E PER of 30x is in line with PVR's pre-Covid mean (32x). Also, implied FY25E EV/EBITDA of 17.7x is at a discount to that of listed hotels (brand owners) - a loose proxy though not as "deep-cyclical" - justifying the multiple. Resume with BUY.

- **How many swallows will make the summer?** There is an undeniable recovery in BOC across the globe. But blockbusters – Avatar: The Way of Water, KGF2 – did well even in 2022. The widening gap between collections of good and average movies, like in 2022, was seen as permanent impact of OTT and threatened to structurally lower theatre occupancy. Our statistical analysis of BOC distribution in India across years suggests that skewness as well as kurtosis – parameters reflecting movies' BOC on either extremes – are reverting to pre-Covid levels. In other words, BOC of movies is more evenly spread now, reflecting a return to normalcy. Also, revival of under-performing languages, e.g., English, Hindi, underscores that content and not behaviour change was causing low attendance.
- **Inherent screen economics better now:** We estimate that PVR-INOX has brought down its break-even occupancy from 22% pre-Covid to 18% now. Closure of unprofitable screens and focus on driving cost synergies (INR 2-2.25bn) should help improve this further. However, the company's inorganic expansion (60% of the screens have come through M&A) has resulted in bloated adjusted gross fixed asset/screen (due to goodwill), thus depressing RoCEs. That said, we see limited inorganic avenues for growth now, especially in single screen dominated south India where 40% of PVR-INOX's incremental screen additions are likely to come. This should keep the incremental GFA/screen low and help improve RoCEs. Return to pre-pandemic occupancy will aid RoCE further.
- **Initiate with BUY and TP of INR 2,270:** We conservatively build gradual improvement in occupancy, resulting in 16% revenue CAGR over FY23-26E. However, a lower break-even point and thus higher operating leverage drives 42% EBITDA CAGR. Our DCF-based TP of INR 2,270 implies 30x FY25E PER and 17.7x EV/EBITDA. Discount to the deeply cyclical hotel industry (brand owners), a loose proxy, make these multiples reasonable, we think.

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Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	
Current Price Target (12M)	2,270
Upside/(Downside)	30.9%
Previous Price Target	NA
Change	NA

Key Data – PVRINOX IN	
Current Market Price	INR1,734
Market cap (bn)	INR169.9/US$2.1
Free Float	83%
Shares in issue (mn)	98.0
Diluted share (mn)	98.0
3-mon avg daily val (mn)	INR1,199.1/US$14.5
52-week range	1,976/1,336
Sensex/Nifty	65,252/19,387
INR/US$	82.6

Price Performance			
%	1M	6M	12M
Absolute	16.0	8.5	-5.2
Relative*	18.0	-1.1	-14.6

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	13,206	35,586	62,903	72,219	81,409
Sales Growth (%)	381.6	169.5	76.8	14.8	12.7
EBITDA	1,054	10,477	21,396	25,707	29,831
EBITDA Margin (%)	7.9	27.9	33.5	35.1	36.1
Adjusted Net Profit	-4,882	-3,177	4,500	7,441	9,909
Diluted EPS (INR)	-80.0	-32.6	46.2	76.4	101.7
Diluted EPS Growth (%)	0.0	0.0	0.0	65.4	33.2
ROIC (%)	-14.6	8.7	11.5	13.4	14.8
ROE (%)	-30.5	-7.3	6.0	9.1	11.0
P/E (x)	-21.7	-53.2	37.5	22.7	17.0
P/B (x)	7.7	2.3	2.2	2.0	1.8
EV/EBITDA (x)	170.8	17.6	8.5	7.0	5.9
Dividend Yield (%)	0.0	0.0	0.0	0.5	0.9

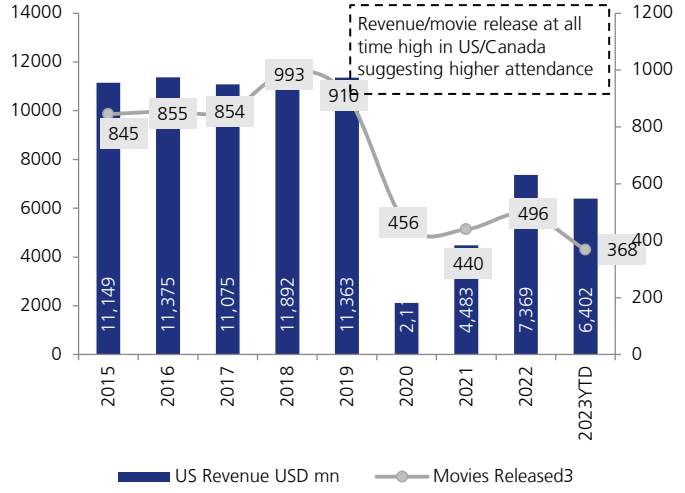
Source: Company data, JM Financial. Note: Valuations as of 24/Aug/2023

%n%enJM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certificatio

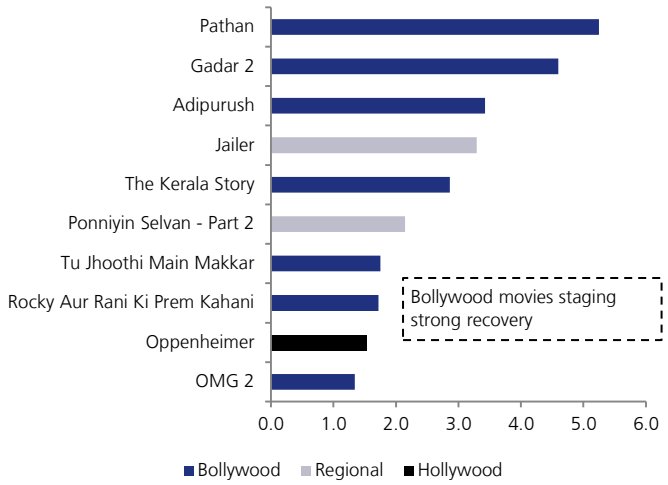
Focus Charts

Exhibit 1. Yearly box office collection, US and Canada (USD bn)



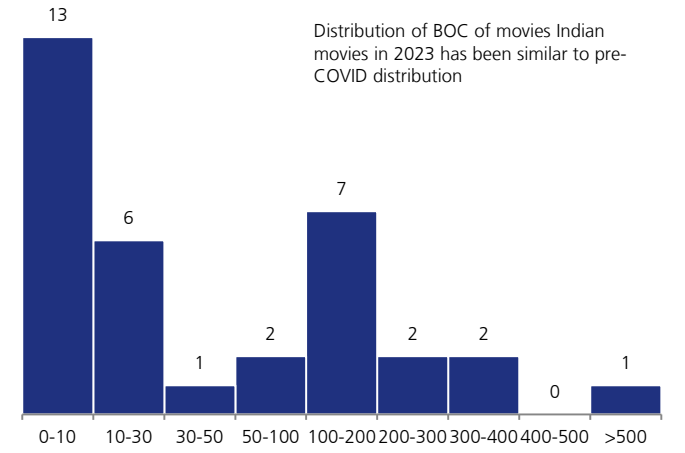
Source: Boxofficemojo.com, JM Financial

Exhibit 2. Top-10 movies by BOC in India, 2023 (INR bn)



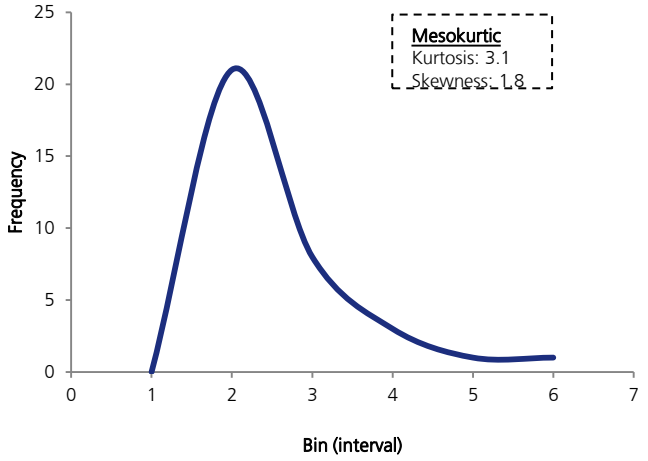
Source: Sacnilk, JM Financial

Exhibit 3. No. of movies, by BOC bucket (INR cr)



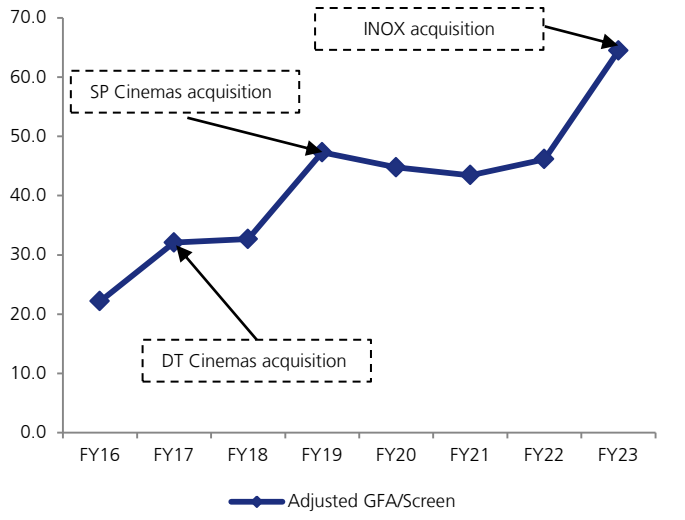
Source: Sacnilk, JM Financial

Exhibit 4. Bell curve, Bollywood's BOC, 2023



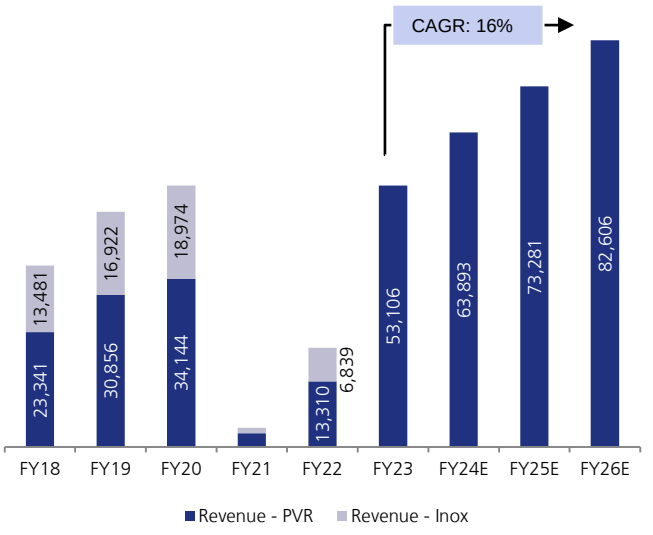
Source: Sacnilk, JM Financial

Exhibit 5. Organic growth ahead should lower incremental GFA/screen thus aiding ROC



Note: Adjusted GFA is gross fixed assets + Goodwill; Source: Company, JM Financial

Exhibit 6. Revenue CAGR: FY23-26E



Source: Company, JM Financial estimates

Investment argument

We resume coverage on PVR-INOX with a **BUY** rating and a DCF-based TP of INR 2,270, implying 31% upside from current levels. The film exhibition business faced an existential threat post Covid. Availability of on-demand and high quality content on OTT threatened to irrevocably alter viewers' preferred choice of movie consumption platform. The 2023 summer season has, however, revived not only box office collections (BOC) but also hope that the film exhibition business is still relevant. But is one strong season enough to conclude this? We address the following debates in this report to ascertain the sustainability of the recovery:

Debate 1: Content versus behavioural shift

South Indian movies were doing well even post Covid. But Hollywood, Bollywood and even Chinese movies were underperforming, raising concerns that viewers have moved to OTTs. However, the recovery across languages – Barbie and Oppenheimer from Hollywood, Gadar-2 and OMG-2 from Bollywood, and Lost in The Stars in China – seems to suggest good content is still capable of pulling moviegoers to theatres. Content is winning over behaviour.

Debate 2: OTT versus theatrical release

We see a positive correlation between a movie's BOC and its OTT rights value. OTT rights of KGF2 – the top grossing movie of 2022 – was also the highest. OTT rights of "Laal Singh Chadha", on the other hand, had to be pared down significantly after the movie failed. Instead, OTT is cannibalising TV viewership of movie channels and movies' satellite rights.

Debate 3: A few big blockbusters and a long tail of flops as user discretion rises?

Another likely impact of smaller theatrical window and availability of movies on OTT was that viewers will opt to watch fewer (big-budget) movies in cinemas. The widening gap between successful and flop movies in 2022 strengthened this argument. We ran a statistical analysis of India's BOC across years to gauge if this holds true. Skewness and Kurtosis – two statistical parameters indicating extreme results – have fallen sharply in 2023 from very high levels in 2022. These are now close to pre-Covid levels, which suggest that moviegoers are increasingly going to theatres to watch different kinds of movies. This bodes well .

Other key rationale:

Occupancy could still be lower; to be offset by better screen economics, though

All said, one can't deny some cannibalisation by OTT. It is therefore prudent, from a forecasting perspective, to assume lower than pre-Covid occupancy in PVR-INOX. That said, 4.5%/7.9% CAGR in ATP/SPH over FY19-23 and c.14% reduction in opex/screen (FY19-24E) mean screen break-even is down from 22% occupancy to 18% now. Pruning of tail screens and sharp focus on cost synergies post-merger could further improve this economics.

We estimate that PVR-INOX's screen level EBITDA margin could now be 5ppt higher than pre-pandemic at similar occupancy levels

RoCEs low, but largely organic growth ahead to drive improvement

c.60% of PVR-INOX screens have been added inorganically (including INOX). Average EV/screen paid by the company to add these is INR 81mn vs. INR 35mn of capex/screen needed organically. Result, a bloated adjusted GFA (including goodwill) and hence suppressed RoCEs. A blessing in disguise for PVR-INOX, however, is that the next phase of expansion – largely in south India – will likely be organic. Preponderance of single screens and lack of any scaled player limit any inorganic option. This should support RoCE expansion.

We build a gradual improvement in ROCE. However, reversion to pre-pandemic occupancy levels could push up FY25E ROCE to 12.5%

PVR-INOX population smaller than online food delivery cohort!

We estimate that the number of unique visitors to PVR-INOX in FY23 was a mere 55% of annual transacting users (unique) of food delivery in India. Given a section of the family – kids/parents – does not order online but goes to cinemas, this should ideally be higher. Clearly, TAM will not be a constraint for PVR-INOX anytime soon.

Valuation methodology and an unusual comp-set

Our DCF-based TP of INR 2,270 implies FY25E PER/EV-EBITDA of 30x/17.7x. Absence of listed peers makes valuation benchmarking difficult. We compare it with EV/EBITDA of the hotel segment (brand owners) instead. Leisure/entertainment category, similarity in model – leasehold, occupancy/F&B led revenue stream, similar RoCEs – make them close peers, in our view. A discount to average hotels' EV/EBITDA – despite those being deeply cyclical - make PVR-INOX's implied multiples reasonable, we believe.

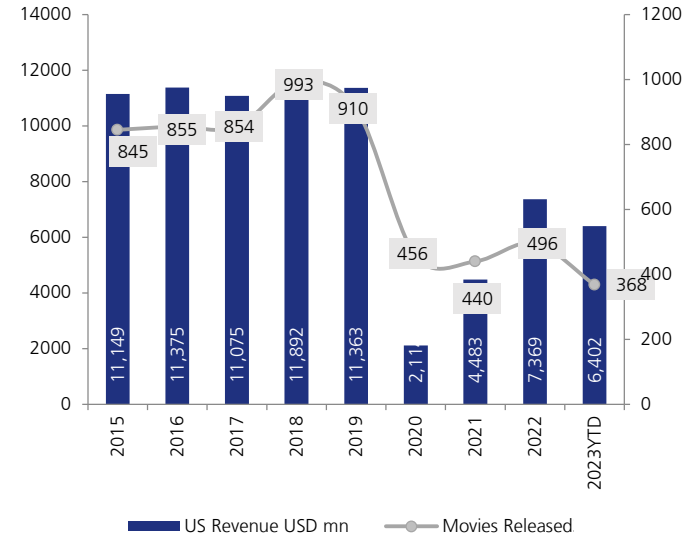
Our DCF based TP for PVR-INOX implies an FY25E EV/EBITDA of 17.7x vs 18.6x for listed hotel players (brand owners)

Demand: Recovery taking root

Cinemas are back; so are movie-goers

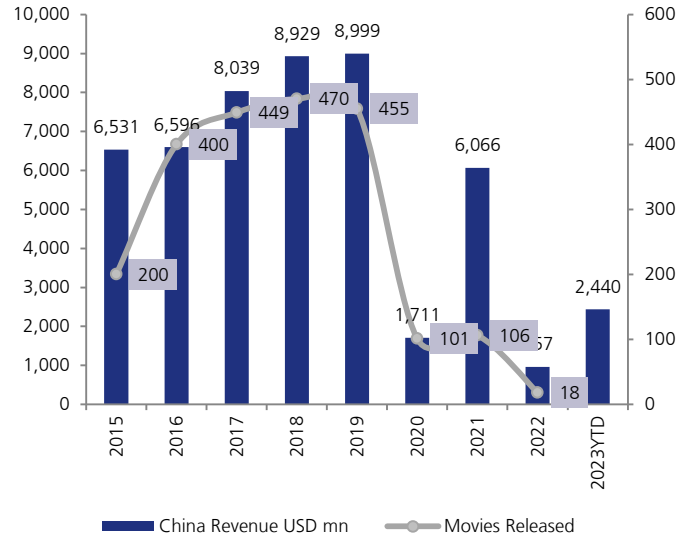
There is an undeniable recovery in global box office collections. In US and Canada, countries where the film exhibition business is probably at the highest risk of cannibalisation from OTT, collections in 2023 till date have already reached 87% of 2022 levels. That too with 25% lower movies released (Source: Boxofficemojo.com), implying improved attendance. Attendance per screen in some of the leading global cinema chains (Exhibit 58) are nearing pre-Covid levels, further supporting the recovery argument. In China, another large market for film exhibition, though YTD collections are still a fraction of pre-Covid levels, summer box office collections have surpassed previous highs (as per media). Healthy recovery across geographies and languages are probably signs that the worst is likely behind for cinemas.

