

UFO Moviez India Ltd

Immersive Entertainment, Beyond Boundaries



BUY @ CMP INR 133
Target: INR 214 in 24 months
Upside Potential: 61%

Immersive Entertainment, Beyond Boundaries.

Since our initiating coverage on [UFO Moviez India Ltd \(UMIL\)](#) the stock had touched ~INR 174 (from initiation price of 112) and is currently ~19% up from initiation price. Despite the rally we believe that there is still significant upside potential that warrants a relook. We re-initiate with a BUY coverage for a price target of INR 214 per share (22x FY27E net earnings) representing an upside of 61% upside from the CMP of INR 133.

With Recent acquisition of TSR Films, the total number of screens has increased to 3,808 from 3,303 in Sept, 2023. Revenue is projected to increase from INR 396 cr in FY23 to INR 638.8 cr in FY27, indicating a 12.7% CAGR growth. This growth is supported by

- Staggering 31.2% CAGR growth in advertisement revenues to INR 224 cr.
- Equipment lease rentals improving by a CAGR of 4.6% to INR 66 cr
- Sale of equipment to scale to INR 116 cr, thereby clocking a CAGR of 6.5%.
- Digitization income to remain stable around INR 23 cr
- Content Delivery Charge (CDC) revenues to grow to INR 112 cr, growing by 6.2% CAGR
- Virtual Print Fee (VPF) revenues are expected dwindle to INR 16 cr from the current INR 24 cr and other operating income to remain stagnant at INR 20 cr.

Due to operating leverage, EBITDA is expected to rise significantly by 39.7% CAGR to INR 121.8 cr. The net profit is expected to turn the corner in FY24 to reach 16 cr from a loss of INR 21 cr recorded in FY23. Post this, the PAT is expected to clock a 3 years CAGR of 32.2% reaching INR 37.4 cr in FY27. EBITDA Margins and Net Profit Margins are expected to improve by 1,100 bps to 19.1% and 190 bps (from FY24) to 5.9% respectively by FY27.

Key risk to our thesis: - Continued weakness in advertising and film-viewing footfalls. 2) We have also estimated that the termination of JV with Qube will have no material impact.

Key Standalone Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY22	160.1	-52.6	-86.9	-32.8	-54.2	-22.5	83.9	-26.8	-32.4	NA	1.6	NA
FY23	395.9	32.1	-13.2	8.1	-3.3	-3.4	69.7	-4.9	-6.2	NA	1.9	16.4
FY24E	406.0	74.1	16.1	18.2	4.0	4.2	73.9	5.7	9.2	31.8	1.8	7.6
FY25E	476.8	90.1	24.8	18.9	5.2	6.4	80.3	8.0	10.8	20.7	1.7	6.3
FY26E	557.5	106.9	32.2	19.2	5.8	8.4	88.7	9.4	12.2	15.9	1.5	5.3
FY27E	638.8	121.8	37.4	19.1	5.9	9.7	98.4	9.9	13.1	13.7	1.4	4.6

Industry	Entertainment
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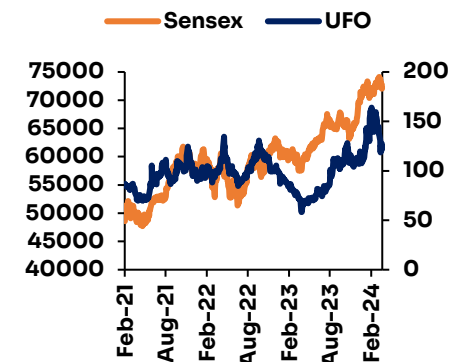
Scrip Details

Face Value (INR)	10.0
Market Cap (INR Cr)	484
Price (INR)	133
No of Sh O/S (Cr)	3.86
3M Avg Vol (000)	10.0
52W H/L (INR)	174/57
Dividend Yield (%)	0.0

Shareholding (%)

