Equity Research

June 29, 2023
BSE Sensex: 63915

ICICI Securities Limited is the author and distributor of this report

Company update and target price revision

Media

Target price: Rs1,950

Target price revision
Rs1950 from Rs2,100

Shareholding pattern

	Sep '22	Dec '22	Mar '23
Promoters	17.0	16.9	27.5
Institutional investors	63.4	67.0	61.4
MFs and others	20.4	17.6	24.6
Banks /FIs	0.0	0.0	0.0
Insurance Cos.	5.6	6.4	4.6
FIIs	37.4	43.0	43.0
Others	19.6	16.1	0.3

Source: BSE

ESG disclosure score

Year	2021	2022	Chg
ESG score	**39.2**	**38.6**	**(0.6)**
Environment	12.1	12.1	0.0
Social	26.8	24.9	(1.8)
Governance	78.6	78.6	0.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: Bloomberg, I-sec research

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INDIA

PVR Inox

BUY
Maintain

Form is temporary; class is permanent **Rs1,380**

As clichéd as it sounds, we feel the cricket inspired title of the note holds true for PVR Inox. It is a strong market leader in its category with a history of value creation and a clean record on corporate governance. Further, competitive intensity in the space has reduced materially over the past couple of years. Given that India's per capita GDP growth is likely to be sustained over the foreseeable future, we think movie exhibition is likely to benefit as more Indians enter the category of discretionary consumers. However, the stock has corrected ~35% from its peak over the past year due to rising concerns over content quality and inability of movie exhibitors to get back to pre-covid occupancy levels. This has been further exacerbated by a persistent inflationary environment since CY22 which has had a meaningful impact on ad-revenues across the board.

Our analysis indicates that the concerns regarding the impact of digital mediums ('watching OTT content at home' substituting 'going to theatres') and the ability of Hindi movies to draw audiences into theatres are not warranted.

While Q1FY24E is likely to be muted from a revenue standpoint, given the subdued performance of 'Adipurush', we think some indications of merger synergies such as - improving ATP and SPH for the merged entity - should start flowing through. We also believe improvement in content quality should start reflecting in higher occupancy levels in theatres from Q2FY24E as we note a stronger content lineup for the quarter.

At current valuations, we think the stock is a strong BUY with >40% upside and a favourable risk-reward skew (3.56:1). We think its rerating will probably require a trigger - such as strong performance from two or more Hindi movies in a quarter or green-shoots such as improvement in advertiser-sentiment.

Valuation: We see the content pipeline for PVR Inox improving from Q2FY24E and occupancy levels improving in tandem, hence, we expect a mean reversion of valuation multiples to historical averages. We have factored in 9.2% revenue growth (pro-forma) for FY24E with 560 bps EBITDA margin (pro-forma) expansion. Accordingly, our target price is Rs1,950 (prior: Rs2,100) with an unchanged multiple of 16x FY25E EBITDA. In our bull case, we see the stock trading at Rs2,200 and in our bear case - at Rs1,150, implying a risk reward skew of 3.56:1. Re-iterate **BUY**. Key risks: occupancy improvement to pre-covid level delayed beyond FY25E and merger synergies/efficiencies of scale not playing out.

Market Cap	Rs135bn/US$1.6bn
Reuters/Bloomberg	PVRINOX IN
Shares Outstanding (mn)	98.0
52-week Range (Rs)	2193/1348
Free Float (%)	83.1
FII (%)	43.0
Daily Volume (US$'000)	11,405
Absolute Return 3m (%)	(7.7)
Absolute Return 12m (%)	(25.3)
Sensex Return 3m (%)	11.6
Sensex Return 12m (%)	21.7

Year to Mar	FY22	FY23	FY24E	FY25E
Revenue (Rs mn)	13,310	37,507	57,986	67,265
Rec. Net Income (Rs mn)	(4,882)	(3,351)	2,751	5,492
EPS (Rs)	(80.0)	(51.3)	28.1	56.1
DPS (Rs)	0.0	0.0	0.0	0.0
P/E (x)	(17.2)	(40.3)	49.2	24.6
CEPS (Rs)	(49.8)	32.3	11.1	8.6
EV/E (x)	(39.9)	52.7	16.7	11.6
Dividend Yield (%)	0.0	0.0	0.0	0.0
RoCE (%)	(20.2)	(2.8)	4.1	6.6
RoE (%)	(30.5)	(7.7)	3.7	6.9

Will OTT replace ‘movie-going’ in India?

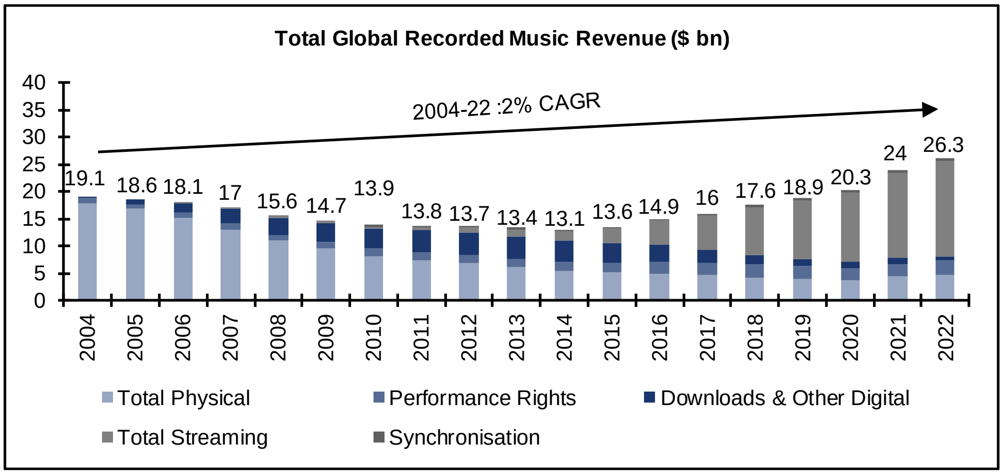
WE DON’T THINK SO. While it is true that OTT platforms have gained subscribers post the covid lockdowns (link), we believe it would be a gross oversimplification to assume that OTT will make ‘going to theatres’ irrelevant. We would like to point out a couple of data points to reinforce our view:

- **Financial viability of releasing movies on OTT platforms is still not established: -** According to media reports (link), the number of paid subscribers has remained flat for the industry since H2CY22. This was further impacted by the entry of Jio Cinema and their free streaming of IPL matches. However, now Jio Cinema too is trying to monetise using a SVOD model (link). Also, sporting events / blockbuster shows are generally the hook to draw in subscribers to OTT platforms, not movies. Therefore, we think it may not be financially viable for movie producers to use OTTs as the sole distribution model.
- **OTTs cannot substitute the ‘experiential family entertainment’ value proposition of cinemas: –** Given the lack of affordable family entertainment options in India, movie going is likely to remain the mode of choice for most value conscious Indian families.