Exhibit 7. YTD Box office collection in US/Canada has reached 86% of 2022 with one of the highest BOC/movie
Yearly Box office collection, US and Canada (USD bn)



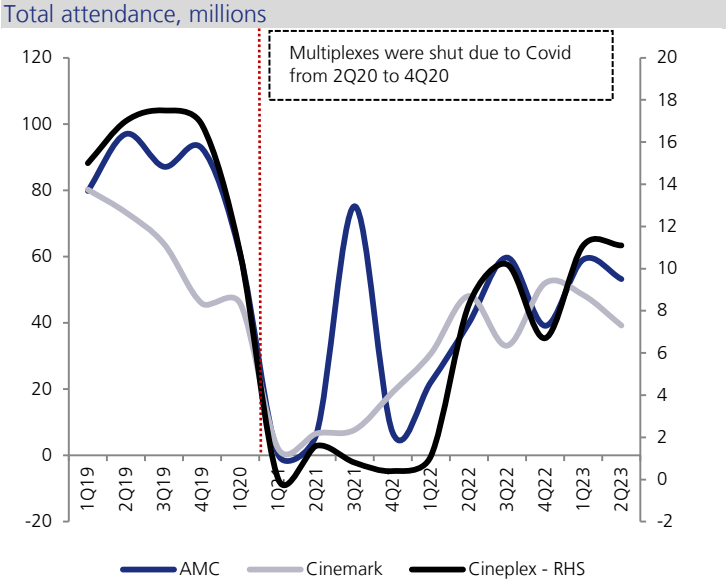
Source: boxofficemojo.com, JM Financial

Exhibit 8. China has witnessed one of the highest summer movie collections in 2023
Yearly Box office collection, China (USD bn)



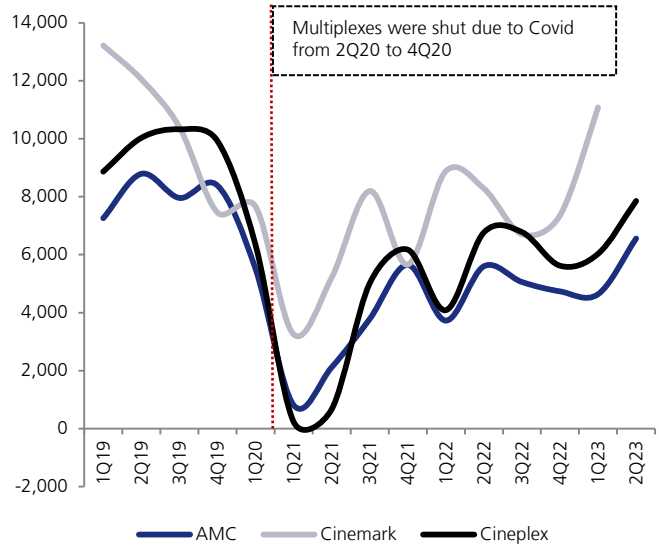
Source: boxofficemojo.com, 2023 number from media sources; JM Financial

Exhibit 9. Total attendance in some of the leading global theatre chains are still below pre-COVID peaks…
Total attendance, millions



Source: Bloomberg, JM Financial

Exhibit 10. …but that is largely due to screen closures as per screen attendance are now closer to pre-Covid levels
Attendance per screen, select global players

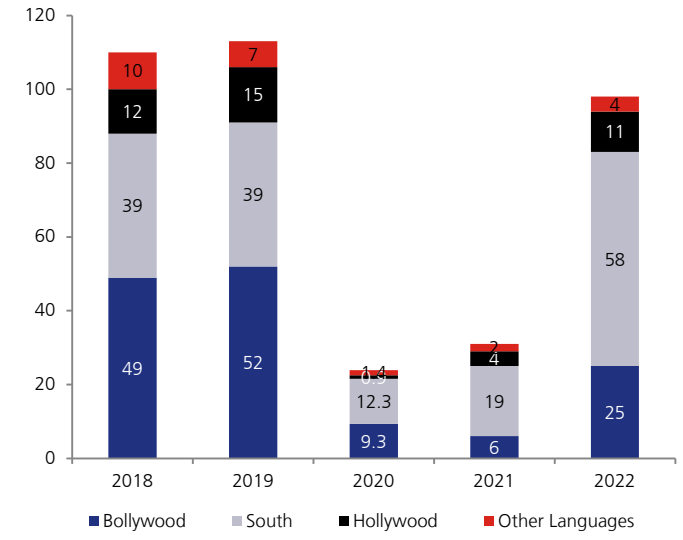


Source: Bloomberg, JM Financial

Content versus behaviour debate: content winning for now

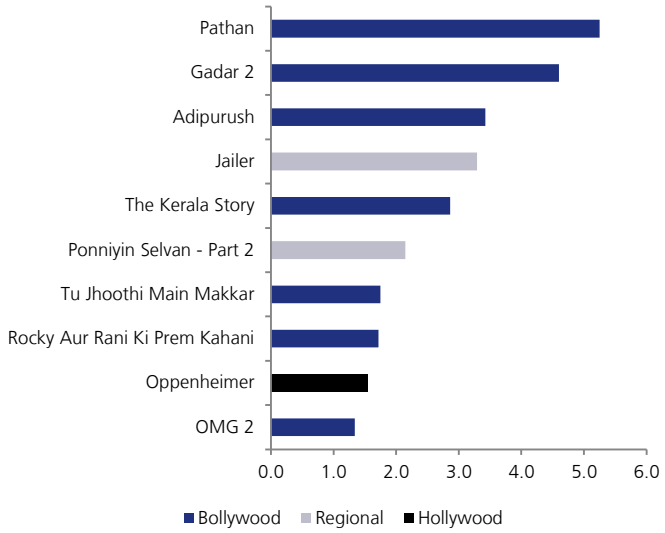
Over the past couple of years, advocates of the cinema business argued that it is the content (or lack of it) that is keeping the audience away from theatres. The cynics pointed at the immutable shift in consumer behaviour towards on-demand content on OTT, raising structural concerns on the business model. But the recent performance of movies such as Barbie, Oppenheimer from Hollywood and Gadar 2 from Bollywood seems to suggest that good theatrical content still pulls in the audience. Even in China, where absence of good content was cited as one of the reasons for lacklustre BOC, domestic movies have led the sharp recovery in the current summer season. While blockbuster movies did well even in 2022 (e.g., "Avatar: The way of water"), a more broad-based performance across movies will settle this debate in favour of content, in our view. We tackle this question in the next section of this report.

Exhibit 11. Strong performance by south Indian movies post Covid indicated that lower overall collections could be due to content
India's box office collection, INR bn



Source: EY FICCI report 2023, JM Financial

Exhibit 12. Better performance by Bollywood and Hollywood movies in India in 2023 supports content argument
Top-10 movies by box office collection in India, 2023 (INR bn)



Source: Sacnilk, JM Financial

Exhibit 13. Five of the top-10 all-time grossing movies in India were released post Covid

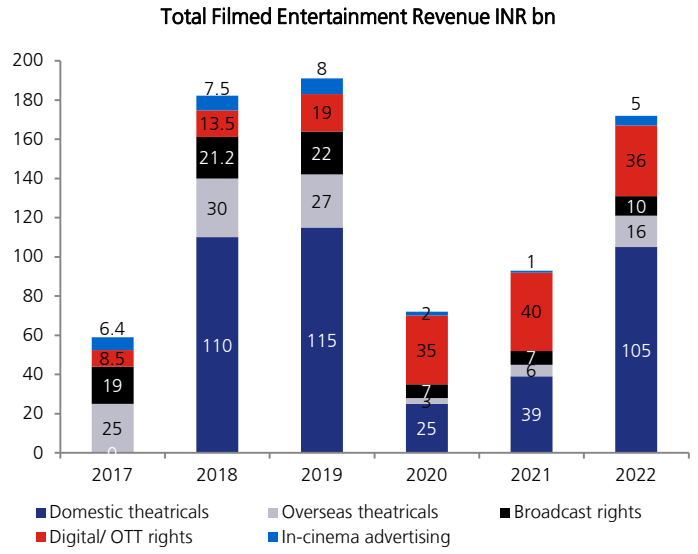
Release Year	Movie	India Gross (INR mn)
2017	Baahubali 2: The Conclusion	1,417
2022	KGF Chapter 2	1,001
2022	RRR	916
2023	Pathaan	658
2015	Baahubali	516
2018	2.0	552
2022	Avatar: The Way of Water	478
2016	Dangal	535
2023	Gadar 2	397
2019	Avengers End Game	445

Source: Sacnilk, JM Financial

OTT: we see a symbiotic relationship

On-demand content provided by OTT platforms does offer an alternate platform for viewers to consume, among other forms of entertainment, movies. However, the recent recovery in box office collection of movies suggests movie viewership on OTT may not come at the expense of theatres. On the contrary, a successful movie at the box office increases its appeal on the OTT platform. This is reflected in a positive correlation between a movie's box office collection and its OTT rights value. We, therefore, believe OTT and theatrical releases can co-exist and mutually benefit each other. That said, we believe availability of movies on the OTT platform will likely cannibalise the TV viewership of the movie. This is already visible in reduction in TV viewership of movie channels across languages. Satellite rights might get impacted though.

Exhibit 14. OTT/digital rights can not only co-exist with theatrical …
Total Filmed Entertainment Revenue, INR bn



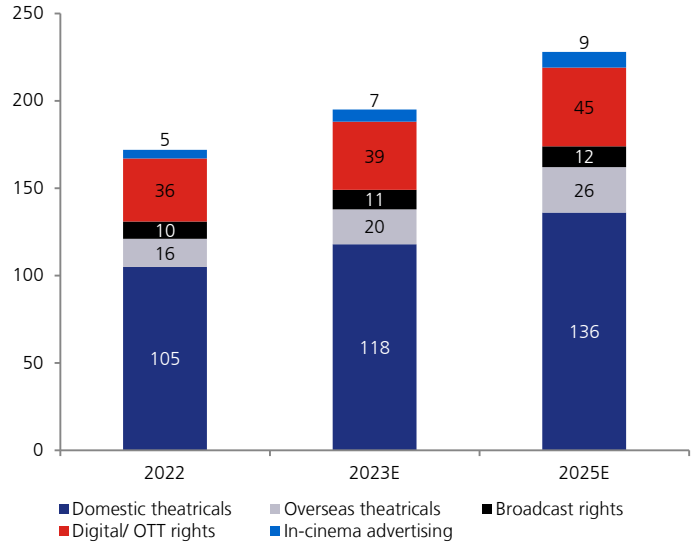
Source: EY-FICCI 2023, JM Financial

Exhibit 15. …releases but also benefit from it as we see a positive correlation between BOC and OTC rights value
OTT Rights and Box office collection, select movies (INR bn)

Movie	OTT Collection	BO Collection
KGF: Chapter 2	3.2	9.7
Adipurush	2.5	3.4
RRR	3.0	8.7
Pathan	1.0	5.3
OMG 2	1.5	1.3
Ponniyin Selvan - PS1	1.3	3.2
Ponniyin Selvan - Part 2	1.3	2.1
Brahmastra	0.9	3.1
Gadar 2	0.5	4.6
Tu Jhoothi Main Makkar	0.5	1.8
Rocky Aur Rani Ki Prem Kahani	0.5	1.7
OMG 2	1.5	1.3

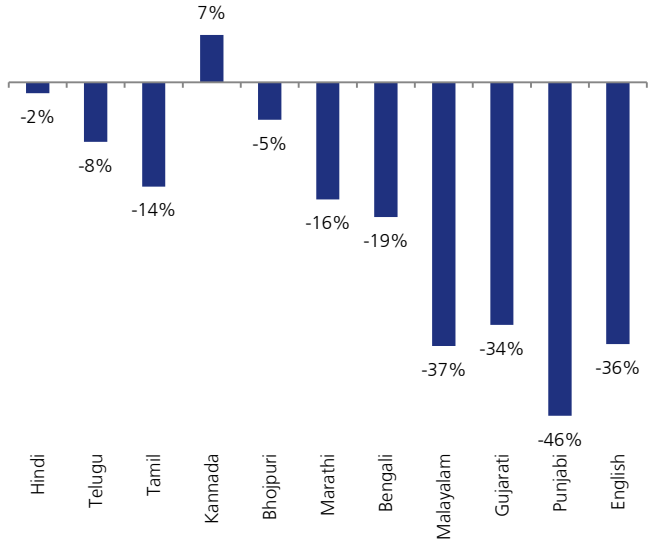
Source: Media articles, Sacnilk, JM Financial

Exhibit 16. EY-FICCI expects both theatrical and OTT/digital rights to grow in tandem…
Total Filmed Entertainment Revenue, INR bn



Source: : EY-FICCI estimates for 2023 and 2025, JM Financial

Exhibit 17. …however, OTT could eat into TV viewership of movie channels impacting satellite rights value
Change in movie channel viewership, by language (2022 vs 2020)



Source: EY-FICCI 2023, JM Financial

Box office: How many swallows will make a summer?

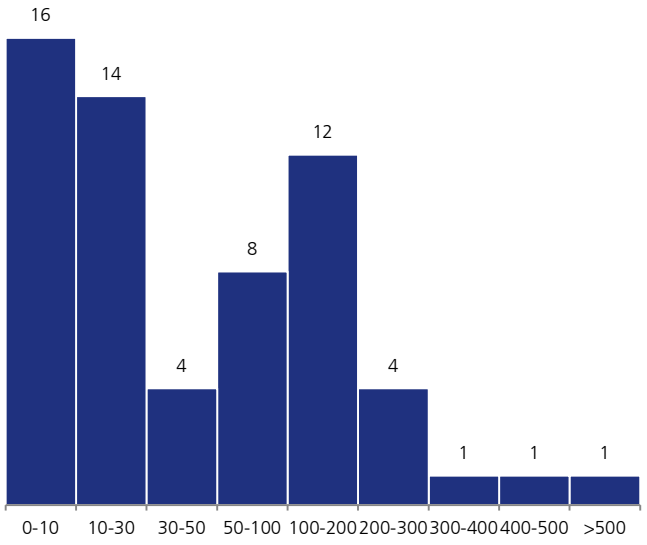
The movie business is akin to venture capitalism. There are a few very successful movies – in terms of box office collection – followed by a long tail of unsuccessful ones. Statistically, this results in a skewed distribution of box office collection. Emergence of OTT threatens to further skew the distribution. The argument goes that for low budget movies or ones with not so great reviews viewers would prefer OTT over theatres. 2022 was one such year where the gap between blockbuster and unsuccessful movies widened. This can have a significant impact on movie exhibitors' growth. While blockbuster movies are key to drive collections, exhibitors also need a consistent pipeline of movies that can attract footfall for better and consistent occupancy. Understanding this dynamic – whether the skew in box office collection distribution has risen irrevocably - therefore assumes importance. This will also be instructional to gauge if the recent successes at the box office – Barbie, Oppenheimer, Gadar 2, Jailer – are a few of those blockbuster movies or whether they are signs of a return to normalcy.

We ran a statistical analysis on the distribution of box office collection of Bollywood movies for the years 2018, 2019, 2022 and 2023 to figure this out (data in Appendix). The statistical parameters we compared across these years are Skewness (asymmetrical bell curve) and Kurtosis (spike of distribution). A higher skewness number will tell us that a few hit movies are pulling up the overall average box office collection (median > mean). Also, an increase in skewness would suggest that the gap in the box office collection of hit and flop movies is widening. Kurtosis, on the other hand, indicates presence of a fatter tail. In other words, higher kurtosis implies more number of extremely successful movies as well as more flop movies. Our analysis throws the following observations:

- **Skewness:** As suspected, box office collection always had a positive skew (longer tail on the right). However, rise in skewness in 2022 appears to be an aberration. Skewness in 2023 (YTD) has reverted to pre-Covid levels.
- **Kurtosis:** Like skewness, kurtosis in 2022 also witnessed a sharp spike. That means movies either did very well (on the right tail of the distribution) or did poorly (left tail of the distribution). However, Kurtosis is down sharply in 2023 YTD, suggesting a more even distribution of box office collection across movies.

