Equity Research

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ICICI Securities Limited is the author and distributor of this report

Initiating coverage

Media

PVR Ltd
(Rs1,280 – BUY)
Target price Rs1,679

INOX Leisure Ltd
(Rs278 – BUY)
Target price Rs424

Research Analysts:

Sanjesh Jain
sanjesh.jain@icicisecurities.com
+91 22 6637 7153

Sameer Pardikar
sameer.pardikar@icicisecurities.com
+91 22 2277 7637

INDIA

Multiplex

Live to fight another day…

'It's no surprise that we love films in India. India has the highest viewing of films on Netflix globally and over the last year, 80% of our members in India chose to watch a film every week' – Netflix India

Multiplexes are beneficiaries of rising income levels and spend on entertainment and family outing. They have evolved from being just movie theatres to that plus restaurants. Investors are concerned about the rise of streaming apps and direct digital releases of movies, we think India market is different and digital does not impact multiplex prospects. In fact, Covid could turn into a blessing in disguise for strong theatre chains that benefit from consolidation and rise in occupancy on normalisation. We remain positive on the sector and initiate coverage on PVR (target price: Rs,1679) and INOX (target price: Rs424) with BUY rating on both.

- **Live to fight… and win!** Rapid adoption of streaming apps and direct release of movies on digital platforms has raised questions on theatre chain prospects. We outline two case studies that summarise our thoughts and alleviate apprehensions.

  Case study-1: a) The US is the biggest cinema market with box office collection at >US$11bn in CY19 and in the range of US$11bn-12bn for past five years. This is despite the rise in penetration of apps such as Netflix and Disney+. Number of screens has also grown and Hollywood has released more movies. **b)** Aggression of direct movie release on digital platforms by two key studios – Warner Bros and Disney – is aimed to drive higher users on their apps where Netflix dominates. **c)** India movie studios are fragmented and very few of them have credible streaming apps, while ARPUs in India are way too low to justify such investments.

  Case study-2: a) PVR and INOX have outperformed Domino's and McDonald's in India in past six years on all parameters: 1) store (screen) growth, 2) sales growth per store, 3) growth in EBITDA per store. **b)** Our comparison between multiplexes and food companies is valid as they compete for the same discretionary wallet spend by consumers and family outdoor time. Penetration of PVR and INOX is much lower, thus providing headroom for growth.

- **Supply-side economics still does not justify direct movie release on digital.** Profit maximisation for movie producers, particularly big-budget movies, are function of domestic and international box office collections, and selling TV, digital and music rights. Direct to digital would be considered on cost-plus basis, which does not provide opportunity for profit maximisation for quality movie producers. In India, domestic net box office collection (NBOC) contribute 67% of total revenues for films, and in FY20 NBOC for the top 10 movies was 212% of budget.

- **Surviving screens should benefit from higher occupancy.** The number of seats in industry is likely to decline due to shutdown of a few screens post-Covid. Our analysis movie releases from Apr'21 looks strong (assuming it happens as expected) with many big-budget movies releasing at regular intervals. This should help drive higher average occupancy for surviving screens in FY22E. Further, occupancy has high sensitivity to profitability, and our analysis (based on FY20 numbers) shows that 100bps rise in occupancy increases EBITDA by 9.1% and 11.7% for PVR and INOX.

	Reco	Target price (Rs)	Price (Rs)	EPS (Rs)			P/E (x)		EV/E (x)	
				FY21E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
PVR	BUY	1,679	1,280	(107.9)	24.9	60.4	51.4	21.2	15.7	10.3
INOX	BUY	424	278	(23.3)	8.0	17.8	34.5	15.6	13.3	7.8
Jubilant *	ADD	2,800	2,708	21.1	43.6	46.2	62.1	58.6	30.9	26.9
Westlife*	ADD	470	431	(4.1)	7.3	5.1	59.0	85.0	31.9	24.5

Note: * FY23 is based on Bloomberg consensus estimates. Source: I-Sec research

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COMPANIES

…Will win another day!

The pandemic had structurally changed the way a few industries lived, and the general perception is that cinema theatres will have a tough time in post-Covid world. This would be due to: **1)** significant penetration of streaming apps and their rising viewership; **2)** direct movie release on streaming apps of deep-pocketed operators such as Netflix, Amazon Prime Video, Disney+ Hotstar, etc; **3)** disruption in content pipeline for theatrical release; and **4)** large cash burn for theatre operators – and likely balance sheet stress. This would also constrain future growth for multiplex operators in India.

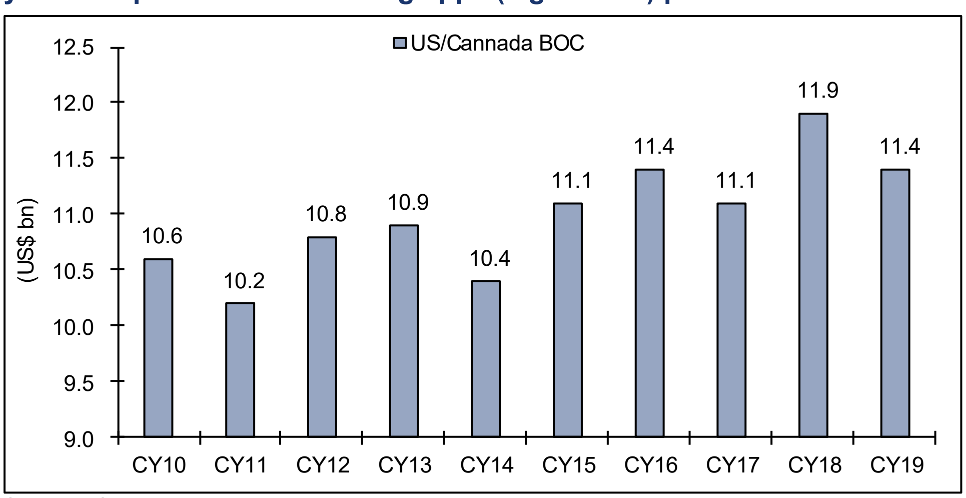
In this report we have tried to analyse each of the above concerns to see whether listed multiplexes (PVR and INOX in particular) face structural downhill in a post-Covid world. ***But to begin with, we have put across two case studies, which summarise our thoughts for India multiplexes.***

Case study-1: US film/theatre market

The US and Canada combined is the world's biggest cinema market with box office collection (BOC) at >US$11bn in CY19, and in the range of US$11bn-12bn in past five years. This is despite rise in penetration of steaming apps such as Netflix and Disney+. Number of Hollywood movie releases has increased at a CAGR of 4.2% to 835 p.a. over CY15-CY19 *vs* 4.7% CAGR over CY10-CY15. Nonetheless, earnings from movies should have benefited from the fast rise in international BOC for Hollywood movies, and rise in value of digital rights.

During CY15-CY19, the number of screens in US has grown at a CAGR of 0.7% to >41,000, but total audience admits have remained in the range of 1.2bn-1.4bn annually. Average ticket price (ATP) has increased at a CAGR of 1.7% over CY10-CY19 to US$9.2 in CY19. Clearly, increasing adoption of streaming apps has not disrupted the theatre market in US/Canada, which are digitally evolved markets. However, there has been significant impact on cable connections, which have been declining and we may see similar trends in Indian market as well.

Chart 1: US/Canada box office collection (BOC) has been steady over past five years despite rise in streaming apps (e.g. Netflix) penetration



Source: I-Sec research, MPA-2019

Chart 2: Number of movies released in Hollywood has grown at CAGR of 4.2% over CY15-CY19 (*vs* 4.7% in CY10-CY15)

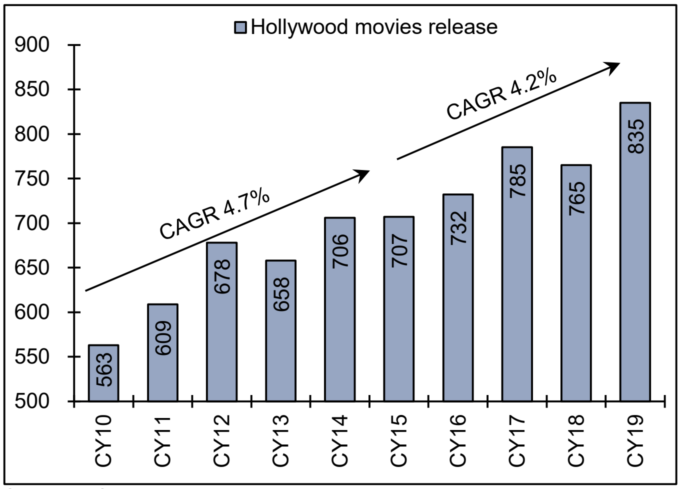
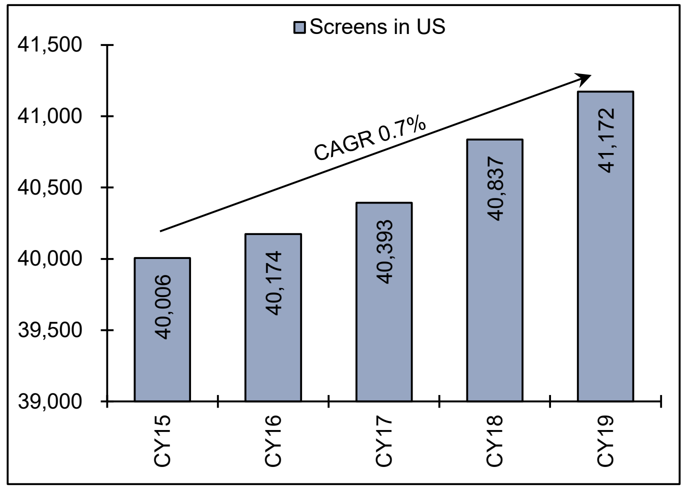


Chart 3: Number of screens in US rose at CAGR of 0.7% over CY15-CY19



Source: I-Sec research, MPA-2019

Chart 4: Admits in US has remained in the range of 1.2bn-1.4bn over CY10-CY19

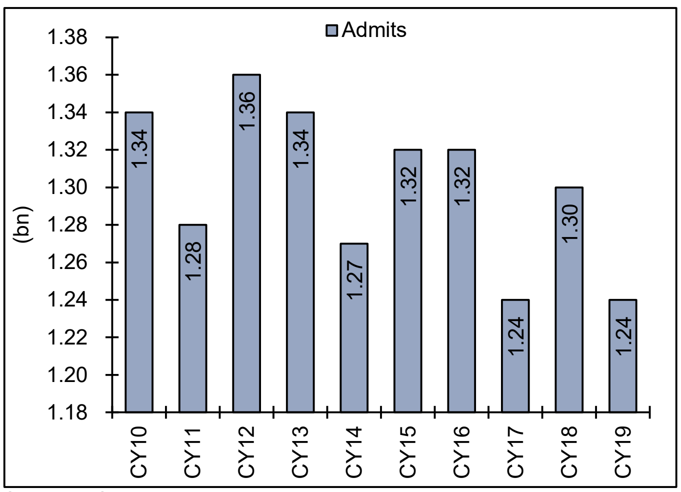
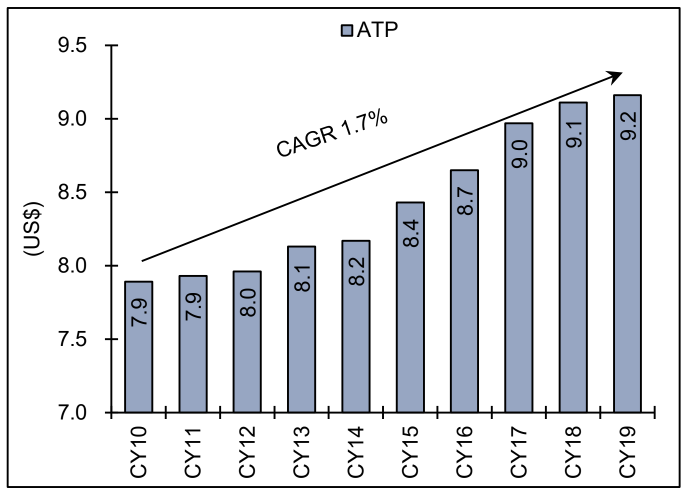


Chart 5: ATP has increased at CAGR of 1.7% over CY10-CY19



Source: I-Sec research, MPA-2019

US leads in technological adoption / disruption. Covid has caused many movies skip theatrical release in the US and they were released directly on streaming platforms. Was the disappointing performance of *Tenet* key reason behind this?

- *Tenet*, produced by Christopher Nolan, was the first of most awaited movies that got released post lockdown and its collection in the US has been disappointing. Box office collection (BOC) grossed US$57mn in North America and US$356mn worldwide. *Tenet* received approval rating of 71% with average rating of 6.9/10 on Rotten Tomatoes, while on Metacritic, it got a weighted average score of 69 out of 100, and IMDb rating of 7.8/10. These numbers imply US box office collection was significantly lower vis-à-vis its ratings. This forced release of many big-budget movies like *No Time to Die* (James Bond series, 25th edition) to Apr'21.

- The US has seen few big movies adopting VOD rental route for monetisation. This includes renting movies for 48 hours for US$20, or lifetime for US$25. We understand this has not been successful though.

However, the above does not explain the large number of movies either getting released directly on streaming platforms, or seeing simultaneous release along with theatres.

Wonder Woman 1984, will be releases simultaneously in cinema theatres and streaming app HBO Max, which is probably a first of its kind for big-budget movies. Further, Warner Bros is likely to simultaneously release few other movies on its streaming app HBO Max for a period of one month. It plans to run this experiment for a year (CY21).

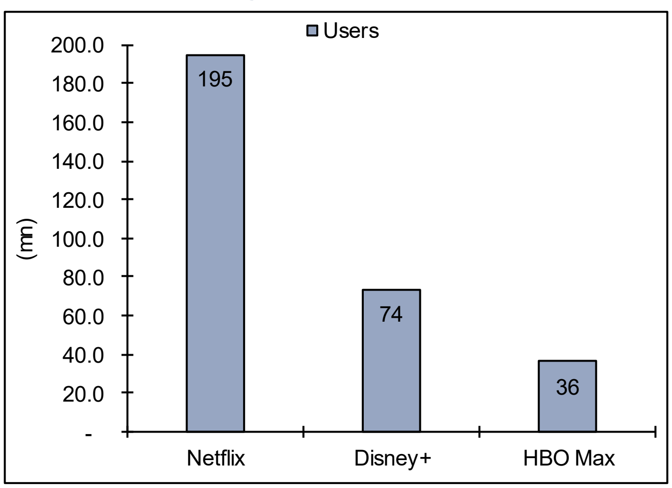
The movies Warner Bros is planning to release for now include: *The Little Things*, *Judas and the Black Messiah*, *Tom & Jerry*, *Godzilla vs Kong*, *Mortal Kombat*, *Those Who Wish Me Dead*, *The Conjuring: The Devil Made Me Do It*, *In The Heights*, *Space Jam: A New Legacy*, *The Suicide Squad*, *Reminiscence*, *Malignant*, *Dune*, *The Many Saints of Newark*, *King Richard*, *Cry Macho*, and *Matrix 4*.

Disney has also released or will release many movies directly on its steaming app Disney+.

…then why studios are releasing movies directly on streaming apps?

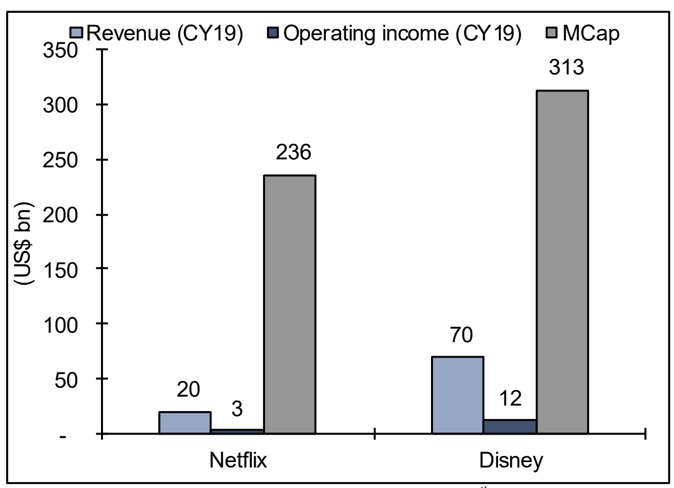
Disney+ and Warner Bros (HBO Max) are lagging significantly in streaming business despite strong content library, and they are trying to catch up with Netflix. Moreover, the valuations ascribed for streaming business are significantly higher. These large movie studios have two ways to monetise their contents: **1)** through theatrical release and earn cashflows from box office (domestic and international) and movie rights; or **2)** use these contents to narrow the 'number of users' gap with Netflix, earn higher valuations and secure a future on digital platforms. They are choosing the latter method for monetisation, which is understandable.

Chart 6: Disney+ and HBO Max have deep content library, but have lost on 'number of users' in streaming business



Source: I-Sec research, Company

Chart 7: Valuations for steaming business is significant higher – Netflix is getting >US$1bn value / million users



Source: I-Sec research, Company (MCap date: 18th Dec, 2020)

Does this apply to India as well?

The above arguments are not valid in India since: 1) Indian movie production is a fragmented business, and very few studios have streaming business (the few that have include Star Network (Disney), Zee Studio, Balaji Telefilms, Eros Now, and Sun TV Network); 2) these studios cumulatively don't contribute materially to net box office collections; 3) streaming ARPU in India is significantly lower and monetisation opportunity is limited.

Thus, we believe Warner Bros and Disney's US strategy of releasing movies directly on streaming platforms (and gain through valuations) does not apply to India. In India, the best monetisation of movies will continue to happen through theatrical route.

Case study-2: PVR / INOX *vs* Domino's and McDonald's in India

We have compared the performance of Domino's (run by Jubilant Foodworks) and McDonald's (Westlife Development) in India with multiplexes PVR and INOX. The comparison is valid as they compete for same discretionary wallet spend of consumers and family outdoor time spent. Further, their business economics are similar.

PVR and INOX have outperformed Domino's and McDonald's in India in past six years on all parameters: **1)** store / screen growth, **2)** sales growth per store / screen, and **3)** growth in EBITDA per store / screen.

This gives us confidence in performance of PVR / INOX in a post-Covid world, and we believe the growth for multiplexes will continue to be superior to even in the foreseeable future.

Table 1: PVR and INOX have seen much faster growth in screen addition in past six years compared to stores growth for Domino's (Jubilant Foodworks) and McDonald's (Westlife Development)…

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	CAGR (%)
Domino's (pan-India)	726	876	1,026	1,117	1,134	1,227	1,335	10.7
McDonald's (west & south)	184	209	236	258	277	296	319	9.6
PVR	**421**	**464**	**516**	**579**	**625**	**763**	**845**	**12.3**
INOX	**310**	**372**	**420**	**468**	**492**	**574**	**626**	**12.4**

Source: I-Sec research, Company

Table 2: …and PVR/INOX have grown faster on profitability as well (measured by EBITDA/screen or store basis)

Rs mn/store or screen	FY14	FY15	FY16	FY17	FY18	FY19	FY20*	CAGR (%)
Domino's (pan-India)								
Revenue	26.0	24.9	22.2	21.9	25.8	28.3	28.7	***1.7***
Gross profit	19.2	18.6	16.9	16.5	19.2	21.3	21.5	***1.9***
GPM (%)	*73.9*	*74.8*	*76.2*	*75.6*	*74.6*	*75.1*	*75.0*	
EBITDA	3.7	3.0	2.4	2.0	3.8	4.8	3.8	***0.5***
EBITDA margin (%)	*14.4*	*12.2*	*10.8*	*9.3*	*14.6*	*16.8*	*13.4*	
EBIT	2.6	1.8	1.2	0.7	2.4	3.5	2.6	***0.4***
McDonald's (west & south)								
Revenue	42.9	38.9	37.5	37.7	42.4	48.9	50.3	***2.7***
Gross profit	24.6	22.7	22.5	22.9	26.5	31.3	32.8	***4.9***
GPM (%)	*57.4*	*58.4*	*60.0*	*60.6*	*62.6*	*63.9*	*65.2*	
EBITDA	2.5	0.8	1.9	1.9	2.9	4.2	4.7	***11.0***
EBITDA margin (%)	*5.8*	*2.0*	*5.1*	*5.0*	*6.8*	*8.6*	*9.3*	
EBIT	(0.0)	(1.8)	(0.7)	(0.7)	0.4	1.4	1.9	
PVR								
Revenue	32.0	33.4	37.7	38.7	38.8	44.5	42.5	***4.8***
Gross profit	22.0	23.2	26.6	27.7	27.2	30.9	30.1	***5.3***
GPM (%)	*68.8*	*72.6*	*83.2*	*86.4*	*85.0*	*96.6*	*93.9*	
EBITDA	4.1	4.5	6.0	5.7	6.7	8.4	7.2	***9.9***
EBITDA margin (%)	*12.7*	*14.2*	*18.6*	*17.9*	*20.9*	*26.4*	*22.4*	
EBIT	1.8	1.9	3.6	3.2	4.1	5.7	4.3	***15.5***
INOX								
Revenue	25.9	26.3	29.3	27.5	28.1	31.7	31.6	***3.4***
Gross profit	16.7	17.5	19.4	18.2	18.9	21.3	21.2	***4.1***
GPM (%)	*64.6*	*66.6*	*66.4*	*66.1*	*67.2*	*67.1*	*67.2*	
EBITDA	3.9	3.6	4.8	3.3	4.4	5.8	5.5	***6.1***
EBITDA margin (%)	*14.9*	*13.7*	*16.3*	*12.0*	*15.6*	*18.3*	*17.4*	
EBIT	2.1	1.4	2.8	1.4	2.6	4.0	3.7	***9.5***

Source: I-Sec research, Company. Note: *FY20 is adjusted for Ind-AS 116 impact

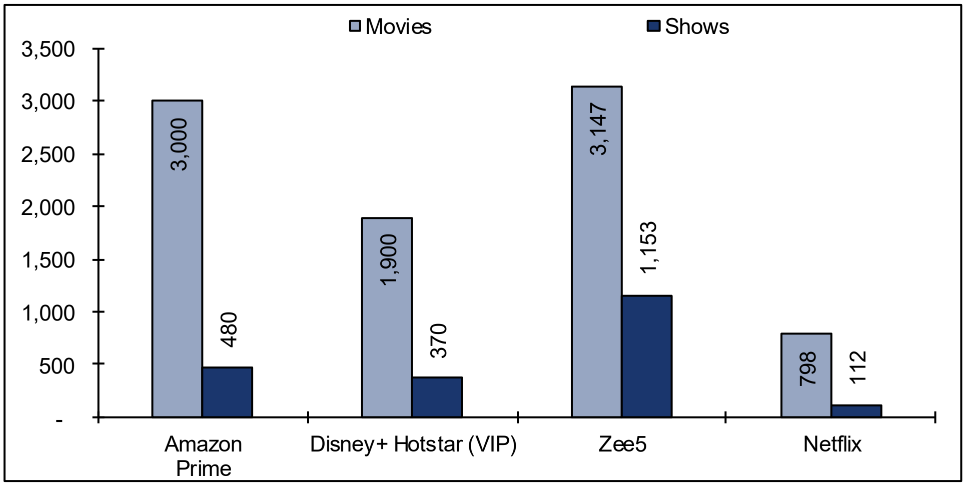
Can multiplex return to its previous glory?

Theatres are not just about content, but experience and a place for family outing at affordable spend (compared to other options such as theme parks, travel, live shows, etc). Indians have few quality options for family time spend, and only restaurants come ahead of cinema. We see people snacking on digital content or binge watch over weekends as a part of entertainment. However, content bouquet in digital still does not cater for family watch, but it is just a matter of time in our view. Nonetheless, we don't see digital as disruptor for theatres (likely for TV viewership), but it is certainly a competition to customer entertainment wallet spend.