In this context, we feel an interesting anecdote would be to look back at how the music industry has evolved globally post digital disruption.

In Apr’03, Itunes was introduced in the US, which severely disrupted the physical distribution of music (sales of CDs, DVDs etc). In fact, the recorded music revenues globally have only recently (in CY19) surpassed the level achieved in CY04, compounding at a CAGR of only 2% (CY04-CY22).

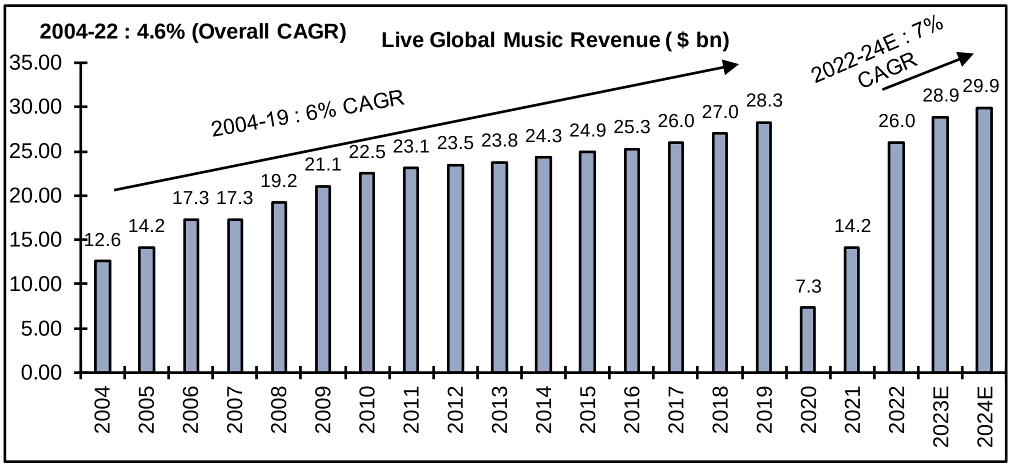
Chart 1: Total recorded music revenue, globally (US $ bn)



Source: Global Music Report 2023, International Federation of Phonographic Industry

However, global revenues from live music (concerts and tours) have continued to grow registering a CAGR of 4.6% over the same period.

Chart 2: Global live music revenue (US $ bn)



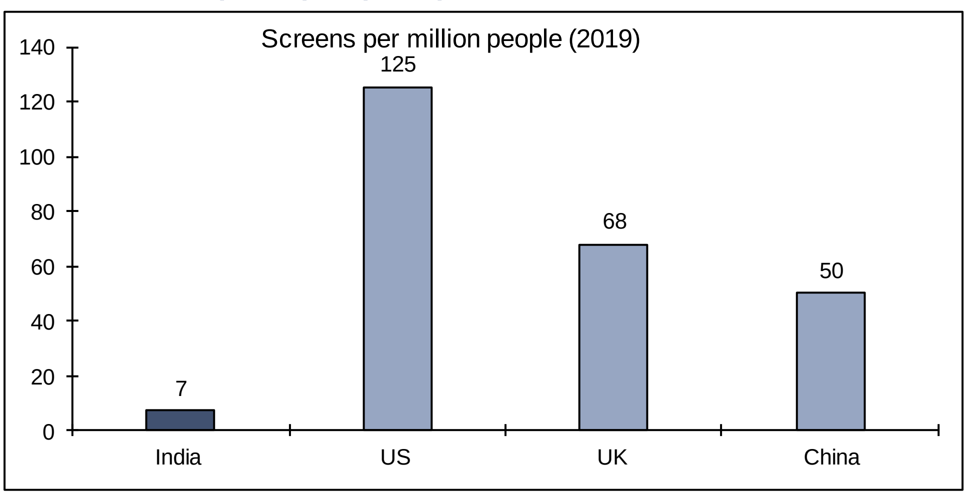
Source: I-Sec research

We think that movie-going in India will remain relatively less impacted by the digital disruption - much like global live music revenue. However, growth for movie exhibition industry in India is likely to be much higher given the significant headroom for penetration led growth.

Is there room for the movie exhibition industry in India to grow?

Yes. India still has a lot of headroom for growth in the number of cinema screens per capita compared to global markets. This we think is completely disproportional to the mind share that movies capture among Indian audiences. Therefore, as per capita GDP grows and more consumers move into the discretionary consumption basket, we think the number of screens per million people is likely to increase significantly from here.

Chart 3: Screen per capita (CY19)



Source: Company data, I-Sec research

Is PVR Inox relevant for a value conscious viewer?

We believe going to a cinema is still cheaper for a value conscious viewer compared to alternatives like fine dining, amusement parks among others for the purpose of entertainment and family outing. A family of 4 (with 2 children) will spend on an average Rs800 (Rs1,140 including food) to watch a movie at PVR Inox (3 hours of quality family time). On the other hand, alternatives like fine dining and amusement parks can cost in the range of Rs2,000 to Rs8,000 for a family of four.

We have analysed the price laddering approach being used by PVR Inox. It shows that the average spends at PVR Inox has a wide band ranging from Rs285 per head to Rs911 per head. Therefore, we think PVR Inox is not just aimed at premium consumers.

Table 1: Premium v/s non-premium screens

FY23	Premium Screens	Non-Premium Screens
Proportion	12%	88%
ATP	535.7	199.7
SPH	375.0	85.2
SPH to ATP	70%	43%

Source: I-Sec research

Will Hindi movies be able to script a turnaround?

In Q4FY23, the movie 'Pathaan' had global gross box office collections of Rs12bn. 600k tickets of the movie 'Adipurush' was pre-booked at PVR Inox and it managed to collect net Rs1.05bn over the first weekend.

In our view, the above is indicative of strong pent-up demand for good Hindi content. We think, given an improving content line up in Q2FY24, which includes movies like 'Rocky Aur Rani Ki Prem Kahani' (28^{th} Jul'23), 'Animal' (11^{th} Aug'23), 'Gadar 2' (11^{th} Aug'23) and 'Jawan' (7^{th} September'23), a turnaround in Hindi cinema is quite likely. '72 Hoorain' (7^{th} Jul'23), which we think is on similar lines as 'The Kashmir Files' & 'The Kerala Story' can prove to be a sleeper hit.