	Dec 2023
Promoter	22.48
Institution	25.24
Public	52.28
TOTAL	100.0

Price Chart



Q3 and 9MFY24 Update

Revenue and EBITDA

- UFO Moviez India Ltd.'s total revenues increased this quarter to INR 118 cr from INR 111 cr YoY, showing a growth of 6.8% YoY and a growth of 36.5% QoQ.
- In 9MFY24, the total revenues are down 6% to INR 291 cr, from INR 309 cr in 9MFY23 due to a sharp decrease in revenue from distributors of 28% YoY.
- The revenue mix changed from being INR 19 cr (17%) from advertisement, INR 35 cr (32%) from distributors and INR 56 cr (51%) from exhibitors in Q3FY23 to INR 38 cr (32%) from advertisement, INR 31 cr (27%) from distributors and remaining INR 48 cr (41%) from exhibitors in this quarter.
- EBITDA grew 86.6%YoY, rising from INR 10 crore to INR 18 crore, with a sequential quarterly increase of 6.3%. This growth was propelled by an 80% YoY surge in advertisement revenue, alongside the implementation of diverse cost optimization strategies by the management.
- The EBITDA margin has improved by 658 bps YoY but declined by 437 bps QoQ to 15.4% in Q3FY24.
- The company recorded a PAT this quarter of INR 3 cr showing a growth from a loss of INR 3 cr in Q2FY23 and a growth of 141.5% QoQ.

In-Cinema Advertisement Revenue Analysis

The average revenue per screen has more than doubled YoY, from INR 54,020 in Q3FY23 to INR 101,715 in Q3FY24. The nine-month average revenue per screen has also increased significantly, from INR 143,197 in 9MFY23 to Rs. 252,012 in 9MFY24.

The advertisement sharing with exhibitors has decreased YoY, from 62.55% in Q3FY23 to 41.89% in Q3FY24. The nine-month advertisement sharing with exhibitors has also decreased, from 64.65% in 9MFY23 to 43.31% in 9MFY24.

Number of screens

The number of CDC category screens increased by 57 screens to a total of 3,100 YoY, the number of VPF category screens increased by 31 to a total of 387 screens. Thus, the total number of screens increased by 88 screens from a total of 3,399 in Q3FY23 to 3,487 in Q3FY24.

The number of advertisement screens have gone up by 104 in Q3FY24 to 3,407 screens.

On January 23, 2024, UFO Moviez forged a strategic alliance with TSR Films to exclusively acquire advertising rights for TSR's 403 screens

TSR is India's one of the leading providers of end-to-end digital cinema technology and solutions, offering DCI-compliant products that are flexible, reliable, and cost-effective. It delivers latest digital cinema solutions for both 3D and 2D features in E-Cinema, DCinema, and RGB Laser formats. Additionally, TSR is a successful Cinema Audio Integrator in India.

This collaboration solidifies UFO's position as the country's leading in-cinema screen integrator, expanding its advertising screen count to 326 in Tamil Nadu and 286 in Kerala. Leveraging TSR and UFO's nationwide reach, the partnership aims to provide brands with new, aggressive, and consistent investment opportunities. With UFO's advertising expertise, the collaboration promises diverse creative advertising possibilities, ranging from traditional pre-movie trailers to interactive elements and product placements.

Termination of UFO's JV with Qube

On January 4, 2024, the company announced the termination of joint venture agreements with Qube Cinema Technologies Private Limited, dated July 6, 2023, involving Ad sales and Mastering Content businesses.

After terminating these agreements, Qube and the company decided to acquire stakes in one Joint Venture Company (JVC) each and divest their stakes in the other JVC formed under the terminated agreements. The board decided to:

1. Acquire Qube's entire stake in Upmarch Media Network Private Limited, making Upmarch a wholly-owned subsidiary of the company. Upmarch, established on August 22, 2023, is a Joint Venture Company for Ad sales, and as it is not yet operational, financial details are not applicable.
2. Divest the company's entire stake in X86 Media Artists Private Limited, established for Mastering Content, to Qube. Consequently, X86 will no longer be associated with the company.