OTT penetration rising on affordable content + affordable home broadband connectivity

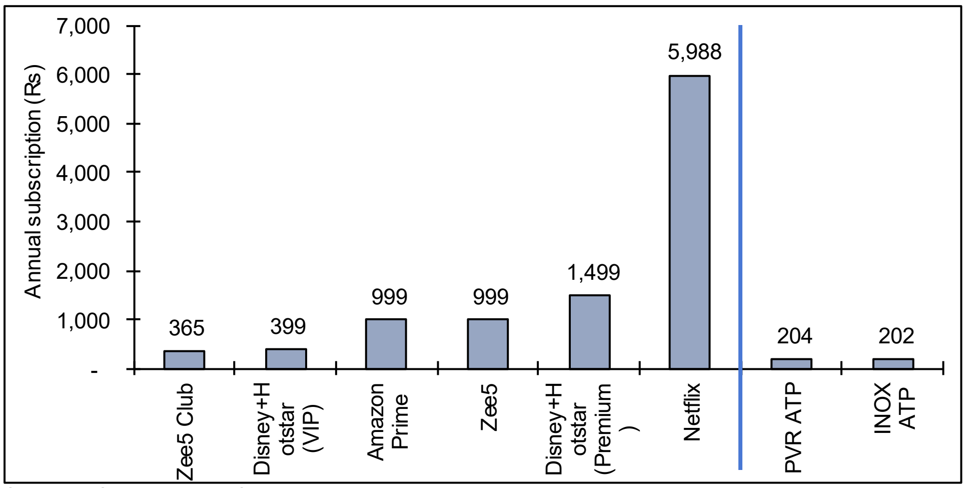
Theatres are seeing rising competition from streaming apps such as Netflix, Amazon Prime Video, Disney+ Hotstar, ZEE5, etc. These streaming apps not only offer strong bouquets of content, but are also relatively affordable. Besides, these apps provide convenience of snacking content anytime (and likely anywhere via mobile).

Chart 8: Streaming apps have strong content offerings with flexibility to watch anything anytime anywhere…



Source: I-Sec research, FICCI

Chart 9: …and they are relatively more affordable



Source: I-Sec research, Company

Subscription / advertisement based video on demand apps adoption has seen significant increase and Covid has helped them leapfrog a few years due to: **1)** no fresh content on TV and theatres, thus leaving people with fewer entertainment options; and **2)** much better quality content. It is well known that cost of content produced by streaming platforms are of much higher budget – 5-10x higher compared to primetime TV shows.

Further, theatres were closed during lockdown, which has pushed certain movies to go direct to streaming platforms instead of the normal route of box office and then to TV and digital. These movies were not just limited to mid-budget productions, but also those with big star cast such as *Laxmi* (Akshay Kumar), *Bhuj: The pride of India* (Ajay Devgan), *Gulabo Sitabo* (Amitabh Bachchan), etc.

Table 3: Movies that were directly premiered on OTT apps

OTT app	Tamil	Hindi	Telugu	Kannada	Malayalam	Bangla
Amazon Prime	*Ponmagal Vandhal*	*Gulabo Sitabo*	*Penguin*	*Law*	*Sufiyum Sujatayum*	
	Penguin	*Shakuntala Devi*		*French Biryani*		
Zee5	*Lock up*	*Taish*	*Meka suri*			
	Cocktail	*Comedy Couple*	*47 days*			
	Yaadhumagi Nindraai	*Khali Peeli*				
		London Confidential				
		Tiki Taka				*Tiki Taka*
		Atkan Chatkan				
		Pareeksha				
		Mee Raqsam				
		Yaara				
		Virgin Bhanupriya				
		Unlock - the haunted app				
Netflix		*Choked*				
		Mrs Serial Killer				
		Maska				
		What are the odds?				
		Ludo				
		Gunjan Saxena				
Disney+Hotstar		*Laxmmi*				
		Bhuj: The pride of India				
		Dil bechara				
		Sadak 2				
		The big bull				
		Khuda hafeez				
		Lootcase				

Source: I-Sec research, Company, Media reports

The competition is not limited to movies, but theatres will also see rise in competition (time spent on entertainment) from strong original contents on streaming apps, which are getting good rating by users and critics.

Table 4: Original shows are getting very good reviews by users (IMDb ratings)

Original shows	Release	App	Rating	Original shows	Release	App	Rating
Scam-1992	Oct-20	SonyLIV	9.5	*Broken But Beautiful*	Nov-18	ALTBalaji	9.0
Flames	Jan-18	TVFPlay	9.2	*Sacred Games*	Jun-18	Netflix	8.7
Queen	Dec-19	MX Player	9.2	*Panchayat*	Apr-20	Amazon Prime Video	8.7
Yeh Meri Family	Jul-18	TVFPlay	9.1	*The Family Man*	2020	Amazon Prime Video	8.6
TVF Pitchers		TVFPlay	9.1	*Special Ops*	Mar-20	Disney+Hot star	8.5
Kota Factory	Apr-19	TVFPlay	9.0	*Mirzapur*	2020	Amazon Prime Video	8.4
Hello Mini	Oct-19	MX Player	9.0	*Asur*	Mar-20	Voot	8.4
College Romance	Aug-18	Netflix	9.0	*Rangbaaz*	2018	ZEE5	8.4

Source: I-Sec research, IMDb

In the past, streaming apps in India have seen limited success, which can be attributed to expensive wired broadband and lower smart TV penetration. These bottlenecks have massively eased with wired broadband price cut by key players (Reliance Jio and Bharti Airtel) in Sep'20. The starting price of broadband connection is now at just Rs399/month (from Rs699 earlier) and comes with unlimited data allowance (earlier, data allowance was just 100GB in base pack) with speed up to 30Mbps, which is sufficient to run smart TV seamlessly.

Further drop in smart TV prices means it has much higher share of total TVs sold in India, which is helping drive penetration. And innovations such as Amazon Fire stick, and Airtel Xstream box (hybrid boxes) are enabling non-smart TVs to run streaming apps.

Table 5: Wired broadband prices have been slashed, hence have become more affordable

	New			Old	
Plan (Rs/month)	**Data allowance**	**Speed (Mbps)**	**Apps**	**Data allowance**	**Speed (Mbps)**
Reliance Jio					
399	Unlimited	30	Nil	Not available	
699	Unlimited	100	Nil	150	100
999	Unlimited	150	14		
Bharti Airtel					
499	Unlimited	40	5	Not available	
799	Unlimited	100	5	100	40
999	Unlimited	200	6		

Source: I-Sec research, Company

Streaming apps are aggressively investing in movies to attract new customers

For streaming players, Covid has turned to be a big opportunity to add new paying users and increase engagement. It was able to grab wallet share from other entertainment spends such as theatres, theme parks, live shows, sports, etc. There existed a big vacuum in entertainment, and streaming app operators sensed the opportunity, and chased movies to show direct on their platform. We believe this should be treated as 'subscriber acquisition cost', and cost of inducing the habit of watching content on apps.

As per IBEF blog (link), digital subscription in India has seen strong growth of 30% in the first four months of lockdown, and the number of subscriptions jump to 29mn as at Jul'20 from 22.2 in Mar'20. IBEF said 46% of these subscriptions came from metros while tier-1 cities contributed 35%. This means streaming apps subscription is still largely an urban phenomenon, and deep penetration offers strong opportunity for them. We understand streaming apps need to invest heavily in regional content to win more users deeper in the market.

Chart 10: Digital subscriptions saw 30% growth in four months in FY21

Source: I-Sec research, IBEF

Chart 11: A significant portion of these subscriptions is still coming from metros

Source: I-Sec research, IBEF

Similarly, a Neilson survey shows time spent on digital platforms during lockdown has increased from 3h-34m to 4h-8mn, and this is a great opportunity to attract users and give them to taste some of the best contents. Viewership for originals increased from 5% to 19% and for movies from 12% to 27% during lockdown period.

Chart 12: Increase in weekly time spent on streaming platforms through smartphone

Source: Crisis Consumption – An insights series into TV, smartphone and audiences (10th Edition) by Nielsen, BARC, July 2020

Source: I-Sec research, FICCI

Chart 13: Movies and originals have seen significant jump in viewing time during lockdown

	Pre-COVID	Post COVID (Weeks 18-21 or 25 April 2020 to 22 May 2020)
Share of original series in the total smartphone OTT viewership time	5%	19%
Share of movies in the total smart-phone OTT viewership time	12%	27%

Source: Crisis Consumption – An insights series into TV, smartphone and audiences (10th Edition) by Nielsen, BARC, July 2020

Source: I-Sec research, FICCI

Can steaming app operators afford to buy movie content in future, or is it an opportunistic investment?

As explained above, the peak of' Covid was a great time for streaming app players to invest aggressively in content to maximise benefits. However, the valid question to ask now is – was investment in movies (pre-theatrical release) opportunistic in nature, or would streaming app companies continue pursuing such investments in future to drive higher user base?

Streaming app companies are deep pocketed (and command superior valuations), but we believe they cannot continue to allocate capital so aggressively on expensive movies as RoIs on these investments may not be great (as they don't get paid extra for these movies, and base ARPU in India is very low). Further, an initial few movies may still make some RoIs on user acquisitions, but RoIs will only worsen if streaming app companies buy say 2-3 movies every month, and theatres fully operationalise.

A good movie can cost >Rs1bn while streaming apps can produce >10 original shows using same resources, which may provide much better monetisation opportunity, while more regional shows will help increase the addressable market size, in our view. Production of shows was not possible during lockdown, hence some of the movie purchases were also necessitated for programming refresh.

Further, movies would be available at a fraction of cost (digital rights) if they buy post theatrical release, and it would be a more informed decision due to user and critic reviews. Further, movie producers would have put huge efforts on publicity of the movies, which should only add to popularity of each movie.

KPMG in its Media & Entertainment report 2020 predicts SVOD subscription base to grow 2.8x in next two years to 62mn, and drive OTT subscription revenue 4.8x to Rs46bn. This looks very impressive, but the entire digital subscription revenue does not cover cumulative net box office collection of top 50 Hindi movies – let alone other revenue streams for these movies. On the contrary, digital rights contribute only 5.9% to total films revenue in FY20, hence it makes a more prudent capital allocation in our view.

Chart 14: SVOD subscriptions expected to rise fast in next two years…

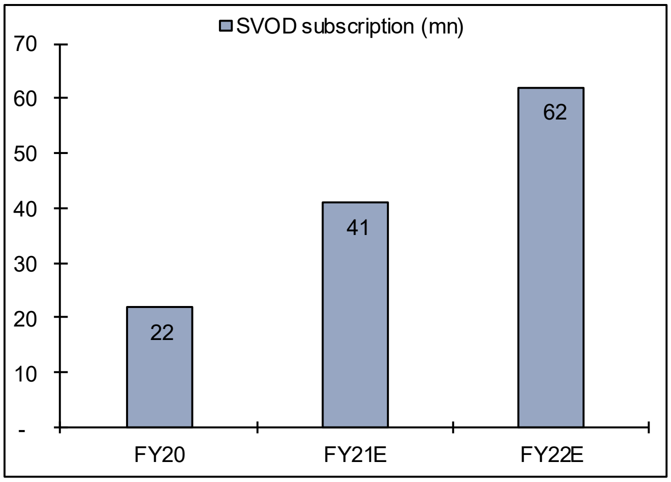
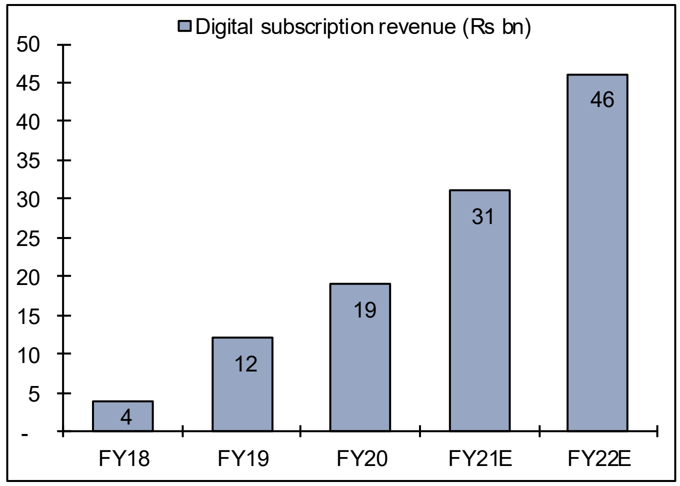


Chart 15: …and so will digital subscription revenues



Source: I-Sec research, FICCI

Chart 16: Entire subscription revenue would be lower than total box office collection of top 50 Hindi movies…

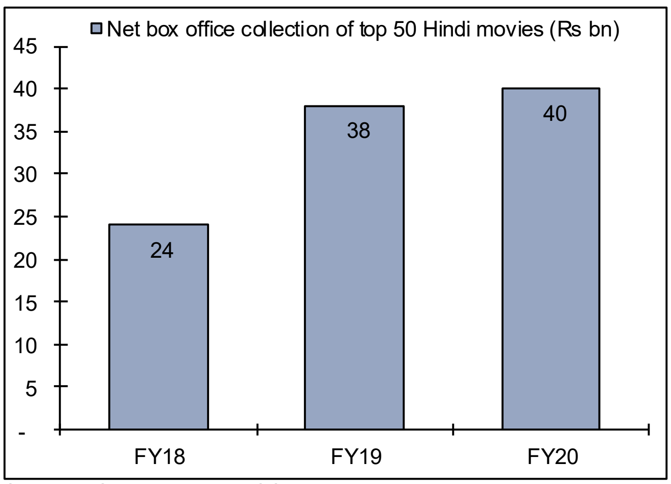
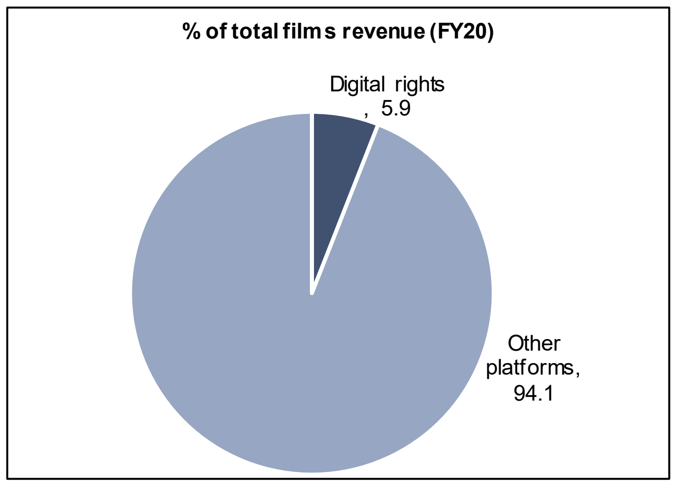


Chart 17: …while digital rights constitute only 5.9% of total films revenue in FY20



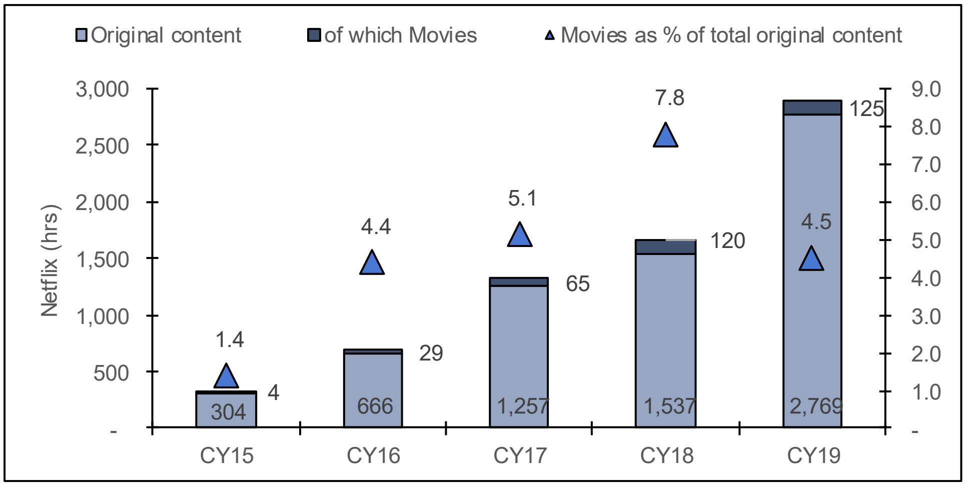
Source: I-Sec research, FICCI

Nonetheless, streaming apps may continue to invest in low-budget movies, which can be directly released on their platform. These movies would be exclusively made for them, but we believe they are unlikely to hurt industry net box office collections. Theatres involve an 'experience' factor and family outing, which streaming apps fail to replicate; streaming apps however are in direct competition to TV viewership, which may be more impacted by their rise.

The number of original movies released by Netflix worldwide has increased from just two movies in CY15 to 72 movies in CY19. In the same period, movies released in North America (US and Canada) theatres have increased from 707 in CY15 to 835 in CY19.

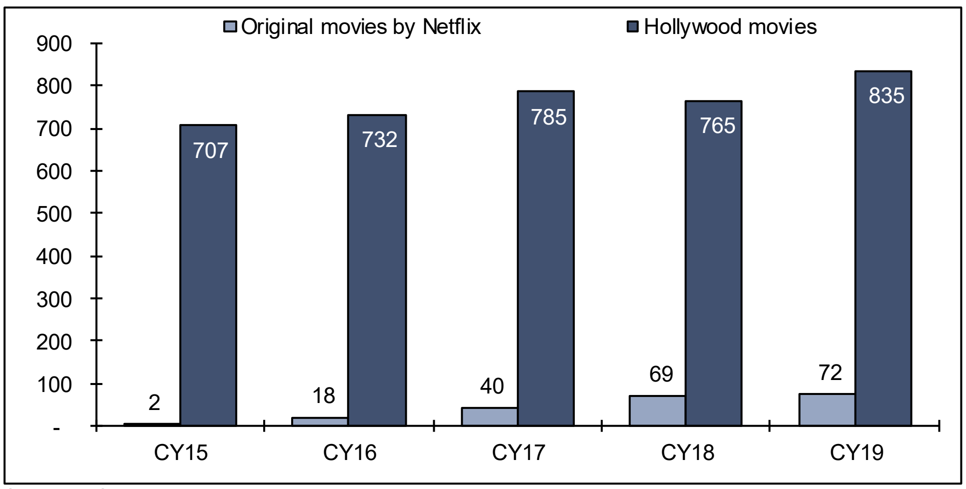
Original movie released by Netflix amounts to 125 hours out of a total original content of 2,769 hours, which means only 4.5% of total original content is original movies in CY19 for Netflix.

Chart 18: Only 4.5% of total original content was original movies for Netflix in CY19



Source: I-Sec research, Statista, Wiki

Chart 19: Number of original movies released by Netflix increased to 8.6% of total Hollywood movies, but it has not hurt the latter's growth



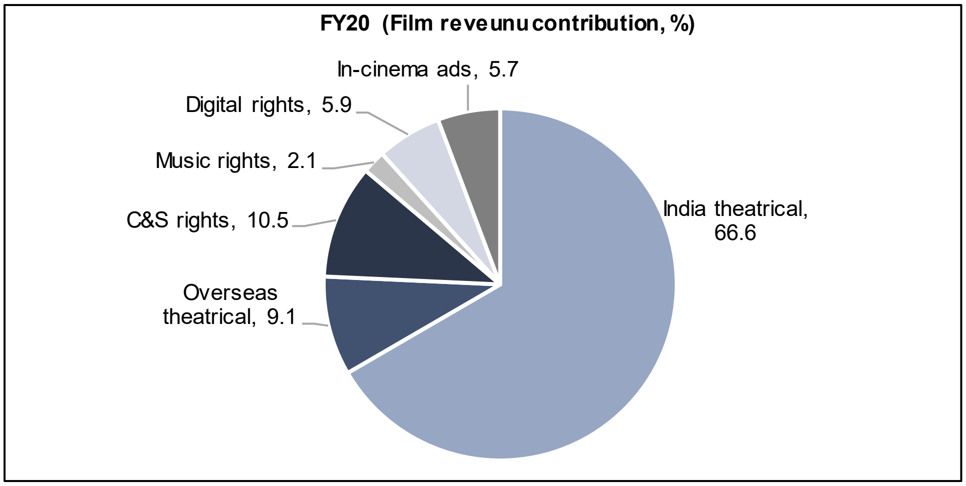
Source: I-Sec research, MPA-2019, Wiki

Movie producers – best case scenario: theatrical release or direct release on streaming apps?

In a normalised situation, the best case scenario (profit maximisation) for movie producers, particularly of big-budget movies, are a summation of domestic and international box office collections, and selling TV, digital and music rights ahead of movie release. Direct to streaming apps would be looked at on a cost-plus basis, which does not provide opportunity for profit maximisation for big-budget / quality movie producers. And very few Indian movie releases are from studios who own streaming apps unlike in the US where large studios, which release movies that control significant portion of industry box office collections, own streaming apps too.

India's domestic net box office collection contributes 67% of total revenue for films industrywide, and in FY20 net box office collection itself for top 10 movies was 212% of budget. Further, we believe they would have earned more from other revenue streams too. Streaming apps are unlikely to give this kind of profitability for movie producers in India.

Chart 20: Movie producers' profit maximisation is possible only when they get revenues from multiple streams



Source: I-Sec research, FICCI

Table 6: Top 10 movies by net box office collections in FY20 show they earned 212% of their budget

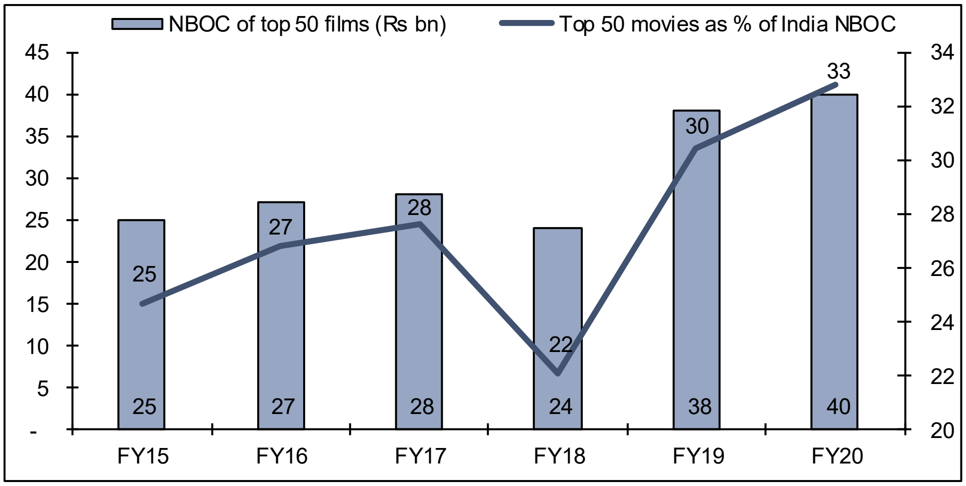
Film	Release date	Net box office collection (Rs mn)	Budget (Rs mn)	NBOC as % of budget
War	02-Oct-19	3,032	1,400	217
Saaho	30-Aug-19	3,023	3,500	86
Kabir Singh	21-Jun-19	2,763	600	461
Housefull 4	25-Oct-19	2,056	750	274
Bharat	05-Jun-19	1,973	1,000	197
Good Newwz	27-Dec-19	1,963	600	327
Mission Mangal	15-Aug-19	1,926	320	602
Chhichhore	06-Sep-19	1,473	500	295
Super 30	12-Jul-19	1,470	600	245
Dream girl	13-Sep-19	1,393	280	498
Dabangg 3	20-Dec-19	1,347	1,050	128
Total		**22,419**	**10,600**	**212**

Source: I-Sec research, FICCI

For theatres, big-budget or top box office collection movies are critical. Top 50 movies by box office collection contributed an average of 28% of domestic box office revenues in past seven years, and the contribution rose to 33% in FY20. Further, we believe the top 50 movies' contribution to urban-centric multiplex revenues (summation of box office, F&B and advertisement revenues) would be much higher.

And we take it that the big-budget movies are unlikely to release directly on streaming apps anytime soon in India.

Chart 21: Top 50 movies contribute 33% to India's total NBOC, and we don't see them going direct to streaming apps in the foreseeable future



Source: I-Sec research, FICCI

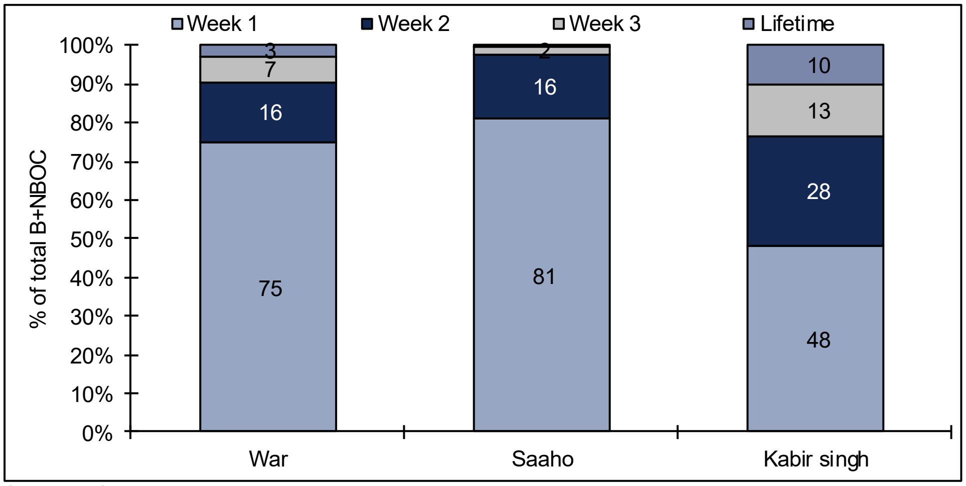
Can reduction in time gap for digital release have material impact on box office collections?