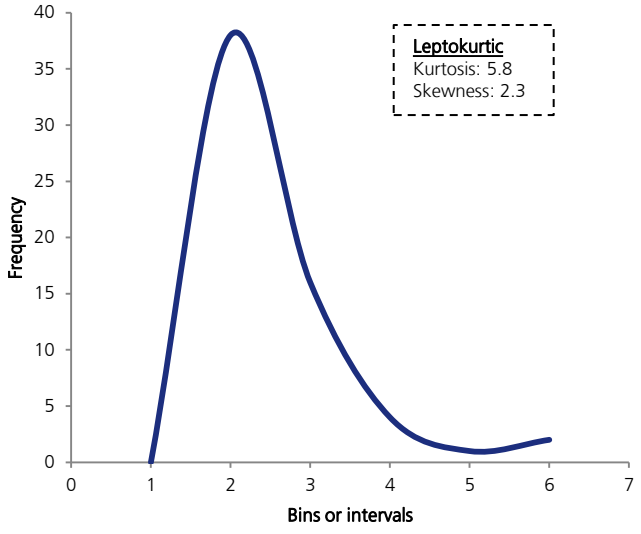
These are possible evidences that box office collection is normalising (to pre-Covid levels) and the success of recent movies is not a one-off. Though that will not change the unpredictable nature of box office performance, it does give comfort that the film exhibition business is not at the risk of a terminal decline, in our view.

Exhibit 18. Box office collection in 2018 was distributed across …
Number of movies, by collection bucket (INR cr) - 2018



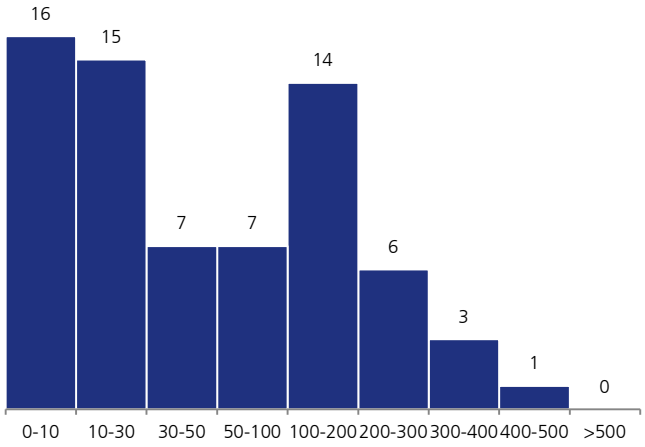
Note: 16 in 0-10 bar indicates there were 16 movies which collected between INR 0-10cr in 2018;
Source: Sacnilk , JM Financial

Exhibit 19. …big and small hits which reflects in lower skewness
Bell curve, Bollywood box office collection - 2018



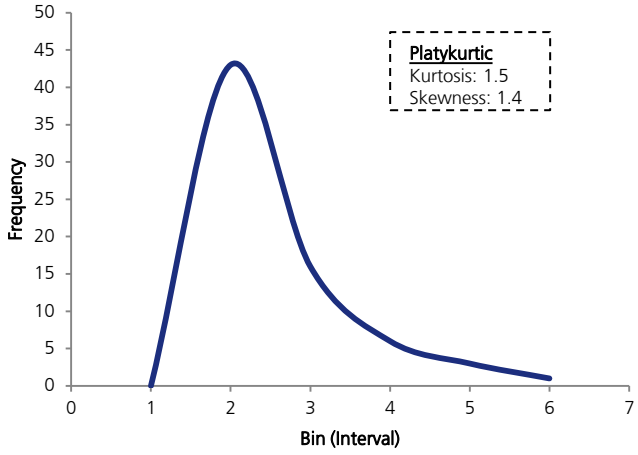
Source: Sacnilk , JM Financial

Exhibit 20. Box office collection in 2019 was even more normally...
Number of movies, by collection bucket (INR cr) - 2019



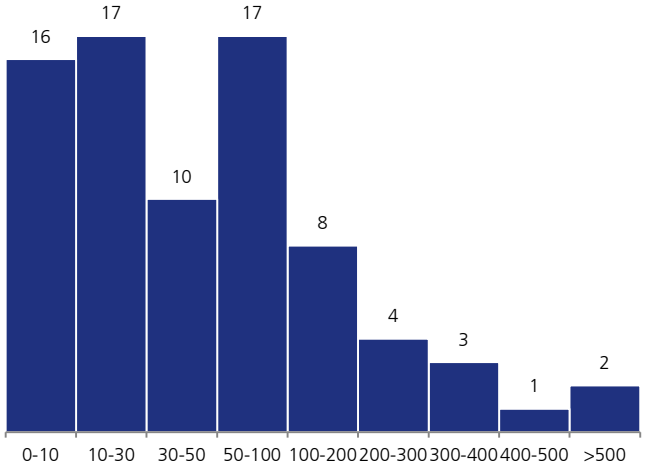
Note: 16 in 0-10 bar indicates there were 16 movies which collected between INR 0-10cr in 2019;
Source: Sacnilk , JM Financial

Exhibit 21. ...distributed with smaller skewness and lower kurtosis
Bell curve, Bollywood box office collection - 2019



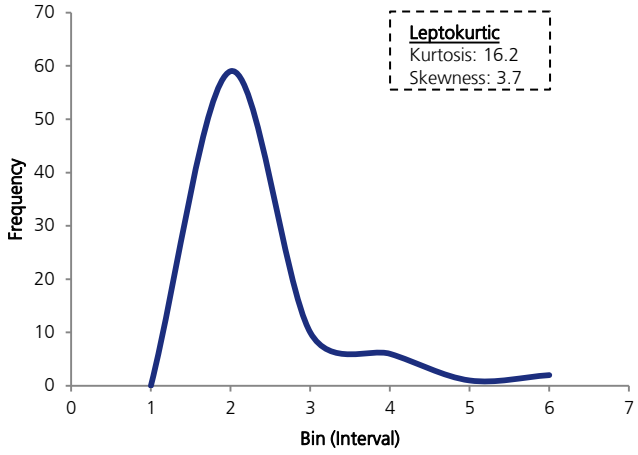
Source: Sacnilk , JM Financial

Exhibit 22. However, 2022 distribution was highly skewed with ...
Number of movies, by collection bucket (INR cr) - 2022



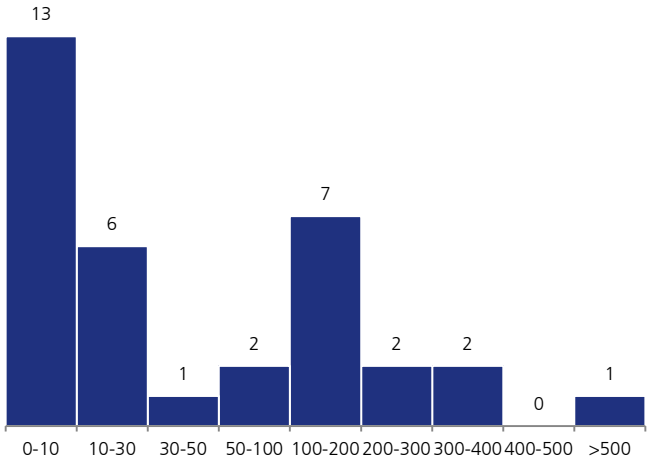
Note: 16 in 0-10 bar indicates there were 16 movies which collected between INR 0-10cr in 2022;
Source: Sacnilk , JM Financial

Exhibit 23. ...more INR 300+ as well as <30cr movies than earlier
Bell curve, Bollywood box office collection - 2022



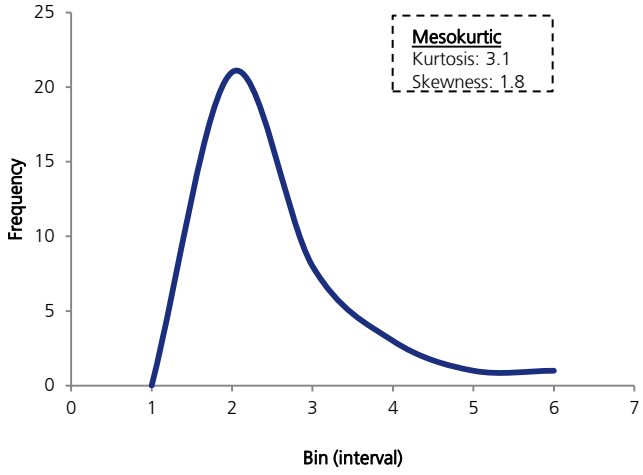
Source: Sacnilk , JM Financial

Exhibit 24. 2023 box office collection distribution appears to be ...
Number of movies, by collection bucket (INR cr) - 2023



Note: 13 in 0-10 bar indicates there were 16 movies which collected between INR 0-10cr in 2023;
Source: Sacnilk , JM Financial

Exhibit 25. ...normalising with statistical parameters mean reverting
Bell curve, Bollywood box office collection - 2023



Source: Sacnilk , JM Financial

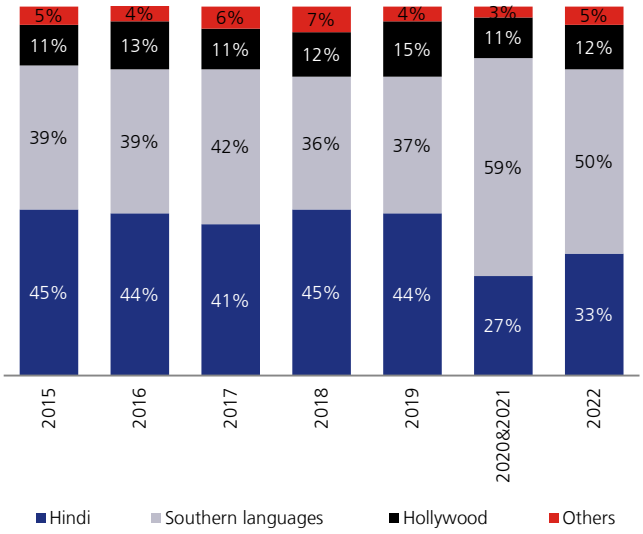
South India expansion: A blessing in disguise

Movies in southern Indian languages (Tamil, Telugu, Kannada and Malayalam) have been a beacon of hope for the film exhibition business over the past couple of years. Even as Hollywood and Bollywood movies flagged at the box office, southern language movies excelled. Five of the top-10 grossing movies of 2022 were from south India. The box office share of these five movies (of top-10) was even higher at 64%. Unsurprisingly, the overall box office share of south Indian movies moved up from 39% in 2015 to 50% in 2022. Besides, with 50%+ screen share, south India remains a very important market for any film exhibitor. Interestingly, single screens still dominate south India (constituting three fourths of all screens (JMFe)). The share of single screen in the rest of India, on the other hand, is c.55%, per our estimates.

The preponderance of single screen theatres is probably the reason PVR-INOX has a limited presence in south India. PVR-INOX's screen share in the South is mere 10.7% vs. 38% in the rest of the country. This is despite the fact that PVR-INOX's share in south India's multiplex screens is c.32%, as per our estimates. Lower screen share translates into a significantly lower revenue share for PVR-INOX in regional language cinemas. For example, PVR-INOX's share in top-5 regional language movies was 18% in 4QFY23 versus 39% in Hindi and 58% in Hollywood movies (Exhibit 31).

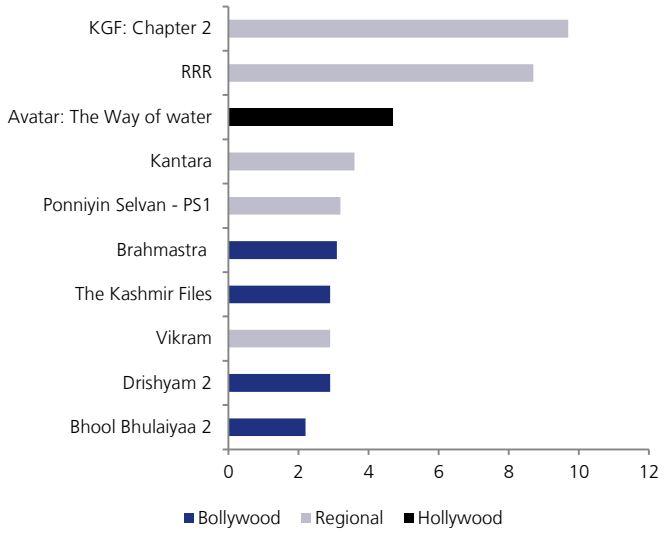
Clearly, the focus of the company has shifted to expansion in south India. The company intends to open 40% of its new screens there. The unviability of single screen economics and rising penetration of grade-A malls in south India (expansion of Lulu mall for example) play into PVR-INOX's hand, in our view. That said, still a large share of single screens means the company will have to expand organically in south India. While that means share gains will be gradual, it would actually be financially more prudent and RoCE accretive. We delve into this in greater detail in the next section of the report ("Why is the ROC low?").

Exhibit 26. Share of south Indian movies in India's box office collection rose sharply post Covid as Bollywood lagged
Box office share by language



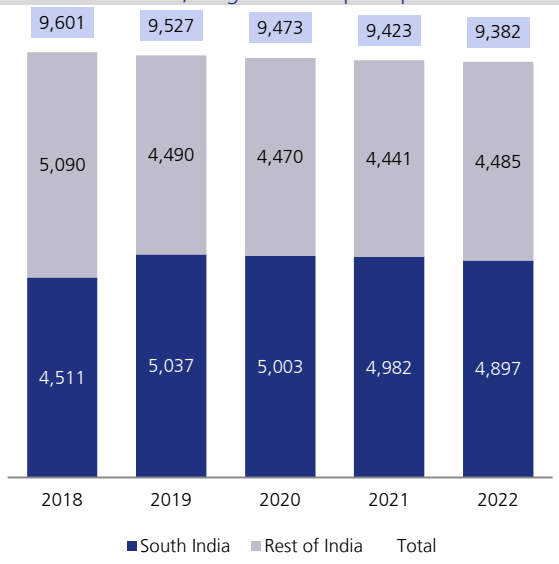
Note: Hollywood includes all language versions, Southern languages include Telugu, Malayalam, Tamil and Kannada; Source: EY FICCI Apr'23, JM Financial

Exhibit 27. Five of the top-10 grossing movies in 2022 were from south India
Top-10 movies by box office collection, 2022 (INR bn)



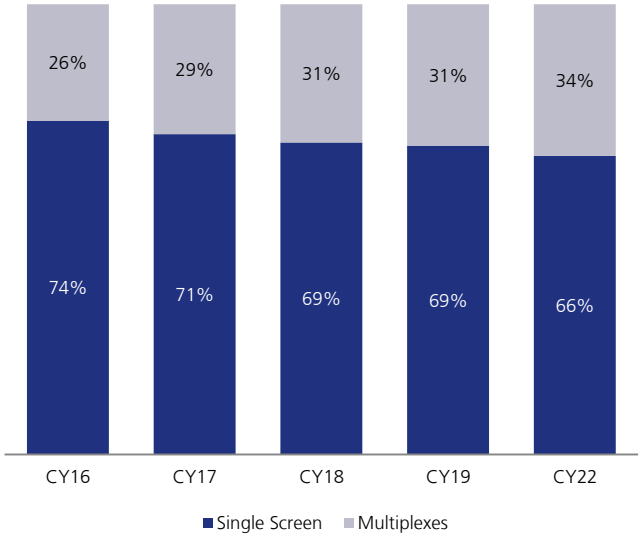
Source: Sacnilk, JM Financial

Exhibit 28. South India accounts for c.52% of total screens in India but its share is declining likely due to closures of single screens…
Theatrical screen in India, Single vs Multiplex split



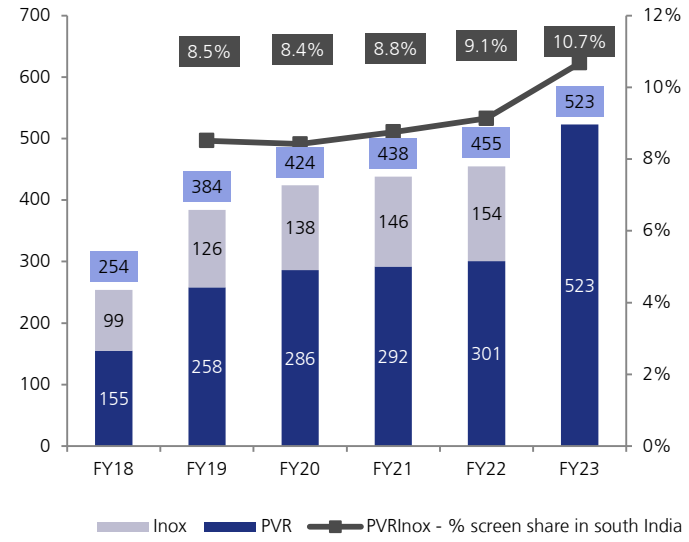
Source: EY-FICCI 2023, JM Financial

Exhibit 29. …however, it is dominated by single screens, which form c.75% of the region's screens
Single screens vs Multiplex share (%)