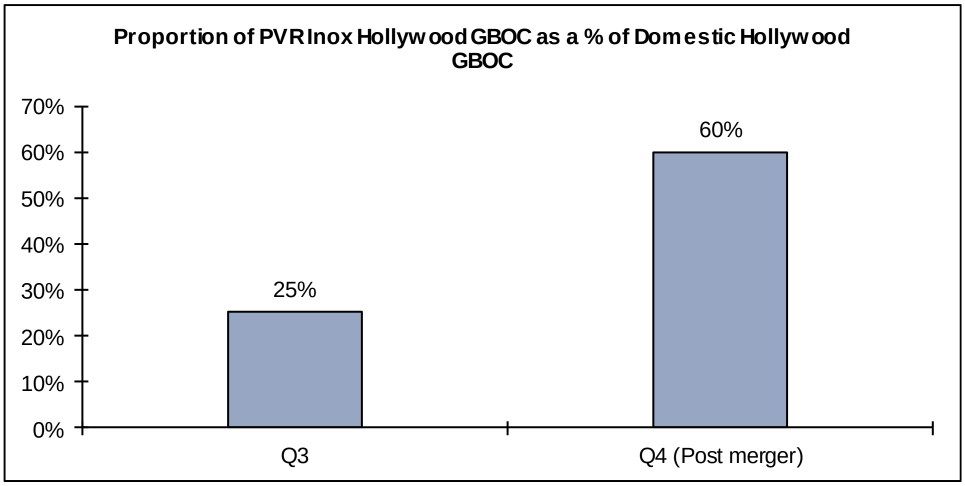
What about non-Hindi movies?

The contribution of PVR Inox to gross box office collections (GBOC) of English movies has been increasing. In fact, in Q4FY23 PVR Inox accounted for close to 60% of Hollywood GBOC in India, up from 25% in Q3, a steep jump aided by the merger. We believe this indicates that PVR Inox is the preferred movie theatre for English movie-goers given ambience and service quality. Also, English movies are more relevant for premium screens in view of better graphics and relevance for premium audiences. Therefore, we believe improving share of Hollywood GBOC could also be margin accretive over the medium term.

There is a strong lineup of English movies in the pipeline including 'Indiana Jones 5' (29^{th} Jun'23), 'Mission Impossible' (12^{th} Jul'23), 'Oppenheimer' (21^{st} Jul'23) directed by Christopher Nolan and 'Barbie' (21^{st} Jul'23) which could perform meaningfully at the box office.

Regional movies like the Rajnikanth starrer – 'Jailer' (10^{th} Aug'23) – could potentially propel box office performance further.

Chart 4: Proportion of PVR Inox's Hollywood GBOC as a % of total domestic Hollywood GBOC

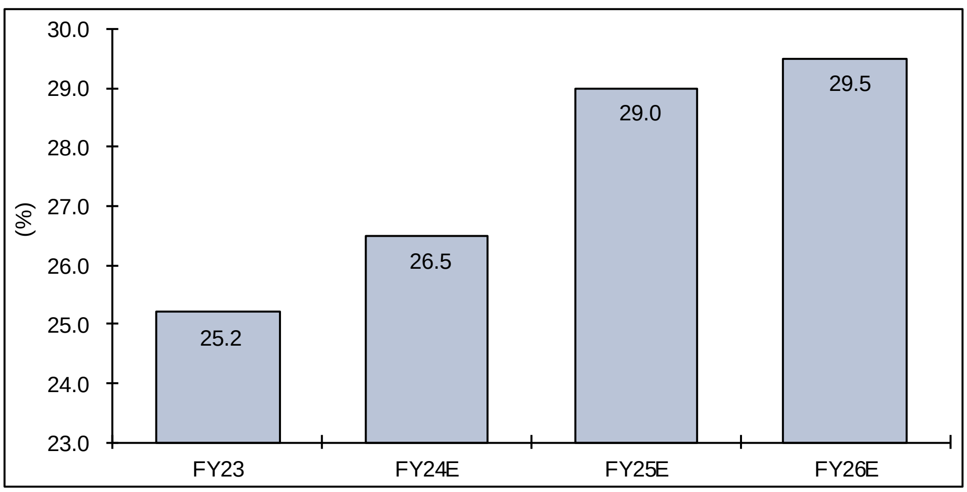


Source: I-Sec research

Where will the growth come from over the medium term?

We estimate 130 bps occupancy improvement in FY24E, given a comparatively muted Q1. We have assumed occupancy levels reverting to pre-covid levels on a full-year basis only by FY25E, which we believe provisions for enough time for content improvement and merger synergies to play out

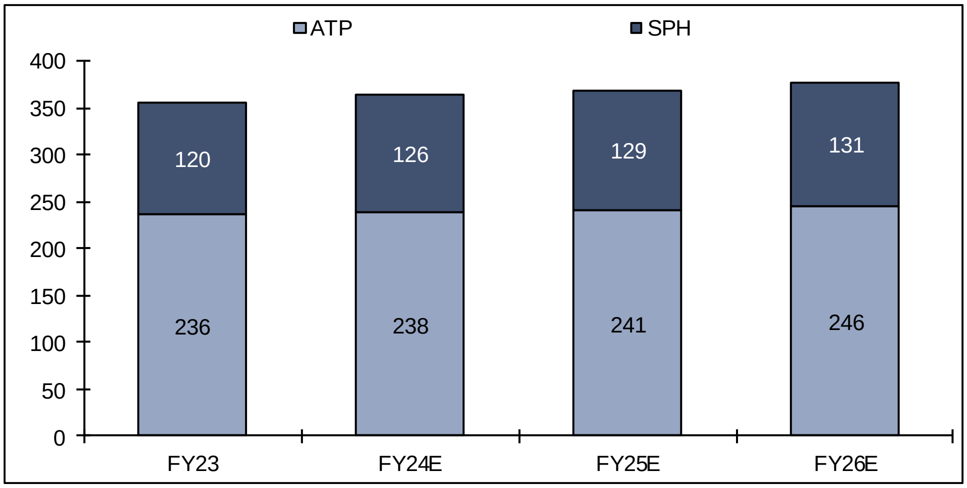
Chart 5: Occupancy (%)



Source: Company data, I-Sec research

We estimate PVR Inox's ATP and SPH to increase by 1% and 5% respectively in FY24E as merger synergies play out. In FY25E, our estimated ATP and SPH increases to 1% and 2% in line with inflation.