Multiplexes have restricted premiering movies on TV / digital platform till eight weeks of release in theatres. We think the time gap is reasonable considering the time taken by movies to travel across India, and limited number of screens. However, the bulk of domestic box collection (>90%) happens in first three weeks of release, particularly for multiplexes which have significant presence in urban locations. Therefore, any reduction of time gap for digital release may not be a material risk for multiplex revenues in our view.

However, we believe certain patrons may restrict their visit to theatres for only a few movies where they are not very keen, and the reduced gap may make them watch on streaming apps, and this could impact net box office collections. There are no estimates available for revenues lost due to reduction in time to streaming apps, but our belief is it should not be very significant.

In the US, AMC (world's biggest theatre chain) and NBC Universal Studio entered into agreement for release of studio movies on paid video on demand (VOD) within three weeks of its theatrical release and revenues earned would be shared between AMC and NBC Universal. Even large producers appreciate the role of theatres in monetisation of movies, and these kinds of agreements do give us confidence that theatre owners (particularly large chains) have significant bargaining power over content producers (including big studios).

Chart 22: First three weeks contribute >90% of net box office collection



Source: I-Sec research, Media reports

Industry consolidation to accelerate. Will this benefit occupancy for surviving players?

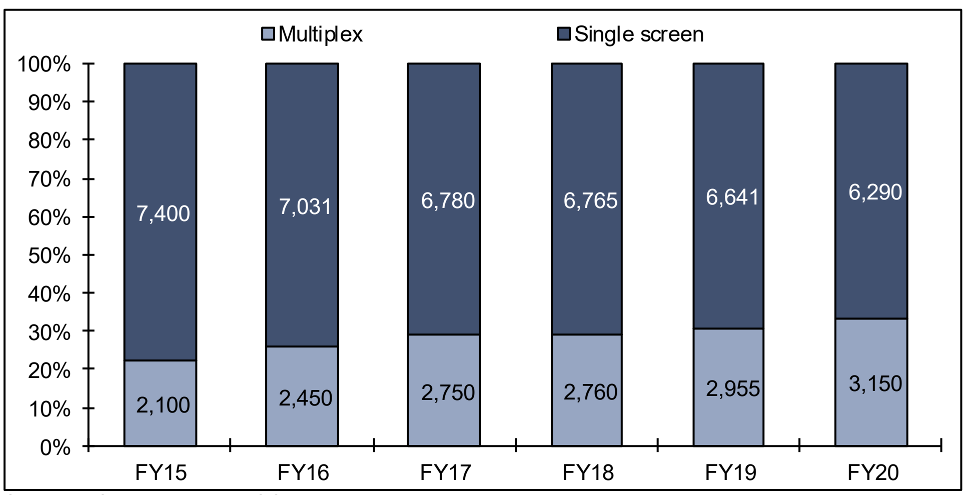
Consolidation in cinema theatres was underway even pre-Covid with single screens declining at least for past five years and multiplexes growing fast (but not enough to completely offset the decline in single screens). We have also seen a few mergers and acquisitions among multiplexes, thus cutting the number of players. However, Covid would put more pressure on single screen operators, who may find difficulty in sourcing funds to remain solvent. Even within the multiplex space, we see scope for further consolidation and the top-2 players (PVR and INOX), who have better availability of resources, are in a sweet spot to grow their market share driven by faster organic expansion, and inorganically through the M&A route.

Industry consolidation was underway…

The number of screens in India has declined from 9,500 in FY15 to 9,440 in FY20. During the same time, multiplex screen count rose by 50% to 3,150 from 2,100 in FY15 while single screens fell from 7,400 to 6,290. The screen market shares of top four multiplexes rose from 14.3% of in FY15 to 24.3% in FY20. The net box office collection market shares for PVR and INOX (top two players) have jumped to 23.2% in FY20 from 13.6% in FY15.

Further, we have seen significant consolidation in multiplex screens with the top four players by screen acquiring eight companies in past seven years. This reduced the number of players in industry while the remaining players gained scale. We see the top-4 players controlling 72% screen share and a few players willing to merge with larger players in the future for better prospects, in our view.

Chart 23: Multiplex screens' contribution has risen while that of single screens has declined



Source: I-Sec research, FICCI

Chart 24: Top four multiplexes accounted for 24.3% screen market share in FY20 (up from only 14.3% in FY15)

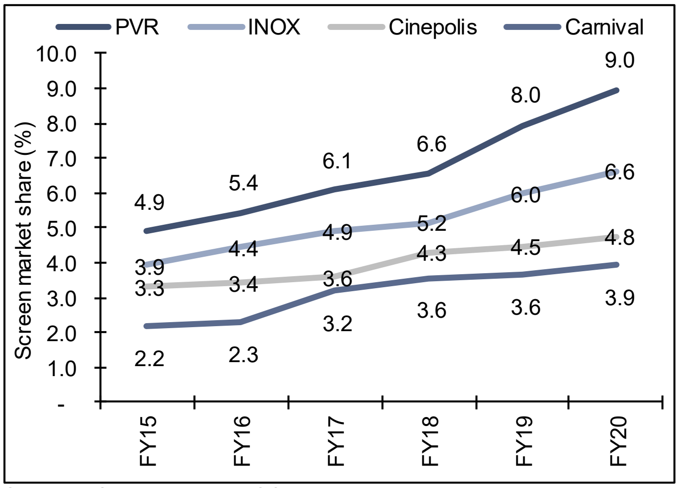
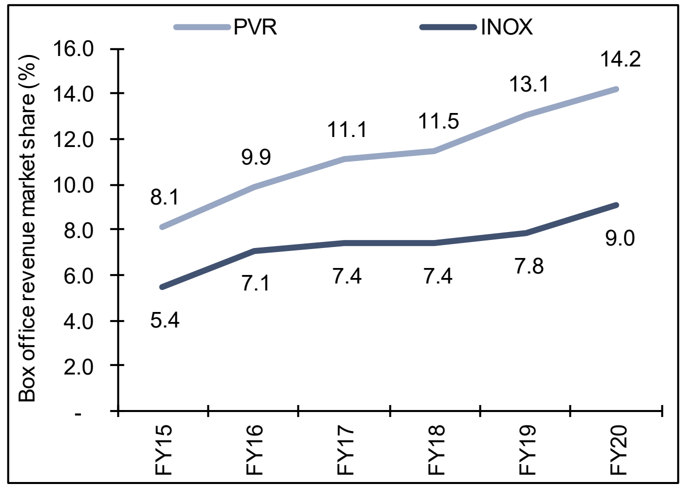


Chart 25: And the top two multiplexes accounted for 23.2% of NBOC in FY20 (up from 13.6% in FY15)

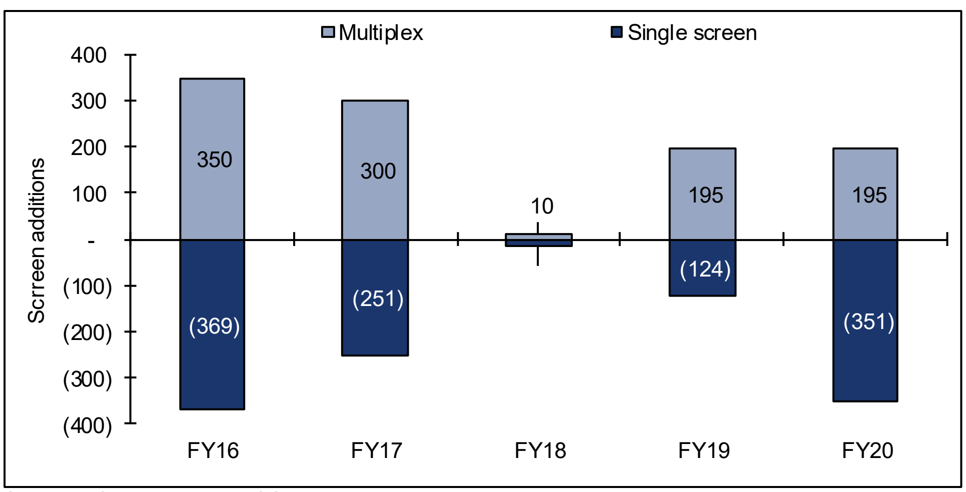


Source: I-Sec research, FICCI

Single screen theatres, which were on decline, to see stepdown post-Covid?

Single screen economics has been on a downhill with rising inflation, stagnant revenues and significant dependence on box office collections. This contrasts with multiplexes whose revenues continue to grow, thanks to rise in contribution from food and beverages, and advertisements. Multiplexes have control over largest box office collection and thus have better negotiating capabilities with distributors, as well as time slots. EBITDA per screen for PVR / INOX has grown at CAGR of 9.6% and 8.8%, respectively since FY15. Covid has brought onerous burden on the single screen operators to continue in business, and we see many of them shutting down, or unable to reopen, post-Covid.

Chart 26: In past five years, single screens have declined every year; and Covid should only accelerate the trend



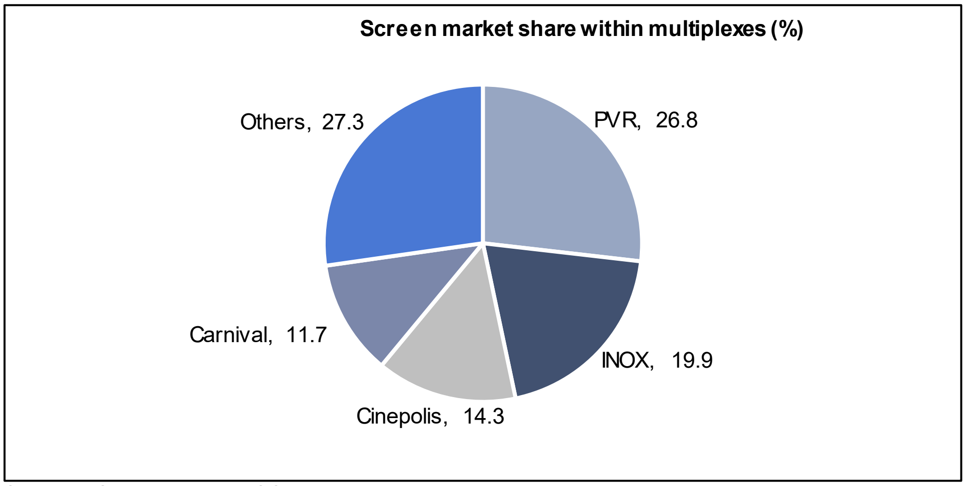
Source: I-Sec research, FICCI

Don't rule out more M&A transactions in multiplex space, and valuations becoming more reasonable

FY21 will burden multiplexes with huge loses and piling up of debts, which may stretch the balance sheet for a few, thus presenting enough opportunity for further consolidation. The top four multiplex players have 72% screen market share while the rest 28% is tail, and may see ways to be part of large players.

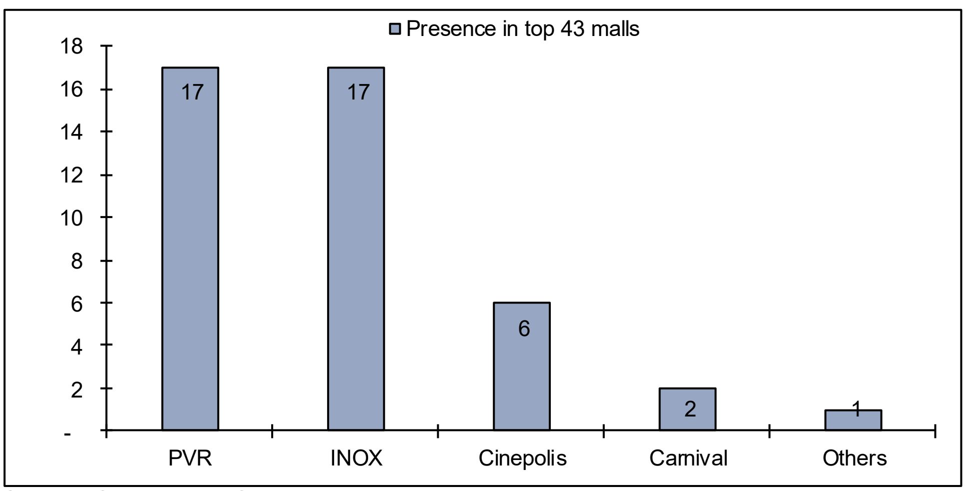
Further, the advantage of being part of large operators is they get preference in large malls which attract higher footfalls. Notably, the top four players have presence in 42 out of 43 key operational malls in India. And they also get preference in time slots, and are able to negotiate better with distributors for big-budget movies.

Chart 27: We don't rule out further consolidation in multiplex space



Source: I-Sec research, FICCI

Chart 28: Presence of multiplexes in key operational malls in India



Source: I-Sec research, Company

However, we expect valuation expectations to reset; and the necessary arrangements may come through equity (share swap) deals considering the limited balance sheet headroom even for large multiplex players.

Table 7: Valuations for past M&As

	Year	Screens	EV (Rs mn)	EV/screen (Rs mn)
PVR				
Cinemax Cinema	FY13	138	5,700	41
DT Cinema	FY17	32	4,330	135
SPI Cinema	FY19	76	8,830	116
INOX				
Culcutta Cine	FY08	7		
Fame India	FY14	95	3,000	32
Satyam Cineplexes	FY16	38	2,420	64
Cinepolis				
Fun Cinemas*	FY15	83	4,650	56
DT Cinema	FY17	7	637	91
Carnival				
Big Cinemas	FY17	242	7,100	29

Source: I-Sec research, Company; Note: * is industry estimates

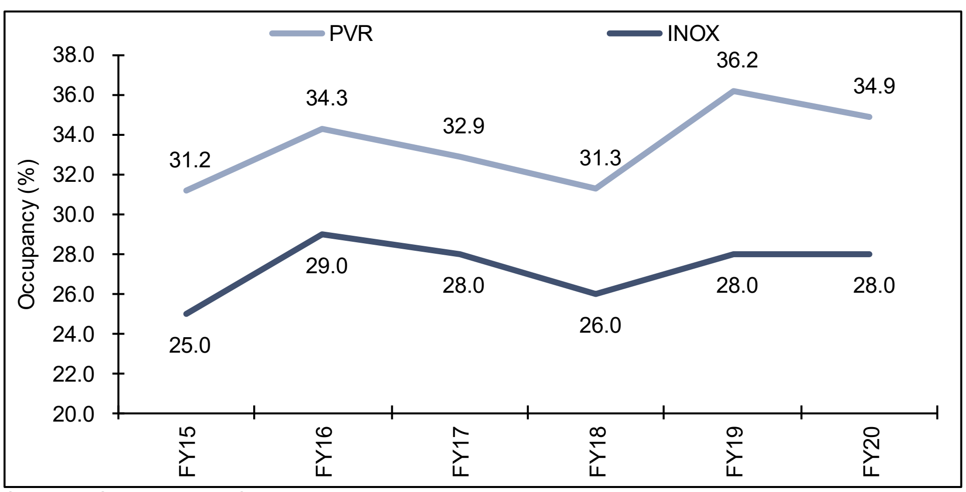
Surviving screens should benefit from higher occupancy

In the near future, we would expect the number of available seats in the industry to decline due to shutdown of some screens post-Covid. Our analysis on planned movie releases from Apr'21 looks extremely strong (assuming it happens as expected) with many big-budget movies releasing in regular intervals as vaccine reduces fear of Covid spread, thus keeping admits strong. This should help drive higher average occupancies for surviving screens in FY22. The cost lines have significantly optimised, thus driving much higher profitability and RoCEs, and helping erase some of the Covid scars.

We note occupancies for PVR and INOX have been on the rise in past five years with slight yearly volatility, but the trend has been on the rise despite strong screen additions, which is impressive.

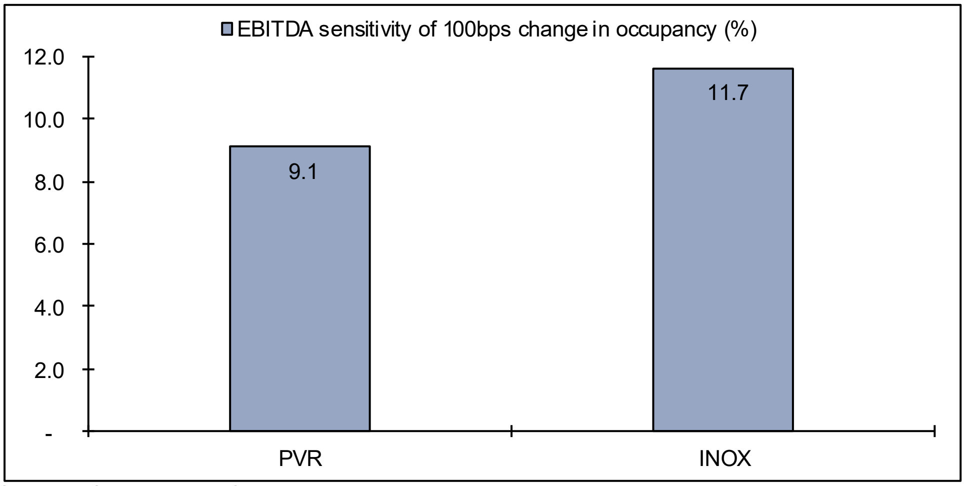
Further, occupancy exerts high sensitivity to profitability, and our analysis (based on FY20 numbers) shows that 100bps rise in occupancy increases EBITDA by 9.1% and 11.7% for PVR and INOX respectively.

Chart 29: Occupancies for PVR and INOX have been on rise with yearly volatility



Source: I-Sec research, Company

Chart 30: EBITDA sensitivity of 100bps change in occupancy



Source: I-Sec research, Company

Quality and continued supply of content could be hiccups in restart of cinema theatres…

Availability of good content is key for success of theatres and it is something that is not entirely in their control. Unlike the US, India does not have well-structured studios with deep pockets and, in fact, many India producers borrow money on high interest rates (like real estate sector). Nonetheless, we have seen majority of big-budget movies have postponing their release, and waiting for improvement in the situation before hitting the screens. We see enough movies in the pipeline across Hindi, regional and Hollywood genres, which are ready, or in the process, for release. However, the start of new projects would significantly depend on performance of these movies released.

When will big-budget movie releases help recovery in occupancy?

The industry is a virtuous cycle where success of a few new big-budget movies attracts more releases and start of production of future movies. Any initial failure of big-budget movies despite good critical reviews could delay releases of other movies, and lower the confidence of producers to start new projects.

Unlike Hollywood, India does not have big production houses and the ability to invest in content is limited. Further, US studios are also expanding users on their streaming platforms (Disney+, HBO Max, Peacock, etc.), and can monetise movies by direct release on streaming apps and benefit from rich valuations by adding users.

Nonetheless, there is a decent pipeline of Hindi movies that are likely to hit screens if box office collection takes off despite streaming apps consuming few. It takes four to six months to produce a movie, which means initial success of a few movies can turn FY22 into a normal year with slightly fewer shows than pre-Covid.

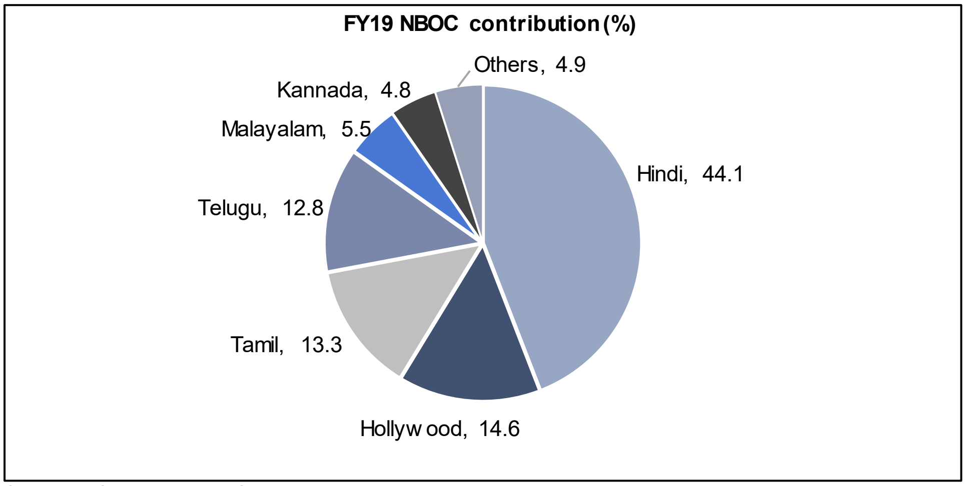
Table 8: List of Hindi movies lined up for release

Movies	Star cast
Sooryavanshi	Akshay Kumar, Katrina Kaif
83	Ranveer Singh
Bunty Aur Bubli 2	Rani Mukherji, Saif Ali Khan
Jayeshbhai Jordaar	Ranveer Singh, Shalini Pandey
Radhe - Your Most Wanted Bhai	Salman Khan, Disha Patani
Prithviraj	Akshay Kumar, Manushi Chhilar
Bell Bottom	Akshay Kumar, Mrunal Thakur
Brahmastra (Part 1)	Ranbir Kapoor, Alia Bhatt, Amitabh Bachchan
Lal Singh Chaddha	Amir Khan, Kareena Kapoor
Maidaan	Ajay Devgan, Keerthy Suresh
Atrangi Re	Akshay Kumar, Dhanush, Sara Ali Khan
Shamshera	Ranbir Kapoor, Sanjay Dutt
Mumbai Saga	John Abraham, Sunil Shetty
Toofan	Farhan Akhtar, Isha Talwar
Sardar Udham Singh	Vicky Kaushal, Banita Sandhu
Kabhi Eid Kabhi Diwali	Salman Khan
Bachchan Pandey	Akshay Kumar, Kriti Sanon
Kaithi Remake	Ajay Devgan
Pathan	Shak Rukh Khan, John Abraham
Attack	John Abraham, Jacqueline Fernandez
Jersey	Shahid Kapoor
Gangubai Kathiawadi	Ajay Devgan, Alia Bhat

Source: I-Sec research, Media reports

Bollywood movies accounted for only 44% of net box office collections in FY19 and the rest comes from regional movies and Hollywood; thus it is important that movies get released across languages, which would drive higher occupancy for multiplexes. Hollywood movies contributed 15% to NBOC in FY19 followed by South Indian languages, which together contributed 36% of NBOC, and rest account for 4.9%.

Table 9: Hindi contributes 44% to net box office collections (NBOC), South Indian languages 36%, and Hollywood movies 15%



Source: I-Sec research, Ormax

During *Durga Puja*, West Bengal saw six new Bangla movie releases and INOX said that a few movies saw average ticket prices (ATP) equal to pre-Covid levels amid good occupancy with families coming out to watch movies. So, initial experience for regional movies has been encouraging. We expect other regional movie releases to start happening soon with many states approving opening of theatres. The only bottleneck is theatres can operate with only 50% occupancy. We see big-budget movies await government approval for 100% occupancy.

Table 10: List of regional movies lined up for release

Movies	Language	Star cast
Master	Tamil	Vijay and Vijay Sethupathi
Cobra	Tamil	Vikram, Srinidhi Shetty
Jagame Thanthiram	Tamil	James Cosmo, Dhanush
Doctor	Tamil	Sivakarthikeyan, Priyanka Arul Mohan
Ponniyin Selvan	Tamil	Vikram, Aishwarya Rai
Salpetta	Tamil	Arya
Kaadan	Tamil	Rana Daggubati, Vishnu Vishal, Zoya Hussain
Most Eligible Bachelor	Telugu	Akhil Akkineni, Pooja Hegde
Krack	Telugu	Shruti Haasan, Ravi Teja
Red	Telugu	Ram Pothineni, Malvika Sharma
Vakeelsaab	Telugu	Pawan Kalyan
Rangde	Telugu	Nitin, Keerthi Suresh
Virata Parvam	Telugu	Rana Daggubati, Sai Pallavi
Roudram Ranam Rudhiram	Telugu	Ram Charan and Jr NTR
KGF 2	Kannada	Yash, Sanjay Dutt
Kotii Gobba 3	Kannada	Madonna Sebastian, KichaSudeep
Yuvarathna	Kannada	Puneeth Rajkumar
Roberrt	Kannada	Darshan
Kavaal	Malayalam	Suresh Gopi, Nithin Renji Panicker
Kurup	Malayalam	Dulquer Salmaan
Marakkar: Arabinkadalinte Simham	Malayalam	Mohanlal

Source: I-Sec research, Media reports

Hollywood movie release calendar looks busy Apr'21 onward

Though Hollywood contributes 15% to India's NBOC, we understand the contribution is higher for multiplexes. *Tenet* release in the US failed to perform as per expectations and has pushed many releases to CY21, while a few have gone directly to streaming apps. However, Apr'21 onward, the Hollywood movie release calendar looks extremely busy if releases happen as planned at theatres and Covid infection rate falls. These movies include some of the most awaited ones and big-budget movies, which should help normalisation of movie-going habits. *Tenet* experience has shown rising importance of the international market, and we expect Hollywood movie releases to happen fast in India market too.