We estimate that this event should not materially impact UFO's revenue or operations.

Key Highlights of 9MFY24

In the third quarter of FY24, the company experienced a significant turnaround, overcoming initial challenges posed by the Cricket World Cup early in the quarter. With the release of 502 movies (including versions/languages), up from 484 in Q2FY24, the business gained momentum. Notable successes included films like "12th Fail," "Leo," and "Tiger 3" in the initial months, featuring Vikrant Massey, Vijay & Trisha, and Salman Khan, respectively. December proved to be a game-changer with successful releases like "Animal," "Sam Bahadur," "Hi Nanna," "Dunki," and "Salaar."

Looking ahead, Q4FY24 started well with movies like "HanuMan" and "Fighter." Despite a subdued lineup, upcoming releases include films like "Teri Baaton Main Aisa Uljha Jiya" (starring Shahid Kapoor and Kriti Sanon), "Mere Mehboob Mere Sanam" (starring Vicky Kaushal), "Lal Salaam" (starring Rajinikanth), "Article 370" (starring Yami Gautam), "Yodha" (starring Siddharth Malhotra), "Laapataa Ladies" (produced by Aamir Khan), "Shaitaan" (starring Ajay Devgn and Madhavan), and "The Crew" (starring Kareena Kapoor and Diljit Dosanjh).

In terms of the Advertisement Screen Network, it expanded to 3,407 screens as of December 31, 2023, compared to 3,303 screens as of September 30, 2023. This quarter witnessed a net increase of 104 advertisement screens, with a notable boost in both Prime Screens (+72) and Popular Screens (+32). The collaboration with TSR will further strengthen the company's presence in Gujarat and the southern market, particularly in Tamil Nadu and Kerala, expanding the network to 3,808 screens nationwide.

Valuation

In light of favorable developments and the company's commendable performance, marked by substantial growth in revenue, EBITDA, and a noteworthy transformation from a loss-making entity to a profitable one, we have reassessed our valuation methodology. Assigning a forward-looking P/E multiple of 22x for FY27, we have arrived at a revised target of INR 214 per share within the upcoming 24 months. (our previous target stood at INR 185).