Chart 6: Estimated ATP and SPH (FY23 – FY26E) (Rs)

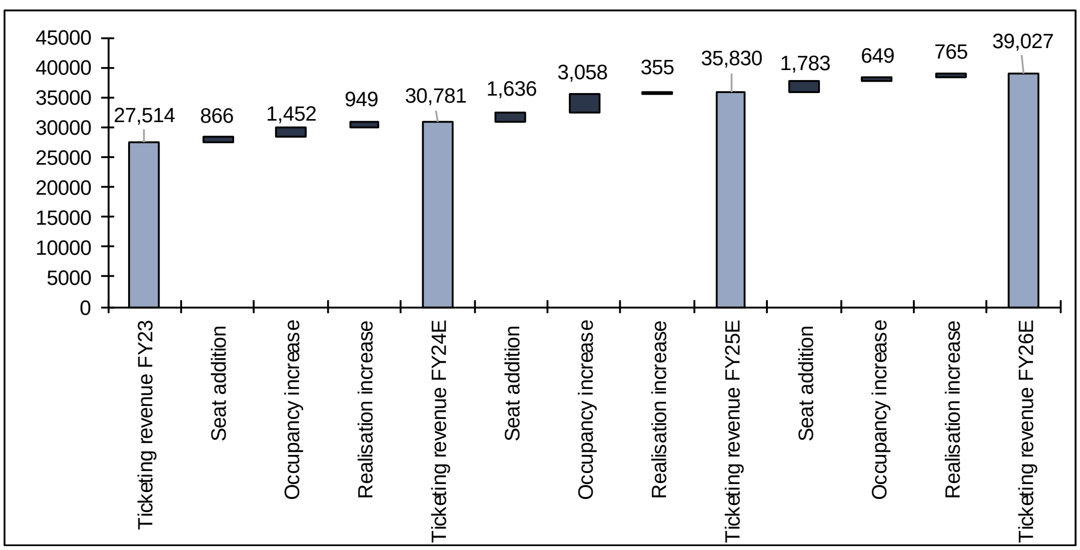


Source: Company data, I-Sec research

For FY24E we estimate all three drivers to contribute meaningfully towards incremental ticketing revenues: 1) seat addition (27%), 2) occupancy increase (44%) and 3) realisation increase (29%)

For FY25E, we expect occupancy increase (61%) to be the prime driver of incremental revenue, while penetration-led growth (56%) would be the key driver in FY26E.

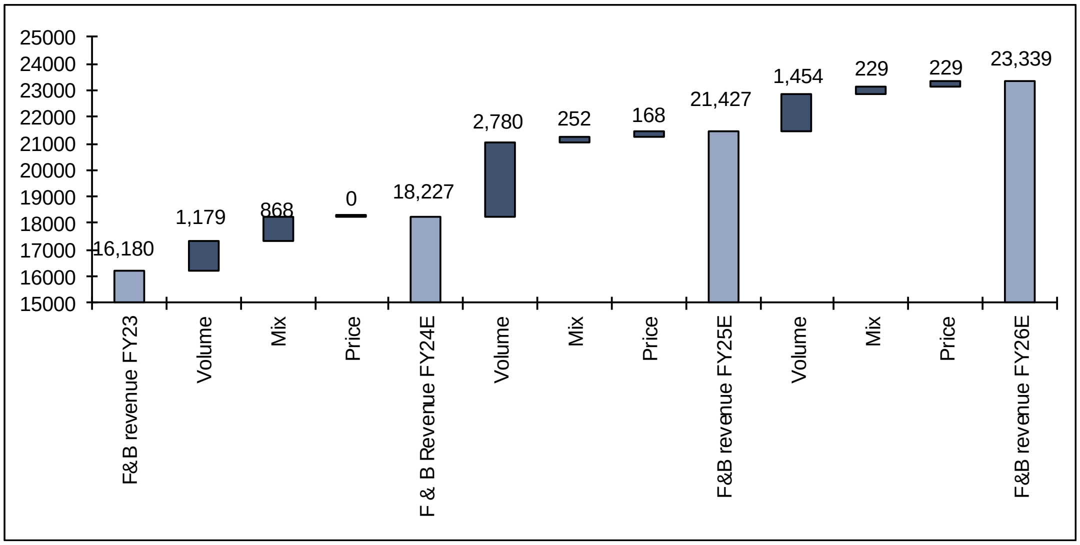
Chart 7: Estimated ticketing revenue (FY23 – FY26E) (Rs mn)



Source: Company data, I-Sec research

For FY24E, we estimate volume (58%) and mix (42%) to contribute meaningfully towards incremental F&B revenues. In FY25/26E, we expect volume (87%/76%) to be the prime driver of incremental F&B revenue.

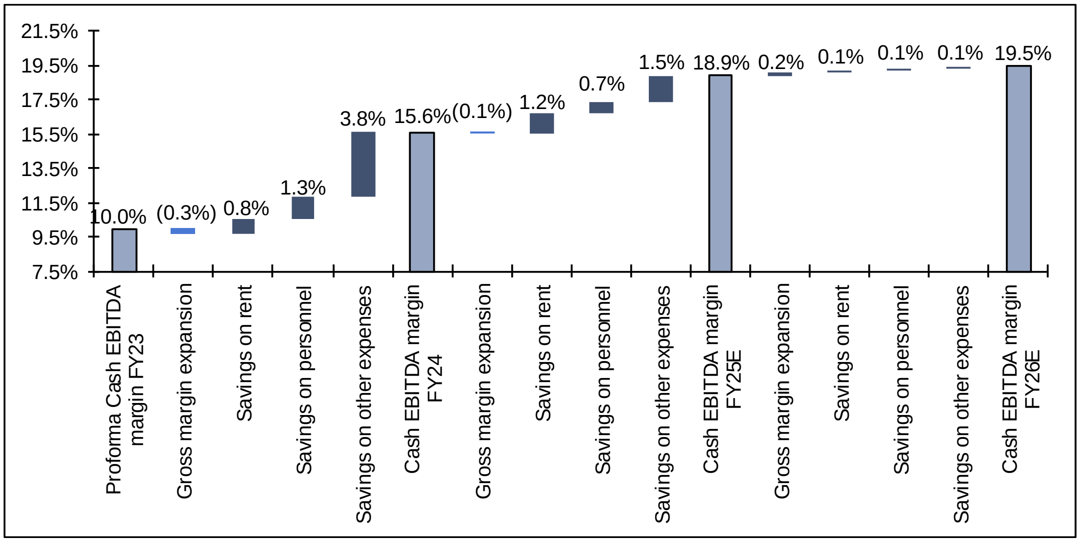
Chart 8: Estimated F&B revenue (FY23 – FY26E) (Rs mn)



Source: Company data, I-Sec research

In FY24E, we estimate cash EBITDA margin for PVR Inox to expand by 560bps YoY. Of this we think, 30%-40% (Rs1.8bn – Rs2.5bn) will likely come from merger synergies.

Chart 9: Estimated cash EBITDA margins (FY23-FY26E) (%)



Source: Company data, I-Sec research

What has the management been saying over the last few quarters? (key takeaways from conference calls)

We have analysed the conference call transcripts over the past 4 quarters to identify key investor questions and management responses to them.

How is the SPH to ATP ratio likely to trend in the future?

PVR Inox has maintained an SPH to ATP ratio in the range of 50%-55%, over the last 3 years. There are some cinemas where this ratio is as high as 80%. According to management, their strategy of providing high quality food and hospitality will lead to this ratio notching up a few percentage points (100-150bps) every year.

Are there any signs of consolidation or smaller operators exiting the market post covid?