Table 11: Hollywood movie releases in CY21

Movies	Expected release date	Movies	Expected release date
The 355	15-Jan-21	*The Conjuring: The Devil Made Me Do It*	04-Jun-21
Without Remorse	26-Feb-21	*Ghostbusters: Afterlife*	11-Jun-21
The King's Man	26-Feb-21	*In the Heights*	18-Jun-21
The Many Saints of Newark	12-Mar-21	*Venom: Let There Be Carnage*	25-Jun-21
Raya and the Last Dragon	12-Mar-21	*Top Gun: Maverick*	02-Jul-21
Morbius	20-Mar-21	*Uncharted*	06-Jul-21
No Time to Die (James Bond)	02-Apr-21	*Shang-Chi and the Ten Rings*	09-Jul-21
Bios	16-Apr-21	*The Tomorrow War*	23-Jul-21
Monster Hunter	23-Apr-21	*Minions: The Rise of Gru*	30-Jul-21
A Quiet Place Part II	23-Apr-21	*Jungle Cruise*	30-Jul-21
Last Night in Soho	23-Apr-21	*Halloween Kills*	15-Oct-21
Black Widow	07-May-21	*Dune*	21-Oct-21
Godzilla vs Kong	21-May-21	*Snake Eyes*	22-Oct-21
Spiral	21-May-21	*Eternals*	05-Nov-21
Infinite	28-May-21	*West Side Story*	10-Dec-21
F9	29-May-21		

Source: I-Sec research, Media reports

Production of new big-budget movies only a few big box office hits away

Cinema theatres are significantly dependent on big-budget movies produced, which help drive higher footfalls. We see movie production as a virtuous cycle, which would be triggered with success of a few big-budget products. We expect pre-production works for many movies to be ready during the dull period of production, and shooting to begin with signs of patrons walking into cinemas without Covid fear. H1FY22 would be critical and a few very successful movies would help drive content for the next season. We remain hopeful that FY22 would be a normal year and that its second half would help ramp-up in new projects.

Table 12: Promising Hollywood movies for future

Movies
Jurassic World: Dominion
The Batman
Doctor Strange in the Multiverse of Madness
Avatar and Star Wars
Mission: Impossible 7
Biopic of Elvis Presley
Indiana Jones 5
Jurassic World 3
The Matrix 4
Fantastic Beasts 3
Avatar 2

Source: I-Sec research, Media reports

Growth plans of PVR and INOX on standstill… When should we see new screen additions?

PVR and INOX have seen screen growth of ~12% CAGR over FY14-FY20, and they have huge ambitions to further expand their capacities. INOX has stated it has signed agreements for 1,000 more screens (160% growth) to be added over next few years. Multiplexes are highly under-penetrated compared to presence of Domino's in India (282 cities in FY20). PVR and INOX have been disciplined in expansion and have not overspent with clear focus on FCFE breakeven. We don't see these companies expanding until occupancy stats rise to reasonable levels. Nonetheless, recent fund raising by PVR/INOX will ensure continued healthy balance sheet.

Multiplexes have huge opportunity; Covid only halted it for a while

Multiplexes have huge opportunity for growth arising from replacement of single screens in the industry as well as by going deeper into the markets. PVR and INOX have presence in 71 and 68 cities respectively; however, this is significantly lower than Domino's (Jubilant Foodworks) presence in 282 cities. Rising incomes, growing appetite for outdoor leisure and strong content offerings have boosted demand for multiplexes. Nonetheless, multiplexes need to innovate newer formats suited for smaller cities, which should be more affordable than in the bigger cities.

Chart 31: Multiplexes have been deepening their reach into the market covering by more cities…

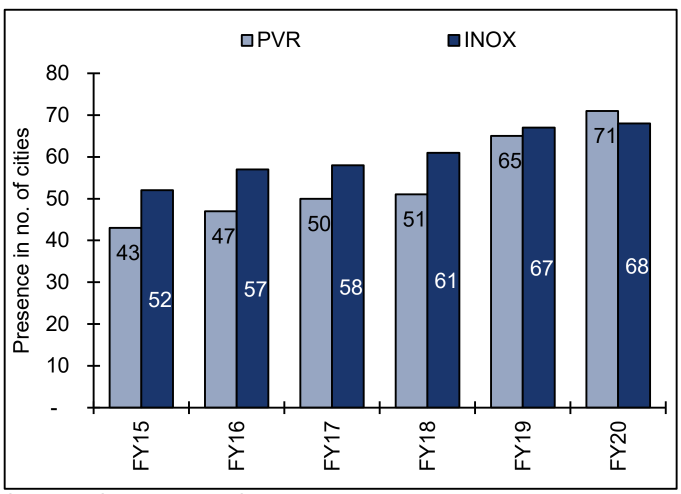
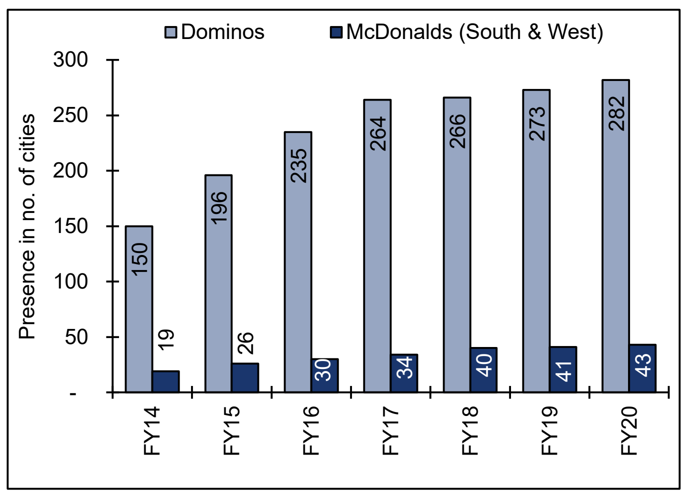


Chart 32: …and we see huge scope for them to further expand their presence; Domino's has presence in 282 cities



Source: I-Sec research, Company

The number of screens for PVR and INOX has grown at a healthy 12% CAGR over FY14-FY20, inclusive of M&A opportunities. Cinepolis, part of a Mexican (and world's fourth-largest) movie theatre chain, has been growing faster while Carnival, fourth-largest multiplex player in India, has grown much slower. Notably, PVR and INOX's number of screens have grown faster than the number of stores for Domino's (10.7% CAGR) and McDonald's (9.6% CAGR).

Unlike Domino's and McDonald's, multiplexes don't have to develop a market for consuming content and have to just replace single screen theatres. Demand for content has existed for years, and more movies with special effects and 3D are driving the demand for better theatre experience.

Multiplexes should also benefit from development of malls in the smaller cities (they make great anchor tenants in malls). It is a win-win for both real estate developers and multiplexes as together they drive higher footfalls, which benefit both. INOX has said it has signed agreements to add 1,000 screens over next few years, which would be an increase of 160% from the current level; this provides huge visibility on future growth in our view.

Chart 33: Number of screens for PVR / INOX has grown at CAGR ~12% over FY14-FY20…

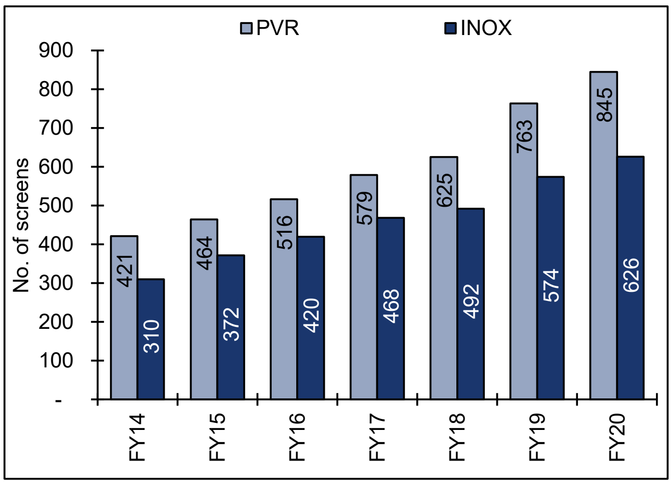
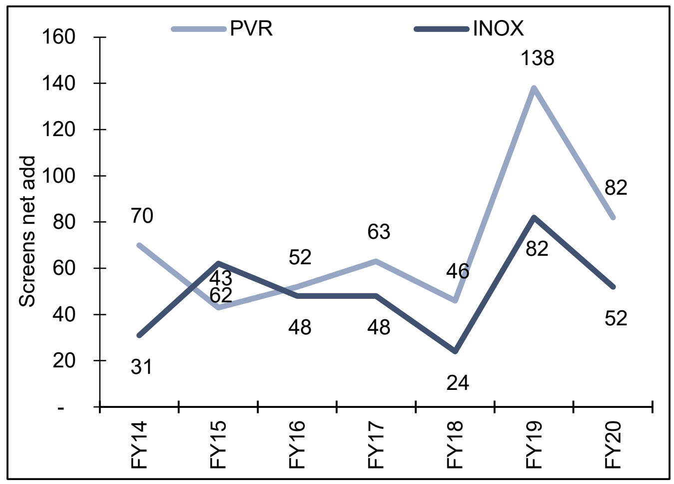


Chart 34: …and the past two years have seen significant acceleration in net addition of screens (inclusive of M&As)



Source: I-Sec research, Company

Chart 35: Cinepolis has seen faster growth in screen count while Carnival underperformed

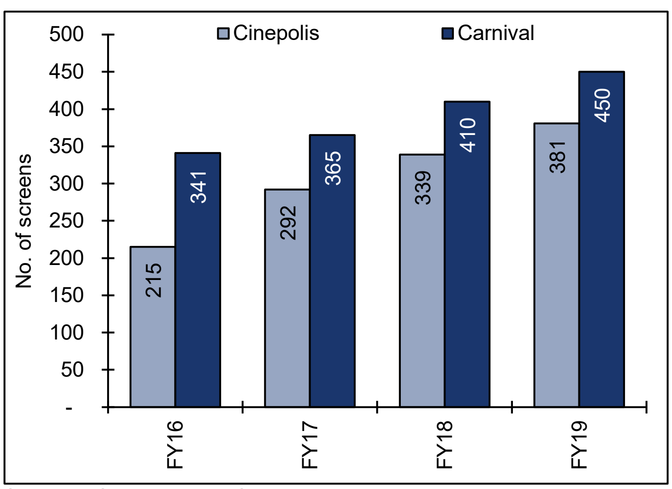
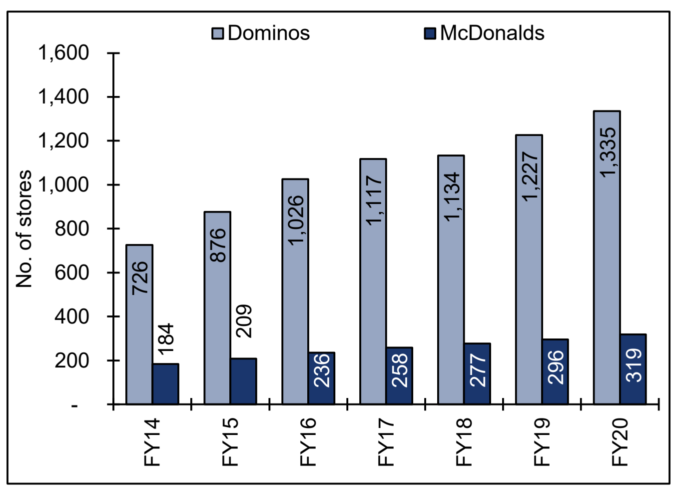
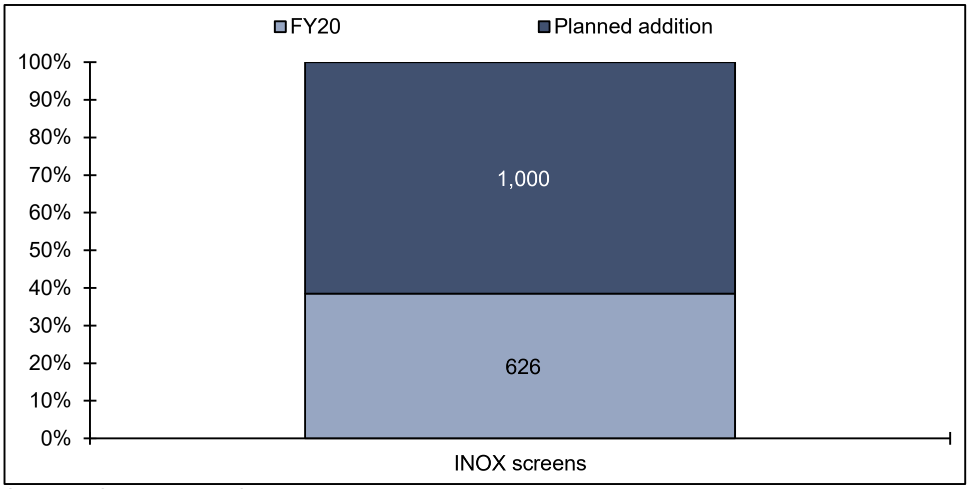


Chart 36: PVR / INOX additions have outperformed store additions by Domino's (all-India) and McDonald's (South and West India)



Source: I-Sec research, Company

Chart 37: INOX has signed contracts to expand its screen count by 160%



Source: I-Sec research, Company

PVR and INOX screen expansion to start with rise in occupancy

PVR and INOX have been disciplined in capex and, in the past six years have tried not to overspend. They have spent enough to breakeven at FCFE and capture growth opportunity celibately. Due to large acquisitions, PVR raised funds to keep its balance sheet healthy. Its net debt to EBITDA dipped to 1.3x in FY20 from 3.6x in FY15. PVR's net debt was Rs9.7bn (post fund raise via rights issue of Rs3bn) in H1FY21.

INOX was almost free of net debt and, despite a healthy balance sheet, did not go over-aggressive in screen addition. It maintained discipline in capex, and has been funding its expansion through internal accruals. It has raised fresh equity in Nov'20, which means its balance sheet would continue to be the best among multiplexes. It had net debt of Rs1bn in H1FY21 and raised equity of Rs2.5bn in Nov'20.

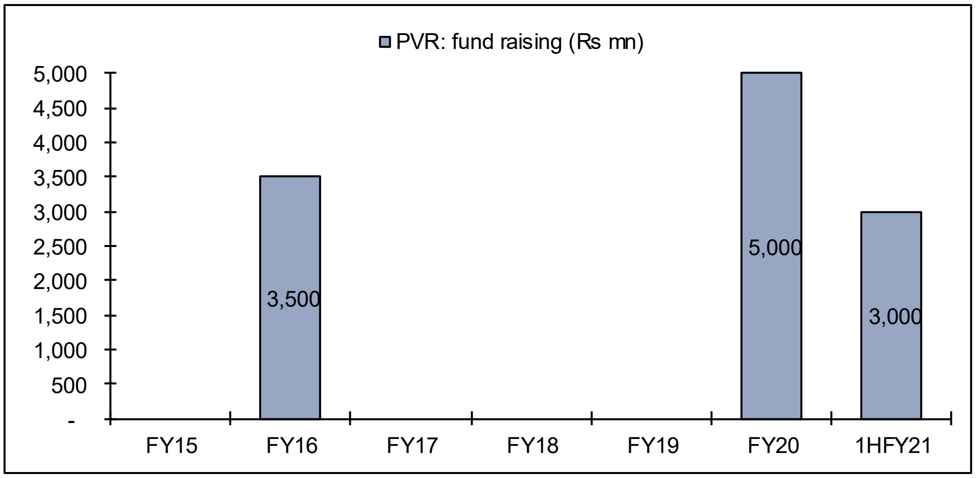
PVR and INOX would start expanding screens when they have visibility on FCFE generation, which is possible only with rise in occupancy. Further, they are also dependent on opening of new malls. We have seen rise in activity in the real estate sector, which means multiplexes should see net addition starting from FY22.

Table 13: PVR capex plans have been such that FCFE breakeven was maintained

(Rs mn)	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
EBITDA	2,008	2,924	3,136	4,018	5,863	10,766
Less: Impact of Ind-AS 116						*5,005*
Cash EBITDA	**2,008**	**2,924**	**3,136**	**4,018**	**5,863**	**5,761**
Operating cashflow	2,170	3,322	3,442	3,880	5,312	10,518
Less: Impact of Ind-AS 116						*5,005*
Operating cashflow	**2,170**	**3,322**	**3,442**	**3,880**	**5,312**	**5,513**
% of cash EBITDA	*108.0*	*113.6*	*109.8*	*96.6*	*90.6*	*95.7*
Screen addition	43	52	31	46	62	82
Capex	**1,694**	**2,345**	**2,001**	**3,400**	**4,362**	**3,851**
Capex/screen	*39*	*45*	*65*	*74*	*70*	*47*
Net debt	7,209	3,949	7,887	7,967	12,472	9,712
ND/EBITDA (x)	*3.6*	*1.4*	*2.5*	*2.0*	*2.1*	*1.7*
Finance cost	**827**	**775**	**730**	**802**	**1,033**	**1,151**
FCFE	**(352)**	**201**	**711**	**(321)**	**(83)**	**511**

Source: I-Sec research, Company

Chart 38: PVR raised capital during large acquisitions in the past and in H1FY21 to keep balance sheet healthy



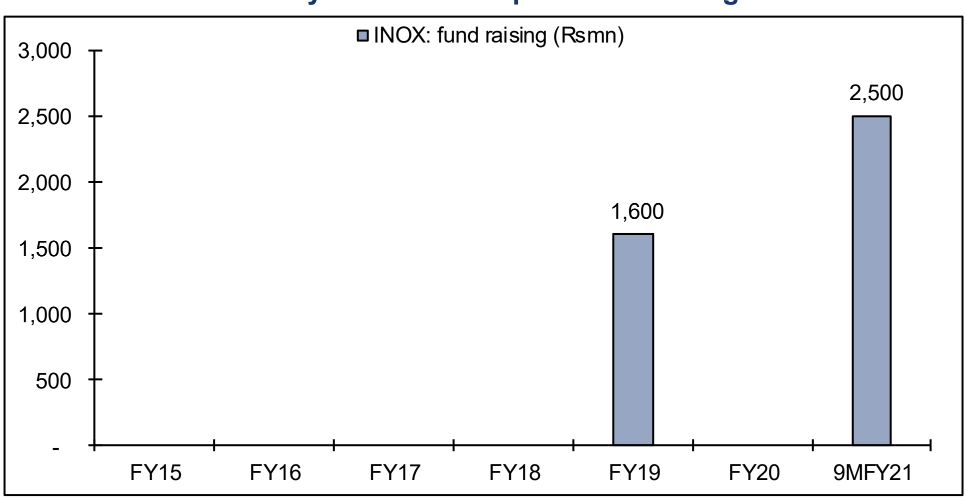
Source: I-Sec research, Company

Table 14: INOX too has been disciplined on capex front, which was benchmarked to FCFE breakeven

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20
EBITDA	1,228	1,891	1,448	2,073	3,083	5,968
Less: Impact of Ind AS 116						*2,670*
Cash EBITDA	**1,228**	**1,891**	**1,448**	**2,073**	**3,083**	**3,298**
Operating cashflow	1,204	1,673	1,305	2,006	2,709	5,468
Less: Impact of Ind AS 116						*2,670*
Operating cashflow	**1,204**	**1,673**	**1,305**	**2,006**	**2,709**	**2,798**
% of cash EBITDA	*98.1*	*88.5*	*90.2*	*96.7*	*87.9*	*84.8*
Screen addition	62	48	48	24	82	52
Capex	**950**	**1,230**	**1,559**	**1,609**	**2,496**	**2,062**
Capex/screen	*15*	*26*	*32*	*67*	*30*	*40*
Net debt	2,213	2,246	2,931	2,645	957	1,119
ND/EBITDA (x)	*1.8*	*1.2*	*2.0*	*1.3*	*0.3*	*0.3*
Finance cost	**421**	**252**	**255**	**290**	**231**	**111**
FCFE	**(167)**	**190**	**(508)**	**107**	**(18)**	**626**

Source: I-Sec research, Company

Chart 39: INOX has very little net debt post fund raising in FY19 and 9MFY21



Source: I-Sec research, Company

Cinema is the second-best family outing in India after dining out, and options are few

In India, family outing has few options and is dominated by visit to restaurants. Cinema is the second-most popular family outing destination; and it is combined with restaurant visits too in malls. Cinema is also very economical on the wallet compared to other options such as music and sport events, and theme parks.

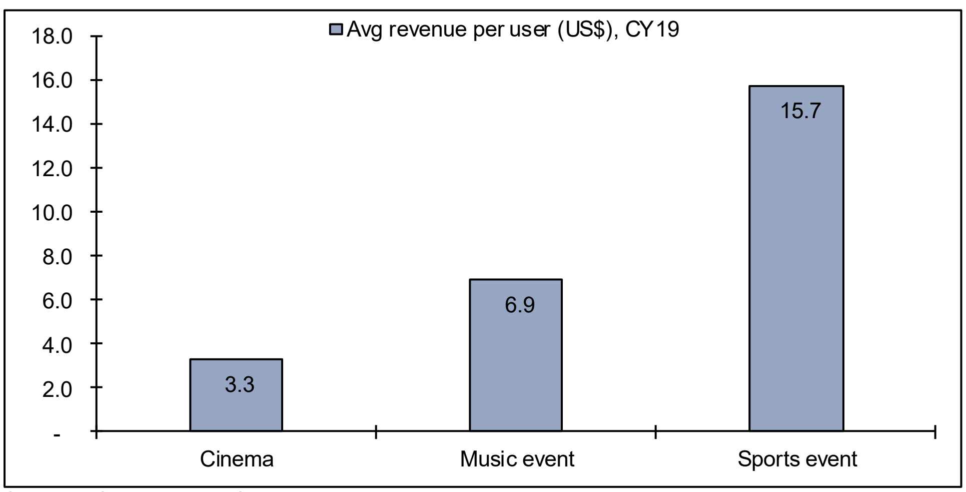
Cinema = movie + restaurant; and most economical outdoor entertainment option in India

Indians have fewer family outing options unlike the Western countries where there are many more activities such as camping, fishing, etc. The most popular family outing is visit to restaurants, and the second most popular is cinema. The evolution of multiplexes offers combination of cinema and restaurants (not really a fine dine, but in India visit to a Domino's or McDonald's store is also considered part of restaurants).

Cinemas are economical on the wallet, and churn new content option on every visit by the customer. Entertainment options in India are cinema, live shows including music events, and sport events (though much fewer). Average music events cost US$6.9 (>2x to cinema) and sport events are massively expensive at US$15.7 (4.7x to cinema). Further, these events are limited to major cities (probably top 10-15 cities), and the remaining population has to travel to nearest major cities, thus adding to cost and time.

Stand-up comedy is an emerging entertainment category but again they are not really for families, and are expensive compared to cinemas.