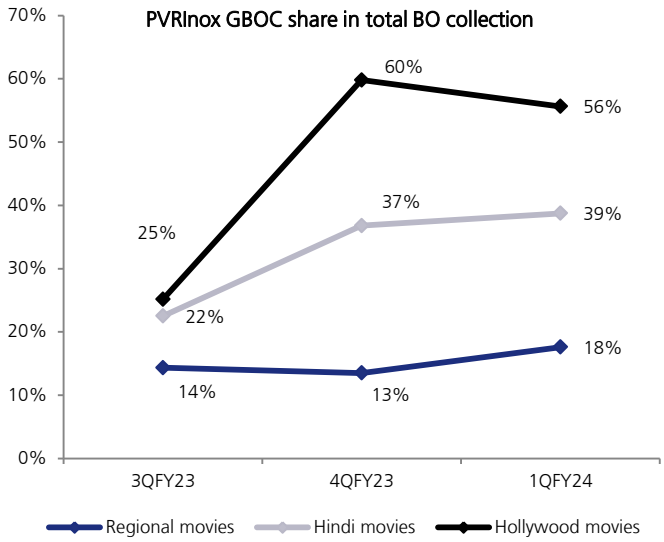
Source: Media articles, JM Financial

Exhibit 30. PVR-INOX' screen share in South India is a mere 10.7%; its share in south India's multiplex screen is also low at 32%
Screen count and share in South India, PVR-INOX



Source: Company, JM Financial

Exhibit 31. As a result, PVR-INOX's share in regional movies' BOC is significantly lower than its share in other language movies
PVR-INOX share in BOC of top movies, by language



Source: Company , JM Financial

Screen economics: Inherently better

Occupancy levels in cinemas are on the mend. However, at 25%, occupancy for PVR-INOX (pro-forma) for FY23 was still significantly below the pre-Covid occupancy of 32% (pro-forma blended occupancy of PVR and INOX). Despite that, screen level economics has remained surprisingly intact. The exhibit below illustrates the point. Our analysis below indicates that the company has been able to offset the impact of lower occupancies through a) higher average ticket price (ATP); b) higher spend per head (SPH); and c) lower operating expense per screen. Ceteris Paribus (no change in ATP, SPH and Opex/screen from current levels), if the occupancy reverts to pre-Covid levels, intrinsic EBITDA margin per screen can improve substantially.

Exhibit 32. PVR-INOX has been able to largely offset impact of lower occupancy on screen economics through higher ATP/SPH as well as cost efficiencies

INR mn	Historical*	Current	Normalised^
Key Operating Parameters			
Seats per screen	180	180	180
Occupancy	36.2%	26.3%	32.0%
ATP[1]	170	210	210
SPH	100	125	125
Per Screen Economics			
Net Ticket Sales	19.0	17.1	20.8
F&B Sales Net	11.2	10.2	12.4
Ad Sales	5.0	2.5	2.5
Convenience Income	1.0	0.9	1.1
VPF Income	0.3	0.3	0.3
Other Income	1.1	1.0	1.0
Income per Screen	**37.7**	**32.0**	**38.0**
Film Hire COGS	8.1	7.3	8.9
F&B COGS	3.1	2.5	3.1
Gross Profit	**26.5**	**22.1**	**26.1**
Gross Margin	70.2%	69.2%	68.5%
Staff costs	4.0	2.9	2.9
Rental & CAM	7.8	7.2	7.2
Other expenses	7.1	6.2	6.2
Total Operating Costs	**19.0**	**16.3**	**16.3**
Screen-level EBITDA	**7.5**	**5.8**	**9.8**
EBITDA margin - %	19.9%	18.3%	25.7%

Note: * Historical parameters are based on FY19 reported numbers for PVR; (1) ATP is the net ticket price (ex GST); Rent is pre-Ind AS rent; We have assumed 85% of reported operating expenses as incurred towards screen e.g 85% of employee cost allocated to screen; Current levels based on our current FY24 assumptions; ^ - Normalised Occupancy is assumed to be at 32% which was the blended pro-forma occupancy of PVR + INOX in FY19; Source: Company, JM Financial estimates

As per our estimates, the company has been able to bring down break-even occupancy level from 22% in FY19 to 18% currently. With the ongoing focus on driving post-merger further cost synergies of INR 2.2-2.25bn over the next 12-18 months (or INR 1.2-1.3mn/screen), efforts to further variablize rentals and close down unprofitable screens (50 in FY24E), we believe there is further scope to lower the break-even point. Therefore, even a structurally lower occupancy, if at all, at the theatres will not have a concomitant impact on profitability/return ratios, in our view. The key will be to maintain the cost discipline even in good times.

PVR-INOX has brought down break-even occupancy level from 22% pre-Covid to 18% now, per our estimates

Why is the RoCE low then?

This, however, begs the question: despite similar screen level economics, why have the return ratios deteriorated materially? RoCE for PVR (pre Ind AS) dipped from 11.5% in FY19 to 5.4% in FY23. Higher debt to fund losses during the Covid phase is one obvious reason. We, however, believe PVR's inorganic growth over the years is the fundamental cause of sub-par RoCEs. 60% of PVR-INOX's screens (as of FY23) have been acquired. While these acquisitions have given PVR presence in some of the premium micro-markets and helped it scale fast, these have come at a significant price.

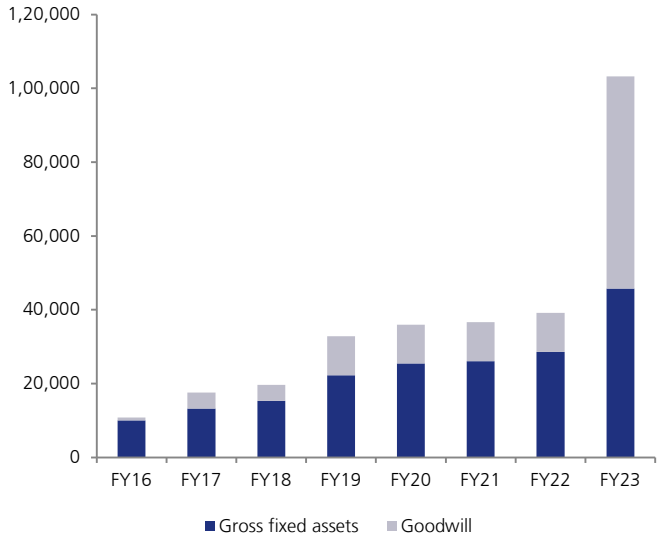
Exhibit 33. PVR's 1,000+ inorganic screens have come at an average EV/screen of INR 81mn

Financial Year	Acquisition	No of Screens	Geo expansion	EV (INR mn)	EV/Screen paid
By PVR:					
FY23	INOX	755	Second largest multiplex chain in India	62,967	83
FY19	SP Cinemas	89	Leading multiplex player in South India 76 Screens across 17 properties in 10 Cities.	8,830	99
FY17	DT Cinemas	32	NCR and Chandigarh	4,330	135
FY13	Cinemax India Ltd	138	Ahmedabad, Panipat, Nagpur, Hyderabad, Kolkata, Mumbai, Thane, Bangalore and Pune	5,702	41

Source: Company, Media articles, JM Financial

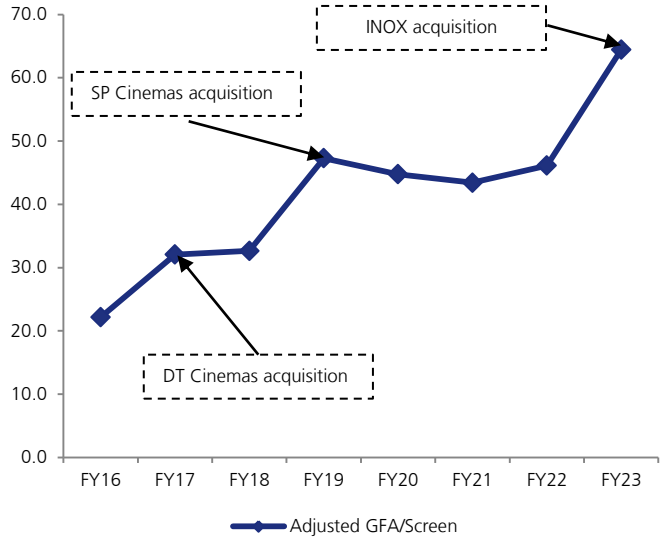
Total consideration for the four M&A transactions has been INR 81.8bn, translating into an INR 81mn EV/screen value. In comparison, PVR incurs ~INR 35mn as capex to add a screen organically. Though we are not debating whether the EV/screen paid was justifiable or not, the premium (goodwill) does sit on the balance sheet and inflate capital employed.

Exhibit 34. PVR-INOX's adjusted GFA has spiked due to acquisitions…
Adjusted gross fixed asset, INR mn



Note: GFA is Gross Fixed Assets; Source: Company, JM Financial

Exhibit 35. …resulting in higher GFA/screen thus lowering RoCE
Adjusted GFA per screen (INR mn)

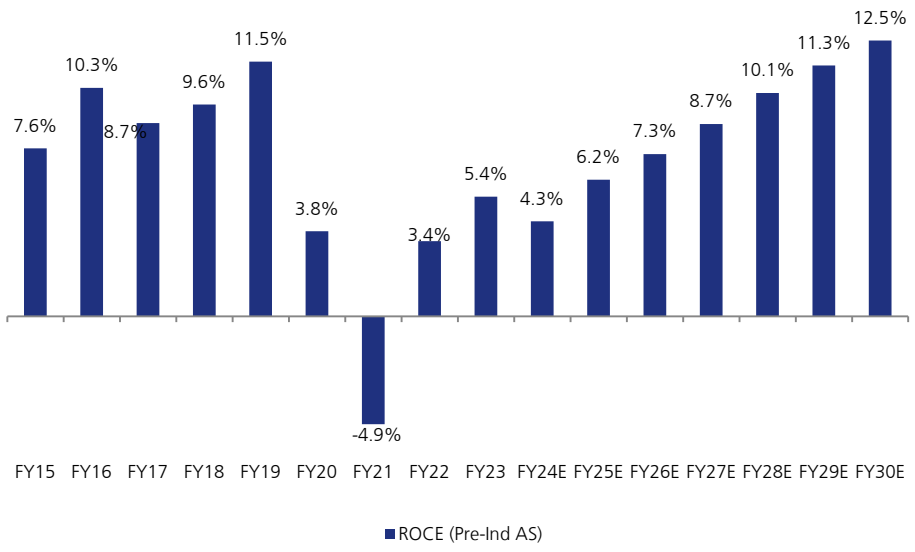


Note: Adjusted GFA includes Goodwill; Source: Company, JM Financial

Although investors can not overlook a goodwill-led low RoCE, the following two factors offer comfort that RoCE will continue to move up:

- Screen level RoIC is very healthy: Our screen level economics indicate that RoIC of a screen is c.30% at the mid-point of its useful like (see exhibit 32). Given most new PVR-INOX screens are likely to come up in grade-A malls, we believe gestation period is low for a new screen to start performing. This bodes well for blended RoIC at the company level.
- Few inorganic opportunities: As we saw in the previous section, the gap in PVR-INOX's portfolio currently is its limited presence in south India. Given the preponderance of single screen cinemas in the South, we see limited scope for inorganic expansion by PVR-INOX there. This should keep the GFA/screen under check, thereby improving RoCEs gradually.

Exhibit 36. We expect PVR-INOX's RoCE to improve steadily as largely organic growth should reduce incremental capital employed/screen aided further by improved screen economics
Return on Capital Employed, pre-IND AS



Source: Company, JM Financial estimates

We are building INR 35mn/screen capex in FY24 and a maintenance capex of 2.3% of sales. We have built some inflation in capex/screen gradually

Calculation for maintenance capex:

- Useful Life: 15 years
- Year1-7: 1% of sales
- Year 8: 30% of initial capex
- Year 9-15: 1% of sales

Blended maintenance capex over life of screen (15 years): 2.3%.

Exhibit 37. PVR-INOX screen level economics

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY28	FY29	FY30	FY31	FY32	FY33
Screens	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Seats	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180
Shows per day	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Occupancy	26.3%	26.6%	26.8%	27.1%	27.3%	27.6%	27.8%	28.1%	28.3%	28.6%	28.6%	28.6%	28.6%	28.6%	28.6%
No of admits - mn	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
ATP	210	220.5	231.0	241.4	251.6	261.7	271.5	281.0	290.1	298.8	307.8	317.0	326.6	336.4	346.4
yoy		5.0%	4.8%	4.5%	4.3%	4.0%	3.8%	3.5%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
SPH	125	134.4	144.1	154.2	164.6	175.3	186.3	197.4	208.8	220.3	232.4	245.2	258.7	272.9	287.9
yoy		7.5%	7.3%	7.0%	6.8%	6.5%	6.3%	6.0%	5.8%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
% of ATP	59.5%	60.9%	62.4%	63.9%	65.4%	67.0%	68.6%	70.3%	72.0%	73.7%	75.5%	77.3%	79.2%	81.1%	83.1%
Ad per Screen	2.5	2.8	3.0	3.2	3.5	3.7	3.8	4.0	4.1	4.3	4.4	4.6	4.8	5.0	5.2
yoy		10.0%	9.0%	8.0%	7.5%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Online Penetration	53.5%	58%	60%	61%	61%	62%	62%	63%	63%	64%	64%	64%	64%	64%	64%
Conv fee per admit	21.0	22.1	23.1	24.1	25.2	26.2	27.2	28.1	29.0	29.9	30.8	31.7	32.7	33.6	34.6
VPF income per screen	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
yoy		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Other income per screen	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.5
yoy		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Film Hire costs (% Net)	42.8%	42.7%	42.6%	42.5%	42.4%	42.3%	42.2%	42.1%	42.0%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%
F&B COGS (% Net)	25.0%	24.9%	24.9%	24.8%	24.8%	24.7%	24.7%	24.6%	24.6%	24.5%	24.5%	24.5%	24.5%	24.5%	24.5%

Personnel/screen	11.00
Avg Salary	3,15,000
yoy	
Personnel Cost	3.5
Rent & CAM/screen	8.4
Power & Fuel/show	0.5
Other Expenses	4.8
Capex per screen	35.0
WACC	11.5%

Source: JM Financial estimates

Exhibit 37: Screen level economics (continued) – Screen level NPV is similar to pre-Covid despite lower occupancy assumptions