Management believes market share of larger (organised) cinema chains has increased as compared to pre-covid levels. However, at a macro-level very few operators have left the market. Mostly those cinemas which were underperforming or which were not contributing meaningfully to the box office pre-covid have exited.

Is the share of premium screens at PVR Inox likely to increase meaningfully over the next few years?

The current share of premium screens at PVR Inox is ~12%. Management is focused on creating experimental cinema offerings going forward and therefore the share of premium screens should keep increasing with a target of 18%-20% CAGR in the next 5 years. With the increase in premium screens, one can expect the SPH to ATP ratio to also go higher. Currently, in the case of premium screens, the SPH to ATP ratio is 70%, with SPH at around Rs350-400 (SPH was Rs120 for all screens).

Are you seeing any traction with offerings like M-Pop? Is it scalable?

M-Pop is roughly doing revenues of Rs3mn a month, wherein customers are buying popcorn at the cinema but not consuming it at the cinema. The revenues of M-Pop are added to the SPH.

Is there any intent to reduce operating leverage by linking rental expenses to revenue going forward?

PVR Inox wants to integrate a minimum guarantee and a revenue share clause in rental agreements going forward with developers for upcoming projects to lower its fixed costs. In fact, close to 70% to 80% of the new screens already have the revenue share clause.

What is the exclusivity window before a movie releases on OTT platform?

The exclusivity window for Hindi movies is eight weeks before they are released on OTT platform. This is done to benefit all the stakeholders in the film business including actors, producers and the exhibitors.

At what level of occupancy can we expect PVR Inox to break even on EBITDA front?

PVR Inox's EBITDA margins are largely impacted by footfalls and advertising revenue. As admissions to theatres normalise, it is expected that advertising revenue will stage a comeback. In that case, occupancy level should be in the range of 20-21%.

Comments about PVR Inox's partnership with French exhibitor CGR.

There is no partnership with CGR. For exhibiting movies in the ICE format, equipment has been bought from them. However, CGR receives a certain percentage of ticketing revenue. As far as expansion plans are concerned, 62 ICE screens are slated to come up in the next 12 months.

When does PVR Inox decide whether it wants to distribute a particular movie or not? What are the margins the company accrues out of it?

PVR Inox looks at both quantitative and qualitative data including, the track record and upcoming movies of the producer along with proprietary data to decide whether to distribute a particular movie or not. When it comes to distribution of foreign language movies, PVR Inox does not limit itself to only theatrical rights, but also wins the rights to streaming, television among others. Margins tend to be in the range of 25-30%, spread over 4-5 years. In the case of distribution of Hindi films, margins tend to be in the range of 5-10% depending on the structure of the deal, but it is spread over 3-8 months.

How will the brand be affected post-merger? What are the plans for the future with regards to expansion?

At the consumer level, whatever cinemas are existing as of today will continue to exist with the existing branding. The company's name will change to PVR INOX Limited. Cinemas in the pipeline will open with the revised branding. PVR Inox wants to offer more choices to customers and become more experiential in terms of introducing more formats like ICE and, Streamyx amongst others. PVR Inox has plans to come up with 150-175 gross screens every year. The focus will be on profitable growth and expansion fueled by internal accruals and not by debt. It plans to shut down 50 screens over the next 6 months due to lack of traction and underperformance.

Management outlook for FY24

PVR Inox expects revenues of Rs60bn to Rs70bn. The start to this financial year has not been encouraging with Apr'23 throwing a spanner in the works. But May'23 has done decently well with 'The Kerala Story' and 'Guardian of Galaxy' exceeding expectations. Line up for the rest of the year seems to be promising with movies like 'Fast and Furious X', 'Flash', 'Maidan', 'Oppenheimer', 'Adipurush' among others. Management seems confident of hitting this target.

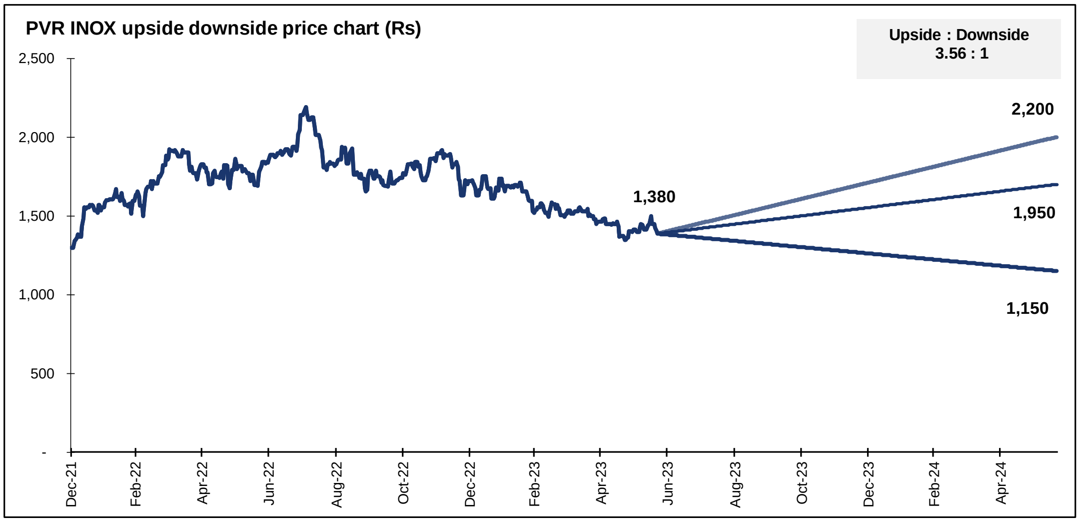
Insights on the consumer survey to understand consumer behaviour post covid.

Consumers unanimously are of the opinion that cinema experience is differentiated and they would come to cinema if they feel that the content is up to their liking. Secondly, consumers credited PVR Inox for providing the experience which wasn't limited to only movies but extended to getting the ambience right. PVR Inox believes that going to theatres has become more than just watching the movie and therefore it wants to be at the forefront of providing quality experience.

What is the run time of advertisements per movie? Has it reduced post covid?

Average run time of advertisements was 19 minutes per movie pre-covid. Currently, it is 12.5 minutes. There is a lot of headroom for growth in terms of volume, and PVR Inox will focus on getting the advertisement revenues back on track

Chart 10: PVR Inox Risk Reward Skew



Source: Company data, I-Sec research.

Bull case (Rs2,200): The bull case scenario assumes pro-forma revenue growth of 10.5% and cash EBITDA margin of 16% for FY24 with 160 bps YoY improvement in occupancy rate at 26.8% for FY24.The underlying assumption here is better than expected operating performance from Q2FY24 led by strong content line-up and higher degree of merger synergies playing out. In this case, we expect the stock to trade at EV/EBITDA multiple of 17.5x (+0.5 SD) 1 year forward. In this case, the stock would re-rate to Rs2,200.