UMIL's quarterly financial summary

Fig in INR Cr (unless specified)	FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24	FY24E	FY25E	FY26E	FY27E
Revenue from operations	88.1	27.2	25.9	51.3	54.8	160.1	90.0	107.5	110.6	87.9	395.9	84.9	86.6	118.1	406.0	476.8	557.5	638.8
YoY Growth (%)	(82.5)	62.1	127.8	97.0	67.3	81.8	231.4	315.5	115.8	60.4	147.2	(5.7)	(19.4)	6.8	2.5	17.5	16.9	14.6
Raw Material Cost	43.3	1.5	0.1	1.3	(0.6)	49.7	13.0	24.2	26.1	12.3	70.9	11.5	11.0	22.5	69.3	75.1	84.1	91.7
RM Cost to Sales (%)	49.1	5.4	0.4	2.6	(1.1)	31.1	14.4	22.5	23.6	14.0	17.9	13.5	12.7	19.1	17.1	15.8	15.1	14.4
Employee Cost	51.8	12.8	12.4	17.5	26.4	69.0	25.6	25.5	25.5	21.8	98.4	19.2	20.8	27.3	94.3	104.9	122.5	140.2
Employee Cost to Sales (%)	58.8	47.1	47.8	34.2	48.1	43.1	28.4	23.8	23.0	24.8	24.9	22.6	24.1	23.1	23.2	22.0	22.0	21.9
Other Expenses	81.7	32.0	29.1	35.3	42.3	94.0	42.2	55.6	49.2	42.8	194.5	37.5	37.6	50.1	168.2	206.7	244.0	285.1
Other Expenses to Sales (%)	92.8	117.9	112.7	68.9	77.2	58.7	46.9	51.7	44.5	48.8	49.1	44.2	43.4	42.4	41.4	43.3	43.8	44.6
EBITDA	(88.7)	(19.1)	(15.8)	(2.9)	(13.3)	(52.6)	9.3	2.1	9.8	10.9	32.1	16.8	17.1	18.2	74.1	90.1	106.9	121.8
EBITDA Margin (%)	(100.7)	(70.3)	(60.9)	(5.6)	(24.2)	(32.8)	10.3	2.0	8.8	12.4	8.1	19.7	19.8	15.4	18.2	18.9	19.2	19.1
Net Profit	(117.6)	(26.7)	(28.3)	(13.0)	(18.9)	(86.9)	(2.5)	(9.2)	(0.3)	(1.2)	(13.2)	2.5	3.3	4.6	16.1	24.8	32.2	37.4
Net Margin (%)	(133.5)	(98.2)	(109.4)	(25.4)	(34.5)	(54.2)	(2.8)	(8.5)	(0.3)	(1.3)	(3.3)	3.0	3.8	3.9	4.0	5.2	5.8	5.9
Adjusted EPS	(30.9)					(22.8)					(3.5)				4.2	6.5	8.5	9.8
P/E (X)	N/A					N/A					N/A				31.4	20.7	15.9	13.7
Adjusted BVPS	104.1					114.1					94.8				100.4	109.2	120.6	133.7
P/BV (X)	1.3					1.2					1.4				1.3	1.2	1.1	1.0
Enterprise Value	566.3					523.3					524.9				562.6	567.3	567.5	562.0
EV/EBITDA (X)	N/A					N/A					N/A				7.6	6.3	5.3	4.6
Net Worth	295.1					323.5					268.7				284.8	309.6	341.8	379.1
Return on Equity (%)	(39.9)					(26.8)					(4.9)				5.7	8.0	9.4	9.9
Capital Employed	388.5					410.5					349.2				373.1	382.0	421.4	466.0
Return on Capital Employed (%)	(30.4)					(21.6)					(4.7)				5.8	7.7	8.6	9.0
Invested Capital	348.7					334.1					280.9				334.6	364.2	396.6	428.4
Return on Invested Capital (%)	(43.5)					(32.4)					(6.2)				9.2	10.8	12.2	13.1
Cash Flow from Operations	(16.0)					(25.7)					6.1				20.5	86.1	100.9	114.5
Cash Flow from Investing	7.4					(43.8)					14.6				8.4	(78.5)	(89.4)	(96.2)
Cash Flow from Financing	7.7					72.3					(22.1)				(5.3)	(28.3)	(4.6)	(5.7)
Net Cash Flow	(0.9)					2.8					(1.4)				23.6	(20.7)	6.9	12.7
Free Cash Flow	(20.5)					(46.5)					(74.1)				(23.8)	12.8	17.3	24.2
FCF to Revenue (%)	(23.2)					(29.0)					(18.7)				(5.9)	2.7	3.1	3.8
FCF to EBITDA (%)	23.1					88.3					(230.9)				(32.2)	14.2	16.2	19.9
FCF to Net Profit (%)	17.4					53.5					562.8				(147.9)	51.5	53.7	64.8
FCF to Net Worth (%)	(6.9)					(14.4)					(27.6)				(8.4)	4.1	5.1	6.4
Total Debt	93.5					86.9					80.5				88.3	72.5	79.6	86.9
Net Debt	53.6					10.6					12.2				49.9	54.6	54.8	49.3
Net Debt to Equity (X)	0.2					0.0					0.0				0.2	0.2	0.2	0.1
Net Debt to EBITDA (X)	(0.6)					(0.2)					0.4				0.7	0.6	0.5	0.4
Interest Coverage Ratio (X)	(11.6)					(9.3)					(1.6)				2.3	3.2	4.1	4.3
Altman Z Score (higher the better)	(0.8)					(0.6)					3.1				1.5	1.7	1.7	1.7
Piotroski F Score (higher the better)	3.0					6.0					6.0				7.0	7.0	8.0	7.0
Beneish M Score (lower the better)	(3.5)					(2.4)					(1.1)				(2.0)	(2.5)	(2.5)	(2.5)