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY28	FY29	FY30	FY31	FY32	FY33
Year - INR mn	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Net Ticket Sales	17.1	18.1	19.1	20.2	21.2	22.3	23.3	24.4	25.4	26.4	27.2	28.0	28.8	29.7	30.6
F&B Sales Net	10.2	11.0	11.9	12.9	13.9	14.9	16.0	17.1	18.3	19.4	20.5	21.6	22.8	24.1	25.4
Ad Sales	2.5	2.8	3.0	3.2	3.5	3.7	3.8	4.0	4.1	4.3	4.4	4.6	4.8	5.0	5.2
Convenience Income	0.9	1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.7	1.8	1.8	1.9	1.9
VPF Income	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Other Income	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5	1.5
Total Revenue	**32**	**34**	**37**	**39**	**41**	**44**	**46**	**49**	**51**	**53**	**56**	**58**	**60**	**63**	**65**
YoY Growth		6.0%	5.7%	5.5%	5.2%	5.0%	4.7%	4.4%	4.2%	3.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Film Hire COGS	7.3	7.7	8.1	8.6	9.0	9.4	9.8	10.3	10.7	11.0	11.4	11.7	12.1	12.4	12.8
F&B COGS	2.5	2.7	3.0	3.2	3.4	3.7	4.0	4.2	4.5	4.8	5.0	5.3	5.6	5.9	6.2
Gross Profit	22.1	23.8	25.5	27.2	29.0	30.7	32.4	34.1	35.9	37.7	39.2	40.8	42.5	44.3	46.1
Gross Margin	69.2%	69.5%	69.6%	69.8%	69.9%	70.1%	70.1%	70.2%	70.3%	70.5%	70.5%	70.6%	70.7%	70.7%	70.8%
Staff costs	2.9	3.1	3.2	3.3	3.4	3.5	3.7	3.8	3.9	4.1	4.2	4.4	4.5	4.7	4.8
YoY Growth		4.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Rental & CAM	7.2	7.5	7.8	8.1	8.4	8.7	9.0	9.4	9.7	10.0	10.3	10.6	11.0	11.3	11.6
YoY Growth		4.0%	4.0%	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
- as % of sales	22.4%	21.8%	21.2%	20.7%	20.3%	19.9%	19.6%	19.3%	19.0%	18.7%	18.6%	18.4%	18.2%	18.0%	17.8%
Other exp	6.2	6.4	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.1	9.3
% of sales		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Operating Costs	**16.3**	**16.9**	**17.5**	**18.1**	**18.8**	**19.4**	**20.1**	**20.7**	**21.4**	**22.1**	**22.8**	**23.5**	**24.3**	**25.0**	**25.8**
Screen-level EBITDA	**5.8**	**6.9**	**8.0**	**9.1**	**10.2**	**11.2**	**12.3**	**13.4**	**14.5**	**15.6**	**16.4**	**17.3**	**18.3**	**19.3**	**20.3**
EBITDA margin - %	18.3%	20.2%	21.9%	23.3%	24.6%	25.7%	26.6%	27.6%	28.3%	29.1%	29.5%	29.9%	30.3%	30.8%	31.2%
Depreciation	2.3	2.4	2.4	2.4	2.4	2.5	2.5	3.2	3.2	3.3	3.3	3.3	3.4	3.4	3.5
Screen-level EBIT	**3.5**	**4.6**	**5.6**	**6.7**	**7.8**	**8.8**	**9.8**	**10.2**	**11.2**	**12.3**	**13.1**	**14.0**	**14.9**	**15.8**	**16.9**
EBIT margin - %	11.0%	13.3%	15.4%	17.2%	18.7%	20.1%	21.2%	21.0%	22.0%	23.0%	23.6%	24.1%	24.7%	25.3%	25.9%
Capex	35.0	0.3	0.4	0.4	0.4	0.4	0.5	10.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7
Free cash flow	**-29.2**	**6.6**	**7.6**	**8.7**	**9.8**	**10.8**	**11.8**	**2.9**	**14.0**	**15.0**	**15.9**	**16.7**	**17.7**	**18.6**	**19.7**
GROSS FIXED ASSETS	35.0	35.3	35.7	36.1	36.5	37.0	37.4	47.9	48.4	49.0	49.5	50.1	50.7	51.3	52.0
NET FIXED ASSETS	32.7	30.7	28.6	26.6	24.6	22.6	20.5	27.8	25.1	22.4	19.7	16.9	14.1	11.3	8.5
NET WORKING CAPITAL	0.6	0.7	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.3	1.3
Invested Capital	**33.3**	**31.3**	**29.4**	**27.4**	**25.4**	**23.5**	**21.5**	**28.8**	**26.2**	**23.5**	**20.8**	**18.1**	**15.3**	**12.6**	**9.8**
ROIC (Pre-tax)	**10.5%**	**14.2%**	**18.5%**	**23.6%**	**29.4%**	**35.9%**	**43.7%**	**40.6%**	**40.9%**	**49.5%**	**59.2%**	**72.0%**	**89.2%**	**113.6%**	**150.6%**
ROIC (Post-tax)	**7.8%**	**10.5%**	**13.7%**	**17.4%**	**21.7%**	**26.6%**	**32.3%**	**30.0%**	**30.2%**	**36.6%**	**43.8%**	**53.3%**	**66.0%**	**84.1%**	**111.4%**
GROSS FIXED ASSETS	**35**	**35**	**36**	**36**	**37**	**37**	**37**	**48**	**48**	**49**	**50**	**50**	**51**	**51**	**52**
ROIC (Gross, Pre-tax)		**19.7%**	**22.5%**	**25.3%**	**28.1%**	**30.6%**	**33.1%**	**31.4%**	**30.0%**	**31.9%**	**33.3%**	**34.8%**	**36.2%**	**37.8%**	**39.4%**
Present value of CF (pre-tax)	**-26.1**	**5.3**	**5.5**	**5.6**	**5.7**	**5.6**	**5.5**	**1.2**	**5.2**	**5.1**	**4.8**	**4.5**	**4.3**	**4.1**	**3.8**
Total NPV	**40.1**														

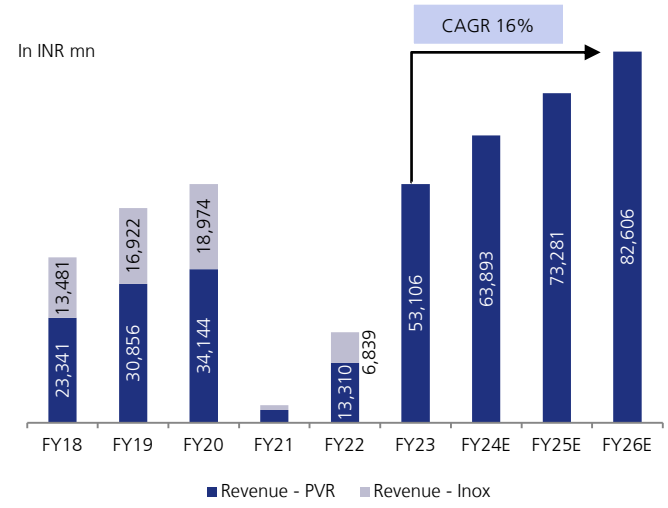
Source: JM Financial estimate

Financial analysis

We estimate PVR-INOX's revenue to grow at c.16% CAGR over FY23-26E. Growth should be largely broad-based driven by c.17%/19%/16% in ticketing/F&B/Advertisement respectively over this period. We are building in ~350 screen additions over FY23-FY26E; 6% increase in seats and 170bps improvement in occupancy over FY23-FY26E should drive 17% CAGR growth for movie ticketing. SPH (Spend per head) inching up to INR 144 in FY26E from INR 115 in FY23 and 10% CAGR growth in admits should result in 19% CAGR growth for the F&B segment. We are assuming 16% CAGR growth in advertisement income led by new screen additions and a slight improvement in advertisement per screen.

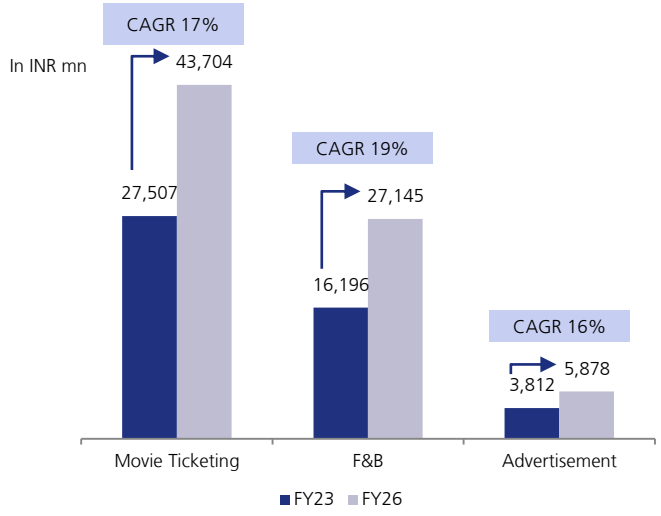
Improvement in occupancy should drive operating leverage, resulting in expansion in reported EBITDA margin from 29.4% in FY23 to 36.6% in FY26. Intrinsic EBITDA margin (pre AS 116 impact) should expand by 9ppt to 19.5% by FY26E (JMFe). Incremental leases from new screen additions will lead to higher deprecation cost, though we expect EBIT margin to expand from 14.2% in FY23 to 19.7% in FY26. As of Mar'23, the company has INR 4.7bn of deferred tax assets on the balance sheet. This can, in turn, result in lower tax expenses over FY23-FY26E, driving 48% EPS CAGR over FY24-26E (FY23 EPS was negative).

Exhibit 38. Expect revenue CAGR of 16% over FY23-FY26E…



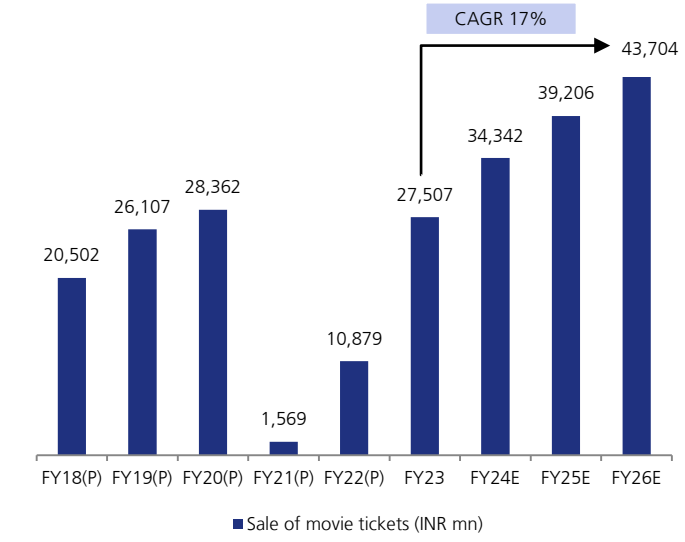
Source: Company, JM Financial

Exhibit 39. …broadly driven by growth across all segments



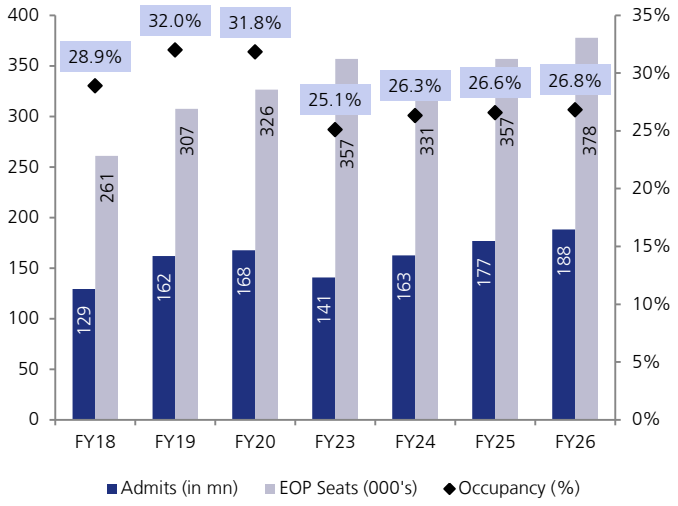
Source: JM Financial estimates

Exhibit 40. Expect movie ticketing segment to grow at 17% CAGR



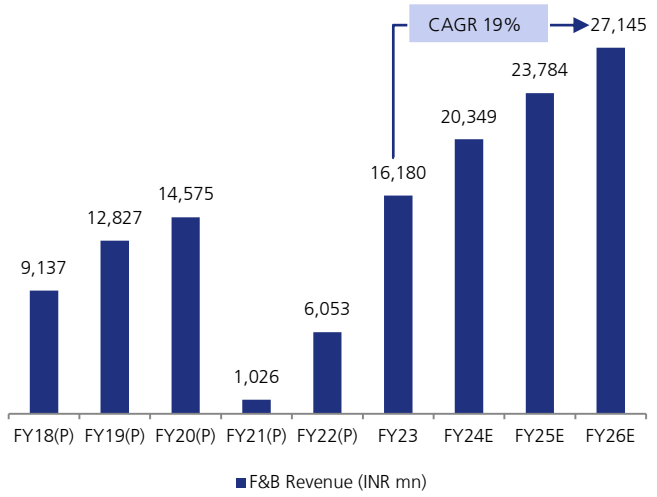
Note: Proforma no's for FY18-22; Source: Company, JM Financial

Exhibit 41. Driven by growth in seats and improvement in occupancy



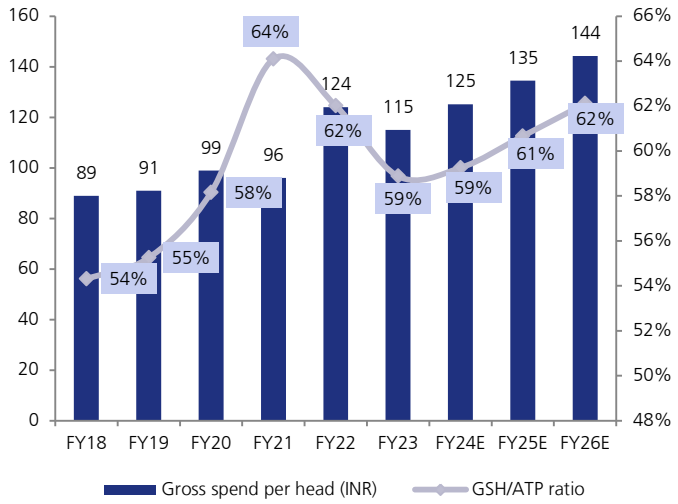
Note: Proforma no's for FY18-22; Source: Company, JM Financial

Exhibit 42. F&B sales to grow at 19% CAGR driven by…



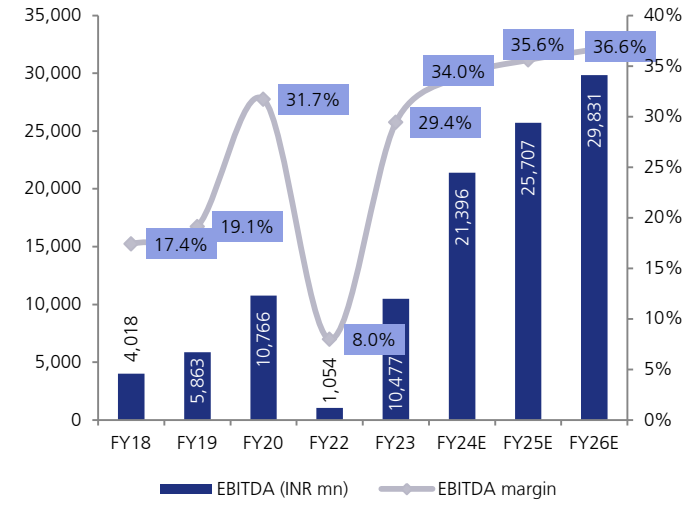
Note: Proforma no's for FY18-22; Source: Company, JM Financial

Exhibit 43. …8% CAGR growth in gross spends / head and admits



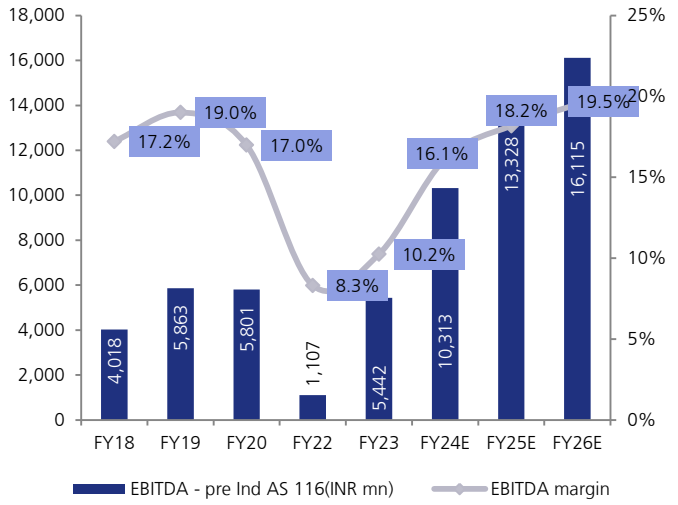
Note: Proforma no's for FY18-22; Source: Company, JM Financial

Exhibit 44. EBITDA margin to expand 72pps driven by operating lev.