Chart 40: Cinema is very economical on the wallet relative to other family outings

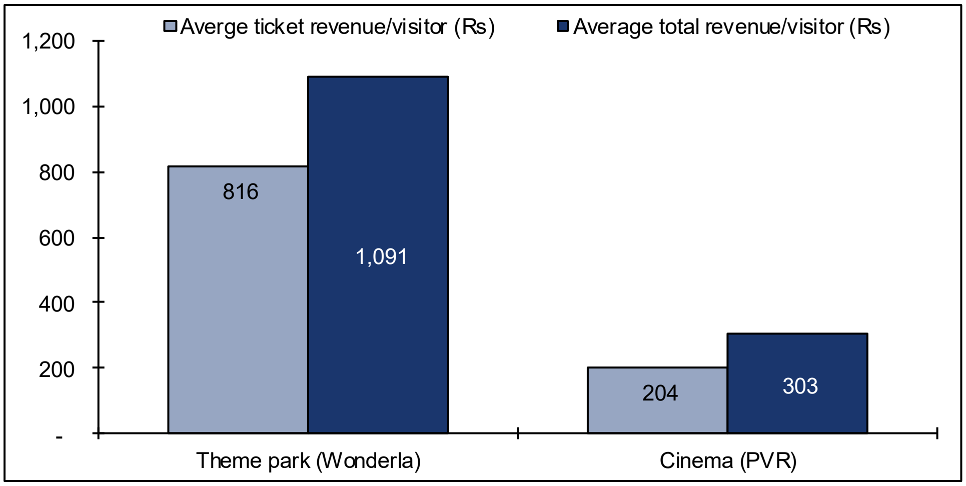


Source: I-Sec research, Statista

Theme parks are monotonous and expensive

Unlike Western theme parks such as Disney, Indian theme parks are monotonous. Disney introduces many rides based on its popular movies / shows whereas Indian theme parks have same games with very few changes. Further, average spend per user on theme parks is also very high compared to cinema.

Chart 41: Theme parks in India are 3x more expensive than cinema and have monotonous content



Source: I-Sec research, Company

PVR and INOX have sufficient cash and healthy balance sheet

PVR and INOX have controlled the costs well during lockdown. They have significantly reduced fixed costs such as rentals and CAMs, employee costs and other miscellaneous costs. This also helped reduce balance sheet stress and the funds raised during FY21 should aid in faster normalisation. Our sensitivity analysis shows, in FY22 PVR and INOX would require 25% occupancy wherein PVR would be able to service debt through internal accruals, and INOX would cover normal capex.

Played well on cost…

PVR / INOX have controlled the costs well during the lockdown. Total quarterly operating cost for PVR has reduced to Rs1.2bn-1.3bn from Rs5bn pre-Covid and the same for INOX has reduced to Rs1bn from Rs2.4bn. Some of these costs were variable (e.g. power & fuel, marketing, and repair & maintenance), but the two companies fought harder to reduce other fixed costs, which has helped reduce cash burn.

Rent and Common area maintenance (CAM): Rent and CAM formed 38% and 30% of total operating costs for PVR / INOX respectively in Q3FY21. The companies negotiated hard to get waivers on rent during lockdown from their landlords. They got rental waivers for 70-80% of properties, and are negotiating with the remaining for shutdown period. Post restart of cinema theatres, few landlords have agreed on revenue share as rent and others have agreed on discount till Mar'21. CAM has started since malls reopened but the costs have been low since the theatres have not resumed. It would gradually increase as mall operations normalise. We are building-in rental and CAM expenses at 70% of H2FY20 in H2FY21E for PVR and 98% for INOX (on low base). From FY22E, we assume rentals to return to pre-Covid levels.

Employee cost: Employee costs formed 22% and 15% of total operating costs for PVR and INOX respectively in Q3FY21. Companies have significantly reduced headcount and the rest have taken temporary salary cut of 25-50%. They are reskilling employees to handle multiple tasks and don't see return of same headcount per screen post-Covid. They see several efficiencies that can be retained permanently; however, they would start rebasing salaries gradually with the reopening of theatres. In H2FY21, employee costs for PVR / INOX are likely to be at ~75% of H2FY20. Employee costs should gradually rise in FY22E with improvement in occupancy, nonetheless structurally lower by 10-15% per screen due to efficiencies learnt in the Covid phase.

Electricity charges: Electricity costs form 10% and 25% of total expenses for PVR and INOX respectively in Q3FY20. A significant part of electricity costs is variable based on the number of shows played. The cost will increase with rise in number of shows.

Other expenses: Other expenses have variable components such as marketing, repair and maintenance, movie distribution costs, etc. Some costs, such as travel, have been reduced as a learning from Covid. Companies expect other expenses on normalised basis to be lower by 10-15% from pre-Covid levels.

Table 15: We see Rs4bn of cash burn in H2FY21 for PVR

(Rs mn)

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21E	Q4FY21E
Expenses	**5,656**	**5,253**	**4,324**	**1,205**	**876**	**2,858**	**3,400**
Employees	1,049	1,067	765	682	407	610	732
Rent	1,484	1,467	1,388	-	-	827	1,040
CAM	388	392	394	280	257	301	355
Electricity	571	507	388	60	84	324	348
Others	1,835	1,509	1,230	258	478	485	614
Total operating cost	**5,328**	**4,943**	**4,165**	**1,279**	**1,226**	**2,548**	**3,089**
Finance cost (net)	328	310	158	(74)	(350)	310	310
Revenue	9,732	9,157	6,451	127	405	1,210	1,882
COGS	2,708	2,609	1,948	7	20	312	523
Gross profit	**7,024**	**6,549**	**4,504**	**120**	**385**	**898**	**1,359**
Cash gap / surplus	**1,368**	**1,295**	**180**	**(1,085)**	**(491)**	**(1,961)**	**(2,041)**

Source: I-Sec research, Company

Table 16: We see Rs2bn of cash burn in H2FY21 for INOX

(Rs mn)

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21E	Q4FY21E
Expenses	**2,411**	**2,402**	**2,317**	**1,097**	**1,080**	**1,432**	**1,832**
Employees	373	369	327	243	152	228	297
Rent & CAM	970	738	982	710	750	800	900
Electricity	420	615	323	38	50	146	214
Others	670	711	688	80	120	257	420
Total operating cost	**2,433**	**2,433**	**2,320**	**1,071**	**1,072**	**1,432**	**1,832**
Finance cost (net)	(22)	(31)	(4)	26	8		
Revenue	5,199	5,129	3,716	3	4	522	1,078
COGS	1,737	1,657	1,201	-	-	132	324
Gross profit	**3,463**	**3,472**	**2,515**	**3**	**4**	**390**	**754**
Cash gap / surplus	**1,051**	**1,070**	**198**	**(1,094)**	**(1,076)**	**(1,042)**	**(1,077)**

Source: I-Sec research, Company

…and prevented balance sheet stress

PVR and INOX have restricted their cash burn and raised adequate capital to keep balance sheet healthy. PVR raised Rs5bn in FY20 to fund the acquisition of SPI Cinema and an additional Rs3bn in H1FY21. PVR's net debt was Rs9bn in H1FY21, which was lower by Rs700mn compared to FY20. However, if we factor-in losses for the next two quarters, then net debt would increase to Rs13bn.

INOX had net debt of only Rs.1.1bn during FY20 thanks to Rs1.6bn equity infusion in FY19. Its net debt stood at Rs1bn in H1FY21 and it raised Rs2.5bn in equity through QIP. Thus, INOX's debt by FY21-end should be very small including cash loss for the next two quarters.

Table 17: PVR's net debt in H1FY21 was lower due to fund raise of Rs3bn

(Rs mn)

	FY19	FY20	H1FY21
Gross debt	**13,824**	**12,947**	**12,791**
Cash & equivalent	**352**	**3,235**	**3,772**
Undrawn borrowings			*1,500*
Net debt	**13,472**	**9,712**	**9,019**

Source: I-Sec research, Company

Table 18: INOX raised Rs2.5bn in equity in Nov'20

(Rs mn)	FY19	FY20	H1FY21
Gross debt	**1,100**	**1,576**	**1,890**
Cash & equivalent	**143**	**457**	**876**
Undrawn borrowings			*64*
Net debt	**957**	**1,119**	**1,014**

Source: I-Sec research, Company

How we should see FY22E…

It is difficult to visualise FY22E performance and how soon patrons will start visiting cinema theatres, and how much help will vaccine provide and from when. Further, we don't see big-budget movies rushing to release with 50% capacity restriction. Thus, we have put up scenario analyses showing financial performance in FY22E at various occupancies.

In our sensitivity analysis for PVR, we have assumed three scenarios: 15%, 25% and 35% occupancy in FY22E, average ticket price (ATP) of Rs205, and spend per head (SHP) of Rs98. This compared to PVR's FY20 occupancy of 34.9%, ATP of Rs204 and SHP of Rs99. Following are our observations:

At 15% occupancy, PVR will make a cash loss of Rs2bn at cash EBITDA and has to fund interest cost and capex.

At 25% occupancy, PVR would generate cash of Rs1.3bn, which should help service debt while capex would be funded through debt or equity infusion.

At 35% occupancy, PVR would generate cash of Rs5.7bn at EBITDA level, which should help service debt and reach normal capex with screen addition of 70-80 p.a.

Table 19: PVR FY22 sensitivity analysis – It should be able service debt from internal accruals at 25% occupancy

(Rs mn / Occupancy)	15%	25%	35%
Seat capacity (mn)	**297**	**297**	**297**
Admits (mn)	45	74	104
ATP (Rs)	205	205	205
Ticket revenue	**7,608**	**12,680**	**17,752**
SPH (Rs)	98	98	98
F&B revenue	**4,158**	**6,930**	**9,702**
Other revenue	2,696	3,852	5,503
Total revenue	**14,462**	**23,461**	**32,956**
Gross profit	10,093	16,179	22,761
GPM (%)	*69.8*	*69.0*	*69.1*
Employee cost	1,852	2,646	3,308
Power & fuel	884	1,263	1,578
Rent	5,441	6,046	6,364
CAM	1,561	1,561	1,561
Others	2,361	3,372	4,215
Expenses	**12,100**	**14,888**	**17,027**
EBITDA	(2,007)	1,291	5,734
EBITDA (%)	*(13.9)*	*5.5*	*17.4*

Source: I-Sec research, Company

In our sensitivity analysis for INOX, we have assumed three scenarios: 15%, 20% and 25% occupancy in FY22E, average ticket price (ATP) of Rs199, and spend per head (SHP) of Rs76. This compared to INOX's FY20 occupancy of 28%, ATP of Rs200 and SHP of Rs80. Following are our observations:

At 15% occupancy, INOX will make a cash loss of Rs0.4bn on operations and has to fund capex. It would still have very low debt levels.

At 20% occupancy, INOX would generate cash of Rs0.7bn, which should help part-fund capex.

At 25% occupancy, INOX would generate cash of Rs2bn from operations, which should help reach normal capex with screen addition of ~50 p.a.

Table 20: INOX FY22 sensitivity analysis – It should reach normal levels of capex at 25% of occupancy

(Rs mn / Occupancy)

	15%	20%	25%
Seat capacity (mn)	**252**	**252**	**252**
Admits (mn)	38	50	63
ATP (Rs)	199	199	199
Ticket revenue	**6,294**	**8,392**	**10,490**
SPH (Rs)	76	76	76
F&B revenue	**2,723**	**3,630**	**4,538**
Other revenue	1,158	1,654	2,364
Total revenue	**10,174**	**13,676**	**17,391**
Gross profit	6,613	8,928	11,455
GPM (%)	*65.0*	*65.3*	*65.9*
Employee cost	917	1,018	1,273
Power & fuel	732	1,046	1,308
Rent	3,818	4,061	4,230
Others	1,503	2,148	2,685
Expenses	**6,970**	**8,273**	**9,496**
EBITDA	(357)	654	1,959
EBITDA (%)	*(3.5)*	*4.8*	*11.3*

Source: I-Sec research, Company

Initiate on PVR and INOX with BUY rating

We initiate coverage on PVR and INOX with **BUY** rating on both and target price of Rs1,679 and Rs424 respectively, valuing PVR at 13x FY23E EBITDA and INOX at 12x FY23E EBITDA.

PVR is a premium theatre chain in India, and its strong business of F&B (which was 62% of Westlife Development and 25% of Jubilant Foodworks revenues in FY20), and advertising is under-appreciated in our view. PVR would continue to grab higher market share over the next decade as well with its ability to raise funds in crucial periods, and likely vacuum in system with many theatres struggling to reopen post Covid. At current price, PVR is trading at 10.3x FY23E EBITDA (adj. Ind-AS 116) and 21.2x FY23E EPS.

Table 21: PVR valuation

Rs mn	**FY23E**
EBITDA (adj. Ind-AS 116)	8,044
Multiple (x)	*13.0*
Enterprise value	**104,568**
Net debt	11,935
Equity value	**92,633**
Shares (mn)	*55.2*
Fair value (Rs/sh)	**1,679**

Source: I-Sec research, Company

INOX is strongly positioned to grow faster ahead of competition on account of narrowing gaps in F&B and advertising revenues *vs* PVR. It is still at only 81% and 64% of PVR on spend/head and ad revenue/screen respectively, and has huge headroom for growth, which indeed would also boost profitability. Further, INOX has the stronger balance sheet vis-à-vis PVR, which on normalisation should allow INOX to grow its screen market share. In past two years, its incremental multiplex screen market share was strong 42% and 27% (*vs* total screen market share of 19.9%). At current price, INOX is trading at 7.8x FY23E EBITDA (adj. Ind-AS 116) and 15.6x FY23E EPS.

Table 22: INOX valuation

Rs mn	**FY23E**
EBITDA (adj. Ind-AS 116)	3,931
Multiple (x)	*12.0*
Enterprise value	**47,174**
Net debt	(510)
Equity value	**47,685**
Shares (mn)	*112*
Fair value (Rs/sh)	**424**

Source: I-Sec research, Company

Table 23: Peer comparison (valuations)

	Reco	Target price (Rs)	Price (Rs)	EPS (Rs)			P/E (x)		EV/E (x)	
				FY21E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
PVR	BUY	1,679	1,280	(107.9)	24.9	60.4	51.4	21.2	15.7	10.3
INOX	BUY	424	278	(23.3)	8.0	17.8	34.5	15.6	13.3	7.8
Jubilant Foodworks*	ADD	2,800	2,708	21.1	43.6	46.2	62.1	58.6	30.9	26.9
Westlife Development*	ADD	470	431	(4.1)	7.3	5.1	59.0	85.0	31.9	24.5

Note: * FY23 is based on Bloomberg consensus estimates
Source: I-Sec research, Company

Table 24: Peer comparison (financials)

	Revenue (Rs mn)				EBITDA -adj for IND AS 116 (Rs mn)			
	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
PVR	34,144	2,246	32,306	39,798	10,766	(2,944)	10,904	14,211
INOX	18,974	1,716	17,996	22,118	5,968	(1,564)	5,394	7,333
Jubilant Foodworks*	39,273	34,868	47,410	52,431	8,756	8,608	12,754	13,603
Westlife Development*	15,473	10,182	17,935	19,420	2,194	801	3,341	3,056

	EBITDA margin (%)				ROIC (%)			
	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
PVR	31.5	(131.1)	33.8	35.7	2.5	(20.9)	8.9	14.8
INOX	31.5	(91.2)	30.0	33.2	1.6	(36.5)	12.7	23.1
Jubilant Foodworks*	22.3	24.7	26.9	25.9	18.2	17.4	32.2	-
Westlife Development*	14.2	7.9	18.6	15.7	10.8	(10.8)	30.5	-

Note: * FY23 is based on Bloomberg consensus estimates
Source: I-Sec research, Company

Risks

- Second wave of Covid
- Delay in lifting restrictions, particularly 50% occupancy cap
- Inadequate content pipeline
- More movie releases on streaming apps, and change in movie consumption habit

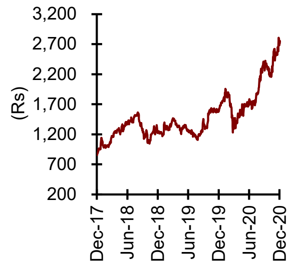
Annexure: Index of tables and charts

Tables

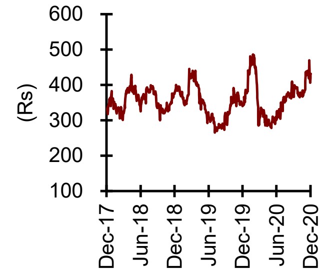
Charts

Price chart

Jubilant Foodworks



Westlife Development



Source: Bloomberg

Equity Research
December 28, 2020
BSE Sensex: 46974

ICICI Securities Limited is the author and distributor of this report

Initiating coverage

Media

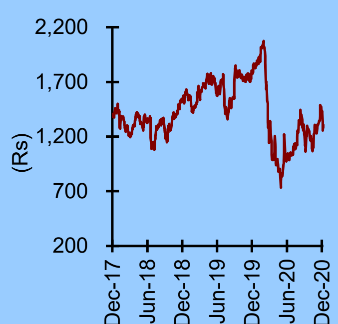
Target price Rs1,679

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	18.5	18.6	18.8
Institutional investors	73.0	66.8	64.7
MFs and others	20.0	14.9	15.7
Banks /FIs	0.0	0.1	0.0
Insurance Cos.	0.1	0.2	0.0
FIIs	38.4	37.1	34.6
Others Inst	14.5	14.5	14.4
Others	8.5	14.6	16.5

Source: BSE

Price chart



Research Analysts:

Sanjesh Jain
sanjesh.jain@icicisecurities.com
+91 22 6637 7153

Sameer Pardikar
sameer.pardikar@icicisecurities.com
+91 22 2277 7637

INDIA

PVR Ltd

BUY

A 'premium' play with market leadership **Rs1,280**

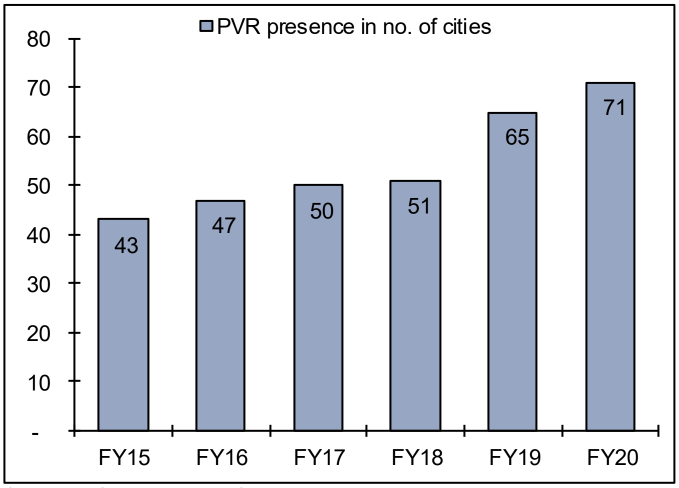
PVR is one of India's premium theatre chains, but its strong F&B business (which constituted 62% of Westlife Development and 25% of Jubilant Foodworks' sales in FY20) and ad revenues are under-appreciated, in our view. We expect PVR to continue to grab higher market share over the next decade as well given its ability to raise funds in crucial periods, and a likely vacuum in the system with many theatres struggling to reopen post Covid. We initiate coverage on PVR with a BUY rating and target price of Rs1,679, valuing it at 13x FY23E EBITDA (implying 28x FY23E EPS). Key risks: second wave of Covid, delay in lifting restrictions (particularly the current 50% occupancy cap), inadequate content pipeline, and more movie releases on streaming apps.

- **Premium player.** PVR is a strong premium player providing enhanced movie-watching experience in India. It has 94 luxury screens (11% of its total screens) and the count continues to grow. It also enjoys industry-leading ATP of Rs204 as at FY20 and one of the highest occupancies at 35%. PVR benefits from strong F&B sales at Rs9.6bn (or spend of Rs100/admit). Its F&B revenues accounted for 62% of Westlife Development and 25% of Jubilant Foodworks' revenues in FY20, and have been growing fast at 18.3% CAGR over FY17-FY20. Its ad revenues too are strong at Rs3.8bn and directly flow into EBITDA, and have grown at a CAGR 14.3% over FY17-FY20. We believe rising revenue contribution from F&B and ads would boost PVR's profitability, FCF and RoCE in the long run.
- **Strong market leader.** PVR's screen count stood at 845, or 9% of total screens in India, in FY20. Its screen share has almost doubled in the past five years from a mere 4.9% in FY15. Among multiplexes, its screen share was 26.8% in FY20, which is likely to expand over the next decade. Its share in industrywide net box office collection (NBOC) has grown to 14.2%, up 610bps in past five years. If we include all the revenue streams (ticket sale, F&B, ads, and others), PVR would have a much bigger revenue pie among theatres in India.
- **Preparing for the next leap.** Though PVR's journey has ground to a halt due to Covid restrictions, and raised survival questions, it reduced cash burn and raised equity of Rs3bn in H1FY21, which helped maintain the balance sheet. Another capital raise of Rs8bn is in the works and it should help the company sail through the next few quarters without compromising growth post market normalisation. Our analysis shows that PVR should be able to service its debt at 25% occupancy in FY22E, which would be the first milestone. The question is, if a market leader like PVR is undergoing such huge stress, it stands to reason that many players may be flushed out of the system before full normalisation. This would provide the survivors huge headroom for growth – and PVR looks prepared to grab the opportunity.

Market Cap	Rs70.6bn/US$960mn
Reuters/Bloomberg	PVRL.BO/PVRL IN
Shares Outstanding (mn)	55.2
52-week Range (Rs)	2075/732
Free Float (%)	81.2
FII (%)	14.4
Daily Volume (US$'000)	39,443
Absolute Return 3m (%)	17.5
Absolute Return 12m (%)	(26.7)
Sensex Return 3m (%)	23.6
Sensex Return 12m (%)	12.9

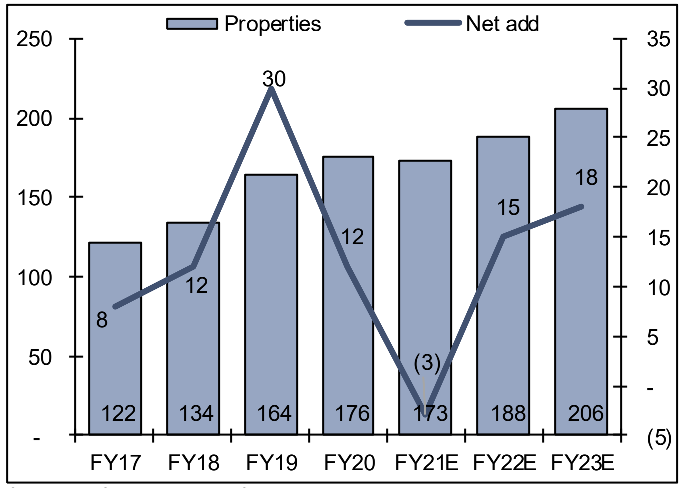
Year to Mar	FY20	FY21E	FY22E	FY23E
Revenue (Rs mn)	34,144	2,246	32,306	39,798
EBITDA(Rs mn)	273	(5,953)	1,373	3,330
Net Income (Rs mn)	5.3	(107.9)	24.9	60.4
EPS (Rs)	(86.5)	(2,129.6)	(123.1)	142.6
P/E (x)	240.8	(11.9)	51.4	21.2
CEPS (Rs)	111.0	(49.9)	131.1	176.9
EV/E (x)	13.1	-18.2	15.7	10.3
Dividend Yield	0.3	0.0	0.0	0.3
RoCE (%)	2.3	(18.8)	8.5	14.8
RoE (%)	2.0	-44.7	11.0	22.5