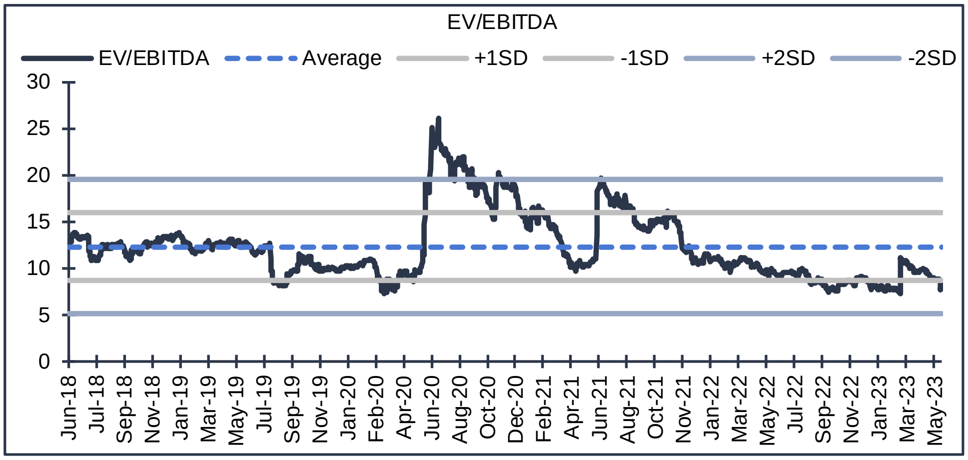
Base case (Rs1,950): The base scenario factors-in estimated pro-forma revenue growth of 9.2% and estimated cash EBITDA margin of 15.6% for FY24E with 130 bps YoY improvement in occupancy rate at 26.5% for FY24E.The underlying assumption here is improvement in operating performance from Q2FY24E led by strong content line-up and some merger synergies playing out. In this case, we expect a mean reversion to historical EV/EBITDA multiple of 16x 1 year forward. Our price target is Rs1,950.

Bear case (Rs1,150): The bear case scenario assumes pro-forma revenue growth of 1% and cash EBITDA margin of 13% for FY24 with flattish occupancy rate at 25% for FY24.The underlying assumption here is lower than expected operating performance for FY24 led by weak content line-up and lower degree of merger synergies playing out. In this case, we expect the stock to trade at EV/EBITDA multiple of 13x (-1SD) 1 year forward. In this case, the stock would de-rate to Rs1,150.

Valuation

As evident below, PVR Inox has de-rated significantly from its historical average EV/EBITDA multiples and is trading near historical lows (in terms of EV/EBITDA multiple). We believe this is due to investor sentiment worsening as content has remained subdued and is likely to reverse as content quality picks up.

Chart 11: EV/EBITDA Chart



Source: Company data, I-Sec research.

Table 2: Pro-forma results FY22 vs FY23

KPIs	Pro forma FY'23 PVR + INOX	FY20 - Pre pandemic PVR	INOX	Total	Change
Screens*	1,680	845	626	1,471	14%
Admits (Mn)	140	102	66	168	-16%
Occupancy %	25.20%	34.90%	28.00%	31.80%	-660 bps
Gross ATP (Rs) -Ticket price	236	204	200	203	16%
Gross SPH (Rs) - Spend per head	120	99	80	92	30%
Financial Performance (Rs mn)					
Sale of Movie Tickets	27,514	17,312	11,046	28,357	-3.00%
Sale of Food & Beverages	16,180	9,605	4,972	14,577	11.00%
Advertisement Income	3,818	3,759	1,790	5,549	-31.00%
Convenience Fees	2,470	1,719	668	2,387	3.00%
Other Income	3,124	2,128	670	2,798	12.00%
Total Income	53,105	34,522	19,146	53,668	-1.00%
Total Expenses	47,012	28,383	15,678	44,061	7.00%
EBITDA	6,093	6,139	3,468	9,607	-37.00%
EBITDA Margin	11.50%	17.80%	18.10%	17.90%	-6.00%

Source: Company data, I-Sec research.

Table 3: Number of properties, screens & admits (FY23 – FY26E)

	FY23	FY24E	FY25E	FY26E
Number of properties	**361**	**390**	**409**	**434**
Net add		*29*	*19*	*25*
Growth		*8.0%*	*4.9%*	*6.1%*
Screens	**1689**	**1805**	**1893**	**2009**
Net add		*116*	*88*	*116*
Growth		*6.9%*	*4.9%*	*6.1%*
Admits (mn)	**140**	**152**	**175**	**187**
Net add		*12*	*23*	*12*
Growth		*8.5%*	*15.3%*	*6.8%*

Source: Company data, I-Sec research.

Table 4: PVR financials

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ (%)	YoY (%)
Revenue	**5,371**	**9,814**	**6,867**	**9,407**	**11,432**	**37.0**	**53.2**
Cost of goods sold	1,770	3,154	2,092	2,454	3,527	17.3	48.6
Gross Profit	**3,601**	**6,660**	**4,776**	**6,953**	**7,904**	**45.6**	**54.8**
% Gross profit margin	*67.0*	*67.9*	*69.5*	*73.9*	*69.1*		
Employee Cost	814	1,040	947	943	1514	(0.5)	19.7
% of revenue	*15.2*	*10.6*	*13.8*	*10.0*	*13.0*		
Other expenses	1,788	2,204	2,292	3,122	3,752	36.2	52.0
% of revenue	*33.3*	*22.5*	*33.4*	*33.2*	*32.8*		
Total expenses	**2,602**	**3,244**	**3,239**	**4,065**	**5,266**	**25.5**	**43.1**
EBITDA	**999**	**3,416**	**1,537**	**2,888**	**2,639**		**75.1**
EBITDA margin (%)	*18.6*	*34.8*	*22.4*	*30.7*	*23.1*		
Adj EBITDA	**(341)**	**1,890**	**(22)**	**1,283**	**54**		**237.3**
EBITDA margin (%)	*(6.4)*	*19.3*	*(0.3)*	*13.6*	*0.5*		
Depreciation	1,687	1,494	1,525	1,552	2,962	1.8	0.8
EBIT	**(688)**	**1,922**	**11**	**1,335**	**(323)**		
EBIT margin (%)	*(12.8)*	*19.6*	*0.2*	*14.2*	*(2.8)*		
Other income	425	209	164	201	218	22.2	(79.0)
Finance cost	1,252	1,280	1,277	1,275	1,886	(0.2)	1.4
PBT	**(1,515)**	**851**	**(1,102)**	**261**	**(1,992)**		
Tax expenses	(460)	319	(387)	102	1240		
ETR (%)	*30.4*	*37.5*	*35.1*	*39.1*	*62.2*		
PAT	**(1,055)**	**534**	**(712)**	**161**	**(3,334)**		
Net profit margin (%)	*(19.6)*	*5.4*	*(10.4)*	*1.7*	*(29.2)*		