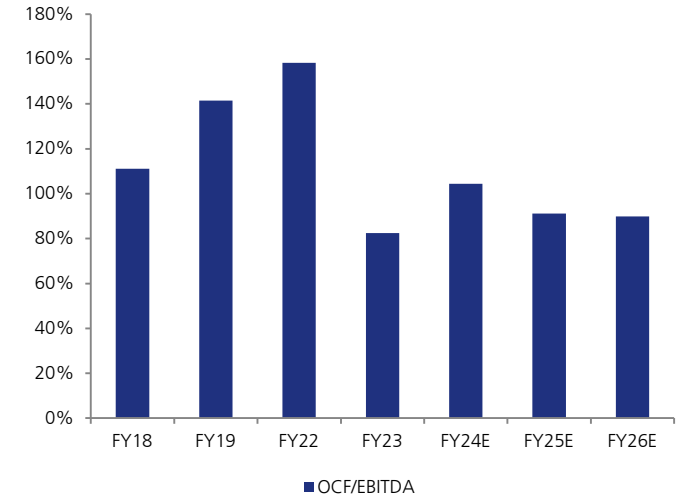
Source: Company, JM Financial

Exhibit 45. Pre Ind AS – EBITDA and EBITDA margin



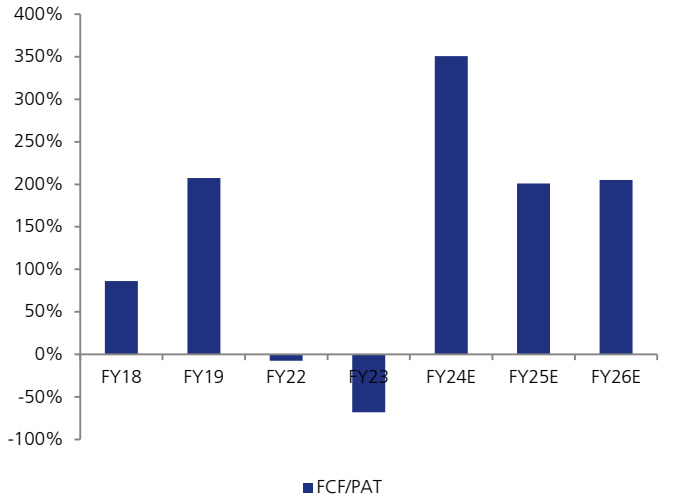
Source: Company, JM Financial

Exhibit 46. Operating cash flow/EBITDA trends



Source: Company, JM Financial

Exhibit 47. Free cash flow/PAT trends



Source: Company, JM Financial

Key Model Assumptions

Exhibit 48. Key operating assumptions

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Revenue												
Sale of Tickets												
No of screens	1,535	1,689	1,801	1,936	2,036	2,136	2,236	2,341	2,451	2,566	2,686	2,811
Admits (mn)	34	141	163	177	188	198	208	219	230	242	254	267
Occupancy (%)	**22.1%**	**25.1%**	**26.3%**	**26.6%**	**26.8%**	**27.1%**	**27.3%**	**27.6%**	**27.8%**	**28.1%**	**28.3%**	**28.6%**
Avg EOP seats ('000)	182	343	367	390	411	429	447	465	485	505	526	548
No of shows per day per screen	2.3	4.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Average ticket realisation	200	195	211	222	232	243	253	263	273	283	292	301
Income from sale of movie tickets - mn	**6,699**	**27,507**	**34,342**	**39,206**	**43,704**	**48,115**	**52,747**	**57,644**	**62,857**	**68,383**	**74,217**	**80,350**
Food & Beverages												
Gross spend per head (GSH)	124	115	125	135	144	154	165	176	187	198	209	221
-GSH/ATP ratio	62%	59%	59%	61%	62%	64%	65%	67%	68%	70%	72%	73%
Income from sale of food and beverages - mn	**4,133**	**16,196**	**20,349**	**23,784**	**27,145**	**30,600**	**34,350**	**38,441**	**42,927**	**47,829**	**53,167**	**58,957**
Advertisement												
Revenue from advertisements per average screen	0.85	2.38	2.47	2.72	2.96	3.20	3.44	3.61	3.75	3.90	4.06	4.22
Income from advertisement - mn	**721**	**3,812**	**4,299**	**5,073**	**5,878**	**6,668**	**7,511**	**8,257**	**8,990**	**9,789**	**10,658**	**11,601**
Convenience fees												
% of ticket bookings through online medium	65.0%	76.5%	53.3%	58.0%	60.0%	60.5%	61.0%	61.5%	62.0%	62.5%	63.0%	63.5%
Convenience fee/ticket	34.8	22.9	29.5	26.3	27.5	28.8	30.0	31.2	32.4	33.5	34.6	35.6
Income from convenience fees - mn	**758**	**2,470**	**2,561**	**2,694**	**3,107**	**3,449**	**3,812**	**4,200**	**4,617**	**5,063**	**5,539**	**6,045**
Other	1,000	3,121	2,342	2,523	2,773	3,022	3,286	3,565	3,862	4,178	4,515	4,873
Consol. Revenue	**13,310**	**53,106**	**63,893**	**73,281**	**82,606**	**91,853**	**101,707**	**112,107**	**123,253**	**135,243**	**148,096**	**161,826**
YoY		299%	20%	15%	13%	11%	11%	10%	10%	10%	10%	9%

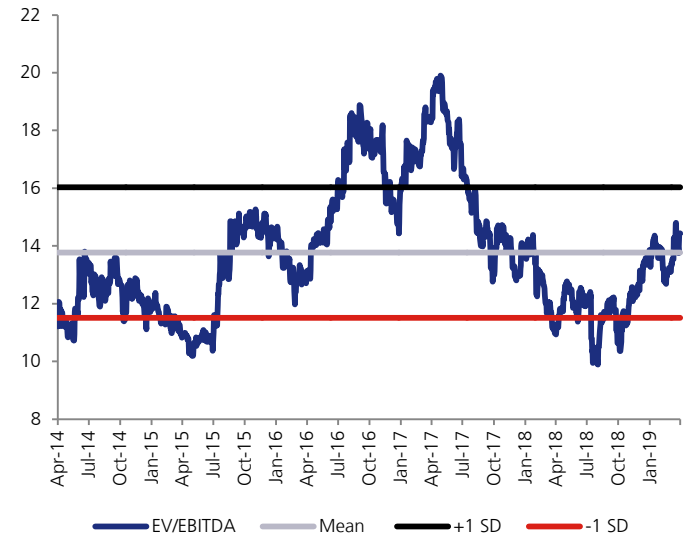
Note: Other includes income from movie production and distribution, Virtual Print, Food court income and other services. Source: Company, JM Financial estimates

Resume coverage with BUY and TP of INR 2,270

We resume coverage on PVR-INOX with a BUY rating and a DCF-based target price of INR 2,270, implying an upside of 31% from current levels. Our target price implies a 12-M forward EV/EBITDA of 17.5x FY25E intrinsic EBITDA and 30x FY25E EPS.

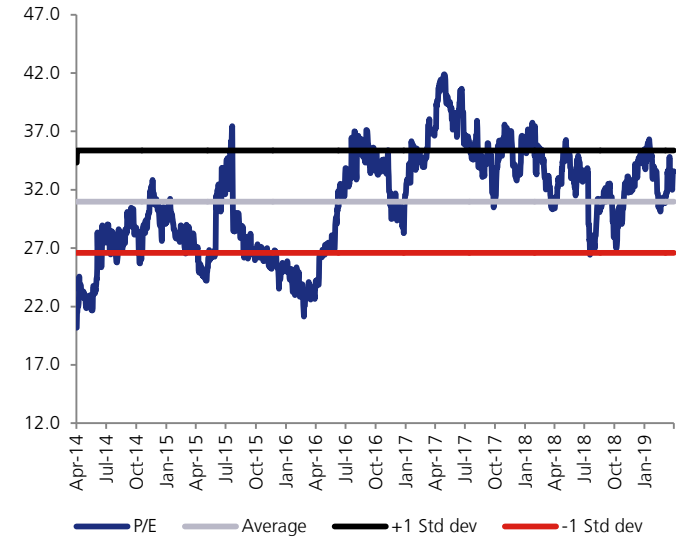
PVR-INOX traded at an average EV/EBITDA of 14x over 2014-19, period prior to Covid. Note, the average historical EV/EBITDA is based on the actual forward EBITDA reported by the company as changes to accounting standard (I-GAAP to Ind AS in FY16; treatment of leases as per AS 116) make consensus estimates slightly unreliable. Mean PER multiple over the same period was 32x, at a slight premium to our implied target PER of 30x.

Exhibit 49. PVR traded at 14x mean EV/EBITDA in 5 years pre-COVID
PVR-INOX – 1 Year Forward EV/EBITDA



Note: EV/EBITDA calculated on actual 1 year forward company data. Source: Company, Bloomberg, JM Financial

Exhibit 50. PVR traded at 32x mean PER over 5 years pre-COVID
PVR - 1Year Forward PER



Note: PER calculated on 1 year forward Bloomberg consensus estimates; Source: Company, Bloomberg, JM Financial

After merger with PVR-INOX, the company now has c.4x screen count from its closest multiple competitor (Carnival Cinema; unlisted). Essentially there are no peers of any significance to benchmark its multiples to. Global players such as AMC and Cinemark's average EV/EBITDA in the same period was around 8-9x. PVR-INOX should trade at a significant premium to global peers due to:

- **Still significant room for multiplex penetration in the country:** While abysmally low screen per million is an oft quoted metric to justify low penetration, we believe these often overlook the fact that a significant section of India's population may not be addressable, especially for PVR-INOX. Therefore, we look at another metric to gauge the growth potential. We have used online food delivery cohort as a minimum potential target segment for PVR-INOX. Zomato's user base is a close proxy for PVR-INOX given a) similar geographical spread; b) discretionary spend potential. The table below illustrates that in FY23 merely 55% of the people who ordered online visited PVR-INOX. Ideally, the number of people visiting theatres should be higher than people ordering food online as most likely kids and old parents do not order online but watch movies in theatres. Clearly, we believe there remains a significant growth runway for multiplexes in the country.

Exhibit 51. An alternate way to size up potential TAM

	FY23
Zomato's ATU (mn)	58
Zomato's market share	55%
Total Online Food Delivery ATUs in India (mn)	105
Overlap between Zomato and others	90%
Total unique ATU - Online Food Delivery (mn)	64
Number of admits - PVR-INOX - FY23	140.8
Frequency of visits for PVR-INOX users/year (assuming 1 movie/quarter)	4
Number of unique visitors/year	35.2
% of online food delivery consumer	55%

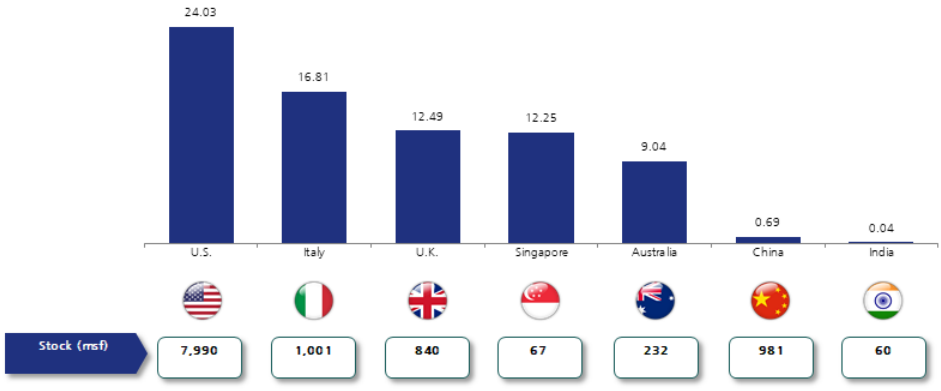
Source: Company, JM Financial estimates

Our exercise suggest that people visiting PVR-INOX are roughly half of those ordering food online in India

With PVR-INOX representing a significant share of multiplex admits, we see a long growth run-way for admits

- **Increasing grade-A malls in the country to expand PVR-INOX's footprint:** PVR-INOX is often one of the anchor clients of a grade-A mall in India. India currently has only ~100 grade-A malls with total area of 60.4mn sqft. Again, from a per capita basis, it is 0.04sqft, a paltry 6% of China's level. However, grade-A malls' stock (in msf) appears to be on the rise, as evidenced by the entry of global players such as Lulu mall, emergence of mall-based REITs (e.g., Nexus Select Trust) and expansion by real estate developers such as Phoenix. Apart from potential screen addition for PVR-INOX, opening of such large grade-A malls also cannibalise footfalls from local single screen theatres and help PVR-INOX gain overall market share. We have seen this in cities such as Lucknow where Lulu and Phoenix malls have resulted in movie traffic diverting to PVR in these malls.

Exhibit 52. Potential increase in India's grade A malls' stock should aid PVR-INOX's expansion
Per capita stock of grade A urban consumption centres, select countries



Note: Data as of 31ST Dec'22. Source: Nexus DRHP, CBRE report, JM Financial

We believe the hotel sector offers a loose proxy to the movie exhibition business for valuation benchmarking. We see PVR-INOX as a brand owner which operates leased assets, akin to IHCL. One can argue that IHCL and other branded hotels are incrementally moving to an asset-light operating model. However, an operating lease model adopted by IHCL to run its Ginger branded hotels is similar to PVR-INOX, in our view. In any case, over 50% of IHCL's revenue still comes from owned hotels. From a business model perspective also, multiplexes and hotels have similarities, e.g., a) both operate in leisure/entertainment segment; b) Room inventory sold by hotels vs. seat inventory by multiplexes; c) F&B is a significant contributor to both hotel and multiplexes; d) PVR-INOX's screen level RoCEs are comparable to that of a hotel.

Steady state company level RoCE for PVR-INOX (at pre-COVID occupancy level of 32%) will be 12.5% (JMFe), in line with FY25E RoCE of listed hotel players (as per JMF hotel sector coverage estimates). We, therefore, believe PVR-INOX's valuation could be compared to that of branded hotel multiples. Note, DCF implied FY25E EV/EBITDA of 17.7x for PVR-INOX compares with 18.6x average EV/EBITDA for the top-3 hotel companies (IHCL, EIH, Lemon Tree).

Besides, the hotel sector is a deep cyclical industry compared to consumer discretionary nature of movie exhibition business. We, therefore, believe our DCF-implied multiples for PVR-INOX (5% discount to hotel multiples) is reasonable.

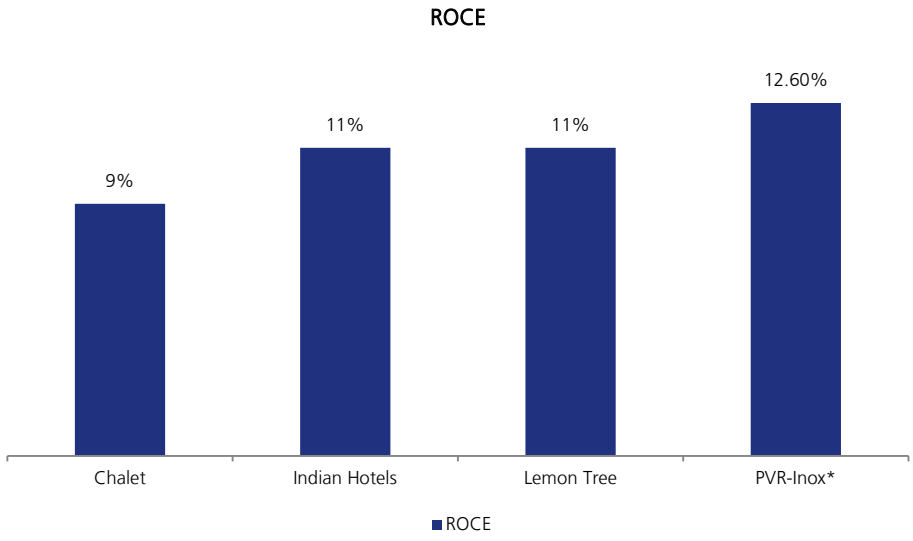
Please note EV/EBITDA for hotel stocks are based on reported (and not intrinsic EBITDA) and hence slightly depressed; Our implied EV/EBITDA for PVR-INOX on the other hand is based on intrinsic EBITDA. Despite that, it is at a discount

Exhibit 53. Hotel companies' valuation

Company	Currency	CMP	Mcap (INR bn)	P/E (x)			EV/EBITDA (x)			EV/Sales (x)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Asset Owners												
Chalet	INR	523	107	39.7	27.8	19.9	21.0	16.7	13.0	9.1	7.5	6.3
Asset/Brand Owners												
EIH	INR	237	148	36.5	30.8	N/A	23.8	20.9	N/A	7.3	6.6	N/A
Indian Hotels	INR	402	571	45.5	38.2	34.5	27.5	24.0	21.9	8.9	8.1	7.5
Lemon Tree	INR	109	86	53.2	32.0	25.6	21.2	15.8	14.3	10.7	8.4	7.6
Royal Orchids Hotel	INR	299	8	14.2	9.6	N/A	10.7	7.5	N/A	2.9	2.1	N/A
Mahindra Resorts and Hotels	INR	396	80	45.2	38.6	N/A	24.5	21.3	N/A	5.7	5.1	N/A

Source: Bloomberg, JM Financial; Data as on 24th Aug'23

Exhibit 54. RoCE comparable with hotel industry



Note: FY26E ROCE estimates of JM Financial for Chalet, Indian Hotel and Lemon Tree; *FY26 ROCE for PVR-INOX calculated at steady state occupancy of 32% (pre-COVID blended pro-forma occupancy). Source: JM Financial estimates

DCF: Target Price of INR 2,270

Exhibit 55. DCF projections

PVR Consolidated - Rs Mn	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	CAGR
Revenue	**63,893**	**73,281**	**82,606**	**91,853**	**1,01,707**	**1,12,107**	**1,23,253**	**1,35,243**	**1,48,096**	**1,61,826**	**11.8%**
- YoY growth	20.3%	14.7%	12.7%	11.2%	10.7%	10.2%	9.9%	9.7%	9.5%	9.3%	
Reported EBITDA	21,396	25,707	29,831	34,001	38,423	43,050	47,955	53,311	59,021	65,207	**15.8%**
EBITDA margin	33.5%	35.1%	36.1%	37.0%	37.8%	38.4%	38.9%	39.4%	39.9%	40.3%	
Lease payments	11,083	12,379	13,717	14,975	16,313	17,754	19,326	21,037	22,899	24,923	
EBITDA (pre Ind AS 116)	**10,313**	**13,328**	**16,115**	**19,026**	**22,110**	**25,295**	**28,629**	**32,274**	**36,122**	**40,284**	**14.8%**
EBITDA margin	16.1%	18.2%	19.5%	20.7%	21.7%	22.6%	23.2%	23.9%	24.4%	24.9%	
Depreciation - intrinsic basis	4,715	5,472	6,184	6,805	7,450	8,148	8,915	9,755	10,675	11,679	
EBIT before other financial income	**5,599**	**7,856**	**9,931**	**12,221**	**14,661**	**17,147**	**19,714**	**22,519**	**25,447**	**28,605**	**15.0%**
EBIT margin	9%	11%	12%	13%	14%	15%	16%	17%	17%	18%	
Effective Tax Rate	-6.8%	4.8%	10.8%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
NOPLAT	**5,980**	**7,483**	**8,862**	**9,165**	**10,996**	**12,861**	**14,786**	**16,889**	**19,085**	**21,454**	**19.8%**
- YoY growth	70.1%	25.1%	18.4%	3.4%	20.0%	17.0%	15.0%	14.2%	13.0%	12.4%	
Depreciation & other Non Cash Charge	4,715	5,472	6,184	6,805	7,450	8,148	8,915	9,755	10,675	11,679	
Change in Adj Net Working Capital - Incr / (Decr)	-2,133	-2,133	235	264	271	271	271	319	330	381	
Capex	7,432	7,432	6,503	6,539	6,985	7,678	8,422	9,221	10,079	10,998	
Free Cash Flow	**5,395**	**7,655**	**8,308**	**9,168**	**11,189**	**13,060**	**15,007**	**17,104**	**19,351**	**21,754**	**NA**
- YoY growth	-139.6%	41.9%	8.5%	10.3%	22.0%	16.7%	14.9%	14.0%	13.1%	12.4%	
Discounting Factor	0.9	0.8	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.4	
Present Value at FCF	**5,054**	**6,431**	**6,260**	**6,196**	**6,780**	**7,097**	**7,314**	**7,476**	**7,584**	**7,646**	