Source: Company Reports & Ventura Research

UMIL's financial analysis & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Income Statement							Per share data & Yields						
Revenue	160.1	395.9	406.0	476.8	557.5	638.8	Adjusted EPS (INR)	(22.5)	(3.4)	4.2	6.4	8.4	9.7
YoY Growth (%)	81.8	147.2	2.5	17.5	16.9	14.6	Adjusted Cash EPS (INR)	(8.1)	9.4	15.4	19.6	23.5	26.7
Raw Material Cost	49.7	70.9	69.3	75.1	84.1	91.7	Adjusted BVPS (INR)	83.9	69.7	73.9	80.3	88.7	98.4
RM Cost to Sales (%)	31.1	17.9	17.1	15.8	15.1	14.4	Adjusted CFO per share (INR)	(6.7)	1.6	5.3	22.3	26.2	29.7
Employee Cost	69.0	98.4	94.3	104.9	122.5	140.2	CFO Yield (%)	(5.0)	1.2	4.0	16.8	19.7	22.3
Employee Cost to Sales (%)	43.1	24.9	23.2	22.0	22.0	21.9	Adjusted FCF per share (INR)	(12.1)	(19.2)	(6.2)	3.3	4.5	6.3
Other Expenses	94.0	194.5	168.2	206.7	244.0	285.1	FCF Yield (%)	(9.1)	(14.5)	(4.6)	2.5	3.4	4.7
Other Exp to Sales (%)	58.7	49.1	41.4	43.3	43.8	44.6	Solvency Ratio (X)						
EBITDA	(52.6)	32.1	74.1	90.1	106.9	121.8	Total Debt to Equity	0.3	0.3	0.3	0.2	0.2	0.2
Margin (%)	(32.8)	8.1	18.2	18.9	19.2	19.1	Net Debt to Equity	0.0	0.0	0.2	0.2	0.2	0.1
YoY Growth (%)	(40.7)	(161.0)	130.8	21.7	18.6	14.0	Net Debt to EBITDA	(0.2)	0.4	0.7	0.6	0.5	0.4
Depreciation & Amortization	55.8	49.5	43.3	50.8	58.4	65.7	Return Ratios (%)						
EBIT	(108.4)	(17.4)	30.8	39.3	48.5	56.1	Return on Equity	(26.8)	(4.9)	5.7	8.0	9.4	9.9
Margin (%)	(67.7)	(4.4)	7.6	8.2	8.7	8.8	Return on Capital Employed	(21.6)	(4.7)	5.8	7.7	8.6	9.0
YoY Growth (%)	(28.6)	(83.9)	(276.4)	27.9	23.4	15.6	Return on Invested Capital	(32.4)	(6.2)	9.2	10.8	12.2	13.1
Other Income	9.9	6.7	5.4	6.3	6.3	6.8	Working Capital Ratios						
Finance Cost	11.6	11.1	13.1	12.5	11.8	12.9	Payable Days (Nos)	82	55	50	50	50	50
Interest Coverage (X)	(9.3)	(1.6)	2.3	3.2	4.1	4.3	Inventory Days (Nos)	13	55	55	55	55	55
Exceptional Item	0.0	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	49	61	60	60	60	60
PBT	(110.1)	(21.8)	23.1	33.1	43.0	49.9	Net Working Capital Days (Nos)	-21	61	65	65	65	65
Margin (%)	(68.8)	(5.5)	5.7	6.9	7.7	7.8	Net Working Capital to Sales (%)	(5.7)	4.9	17.8	17.8	17.8	17.8
YoY Growth (%)	(26.7)	(80.2)	(205.8)	43.4	29.9	16.0	Valuation (X)						
Tax Expense	(19.9)	(1.3)	7.0	8.3	10.8	12.6	P/E	NA	NA	31.8	20.7	15.9	13.7
Tax Rate (%)	18.0	5.8	30.2	25.2	25.2	25.2	P/BV	1.6	1.9	1.8	1.7	1.5	1.4