Source: Company data, I-Sec research

Table 5: Revenue break-up

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ (%)	YoY (%)
Revenue breakup							
Sale of movie tickets	2,939	5,302	3,268	4,355	6,016	33.3	45.1
F&B	1,702	3,238	2,303	2,884	3,520	25.2	59.8
Advertisement	215	627	572	792	907	38.5	93.6
Others	114	647	724	1,375	614	89.9	13.9
Total income	**5,371**	**9,814**	**6,867**	**9,407**	**11,057**	**37.0**	**53.2**
Revenue mix (%)							
Sale of movie tickets	54.7	54.0	47.6	46.3	54.4		
F&B	31.7	33.0	33.5	30.7	31.8		
Advertisement	4.0	6.4	8.3	8.4	8.2		
Others	2.1	6.6	10.5	14.6	5.6		

Source: Company data, I-Sec research

Table 6: Screen details

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ (%)	YoY (%)
No. of properties	**173**	**173**	**175**	**178**	**361**	**1.7**	**(0.6)**
net add	*(6)*	*-*	*2*	*3*	*183*		
No. of screens	**854**	**854**	**864**	**884**	**1689**	**2.3**	**2.8**
net add	*(6)*	*-*	*10*	*20*	*805*		
North	271	275	275	282	449		
South	301	295	299	323	523		
West	231	233	239	247	292		
East	51	51	51	51	126		
Central					299		
No. of seats	**1,79,000**	**1,78,630**	**1,80,499**	**1,83,071**	**3,57,000**	**1.4**	**0.6**
net add	*(3,000)*	*(370)*	*1,869*	*2,572*	*1,73,929*		
Seat/screen (x)	210	209	209	207	211		

Source: Company data, I-Sec research

Table 7: Ticketing KPIs

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ (%)	YoY (%)
Seat Capacity	**-**	***74***	***75***	***76***	***137.4***		
Shows per day (avg)	*-*	*4.6*	*4.6*	*4.6*	*4.2*		
Occupancy (%)	-	33.6	24.0	29.0	22.2		
Admits (mn)	**14.3**	**25.0**	**18.0**	**22.0**	**30.5**	**22.2**	**51.7**
ATP (Rs)	242	250	224	244	239	8.9	2.1
Gross ticket revenue	3,461	6,250	4,032	5,368	7,290	**33.1**	**54.9**
Taxes	*522*	*948*	*764*	*1,013*	*1,274*	*32.6*	*118.5*
Tax rate (%)	17.7	17.9	23.4	23.3	21.2		
Ticket revenue	**2,939**	**5,302**	**3,268**	**4,355**	**6,016**	**33.3**	**45.1**
COGS	*1,322*	*2,389*	*1,462*	*1,677*	*2,597*	*14.6*	*41.9*
% of NBOC	*45.0*	*45.1*	*44.7*	*38.5*	*43.2*		
Gross profit	***1,617***	***2,913***	***1,806***	***2,679***	***3,419***	***48.3***	***47.2***
Gross profit margin (%)	*55.0*	*54.9*	*55.3*	*61.5*	*56.8*		

Source: Company data, I-Sec research

Table 8: F&B KPIs

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	QoQ (%)	YoY (%)
Spend per head (Rs)	**134**	**129**	**129**	**133**	**119**	**3.1**	**3.1**
SPH to ATP ratio (%)	*53.6*	*57.6*	*57.6*	*54.5*	*49.8*		
Gross F&B revenue	**3,350**	**2,322**	**2,322**	**2,926**	**3,630**	**26.0**	**56.4**
Taxes	*112*	*19*	*19*	*42*	*110*		
Tax rate (%)	3.5	0.8	0.8	1.5	3.1		
F&B revenue	**3,238**	**2,303**	**2,303**	**2,884**	**3,520**	**25.2**	**59.8**
COGS	*765*	*629*	*629*	*778*	*930*		
Gross profit	**2,473**	**1,674**	**1,674**	**2,106**	**2,590**	**25.8**	**57.7**
Gross profit margin (%)	*76.4*	*72.7*	*72.7*	*73.0*	*73.6*		

Source: Company data, I-Sec research

Table 9: Operating Numbers

Particulars	Q4FY23	Q4FY22 (Pro forma)	%Change
Cinemas	359	341	5.3%
Screens	1,680	1,546	8.7%
Seats	3,57,000	3,36,000	6.3%
Admits (Mn)	30.5	25.3	20.6%
Occupancy	22.2%	25.1%	-11.6%
ATP (Rs)	239.0	232.0	3.0%
SPH (Rs)	119	106	12.3%

Source: Company data, I-Sec research

Table 10: Revenue Analysis

Particulars (Rs Mn)	Q4FY23	Q4FY22 (Pro forma)	%Change
Sale of movie tickets	6,016	4,956	21.4%
Sale of F&B	3,520	2,564	37.3%
Advertisement Income	907	347	161.4%
Convenience Fees	591	381	55.1%
Other Operating Income	398	291	36.8%
Other Income	216	241	-10.4%

Source: Company data, I-Sec research

Table 11: Expense Analysis

Particulars (Rs Mn)	Q4FY23	Q4FY22 (Pro forma)	%Change
Variable Cost			
FHC(%)	46.9%	46.0%	90 bps
COGS(%)	26.4%	25.1%	130 bps
Fixed Cost			
Rent	2674	1909	40.1%
CAM	733	630	16.3%
Personnel	1514	1019	48.6%
Electricity & Water	761	541	40.7%
Other Expenses (ex.MovieDist)	1903	1621	17.4%
Total Fixed Expenses (ex.MovieDist)	**7585**	**5720**	**32.6%**
Movie Dist.,Print Charges	266	123	116.3%
Total Fixed Expenses (ex.MovieDist)	**7851**	**5843**	**34.4%**

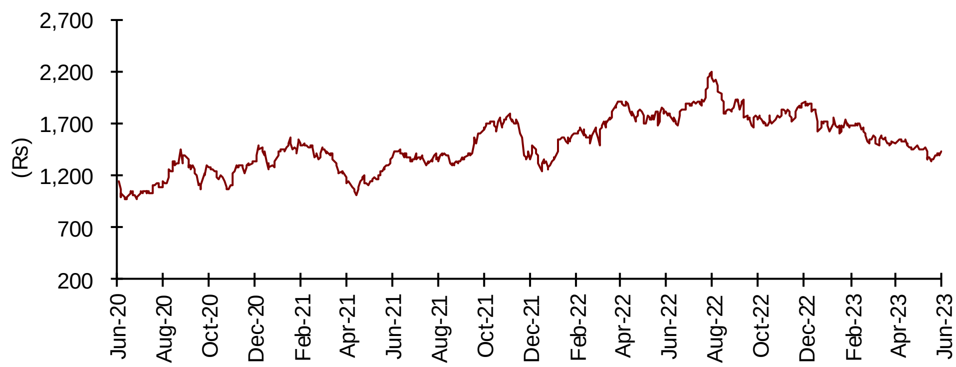
Source: Company data, I-Sec research

Table 12: Gross Box Office Numbers

Quarterly Gross Box Office (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Regional	3651	2255	2766	2293
Hindi	5314	3355	4352	3926
English	1,502	870	1,673	1,043
Total	**10,467**	**6,480**	**8,791**	**7,262**