Source: JM Financial estimates

Exhibit 56. DCF-valuation summary

12M Forward Equity Valuation	
WACC	11.5%
Terminal Growth Rate	5.0%
PV of Cash Flow - Explicit Period	67,838
PV of Cash Flow - Semi-Explicit Period	70,621
PV of Terminal Value	97,301
Enterprise Value	**2,35,759**
Net Debt and Minority Interest (Less)	14,599
Value attributable to Equity Shareholders	**2,21,161**
No of Equity Shares	97
Value per Share - Rs	**2,270**
One-yr fwd EPS	76.4
Implied fair PE multiple	29.7
One-yr fwd EBITDA	13,328
Implied fair EV/EBITDA multiple	17.7

Source: JM Financial estimates

Exhibit 57. Sensitivity of Share price to Occupancy and Ticket price

Ticket Price \ Occupancy	95.0%	97.5%	100%	102.5%	105.0%
95.0%	1,640	1,790	1,940	2,090	2,240
97.5%	1,800	1,950	2,100	2,260	2,410
100%	1,960	2,110	2,270	2,430	2,590
102.5%	2,110	2,280	2,440	2,600	2,760
105.0%	2,270	2,440	2,600	2,770	2,940
107.5%	2,430	2,600	2,770	2,940	3,110

Source: JM Financial

We have done the sensitivity of TP to every 2.5ppt change in our Occupancy and ATP assumption

100% Occupancy and ATP in the table represent current assumption in our DCF projections. Similarly, 105% Occupancy/ATP indicate 5% higher Occupancy/ATP assumptions that the base case

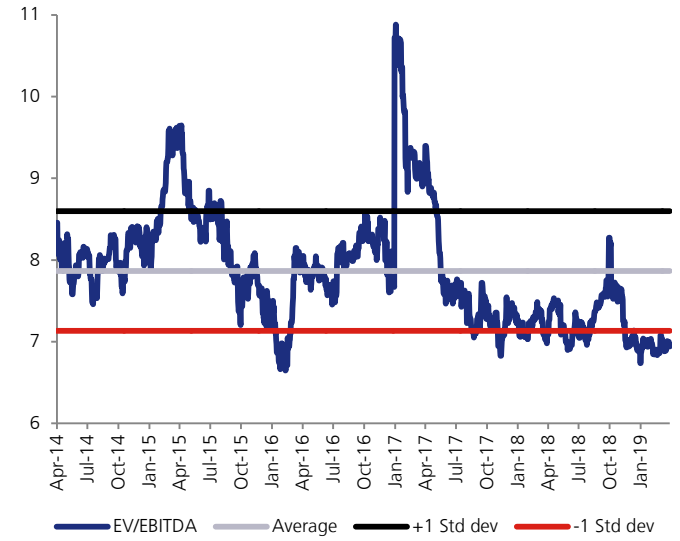
Appendix I: Global peers' operating metrics

Exhibit 58. Key Financials – Global Peers

	2015	2016	2017	2018	2019	2020	2021	2022	1H-2023
AMC (Y/E Dec)									
Revenue (USD mn)	**2,947**	**3,236**	**5,079**	**5,461**	**5,471**	**1,242**	**2,528**	**3,911**	**2,302**
Admissions	1,892	2,049	3,230	3,385	3,301	712	1,394	2,201	1,278
Food & Beverage	910	1,019	1,548	1,672	1,720	362	857	1,314	817
Other Theatre	145	167	301	404	450	168	276	396	207
Movie Attendance (in mn)	**196.9**	**215.1**	**346.8**	**358.9**	**356.4**	**75.2**	**128.5**	**201**	**114**
Number of Theatres Operated	387	906	1,014	1,006	1,004	950	946	940	940
Number of Screens Operated	5,426	10,558	11,169	11,091	11,041	10,543	10,562	10,474	10,120
Avg. Ticket Price (USD)	9.61	9.53	9.31	9.43	9.26	9.47	10.85	10.95	11.22
Cinemark* (Y/E Dec)									
Revenue (USD mn)	**2,853**	**2,919**	**2,992**	**3,222**	**3,283**	**686**	**1,511**	**2,455**	
Total Attendance (in mn)	**280.1**	**287.2**	**277**	**282.1**	**279.6**	**54.3**	**105.6**	**172.7**	
Number of Theaters Operated	513	526	533	546	554	531	522	518	
Total Screens	5,796	5,903	5,959	6,048	6,132	5,958	5,868	5,847	
Average Ticket Price (USD)	6.3	6.23	6.48	6.5	6.46	6.57	7.39	7.22	
Cineplex (Y/E Dec)									
Revenue (CAD mn)	**1,371**	**1,478**	**1,555**	**1,615**	**1,665**	**418**	**657**	**1,269**	**773**
Attendance (mn)	**77.0**	**74.6**	**69.9**	**69.3**	**66.4**	**13.1**	**20.1**	**38.1**	**23**
Number of Theatres	162	165	163	164	165	162	160	158	
Number of Screens	1,655	1,683	1,676	1,686	1,693	1,667	1,652	1,637	1,631

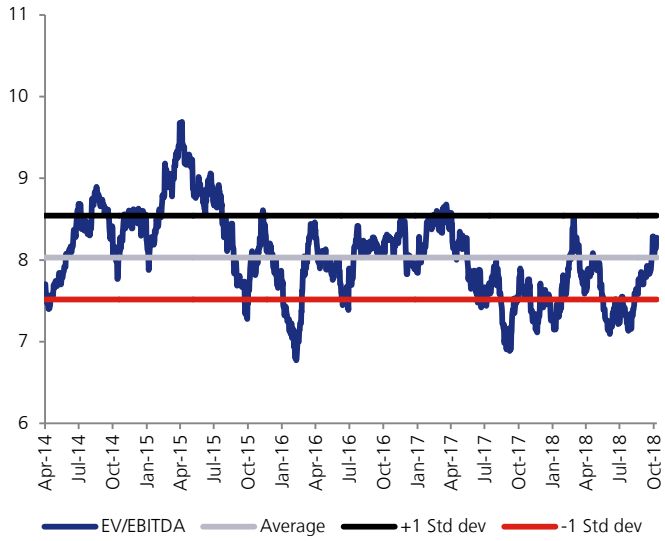
Source: Company, JM Financial

Exhibit 59. AMC – EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 60. Cinemark – EV/EBITDA



Source: Bloomberg, JM Financial

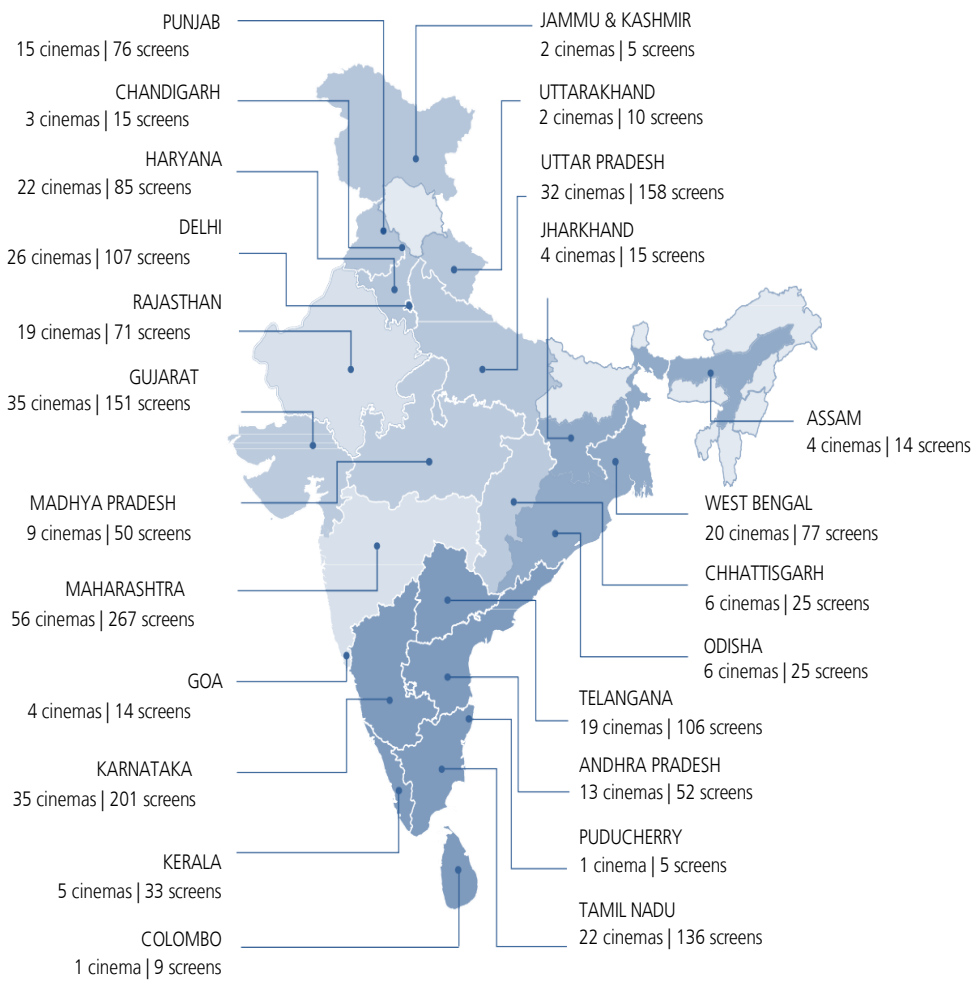
Appendix II: Screen distribution – PVR-INOX vs Industry

Exhibit 61. Screen distribution, India - 2022



Source: Company, JM Financial

Exhibit 62. Screen distribution, PVR-INOX – 1QFY24



Source: Company, JM Financial

Appendix III: PVR-INOX offerings by screen types

Exhibit 63. PVR-INOX offerings

Brand		Despcription
PVR ICON: The Icon of Cinema	PVR ICON: THE ICON OF CINEMA	PVR ICON is the zenith of innovative brilliance, revolutionising the concept of premium cinema viewing experience in India, and is crafted with utmost perfection. PVR ICON is a phenomenon fit for film connoisseurs, with a value proposition that combines beauty, magnificence, and comfort. The soothing design and superb architecture embody wealth and innovation, offering unrivalled luxury and entertainment experiences.
PVR Superplex: A Dream Destination for Movie Lovers	PVR SUPERPLEX: A DREAM DESTINATION FOR MOVIE LOVERS	With a 12 or more screen cinema offering as well as cherry-picked cinema formats from around the world under one roof, the superplex concept anticipates all conceivable needs of moviegoers. The Superplex is designed to impress clients with its sheer size, technology, aesthetics, and utility, making PVR a local favourite.
PVR 4DX: Absolute Cinema Experience	PVR 4DX: ABSOLUTE CINEMA EXPERIENCE	The cinematic paradigm shifts from 'viewing' to 'experiencing' with 4DX. High-tech motion seats and special effects, such as wind, fog, lightning, bubbles, water, rain, and fragrances, engage the senses of customers in both 2D and 3D forms. These effects are in perfect time with the on-screen action, producing a thrilling experience. Movies are no longer confined to the screen; 4DX transports you into the film's environment as if you were a participant.
PVR LUXE: A Game Changer in Luxury Cinema	PVR LUXE: A GAME CHANGER IN LUXURY CINEMA	PVR LUXE is a luxury cinema format, designed for an audience segment looking for a unique and memorable experience. This is complete with a live kitchen, serving a wide range of freshly prepared food and beverages for utmost indulgence, as well as service on seat, and other amenities for their comfort. Furthermore, the LUXE class lounge was created to enhance the moviegoing experience. Gourmet food, well-appointed décor, and premium facilities combine to create a new standard for luxury cinema
PVR P(XL): Premium Large Screen Cinema for an Enigmatic Experience	PVR P[XL]: PREMIUM LARGE SCREEN CINEMA FOR AN ENIGMATIC EXPERIENCE	With auditoriums equipped with extralarge screens, state-of-the-art Dual 4K or RGB laser projection systems, and superior Dolby Atmos sound, consumers immerse themselves in a world of heightened reality. Every aspect of a P[XL] auditorium is meant to make an impression: mindblowing visuals, powerful sound, and the most realistic, in-your-face 3D to make the moviegoing experience genuinely extra-large
PVR IMAX: The World's most Immersive Movie Experience		Every aspect of the IMAX cinema has been carefully considered, constructed, and placed to produce an immersive experience. IMAX immerses you in an experience that looks and feels as close to the reality as possible
Imax with Laser	PVR IMAX: THE WORLD'S MOST IMMERSIVE MOVIE EXPERIENCE	By moving the body and stimulating imagination with motion, D-Box produces a hyper-realistic and immersive entertainment experience. Using an algorithm, the technology converts the sound and motion in a movie to real-time haptic feedback which results in a captivating experience for the audience.
PVR Play House: PVR's Unique Kids Auditorium	PVR PLAYHOUSE: PVR'S UNIQUE KIDS AUDITORIUM	PVR Playhouse is a fantastical realm built for children. Colourful décor, figures on the walls, an in-audi slide, amusing seating, and a unique kids menu makes this the best movie-watching place for kids. The Playhouse is also an excellent location for children's birthday parties and other celebrations
PVR Director's Cut	PVR DIRECTOR'S CUT	This is the pinnacle of luxury at PVR, and combines the best of high-end hospitality with entertainment. It includes ultra-plush auditoriums with 3D projection technology, world-class surround sound, completely reclaimable armchairs with pillows and blankets, a personal attendant call system, and an intriguing in-seat food and beverage menu. Simply Sushi, a Japanese specialty featuring an unusual choice of sushi and japadogs, complements the live kitchen, which serves a variety of gourmet dishes designed by globally renowned chefs.
PVR Onyx: Led Screen Cinema	PVR ONYX: LED SCREEN CINEMA	This offers a projector-free moviegoing experience by bringing the visual power of LED-picture quality to the big screen, ushering in the next generation of cinema technology. The pleasure of viewing a movie on the backlit cinema LED screen is unlike anything else, with its High Dynamic Range (HDR) picture quality and infinite contrast ratio, providing the audience with a detailed cinema experience.
PVR Sapphire	PVR SAPPHIRE	This is a new cinema format that acts as a stepping stone to luxury for a more intelligent moviegoing experience. With comfort and exclusivity at its foundation, it falls between premium mainstream and luxury formats. With improved seating and additional leg room between seats, the Sapphire experience is designed to be more comfortable. A customised experience is provided through a selection of exclusive offerings and dedicated personnel.
PVR D-Box	PVR D-BOX	By moving the body and stimulating imagination with motion, D-Box produces a hyper-realistic and immersive entertainment experience. Using an algorithm, the technology converts the sound and motion in a movie to real-time haptic feedback which results in a captivating experience for the audience.