PAT	(90.3)	(20.6)	16.1	24.8	32.2	37.4	EV/EBITDA	NA	16.4	7.6	6.3	5.3	4.6
Margin (%)	(56.4)	(5.2)	4.0	5.2	5.8	5.9	EV/Sales	3.3	1.3	1.4	1.2	1.0	0.9
YoY Growth (%)	(22.8)	(77.2)	(178.3)	53.8	29.9	16.0	Cash Flow Statement						
Min Int/Sh of Assoc	3.4	7.4	0.0	0.0	0.0	0.0	PBT	(110.1)	(21.8)	23.1	33.1	43.0	49.9
Net Profit	(86.9)	(13.2)	16.1	24.8	32.2	37.4	Adjustments	68.9	36.8	57.2	74.0	83.1	91.6
Margin (%)	(54.2)	(3.3)	4.0	5.2	5.8	5.9	Change in Working Capital	(4.3)	(2.1)	(52.9)	(12.6)	(14.4)	(14.5)
YoY Growth (%)	(26.1)	(84.8)	(222.4)	53.8	29.9	16.0	Less: Tax Paid	19.9	(6.8)	(7.0)	(8.3)	(10.8)	(12.6)
Balance Sheet							Cash Flow from Operations	(25.7)	6.1	20.5	86.1	100.9	114.5
Share Capital	38.0	38.2	38.2	38.2	38.2	38.2	Net Capital Expenditure	(12.6)	(80.2)	(44.3)	(73.4)	(83.6)	(90.3)
Total Reserves	285.5	230.5	246.6	271.4	303.6	341.0	Change in Investments	(31.2)	94.8	52.7	(5.1)	(5.8)	(5.9)
Shareholders Fund	323.5	268.7	284.8	309.6	341.8	379.1	Cash Flow from Investing	(43.8)	14.6	8.4	(78.5)	(89.4)	(96.2)
Long Term Borrowings	50.5	22.2	30.0	30.0	30.0	30.0	Change in Borrowings	(11.3)	(11.7)	7.8	(15.9)	7.2	7.2
Deferred Tax Assets / Liabilities	(92.0)	(140.9)	(140.9)	(140.9)	(140.9)	(140.9)	Less: Finance Cost	(11.6)	(11.1)	(13.1)	(12.5)	(11.8)	(12.9)
Other Long Term Liabilities	36.8	52.0	53.3	62.6	73.2	83.9	Proceeds from Equity	95.2	0.7	0.0	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	152.9	8.4	8.0	8.9	10.4	11.9	Dividend Paid	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	471.8	210.4	235.2	270.2	314.5	364.1	Cash flow from Financing	72.3	(22.1)	(5.3)	(28.3)	(4.6)	(5.7)
Net Block	114.4	145.8	146.8	169.4	194.6	219.1	Net Cash Flow	2.8	(1.4)	23.6	(20.7)	6.9	12.7
Capital Work in Progress	9.0	11.3	11.3	11.3	11.3	11.3	Forex Effect	(0.1)	0.5	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	0.0	0.0	0.0	Opening Balance of Cash	12.5	15.2	14.4	38.0	17.2	24.1
Non Current Investments	125.4	28.1	28.8	33.8	39.5	45.3	Closing Balance of Cash	15.2	14.4	38.0	17.2	24.1	36.8
Long Term Loans & Advances	181.6	0.0	0.0	0.0	0.0	0.0							
Other Non Current Assets	4.5	20.7	21.2	24.9	29.1	33.4							
Net Current Assets	36.9	4.4	27.1	30.8	40.0	54.9							
Total Assets	471.8	210.4	235.2	270.2	314.5	364.1							

Source: Company Reports & Ventura Research

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