Source: Company data, I-Sec research

Price chart



Source: Bloomberg

Financial summary

Table 13: Profit and loss statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Operating Income (Sales)	**13,310**	**37,507**	**57,986**	**67,265**
Cost of goods sold	3,975	11,286	17,704	20,588
Gross Profit	**9,335**	**26,221**	**40,283**	**46,677**
Operating Expenses	8,278	15,744	20,095	21,830
EBITDA	**1,057**	**10,477**	**20,188**	**24,847**
% margins	*7.9*	*27.9*	*34.8*	*36.9*
Depreciation & Amortisation	6,144	7,533	9,398	10,197
Gross Interest	4,982	5,716	7,655	7,902
Other Income	3,261	791	525	578
Recurring PBT	**-6,807**	**-1,982**	**3,659**	**7,325**
Add: Extraordinaries				
Less: Taxes	-1,922	1,274	922	1,846
Share of profit/loss from associate	-	-	-	-
Less: Minority Interest	3	13.3	13.3	13.3
Net Income (Reported)	**-4,882**	**-3,351**	**2,751**	**5,492**
Recurring Net Income	**-4,882**	**-3,351**	**2,751**	**5,492**

Source: Company data, I-Sec research

Table 14: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Assets				
Total Current Assets	8,661	8,498	10,466	12,654
of which cash & cash eqv.	5,781	3,616	2,879	3,853
Total Current Liabilities & Provisions	14,345	20,513	26,158	28,782
Net Current Assets	**-5,684**	**-12,015**	**-15,692**	**-16,128**
Investments	-	-	-	-
of which				
Strategic/Group				
Net Fixed Assets	**44,198**	**87,131**	**91,041**	**93,349**
of which				
Capital Work-in-Progress	*645*	*2,473*	*2,473*	*2,473*
Right of use of assets	*26,783*	*53,746*	*64,806*	*64,806*
Non-current assets	*9,879*	*11,707.5*	*15,332.8*	*17,022.8*
Goodwill	*10,520*	*57,428*	*57,428*	*57,428*
Total Assets	**58,914**	**1,64,764**	**1,74,268**	**1,80,453**
Liabilities				
Borrowings	10,333	12,723	12,723	9,723
Deferred Tax Liability	25	32	32	32
Lease liabilities	34,138	57,841	57,841	57,841
Other non-current liabilities	716	1,631	1,631	1,631
Minority Interest	-3	-6.7	-6.7	-6.7
Equity Share Capital	610	980	980	980
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	13,094	72,319	76,118	82,644
Net Worth	**13,704**	**73,299**	**77,098**	**83,623**
Total Liabilities	**58,914**	**1,64,764**	**1,74,268**	**1,80,453**

Source: Company data, I-Sec research

Table 15: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22	FY23	FY24E	FY25E
Operating Cashflow	**-3,323**	**1,234**	**10,608**	**19,453**	**23,195**
Working Capital Changes	-803	434	-1,969	-626	-244
Capital Commitments	-1,167	-1,249	-6,360	-6,995	-5,946
Free Cashflow	**-5,294**	**419**	**2,280**	**11,832**	**17,005**
Cashflow from Investing Activities	**-1,719**	**1,221**	**600.9**	**525**	**577.5**
Issue of Share Capital	10,931	183	305.1	0	0
Buyback of shares					
Inc (Dec) in Borrowings	1,768	1,553	1260.4	0	-3000
Dividend paid	-	-	0	0	0
Interest paid	-982	-1,246	-1,442	-1,972	-1,807
Repayment of lease liabilities	**-962**	**-2,658**	**-7,059**	**-10,825**	**-11,801**
Chg. in Cash & Bank balance	**3,742**	**-528**	**-4,055**	**-440**	**974**

Source: Company data, I-Sec research

Table 16: Key ratios

	2022	2023	2024E	2025E
Per Share Data (Rs)				
Diluted Earning (adj.) per share (DEPS)	(80)	(34)	28	56
Reported Earnings per share	(80)	(34)	28	56
Adjusted Cash Earnings per share (CEPS)	21	43	124	160
Reported Book Value (BV)	225	748	783	847
Dividend per share	0.0	0.0	0.0	0.0
Valuation Ratios (x)				
P/E	(17.2)	(40.3)	49.2	24.6
P/CEPS	(49.8)	32.3	11.1	8.6
P/BV	6.1	1.8	1.8	1.6
EV / EBITDA (adj Ind AS 116)	(40.1)	52.9	16.7	11.6
EV / Sales	7.0	4.0	2.6	2.2
Growth Ratios (% YoY)				
Diluted Recurring EPS Growth	(35.0)	(57.3)	(182.1)	99.7
Diluted Recurring CEPS Growth	(172.7)	106.4	190.5	29.1
Total Operating Income Growth	375.3	181.8	54.6	16.0
EBITDA Growth	(131.6)	890.9	92.7	23.1
Net Income (adjusted) Growth	(34.7)	(31.4)	(182.1)	99.7
Return / Profitability Ratios (%)				
Return on Capital Employed (RoCE)-Pre Tax	(20.2)	(2.8)	4.1	6.6
Return on Invested Capital (RoIC)	(25.8)	(3.1)	4.2	6.7
Return on Net Worth (RoNW)	(30.5)	(7.7)	3.7	6.9
Dividend Payout Ratio	0.0	0.0	0.0	0.0
Solvency Ratios / Liquidity Ratios (%)				
Net debt Equity Ratio (D/E)	0.7	0.2	0.2	0.1
Net Debt / EBITDA (adj Ind AS 116)	(4.0)	5.1	1.7	0.9
Interest Coverage Ratio-based on EBIT	0.2	1.8	2.6	3.1
Debt Servicing Capacity Ratio (DSCR)	0.2	0.6	0.8	1.0
Turnover Ratios				
Inventory Turnover Ratio (x)	38.9	56.5	56.5	56.5
Debtor Turnover Ratio (x)	18.8	20.6	19.5	19.5
Creditor Turnover Ratio (x)	4.4	7.3	7.3	7.3
Assets Turover Ratio (x)	0.5	0.4	0.6	0.7
Fixed Assets Turover Ratio (x)	0.3	0.4	0.6	0.7

Source: Company data, I-Sec research

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