Chart 1: PVR has been expanding deeper into the market…



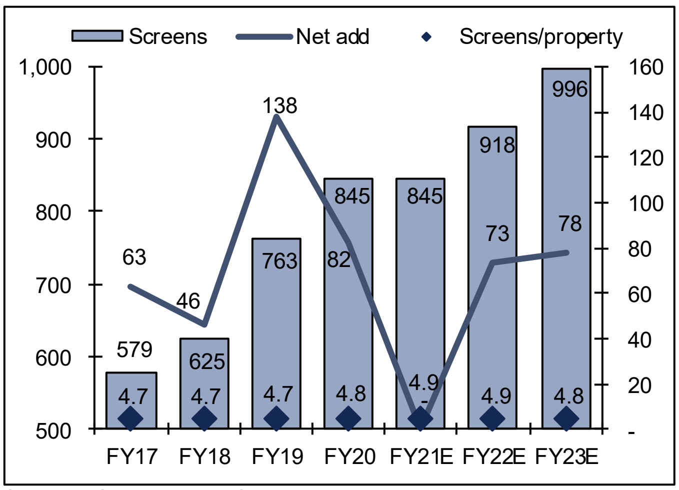
Source: I-Sec research, Company

Chart 2: …which is helping drive higher property addition



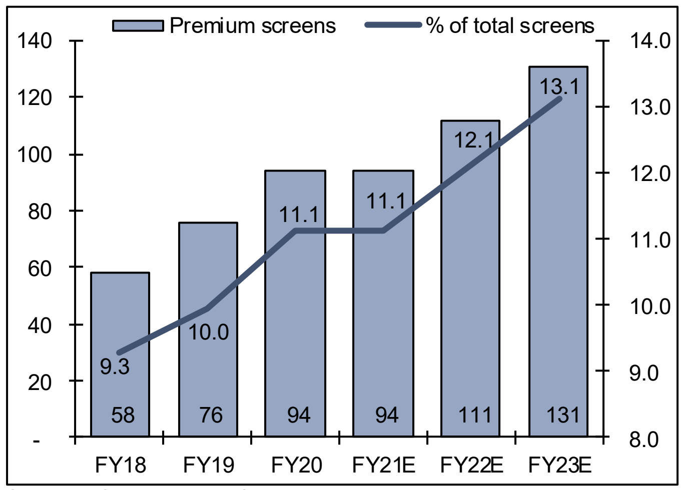
Source: I-Sec research, Company

Chart 3: Screens per property has been on the rise



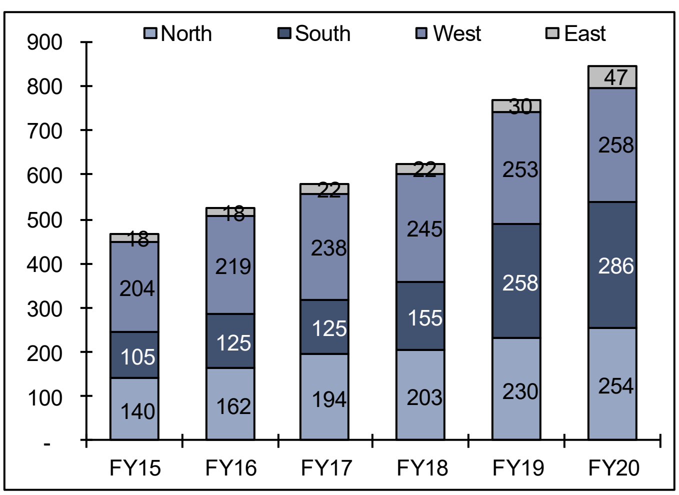
Source: I-Sec research, Company

Chart 4: Premium screen addition is likely to grow



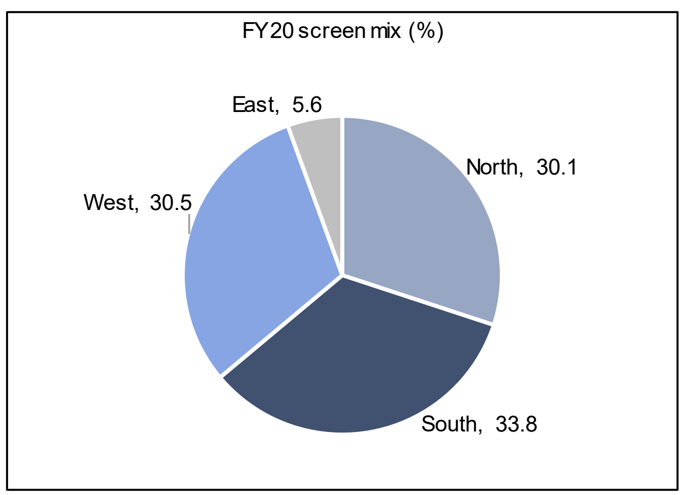
Source: I-Sec research, Company

Chart 5: PVR has good representation across India, except East



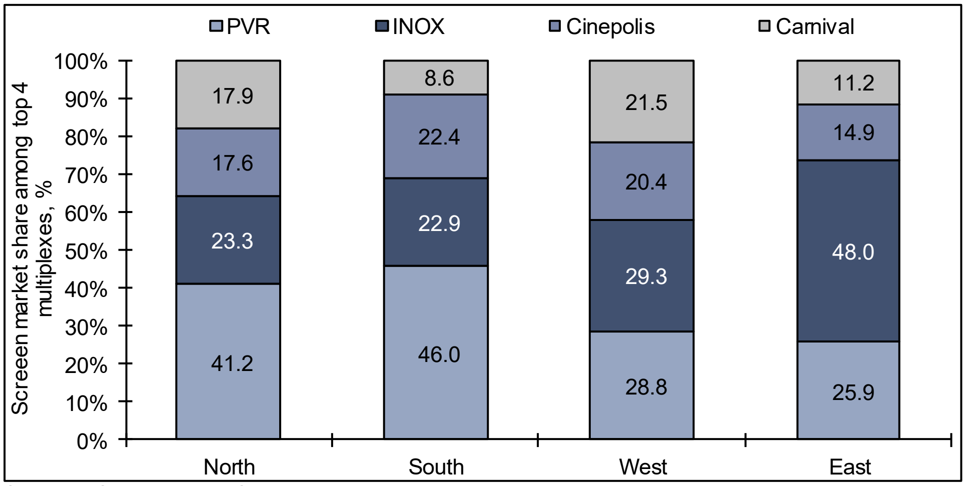
Source: I-Sec research, Company

Chart 6: Company's regional portfolio is balanced



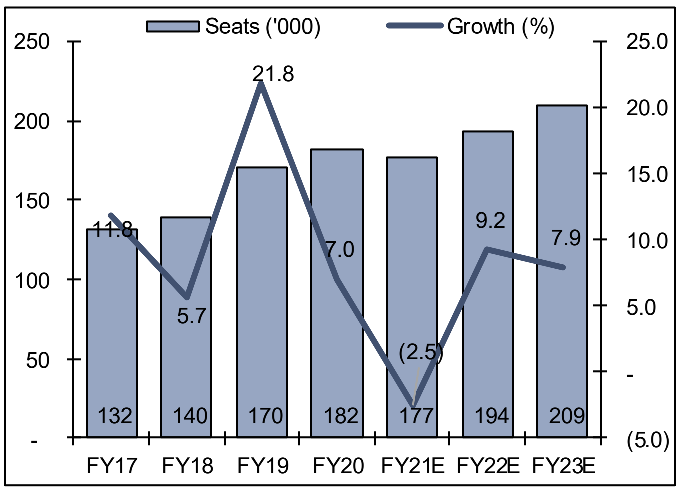
Source: I-Sec research, Company

Chart 7: PVR is market leader in North and South, and a close no. 2 in West



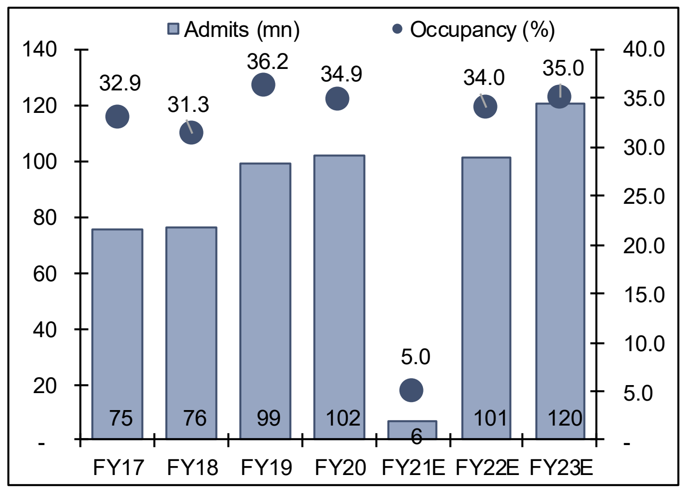
Source: I-Sec research, Company

Chart 8: Seats to start growing from FY22E



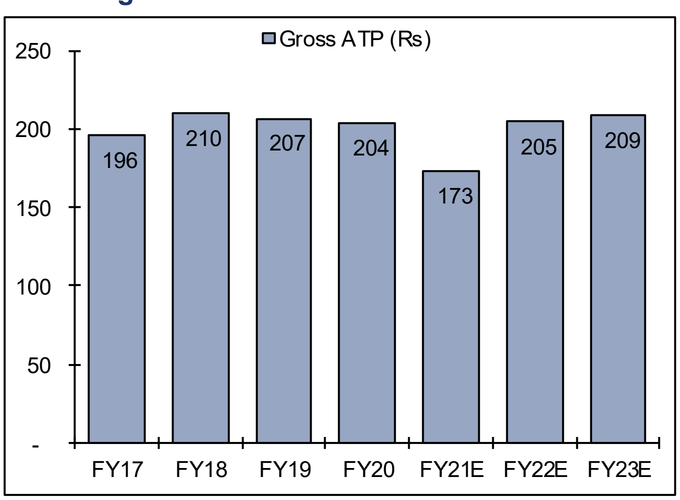
Source: I-Sec research, Company

Chart 9: Occupancy to normalise in H2FY22E



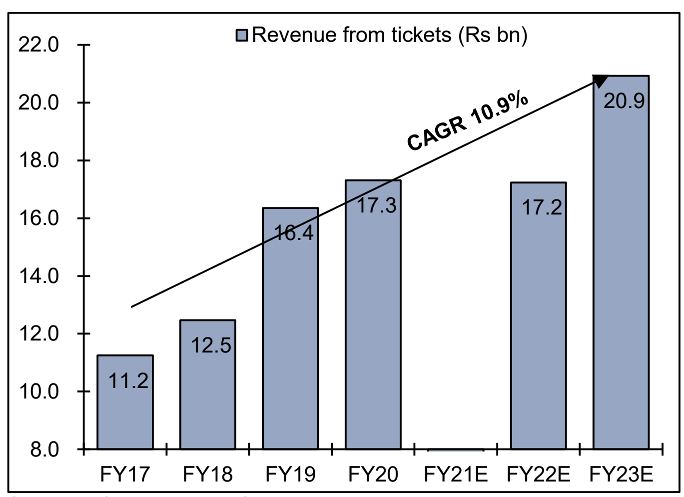
Source: I-Sec research, Company

Chart 10: Gross ATP estimates for FY21E-FY23E assuming FY22E ATP at FY20 level



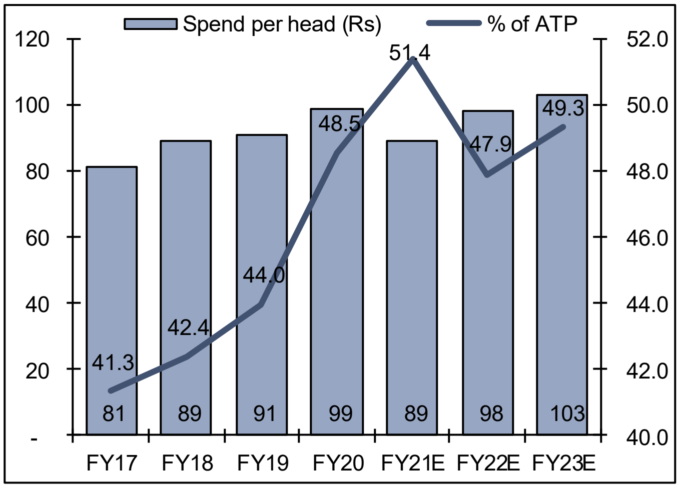
Source: I-Sec research, Company

Chart 11: Estimate ticket revenue CAGR at 6.5% over FY20-FY23E



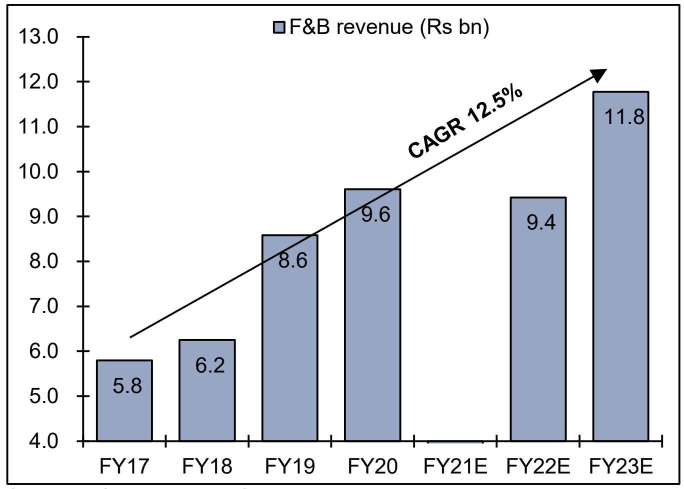
Source: I-Sec research, Company

Chart 12: Gross SHP estimates for FY21E-FY23E assuming FY22E SHP at FY20 level



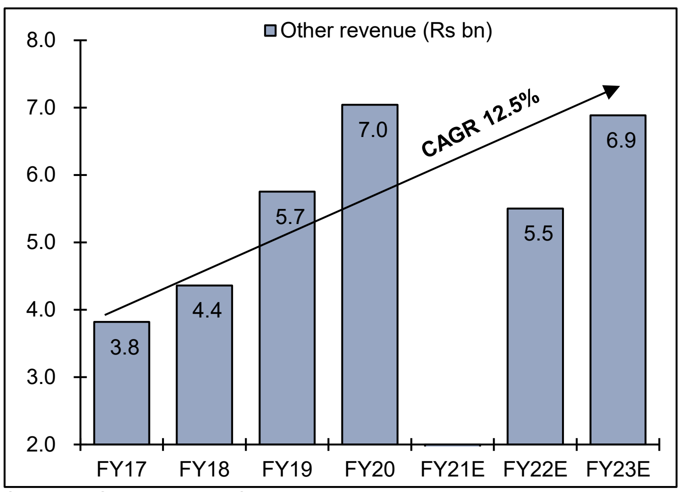
Source: I-Sec research, Company

Chart 13: Estimate F&B revenue CAGR at 7% over FY20-FY23E



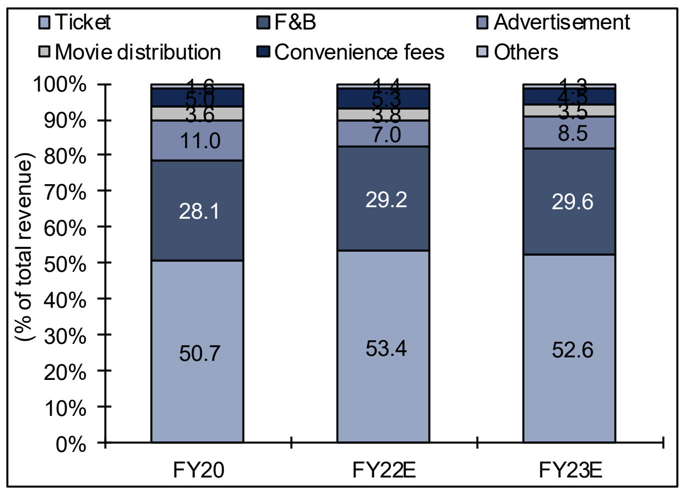
Source: I-Sec research, Company

Chart 14: Building-in gradual recovery in other revenue streams, including ads



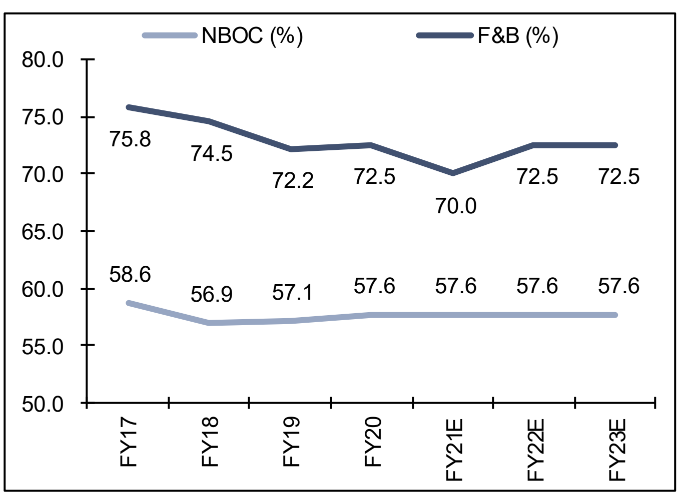
Source: I-Sec research, Company

Chart 15: Ticket revenue contribution likely to start dipping from FY23E again



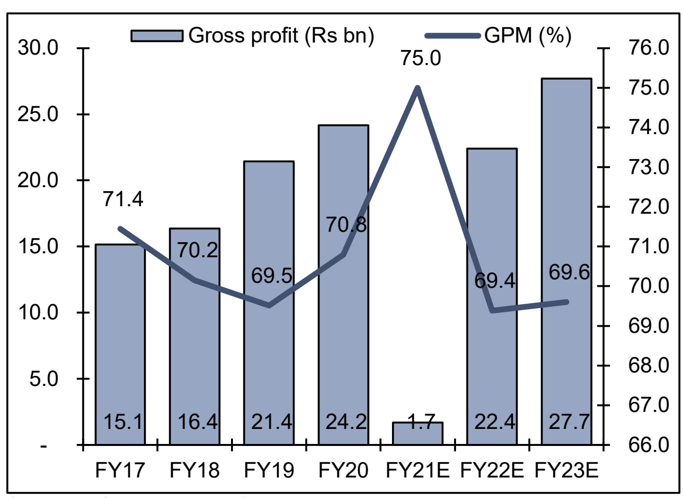
Source: I-Sec research, Company

Chart 16: Assume stable margins across revenue streams



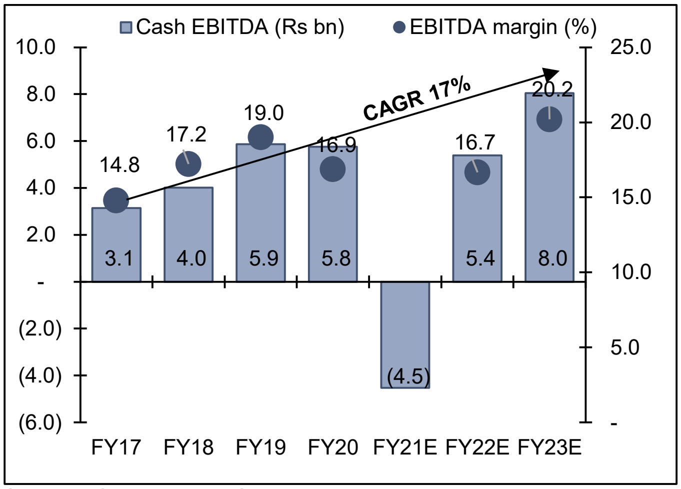
Source: I-Sec research, Company

Chart 17: Forecast gross profit CAGR at 4.6% over FY20-FY23E



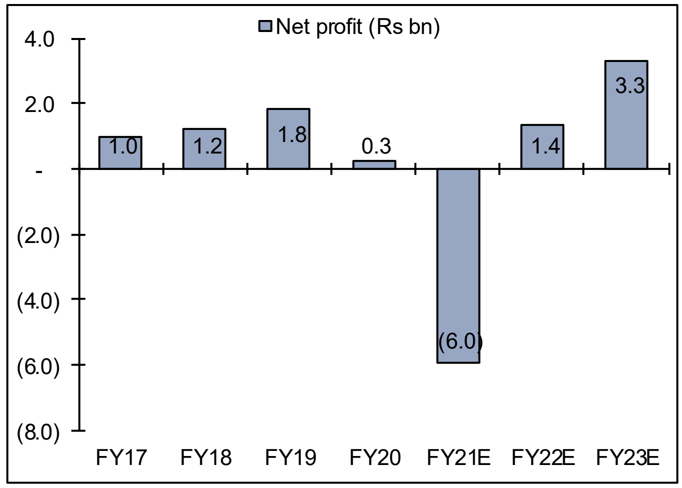
Source: I-Sec research, Company

Chart 18: EBITDA to grow fast at 11.8% CAGR over FY20-FY23E



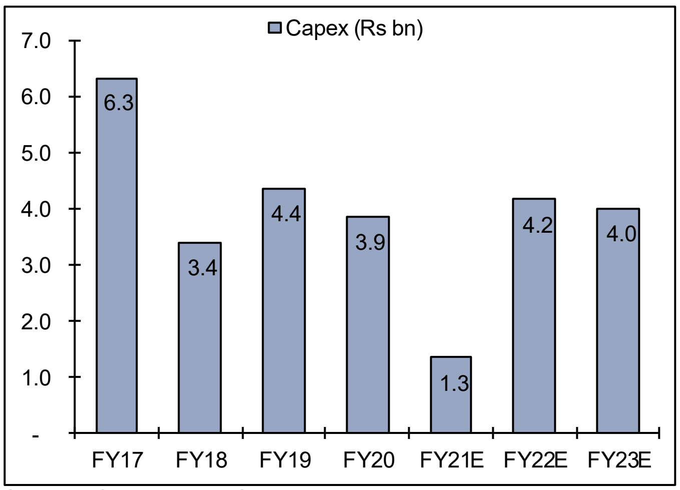
Source: I-Sec research, Company

Chart 19: Net profit growth to benefit on low base of FY21E



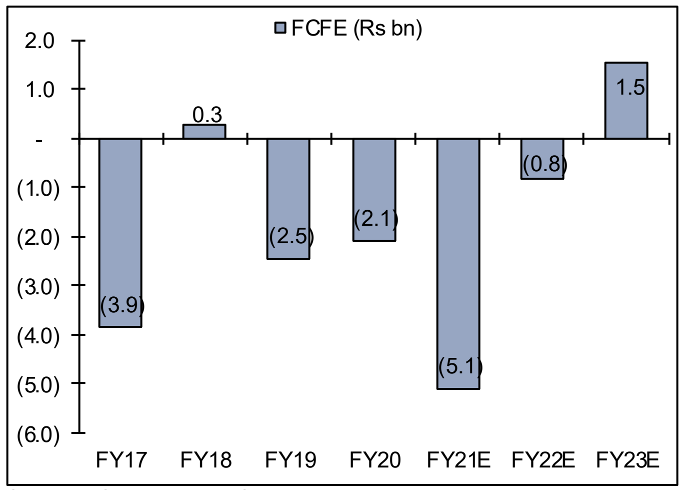
Source: I-Sec research, Company

Chart 20: Capex to rise on screen addition



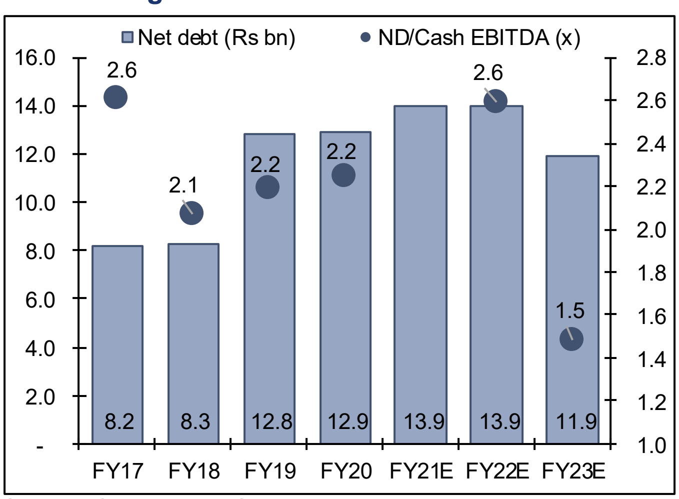
Source: I-Sec research, Company

Chart 21: FCFE breakeven in FY23E



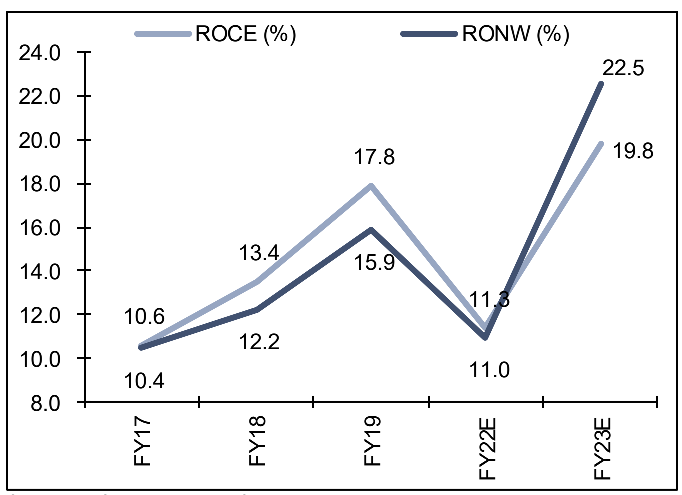
Source: I-Sec research, Company

Chart 22: Net debt likely to fall on another round of fund raising



Source: I-Sec research, Company

Chart 23: RoCE estimated at 20% in FY23E



Source: I-Sec research, Company

Table 1: Cash burn at Rs4bn in H2FY21E

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21E	Q4FY21E
Expenses	**5,656**	**5,253**	**4,324**	**1,205**	**876**	**2,858**	**3,400**
Employees	1,049	1,067	765	682	407	610	732
Rent	1,484	1,467	1,388	-	-	827	1,040
CAM	388	392	394	280	257	301	355
Electricity	571	507	388	60	84	324	348
Others	1,835	1,509	1,230	258	478	485	614
Total operating cost	**5,328**	**4,943**	**4,165**	**1,279**	**1,226**	**2,548**	**3,089**
Finance cost (net)	328	310	158	(74)	(350)	310	310
Revenue	9,732	9,157	6,451	127	405	1,210	1,882
COGS	2,708	2,609	1,948	7	20	312	523
Gross profit	**7,024**	**6,549**	**4,504**	**120**	**385**	**898**	**1,359**
Cash gap / surplus	**1,368**	**1,295**	**180**	**(1,085)**	**(491)**	**(1,961)**	**(2,041)**