Source: Company, JM Financial

Exhibit 64. PVR-Inox: Premium/Special format offerings

	Director's Cut	LUXE	INSIGNIA	IMAX	4DX MX4D	ICE THEATERS	P XL WITH LASER	BIGPIX	SCREENX	Onyx	CLUB SAPPHIRE	PLAYHOUSE kiddles
229 Screens	129			19	31	3	17	3	2	7	18	
Features	• Experience luxury at its best.			• Immersive movie experience • Crystal-clear images • Giant screens • Powerful digital surround sound	Specially designed motion seats and synchro-nized to on-screen action • Environ-mental effects like wind, mist, bubbles and more	• 4K projection and superior surround Dolby Atmos® audio. • LED panels on the side walls	• Equipped with extra - large screens • Dual 4K or RGB laser projection systems and advanced Dolby Atmos sound	• 270-degree, panoramic movie-watching experience	• offering a projector-less movie going experience by bringing the visual power of LED picture quality to the big screen	• Premium Movie watching concept.	• Colorful décor and playful Seating • A selection of family-friendly films and an indoor play structure where kids can climb, slide and explore	

Special Formats represent 13.5% of total screens

Source: Company, JM Financial

Appendix IV: Content Pipeline

Exhibit 65. Upcoming content - 2023

Date	Movie
05-08-2023	Dream Girl 2
25-08-2023	Akelli
01-09-2023	Love All
25-08-2023	Goldfish
01-09-2023	Friday Night Plan
01-09-2023	Mystery of The Tatto
05-09-2023	Happy Teacher's Day
07-09-2023	Jawan
15-09-2023	Sri
22-09-2023	The Great Indian Family
28-09-2023	The Vaccine War
28-09-2023	Pyaar Hai Toh Hai
05-10-2023	The Great Indian Rescue
05-10-2023	Dono
06-10-2023	Thank You For Coming
20-10-2023	Ganapath – Part 1
20-10-2023	Tejas
20-10-2023	Yaariyan 2
23-10-2023	12th Fail
10-11-2023	Tiger 3
10-11-2023	khichdi 2
24-11-2023	Emergency
01-12-2023	Animal
01-12-2023	Sam Bahadur
01-12-2023	Fukrey 3
08-12-2023	Operation Valentine
15-12-2023	Yodha
15-12-2023	Merry Christmas
22-12-2023	Dunki

Source: Sacnilk, JM Financial

Appendix V: Data used for distribution analysis

Exhibit 66. Movie released & Gross Collection - 2023 (Till date)

Released Date	Movie	Gross collection (INR Cr)	Released Date	Movie	Gross collection (INR Cr)
18-Aug-23	OMG 2	100.4	05-May-23	Afwaah	0.11
11-Aug-23	Gaddar 2	360.1	05-May-23	Ramabanam	8
10-Aug-23	Jailer	276.7	05-May-23	The Kerala Story	286.5
03-Aug-23	MEG 2: The Trench	19.7	21-Apr-23	Kisi Ka Bhai Kisi Ki Jaan	132
28-Jul-23	Rocky Aur Rani Ki Prem Kahani	166	07-Apr-23	Gumraah	8.3
21-Jul-23	Ajmer 92	2.15	30-Mar-23	Bholaa	108
12-Jul-23	Mission Impossible – Dead Reckoning Part One	127.3	24-Mar-23	Bheed	2.1
07-Jul-23	72 Hoorain	1.5	17-Mar-23	Zwigato	1.25
07-Jul-23	Neeyat	6.9	17-Mar-23	Mrs Chatterjee Vs Norway	27.3
29-Jun-23	Samajavaragamana	22.65	08-Mar-23	Tu Jhoothi Main Makkar	175
29-Jun-23	Satyaprem Ki Katha	99.8	24-Feb-23	Selfiee	20.1
23-Jun-23	1920: Horrors of the Heart	16.85	17-Feb-23	Vaathi/SIR	91.2
16-Jun-23	Adipurush	342.7	17-Feb-23	Shehzada	37.8
02-Jun-23	Zara Hatke Zara Bachke	104.7	25-Jan-23	Pathan	525
26-May-23	Jogira Sara Ra Ra	0.95	25-Jan-23	Gandhi Godse Ek Yudh	2.36
12-May-23	IB 71	27.5	13-Jan-23	Lakkadbaggha	1
12-May-23	Chatrapathi (Hindi)	1.95	13-Jan-23	Kuttey	5.91

Source: Sacnilk, JM Financial

Exhibit 67. Movies released & Gross Collection - 2022

Released Date	Movie	Gross collection (INR Cr)	Released Date	Movie	Gross collection (INR Cr)
23-Dec-22	Cirkus	45.6	15-Jul-22	HIT – The First Case	10.47
16-Dec-22	Avatar: The Way of Water	477.5	15-Jul-22	Shabaash Mithu	2.73
09-Dec-22	Salaam Venky	2.86	08-Jul-22	Khuda Haafiz Chapter II	13.2
09-Dec-22	Maarrich	0.24	07-Jul-22	Thor: Love And Thunder	133
02-Dec-22	An Action Hero	13.35	01-Jul-22	Rocketry: The Nambi Effect	40.25
25-Nov-22	Bhediya	81.41	01-Jul-22	Rashtra Kavach: OM	9.74
18-Nov-22	Drishyam 2	282.81	24-Jun-22	JugJugg Jeeyo	101.2
11-Nov-22	Uunchai	38.82	17-Jun-22	Nikamma	2.58
11-Nov-22	Yashoda	23.63	10-Jun-22	Janhit Mein Jaari	4.4
11-Nov-22	Black Panther: Wakanda Forever	87.24	10-Jun-22	Jurassic World: Dominion	74.12
04-Nov-22	Phone Bhoot	15.12	10-Jun-22	777 Charlie	96.95
04-Nov-22	Mili	3.32	03-Jun-22	Vikram	289.43
25-Oct-22	Har Har Mahadev	11.51	03-Jun-22	Major	45.2
25-Oct-22	Ram Setu	89.24	03-Jun-22	Samrat Prithviraj	77
25-Oct-22	Thank God	42.49	27-May-22	Top Gun: Maverick	51.04
21-Oct-22	Ginna	0.42	27-May-22	Anek	10.68
20-Oct-22	Black Adam	57.52	20-May-22	Bhool Bhulaiyaa 2	216.5
14-Oct-22	Code Name: Tiranga	0.87	20-May-22	Dhaakad	4.73
14-Oct-22	Doctor G	33.01	13-May-22	Jayeshbhai Jordaar	21.13
07-Oct-22	Goodbye	8.05	06-May-22	Doctor Strange In The Multiverse Of Madness	158.7
05-Oct-22	Godfather	87	29-Apr-22	Heropanti 2	25.3
30-Sep-22	Vikram Vedha	93.1	29-Apr-22	Runway 34	41.7
30-Sep-22	Ponniyin Selvan - Part 1	313.36	22-Apr-22	Jersey	22.5
30-Sep-22	Kantara	363.82	14-Apr-22	KGF Chapter 2	1000.85
23-Sep-22	Prem Geet 3	1.12	13-Apr-22	Beast	151.58
23-Sep-22	Dhokha: Round D Corner	3.7	08-Apr-22	Fantastic Beasts: The Secrets of Dumbledore	11.79
23-Sep-22	Chup	13.7	01-Apr-22	Attack - Part 1	18.8
09-Sep-22	Brahmastra Part One: Shiva	318	25-Mar-22	RRR	915.85
25-Aug-22	Liger	48.58	18-Mar-22	Bachchhan Paandey	59.7
19-Aug-22	Dobaaraa	5.65	11-Mar-22	The Kashmir Files	295
13-Aug-22	Karthikeya 2	102.37	11-Mar-22	Radhe Shyam	117.9
11-Aug-22	Raksha Bandhan	57.38	10-Mar-22	Etharkkum Thunindhavan	57.4
11-Aug-22	Laal Singh Chaddha	72.5	04-Mar-22	The Batman	43.09
05-Aug-22	Sita Ramam	77.28	04-Mar-22	Jhund	17.3
05-Aug-22	DC League of Super-Pets	2.89	25-Feb-22	Gangubai Kathiawadi	155.5
04-Aug-22	Bullet Train	4.12	24-Feb-22	Valimai	123.5
29-Jul-22	Ek Villain Returns	51	18-Feb-22	Uncharted	10.8
28-Jul-22	Vikrant Rona	94.75	11-Feb-22	Khiladi	21.7
22-Jul-22	Shamshera	47.75	11-Feb-22	Badhaai Do	20

Source: Sacnilk, JM Financial

Exhibit 68. Movies released & Gross Collection- 2019

Released Date	Movie	Gross collection (INR Cr)	Released Date	Movie	Gross collection (INR Cr)
27-Dec-19	Good Newwz	242	19-Jul-19	Jhootha Kahin Ka	1
20-Dec-19	Dabangg 3	178	12-Jul-19	Super 30	171
13-Dec-19	The Body	3	05-Jul-19	Malaal	3
13-Dec-19	Mardaani 2	57	28-Jun-19	Article 15	79
12-Dec-19	Mamangam	37	21-Jun-19	Kabir Singh	330
06-Dec-19	Panipat	40	14-Jun-19	Game Over	15
06-Dec-19	Pati Patni Aur Woh	99	05-Jun-19	Bharat	251
29-Nov-19	Commando 3	8	24-May-19	PM Narendra Modi	34
22-Nov-19	Pagalpanti	47	24-May-19	India's Most Wanted	16
15-Nov-19	Motichoor Chaknachoor	2	17-May-19	De De Pyaar De	113
15-Nov-19	Marjaavaan	56	10-May-19	Student Of The Year 2	85
08-Nov-19	Satellite Shankar	1	03-May-19	Setters	2
08-Nov-19	Bypass Road	1	03-May-19	Blank	8
08-Nov-19	Bala	135	26-Apr-19	Avengers End Game	445
01-Nov-19	Ujda Chaman	15	17-Apr-19	Kalank	100
25-Oct-19	Made In China	15	12-Apr-19	The Tashkent Files	19
25-Oct-19	Housefull 4	247	05-Apr-19	Romeo Akbar Walter	51
25-Oct-19	Saand Ki Aankh	28	29-Mar-19	Junglee	29
18-Oct-19	Laal Kaptaan	4	29-Mar-19	Notebook	6
11-Oct-19	The Sky Is Pink	24	21-Mar-19	Mard Ko Dard Nahi Hota	3
02-Oct-19	War	375	21-Mar-19	Kesari	184
02-Oct-19	Sye Raa Narasimha Reddy	217	15-Mar-19	Photograph	2
20-Sep-19	Pal Pal Dil Ke Paas	11	08-Mar-19	Badla	104
20-Sep-19	The Zoya Factor	7	01-Mar-19	Sonchiriya	8
20-Sep-19	Prassthanam	8	01-Mar-19	Luka Chuppi	111
13-Sep-19	Section 375	20	22-Feb-19	Total Dhamaal	184
13-Sep-19	Dream Girl	163	14-Feb-19	Gully Boy	165
12-Sep-19	Pailwaan	48	01-Feb-19	Ek Ladki Ko Dekha Toh Aisa Laga	26
06-Sep-19	Chhichhore	180	25-Jan-19	Thackeray	46
30-Aug-19	Saaho	359	25-Jan-19	Manikarnika: The Queen of Jhansi	117
15-Aug-19	Batla House	116	18-Jan-19	Why Cheat India	13
15-Aug-19	Mission Mangal	236	11-Jan-19	The Accidental Prime Minister	24
09-Aug-19	Jabariya Jodi	22	11-Jan-19	URI The Surgical Strike	294
26-Jul-19	Arjun Patiala	10	10-Jan-19	Petta	159
26-Jul-19	Judgementall Hai Kya	41			

Source: Sacnilk, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	13,206	35,586	62,903	72,219	81,409
Sales Growth	381.6%	169.5%	76.8%	14.8%	12.7%
Other Operating Income	88	1,920	989	1,061	1,198
Total Revenue	**13,294**	**37,507**	**63,893**	**73,281**	**82,606**
Cost of Goods Sold/Op. Exp	4,013	11,286	19,782	22,657	25,372
Personnel Cost	2,651	4,389	6,356	6,859	7,515
Other Expenses	5,577	11,355	16,359	18,057	19,888
EBITDA	**1,054**	**10,477**	**21,396**	**25,707**	**29,831**
EBITDA Margin	7.9%	27.9%	33.5%	35.1%	36.1%
EBITDA Growth	0.0%	894.0%	104.2%	20.2%	16.0%
Depn. & Amort.	6,144	7,533	11,827	12,639	13,560
EBIT	-5,090	2,944	9,569	13,068	16,271
Other Income	3,261	791	500	711	766
Finance Cost	4,978	5,716	5,835	5,929	5,880
PBT before Excep. & Forex	-6,807	-1,982	4,233	7,851	11,157
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	-6,807	-1,982	4,233	7,851	11,157
Taxes	-1,922	1,274	-288	374	1,200
Extraordinary Inc./Loss(-)	0	-108	0	0	0
Assoc. Profit/Min. Int.(-)	-3	-13	22	36	47
Reported Net Profit	-4,882	-3,351	4,500	7,441	9,909
Adjusted Net Profit	**-4,882**	**-3,177**	**4,500**	**7,441**	**9,909**
Net Margin	-36.7%	-8.5%	7.0%	10.2%	12.0%
Diluted Share Cap. (mn)	61.0	97.4	97.4	97.4	97.4
Diluted EPS (INR)	**-80.0**	**-32.6**	**46.2**	**76.4**	**101.7**
Diluted EPS Growth	0.0%	0.0%	0.0%	65.4%	33.2%
Total Dividend + Tax	0	0	0	893	1,486
Dividend Per Share (INR)	0.0	0.0	0.0	9.2	15.3

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	-6,807	-1,982	4,233	7,851	11,157
Depn. & Amort.	6,144	7,533	11,827	12,639	13,560
Net Interest Exp. / Inc. (-)	1,717	4,925	5,335	5,218	5,115
Inc (-) / Dec in WCap.	434	-1,969	2,133	-322	-235
Others	82	130	0	0	0
Taxes Paid	99	1	-1,301	-1,963	-2,789
Operating Cash Flow	**1,668**	**8,639**	**22,228**	**23,423**	**26,807**
Capex	-1,302	-6,360	-7,432	-8,460	-6,503
Free Cash Flow	366	2,280	14,796	14,963	20,304
Inc (-) / Dec in Investments	1,000	0	0	0	0
Others	274	601	500	711	766
Investing Cash Flow	**-28**	**-5,759**	**-6,932**	**-7,749**	**-5,737**
Inc / Dec (-) in Capital	183	305	0	0	0
Dividend + Tax thereon	0	0	0	0	-893
Inc / Dec (-) in Loans	1,553	1,260	1,344	-964	-1,373
Others	-3,904	-8,501	-12,850	-14,164	-15,391
Financing Cash Flow	**-2,168**	**-6,935**	**-11,505**	**-15,128**	**-17,657**
Inc / Dec (-) in Cash	**-528**	**-4,055**	**3,791**	**546**	**3,413**
Opening Cash Balance	5,524	7,374	3,319	7,110	7,656
Closing Cash Balance	4,996	3,319	7,110	7,656	11,069

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	13,704	73,299	77,799	85,240	94,256
Share Capital	610	980	980	980	980
Reserves & Surplus	13,094	72,319	76,819	84,260	93,277
Preference Share Capital	0	0	0	0	0
Minority Interest	-3	-7	15	50	98
Total Loans	15,052	17,926	19,271	18,307	16,934
Def. Tax Liab. / Assets (-)	-5,926	-4,735	-6,324	-7,913	-9,503
Total - Equity & Liab.	**22,827**	**86,483**	**90,760**	**95,684**	**1,01,786**
Net Fixed Assets	54,719	1,44,559	1,48,340	1,53,356	1,54,804
Gross Fixed Assets	39,123	1,03,201	1,10,633	1,19,093	1,25,596
Intangible Assets	26,783	53,746	54,809	56,837	57,967
Less: Depn. & Amort.	11,833	14,862	19,576	25,048	31,232
Capital WIP	645	2,473	2,473	2,473	2,473
Investments	5	2	2	2	2
Current Assets	12,584	15,436	21,362	24,019	29,515
Inventories	342	664	776	890	1,004
Sundry Debtors	818	1,825	2,154	2,473	2,788
Cash & Bank Balances	4,996	3,319	7,110	7,656	11,069
Loans & Advances	3,356	5,386	6,290	7,222	8,141
Other Current Assets	3,072	4,243	5,032	5,778	6,513
Current Liab. & Prov.	44,481	73,514	78,944	81,693	82,535
Current Liabilities	44,355	72,884	78,308	81,007	81,783
Provisions & Others	126	631	636	686	751
Net Current Assets	-31,896	-58,078	-57,582	-57,673	-53,020
Total – Assets	**22,827**	**86,483**	**90,760**	**95,684**	**1,01,786**

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	-36.7%	-8.5%	7.0%	10.2%	12.0%
Asset Turnover (x)	0.2	0.3	0.4	0.4	0.5
Leverage Factor (x)	4.2	2.5	2.1	2.0	1.9
RoE	-30.5%	-7.3%	6.0%	9.1%	11.0%

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	224.7	752.4	798.6	875.0	967.6
ROIC	-14.6%	8.7%	11.5%	13.4%	14.8%
ROE	-30.5%	-7.3%	6.0%	9.1%	11.0%
Net Debt/Equity (x)	0.7	0.2	0.2	0.1	0.1
P/E (x)	-21.7	-53.2	37.5	22.7	17.0
P/B (x)	7.7	2.3	2.2	2.0	1.8
EV/EBITDA (x)	170.8	17.6	8.5	7.0	5.9
EV/Sales (x)	13.5	4.9	2.9	2.5	2.1
Debtor days	22	18	12	12	12
Inventory days	9	6	4	4	4
Creditor days	222	139	125	125	125

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REIT refers to Real Estate Investment Trusts.

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