Source: I-Sec research, Company

Table 2: FY22 sensitivity analysis shows 25% occupancy would enable PVR to service debt from internal accruals

Rs mn / Occupancy	15%	25%	35%
Seat capacity (mn)	**297**	**297**	**297**
Admits (mn)	45	74	104
ATP (Rs)	205	205	205
Ticket revenue	**7,608**	**12,680**	**17,752**
SPH (Rs)	98	98	98
F&B revenue	**4,158**	**6,930**	**9,702**
Other revenue	2,696	3,852	5,503
Total revenue	**14,462**	**23,461**	**32,956**
Gross profit	10,093	16,179	22,761
GPM (%)	*69.8*	*69.0*	*69.1*
Employee cost	1,852	2,646	3,308
Power & fuel	884	1,263	1,578
Rent	5,441	6,046	6,364
CAM	1,561	1,561	1,561
Others	2,361	3,372	4,215
Expenses	**12,100**	**14,888**	**17,027**
EBITDA	(2,007)	1,291	5,734
EBITDA (%)	*(13.9)*	*5.5*	*17.4*

Source: I-Sec research, Company

Table 3: PVR valuation

Rs mn	FY23E
EBITDA (adj. Ind-AS 116)	8,044
Multiple (x)	*13.0*
Enterprise value	**104,568**
Net debt	11,935
Equity value	**92,633**
Shares (mn)	*55.2*
Fair value (Rs/sh)	**1,679**

Source: I-Sec research, Company

Financial summary

Table 4: Profit and Loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income (Sales)	**34,144**	**2,246**	**32,306**	**39,798**
of which box office collection	*17,312*	*937*	*17,238*	*20,927*
of which F&B	*9,605*	*549*	*9,424*	*11,778*
of which Advertising income	*3,759*	*376*	*2,255*	*3,383*
Cost of goods sold	9,971	562	9,891	12,100
Gross Profit	**24,173**	**1,685**	**22,415**	**27,699**
Operating Expenses	13,407	4,629	11,511	13,488
EBITDA	**10,766**	**(2,944)**	**10,904**	**14,211**
% margins	*31.5*	*(131.1)*	*33.8*	*35.7*
Depreciation & Amortisation	5,425	3,198	5,858	6,430
Gross Interest	4,818	1,929	3,436	3,577
Other Income	378	113	227	249
Recurring PBT	**901**	**(7,958)**	**1,837**	**4,453**
Add: Extraordinaries				
Less: Taxes	627	(2,005)	463	1,122
Share of profit/loss from associate	(5)	(5)	(5)	(5)
Less: Minority Interest	5	5	5	5
Net Income (Reported)	**273**	**(5,953)**	**1,373**	**3,330**
Recurring Net Income	**273**	**(5,953)**	**1,373**	**3,330**

Source: Company data, I-Sec research

Table 5: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	7,536	5,593	5,855	6,516
of which cash & cash eqv.	3,223	2,234	1,643	1,221
Total Current Liabilities & Provisions	12,905	11,621	12,558	14,144
Net Current Assets	**(5,369)**	**(6,028)**	**(6,703)**	**(7,628)**
Investments				
of which Strategic/Group	5	5	5	5
Net Fixed Assets	**49,887**	**49,028**	**50,800**	**52,255**
of which				
Capital Work-in-Progress	*1,547*	*1,392*	*1,547*	*1,547*
Right of use of assets	*30,047*	*30,047*	*30,047*	*30,047*
Non-current assets	*6,344*	*5,994*	*6,113*	*7,052*
Goodwill	*10,520*	*10,520*	*10,520*	*10,520*
Total Assets	**61,387**	**59,521**	**60,735**	**62,205**
Liabilities				
Borrowings	9,134	10,134	10,134	8,134
Deferred Tax Liability	14	14	14	14
Lease liabilities	35,691	35,691	35,691	35,691
Other non-current liabilities	1,742	1,828	1,670	2,030
Minority Interest	3	3	3	3
Equity Share Capital	514	552	552	552
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	14,289	11,298	12,671	15,781
Net Worth	**14,802**	**11,850**	**13,223**	**16,332**
Total Liabilities	**61,387**	**59,521**	**60,735**	**62,205**

Source: Company data, I-Sec research

Table 6: Quarterly trends

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net sales	9,157	6,451	127	405
% growth (YoY)	8.6	(23.0)	(98.6)	(95.8)
EBITDA	3,073	1,727	(1,159)	(842)
Margin (%)	33.6	26.8	-	-
Other income	82	167	427	702
Net profit	363	(745)	(2,256)	(1,840)

Source: Company data

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cash flow	**10,518**	**(940)**	**10,440**	**13,088**
Working Capital Changes	(2,647)	105	(193)	(76)
Capital Commitments	(3,851)	(1,345)	(4,155)	(4,000)
Free Cash Flow	**4,020**	**(2,180)**	**6,092**	**9,012**
Cash flow from Investing Activities	**(53)**	**113**	**227**	**249**
Issue of Share Capital	5,041	3,001	-	-
Buyback of shares				
Inc (Dec) in Borrowings	(674)	1,000	-	(2,000)
Dividend paid	(360)	-	-	(221)
Interest paid	(1,151)	(1,929)	(3,436)	(3,577)
Repayment of lease liabilities	**(4,965)**	**(994)**	**(3,475)**	**(3,885)**
Chg. in Cash & Bank balance	**1,857**	**(989)**	**(591)**	**(422)**

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (Rs)				
Recurring EPS	5.3	(107.9)	24.9	60.4
Reported EPS	5.3	(107.9)	24.9	60.4
Recurring Cash EPS	111.0	(49.9)	131.1	176.9
Dividend per share (DPS)	4.0	-	-	4.0
Book Value per share (BV)	288.3	214.8	239.7	296.0
Growth Ratios (%)				
Operating Income	10.7	(93.4)	1,338.1	23.2
EBITDA	83.6	(127.3)	(470.3)	30.3
Recurring Net Income	(85.1)	(2,280.7)	(123.1)	142.6
Diluted Recurring EPS	(86.5)	(2,129.6)	(123.1)	142.6
Diluted Recurring CEPS	38.3	(145.0)	(362.5)	35.0
Valuation Ratios (x)				
P/E	240.8	(11.9)	51.4	21.2
P/CEPS	11.5	(25.6)	9.8	7.2
P/BV	4.4	6.0	5.3	4.3
EV / EBITDA (adj for AS116)	13.1	(18.2)	15.7	10.3
EV / Operating Income	2.2	36.6	2.6	2.1
EV / Operating FCF	18.7	(37.8)	13.9	9.2
Operating Ratio				
Cost of revenues / Revenues (%)	29.2	25.0	30.6	30.4
Other expenses/ Sales (%)	27.7	135.9	25.4	24.6
Other Income / PBT (%)	41.9	(1.4)	12.3	5.6
Effective Tax Rate (%)	69.6	25.2	25.2	25.2
NWC / Total Assets (%)	(82.6)	(129.5)	(52.0)	(23.0)
Receivables (days)	20	200	21	22
Payables (days)	33	350	33	33
D/E Ratio (x)	0.7	1.0	1.1	0.7
Return/Profitability Ratio (%)				
Recurring Net Income Margins	0.8	(265.0)	4.2	8.4
RoCE (Pre-tax)	2.3	(18.8)	8.5	14.8
RoNW	2.0	(44.7)	11.0	22.5
Dividend Payout Ratio	75.2	-	-	6.6
Dividend Yield	0.3	-	-	0.3
EBITDA Margins	31.5	(131.1)	33.8	35.7

Source: Company data, I-Sec research

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Equity Research
December 28, 2020
BSE Sensex: 46974

ICICI Securities Limited is the author and distributor of this report

Initiating coverage

Media

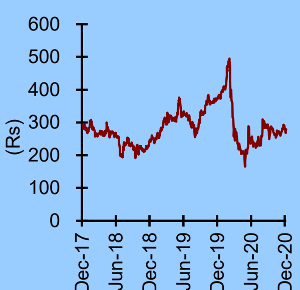
Target price Rs424

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	51.9	51.9	51.9
Institutional investors	32.6	29.9	32.0
MFs and others	22.3	19.7	20.6
Banks /FIs	0.1	0.1	0.0
Insurance Cos.	0.0	0.0	0.2
FIIs	10.1	10.1	11.2
Others	15.5	18.2	16.1

Source: BSE

Price chart



Research Analysts:

Sanjesh Jain
sanjesh.jain@icicisecurities.com
+91 22 6637 7153

Sameer Pardikar
sameer.pardikar@icicisecurities.com
+91 22 2277 7637

INDIA

INOX Leisure Ltd

BUY

Vantage position!

Rs278

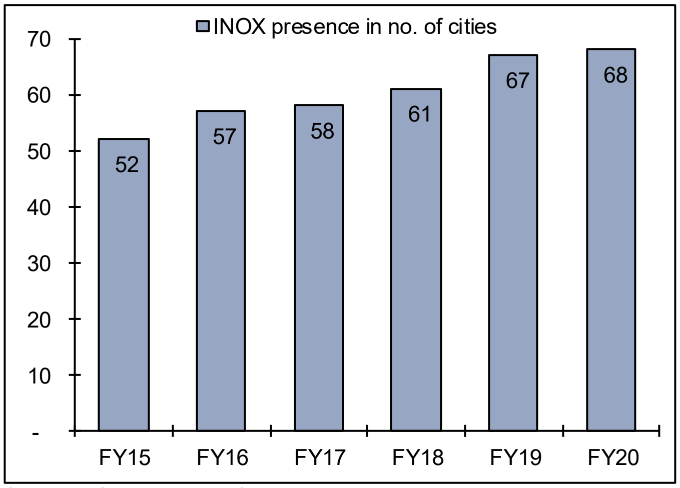
INOX Leisure (INOX) is strongly positioned to grow faster than competition on the back of narrowing gaps in its F&B and ad revenues *vs* PVR. INOX's F&B revenues are at only 81% of PVR's on 'spend-per-head' (SPH) basis and ad revenues/screen at 64%. These gaps offer INOX huge headroom for growth, which will boost its profitability too. INOX has strongest balance sheet among multiplex companies which, on normalisation from Covid restrictions, should allow it to grow its screen market share. In the past two years, INOX's incremental multiplex screen market share was strong at 42% and 27% (*vs* 19.9% of total multiplex screens). We initiate coverage on INOX with a BUY rating and target price of Rs424, valuing the stock at 12x FY23E EBITDA (implied FY23E P/E of 24x). Key risks: second wave of Covid, delay in lifting restrictions (occupancy is now capped at 50%), inadequate content pipeline, and more movie releases on streaming apps.

- **Multi-faceted growth.** INOX has multiple growth levers and can significantly outperform the industry. Growth opportunities: **1)** INOX ATP is 98% of PVR's in FY20, and INOX has narrowed its gap with PVR, which was 91% in FY17. However, INOX's SHP has yet to catch up – it is at only 81% of PVR's as at FY20 *vs* 76% in FY17. **2)** INOX's ad revenue per screen is just 64% of PVR's as at FY20 *vs* 47% in FY17; this gap too should narrow with rise in occupancy. **3)** INOX's 'net debt free' balance sheet would allow it to accelerate screen addition; it has signed contracts to add 1,000 screens over the next few years. **4)** Complete screens portfolio gap in North and South, and Covid should throw good inorganic opportunities.
- **Can INOX speed up its market share expansion?** Company's screen market share grew from 3.9% in FY15 to 6.6% in FY20 – and, in the multiplex space, to 19.9%. Its incremental multiplexes screen market share in FY19 and FY20 stood strong at 42% and 26.7%, which indicates its screen market share is growing ahead of peers. INOX's market share in net box office collection increased from 5.4% in FY15 to 9% in FY20, and its strong balance sheet will allow it to remain ambitious.
- **Vantage position.** Unlike other theatre chains, INOX is free of net debt and has monetised treasury shares, raised equity of Rs2.5bn in FY21 to fund the cash burn, and has not burdened its balance sheet. Company will generate higher FCFE as a percentage of revenues due to its lean cost structure and no finance cost. This should allow it to grow faster organically while keeping enough headroom for inorganic growth. South India has significant presence of single screens and very strong film markets, and INOX could evaluate aggressive expansion in the region. Further, the sensitivity of occupancy rise to profitability is highest for INOX (100bps higher occupancy boosts its cash EBITDA by 11.7% *vs* 9.1% for PVR).

Market Cap	Rs31.6bn/US$428mn
Reuters/Bloomberg	INOL.BO/INOL IN
Shares Outstanding (mn)	112.7
52-week Range (Rs)	495/165
Free Float (%)	48.1
FII (%)	11.2
Daily Volume (US$'000)	3,257
Absolute Return 3m (%)	5.2
Absolute Return 12m (%)	(24.8)
Sensex Return 3m (%)	23.6
Sensex Return 12m (%)	12.9

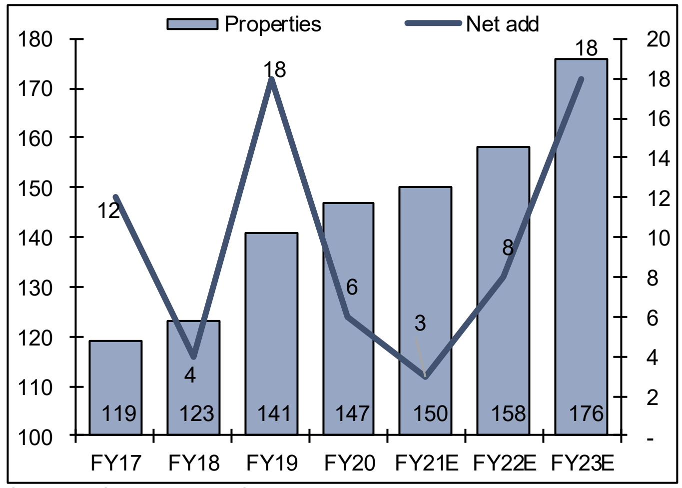
Year to Mar	FY20	FY21E	FY22E	FY23E
Revenue (Rs mn)	18,974	1,716	17,996	22,118
EBITDA(Rs mn)	150	(2,616)	905	2,002
Net Income (Rs mn)	1.5	(23.3)	8.0	17.8
EPS (Rs)	(88.8)	(1,691.2)	(134.6)	121.2
P/E (x)	190.2	(12.0)	34.5	15.6
CEPS (Rs)	12.0	(14.0)	17.9	29.3
EV/E (x)	9.0	-12.9	13.3	7.8
Dividend Yield	0.4	0.0	0.0	0.4
RoCE (%)	1.5	(31.3)	10.0	19.6
RoE (%)	1.9	-39.2	12.0	22.3

Chart 1: INOX is fast catching up on market presence with PVR…



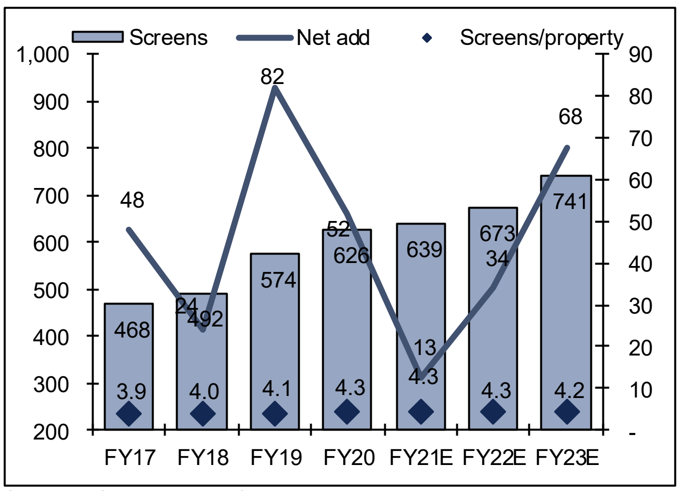
Source: I-Sec research, Company

Chart 2: … and has ambitious plans for growth



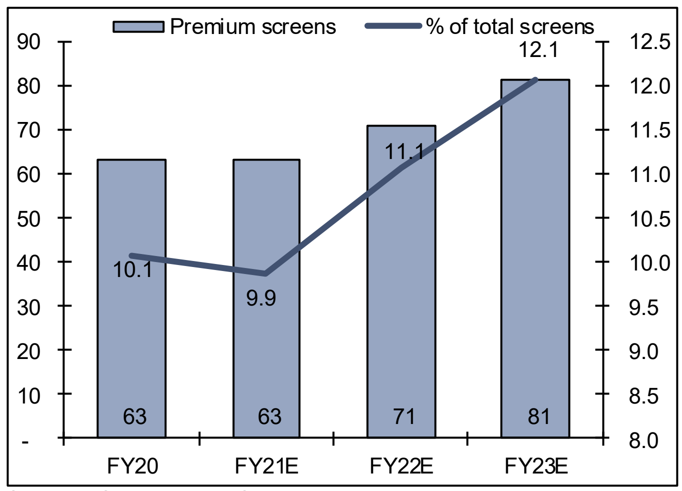
Source: I-Sec research, Company

Chart 3: Screen count has also benefited from rise in the number of screens per property



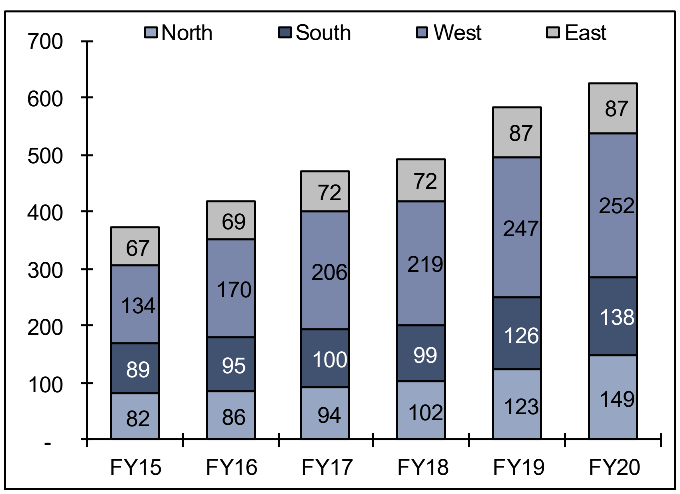
Source: I-Sec research, Company

Chart 4: Premium screen share of total number of screens is likely to grow



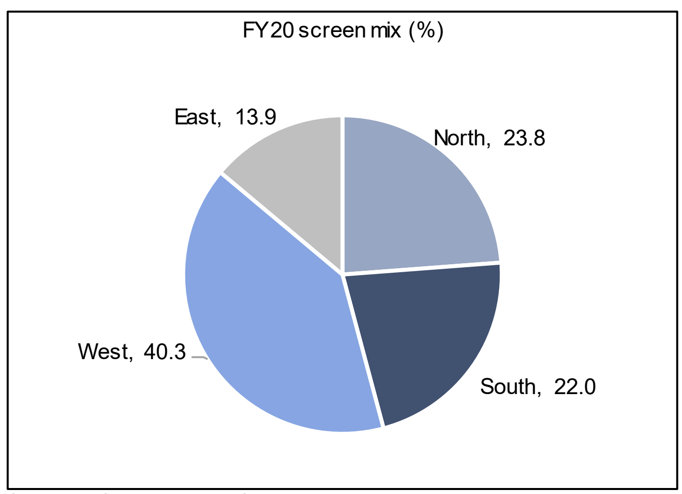
Source: I-Sec research, Company

Chart 5: INOX presence is skewed toward West



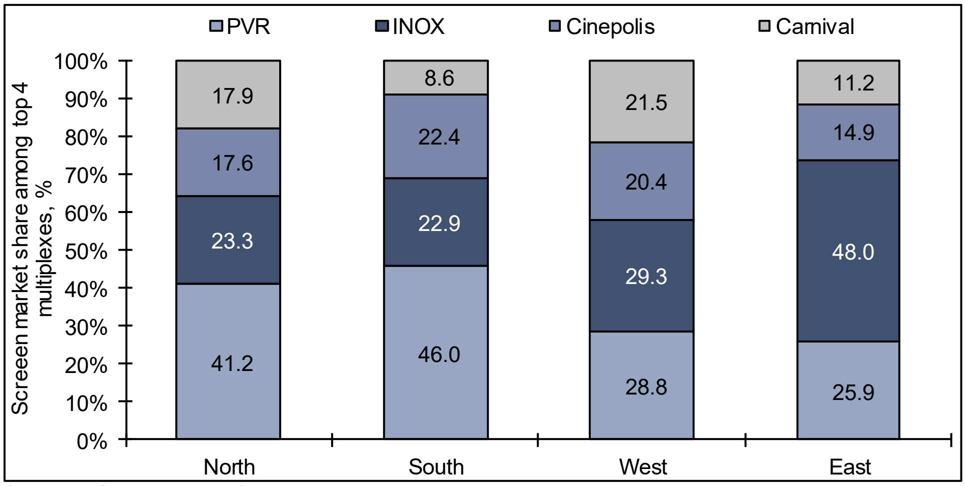
Source: I-Sec research, Company

Chart 6: It has huge scope for growth in South



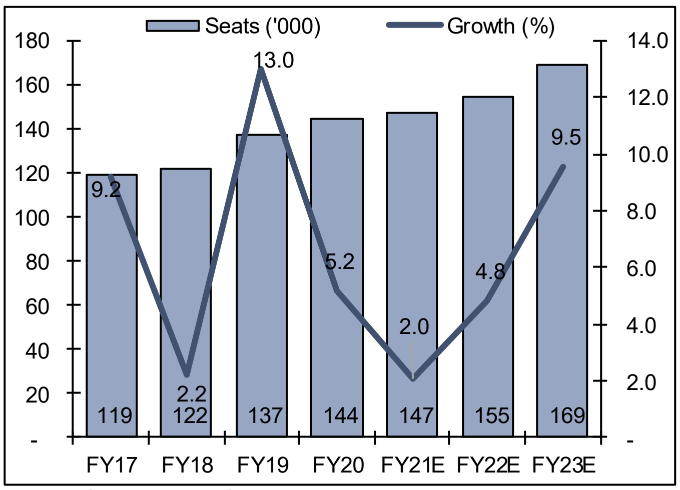
Source: I-Sec research, Company

Chart 7: INOX is market leader in East and West regions



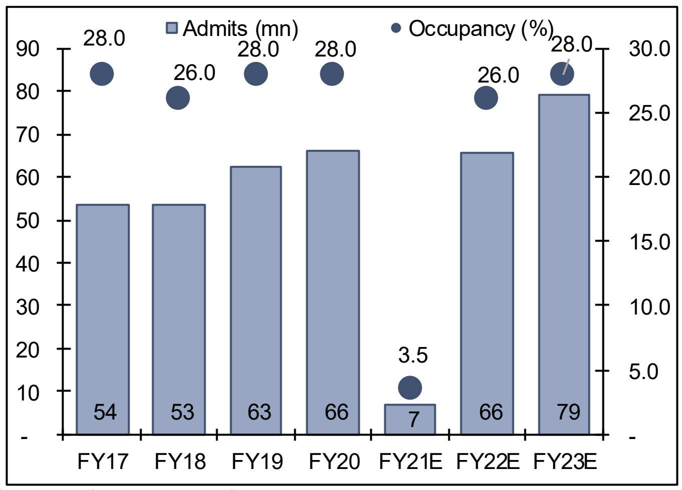
Source: I-Sec research, Company

Chart 8: Seat growth should pick up from FY22 itself



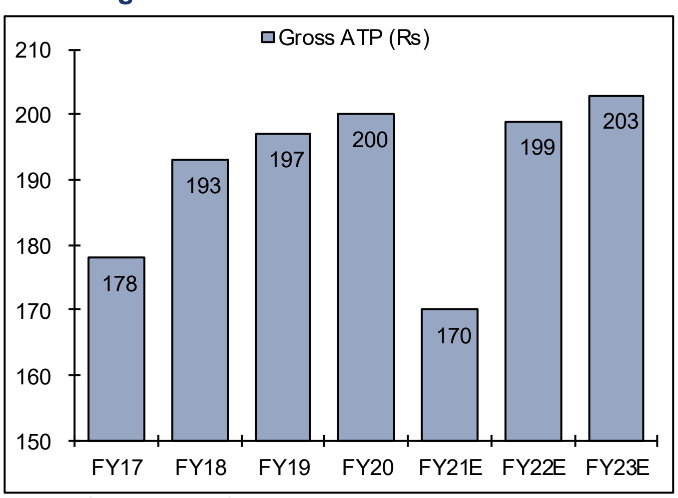
Source: I-Sec research, Company

Chart 9: Occupancy likely to normalise in H2FY22E



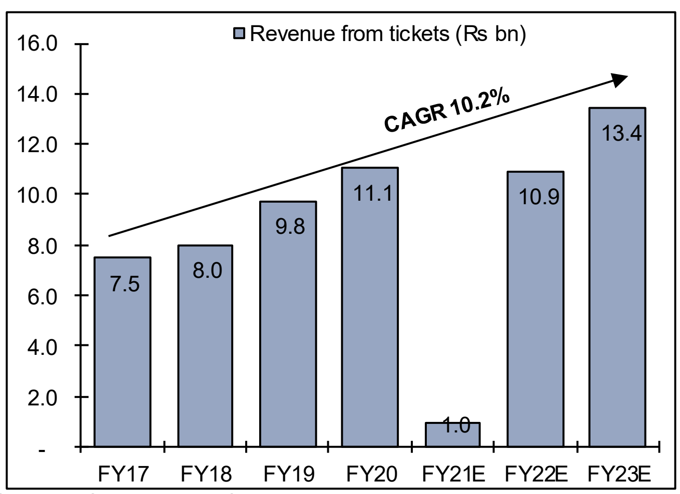
Source: I-Sec research, Company

Chart 10: Gross ATP estimates for FY21E-FY23E assuming FY22E at FY20 levels



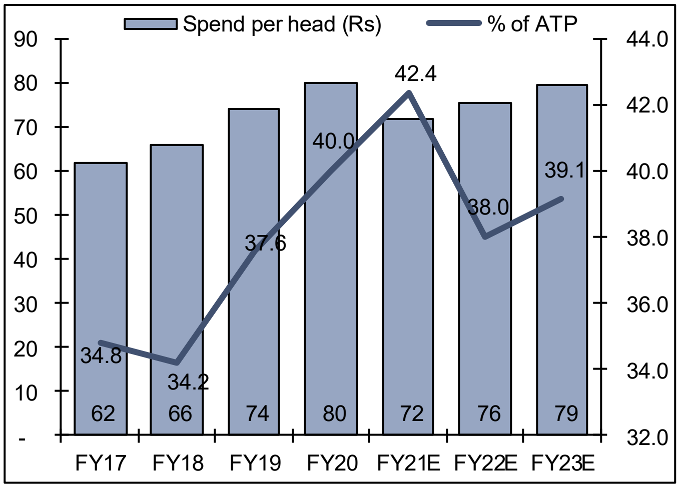
Source: I-Sec research, Company

Chart 11: Ticket revenue CAGR estimated at 6.7% over FY20-FY23E



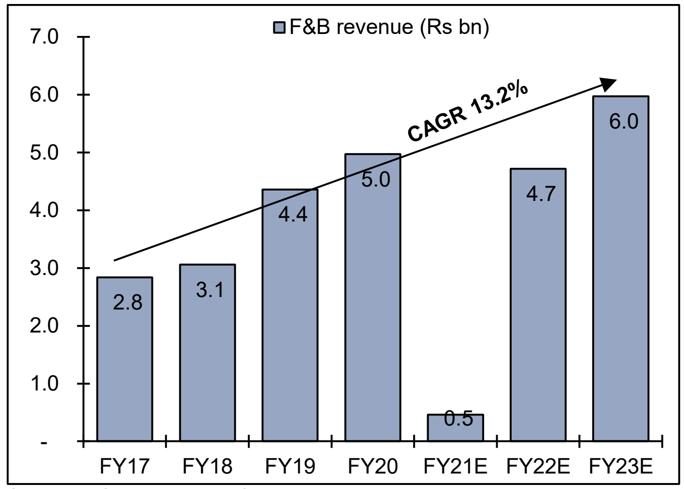
Source: I-Sec research, Company

Chart 12: SPH estimates for FY21E-FY23E assuming FY22E at FY20



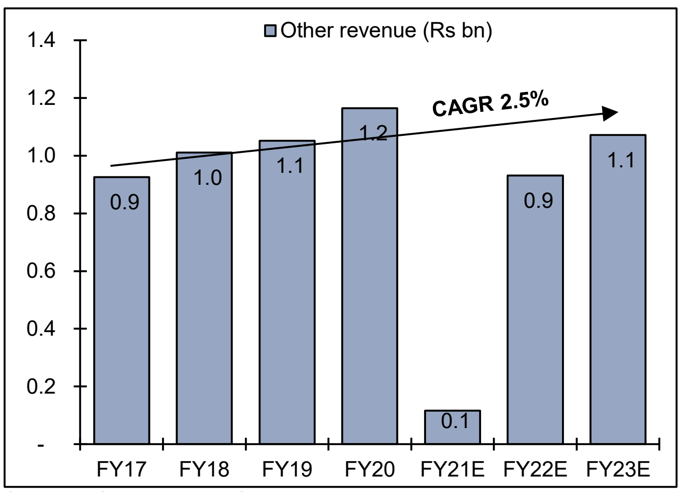
Source: I-Sec research, Company

Chart 13: F&B revenue CAGR estimated at 6.3% over FY20-FY23E



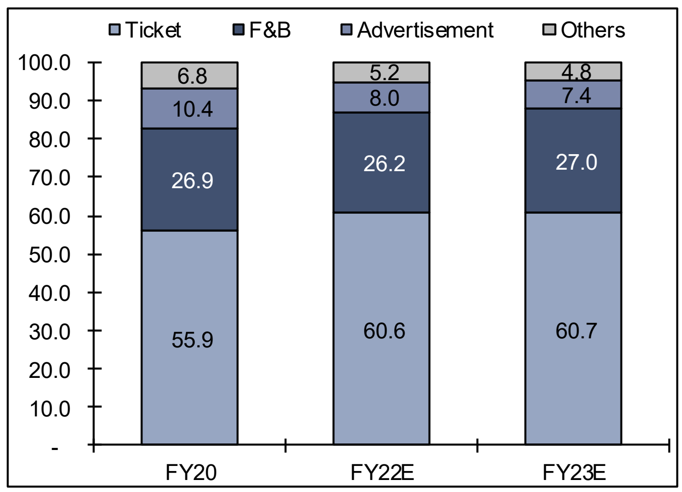
Source: I-Sec research, Company

Chart 14: We build-in gradual recovery in other revenue streams including ads



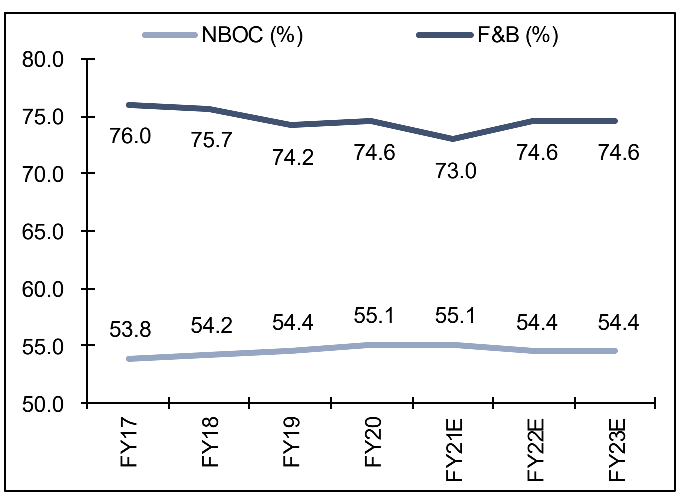
Source: I-Sec research, Company

Chart 15: We estimate F&B revenue contribution to rise over FY20-FY23E



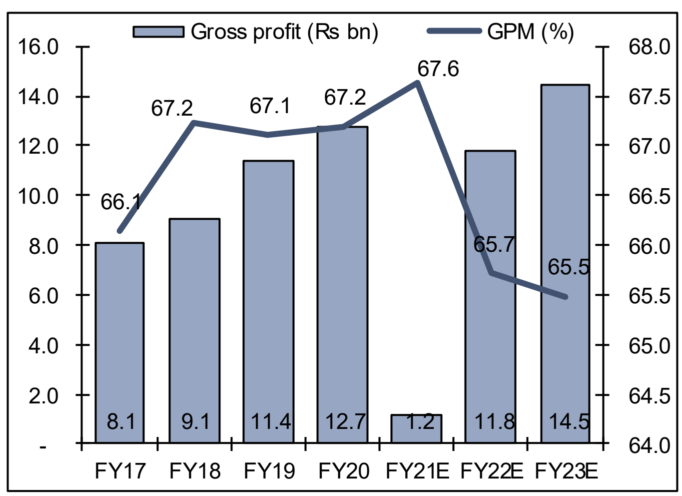
Source: I-Sec research, Company

Chart 16: Assume stable margins across revenue streams



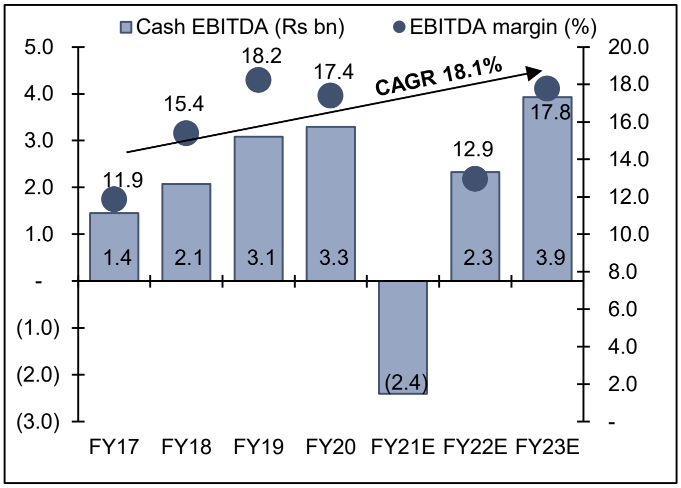
Source: I-Sec research, Company

Chart 17: Forecast gross profit CAGR at 4.3% over FY20-FY23E



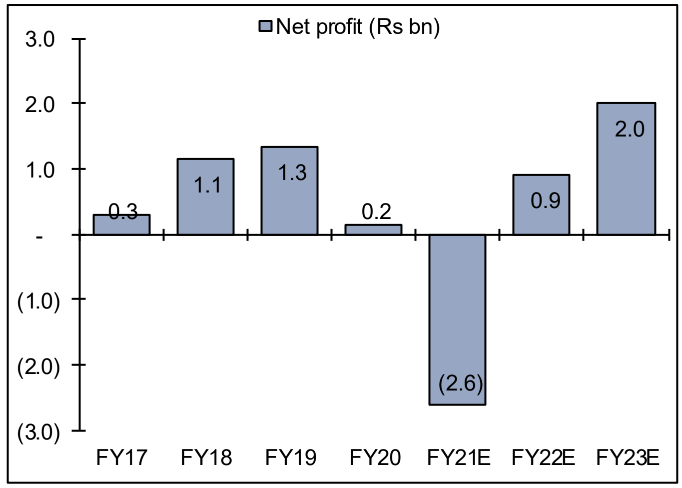
Source: I-Sec research, Company

Chart 18: EBITDA to grow at 6% CAGR over FY20-FY23E



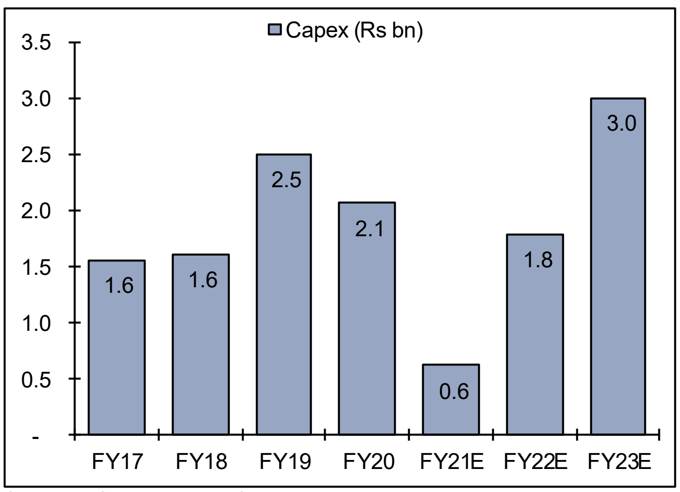
Source: I-Sec research, Company

Chart 19: Net profit growth to benefit on low base of FY21E



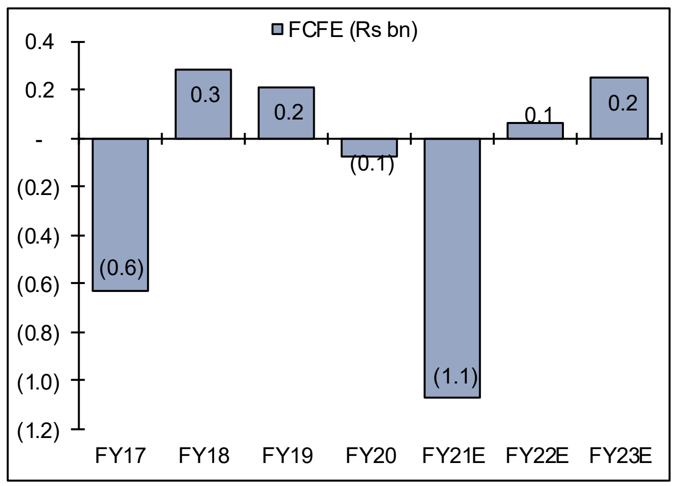
Source: I-Sec research, Company

Chart 20: Capex to rise on screen addition



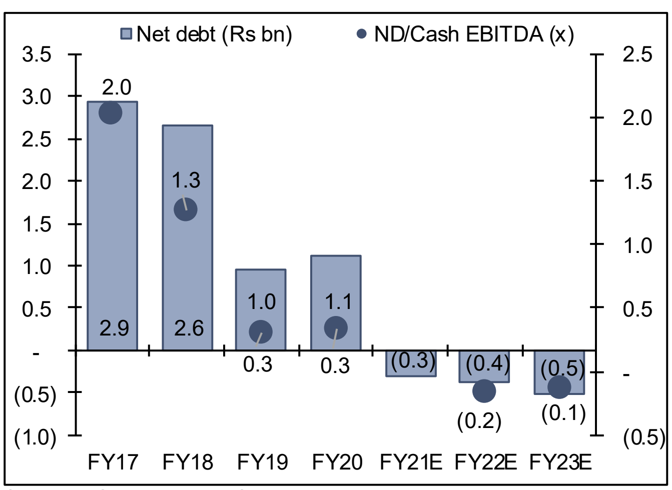
Source: I-Sec research, Company

Chart 21: FCFE breakeven likely in FY22E



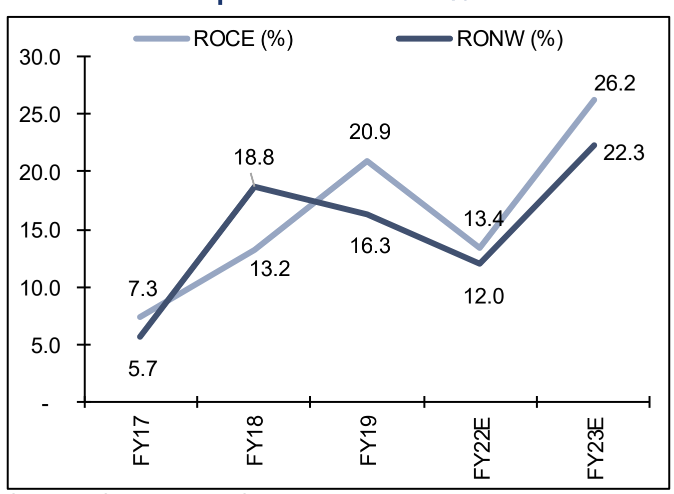
Source: I-Sec research, Company

Chart 22: INOX to remain free of net debt



Source: I-Sec research, Company

Chart 23: We expect RoCE at >25% in FY23E



Source: I-Sec research, Company

Table 1: We see Rs2bn of cash burn in H2FY21

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21E	Q4FY21E
Expenses	**2,411**	**2,402**	**2,317**	**1,097**	**1,080**	**1,432**	**1,832**
Employees	373	369	327	243	152	228	297
Rent & CAM	970	738	982	710	750	800	900
Electricity	420	615	323	38	50	146	214
Others	670	711	688	80	120	257	420
Total operating cost	**2,433**	**2,433**	**2,320**	**1,071**	**1,072**	**1,432**	**1,832**
Finance cost (net)	(22)	(31)	(4)	26	8		
Revenue	5,199	5,129	3,716	3	4	522	1,078
COGS	1,737	1,657	1,201	-	-	132	324
Gross profit	**3,463**	**3,472**	**2,515**	**3**	**4**	**390**	**754**
Cash gap / surplus	**1,051**	**1,070**	**198**	**(1,094)**	**(1,076)**	**(1,042)**	**(1,077)**

Source: I-Sec research, Company

Table 2: FY22E sensitivity analysis shows EBITDA should reach normal levels at 25% of occupancy

Rs mn / Occupancy	15%	20%	25%
Seat capacity (mn)	**252**	**252**	**252**
Admits (mn)	38	50	63
ATP (Rs)	199	199	199
Ticket revenue	**6,294**	**8,392**	**10,490**
SPH (Rs)	76	76	76
F&B revenue	**2,723**	**3,630**	**4,538**
Other revenue	1,158	1,654	2,364
Total revenue	**10,174**	**13,676**	**17,391**
Gross profit	6,613	8,928	11,455
GPM (%)	*65.0*	*65.3*	*65.9*
Employee cost	917	1,018	1,273
Power & fuel	732	1,046	1,308
Rent	3,818	4,061	4,230
Others	1,503	2,148	2,685
Expenses	**6,970**	**8,273**	**9,496**
EBITDA	(357)	654	1,959
EBITDA (%)	*(3.5)*	*4.8*	*11.3*

Source: I-Sec research, Company

Table 3: INOX valuation

Rs mn	FY23E
EBITDA (adj. Ind-AS 116)	3,931
Multiple (x)	*12.0*
Enterprise value	**47,174**
Net debt	(510)
Equity value	**47,685**
Shares (mn)	*112*
Fair value (Rs/sh)	**424**

Source: I-Sec research, Company

Comparison of PVR & INOX

Table 4: INOX ATP gap has narrowed *vs* PVR, but SHP has to catch up…

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
No. of cities							
PVR	50	51	65	71			
INOX	58	61	67	68			
Properties							
PVR	122	134	164	176	173	188	206
INOX	119	123	141	147	150	158	176
Screens							
PVR	579	625	763	845	845	918	996
INOX	468	492	574	626	639	673	741
Screens/property							
PVR	4.7	4.7	4.7	4.8	4.9	4.9	4.8
INOX	3.9	4.0	4.1	4.3	4.3	4.3	4.2
Seats ('000)							
PVR	132	140	170	182	177	194	209
INOX	119	122	137	144	147	155	169
Occupancy (%)							
PVR	32.9	31.3	36.2	34.9	5.0	34.0	35.0
INOX	28.0	26.0	28.0	28.0	3.5	26.0	28.0
Admits (mn)							
PVR	75	76	99	102	6	101	120
INOX	54	53	63	66	7	66	79
Gross ATP (Rs)							
PVR	196	210	207	204	173	205	209
INOX	178	193	197	200	170	199	203
SPH (Rs)							
PVR	81	89	91	99	89	98	103
INOX	62	66	74	80	72	76	79

Source: I-Sec research, Company

Table 5: …and ad revenue per screen too has to catch up

Rs mn/screen	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Revenue							
PVR							
Ticket	20.5	20.7	23.6	21.5	1.1	19.6	21.9
F&B	10.6	10.4	12.4	11.9	0.7	10.7	12.3
Ad	4.6	4.9	5.1	4.7	0.4	2.6	3.5
Other	3.0	2.7	3.4	4.3	0.5	3.8	3.9
Total	**38.7**	**38.8**	**44.5**	**42.5**	**2.7**	**36.6**	**41.6**
INOX							
Ticket	16.8	16.7	18.3	18.4	1.5	16.6	19.0
F&B	6.4	6.4	8.2	8.3	0.7	7.2	8.5
Ad	2.2	2.9	3.3	3.0	0.3	2.2	2.3
Other	2.1	2.1	2.0	1.9	0.2	1.4	1.5
Total	**27.5**	**28.1**	**31.7**	**31.6**	**2.7**	**27.4**	**31.3**
Gross profit							
PVR	27.7	27.2	30.9	30.1	2.0	25.4	28.9
INOX	18.2	18.9	21.3	21.2	1.8	18.0	20.5
EBITDA							
PVR	5.7	6.7	8.4	7.2	(5.4)	6.1	8.4
INOX	3.3	4.4	5.8	5.5	(3.8)	3.6	5.6
EBIT							
PVR	3.2	4.1	5.7	4.3	(8.0)	3.4	5.7
INOX	1.4	2.6	4.0	3.7	(5.5)	1.9	3.7

Source: I-Sec research, Company

Financial summary

Table 6: Profit and Loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income (Sales)	**18,974**	**1,716**	**17,996**	**22,118**
of which box office collection	*11,050*	*958*	*10,913*	*13,424*
of which F&B	*4,970*	*462*	*4,719*	*5,976*
of which Advertising income	*1,790*	*179*	*1,432*	*1,647*
Cost of goods sold	6,227	555	6,170	7,634
Gross Profit	**12,748**	**1,160**	**11,825**	**14,484**
Operating Expenses	6,779	2,725	6,431	7,152
EBITDA	**5,968**	**(1,564)**	**5,394**	**7,333**
% margins	*31.5*	*(91.2)*	*30.0*	*33.2*
Depreciation & Amortisation	2,642	1,403	2,424	2,758
Gross Interest	2,212	615	1,881	2,030
Other Income	172	86	120	132
Recurring PBT	**1,286**	**(3,497)**	**1,210**	**2,676**
Add: Extraordinaries	-	-	-	-
Less: Taxes	1,136	(881)	305	674
Share of profit/loss from associate	-	-	-	-
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**150**	**(2,616)**	**905**	**2,002**
Recurring Net Income	**150**	**(2,616)**	**905**	**2,002**

Source: Company data, I-Sec research

Table 7: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	1,743	2,789	3,220	2,707
of which cash & cash eqv.	447	1,874	1,941	1,077
Total Current Liabilities & Provisions	4,895	4,369	4,722	4,364
Net Current Assets	**(3,152)**	**(1,580)**	**(1,502)**	**(1,657)**
Investments				
of which Strategic/Group	2	2	2	2
Net Fixed Assets	**32,110**	**31,684**	**32,364**	**34,068**
of which				
Capital Work-in-Progress	*854*	*768*	*854*	*854*
Right of use of assets	*21,418*	*21,418*	*21,418*	*21,418*
Non-current assets	*4,125*	*3,917*	*4,004*	*4,515*
Goodwill	*175*	*175*	*175*	*175*
Total Assets	**33,259**	**34,199**	**35,042**	**37,103**
Liabilities				
Borrowings	200	200	200	200
Deferred Tax Liability	-	-	-	-
Lease liabilities	25,922	25,922	25,922	25,922
Other non-current liabilities	919	960	899	1,069
Minority Interest	-	-	-	-
Equity Share Capital	1,027	1,125	1,125	1,125
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	5,192	5,992	6,897	8,787
Net Worth	**6,219**	**7,117**	**8,022**	**9,911**
Total Liabilities	**33,259**	**34,199**	**35,042**	**37,103**

Source: Company data, I-Sec research

Table 8: Quarterly trends

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net sales	5,129	3,716	3	4
% growth (YoY)	18.4	(22.4)	(99.9)	(99.9)
EBITDA	1,690	1,100	334	406
Margin (%)	32.9	29.6		
Other income	49	48	27	43
Net profit	350	(822)	(736)	(678)

Source: Company data

Table 9: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cash flow	**5,468**	**(683)**	**5,089**	**6,658**
Working Capital Changes	(726)	104	(158)	(50)
Capital Commitments	(2,062)	(615)	(1,785)	(3,000)
Free Cash Flow	**2,680**	**(1,194)**	**3,145**	**3,609**
Cash flow from Investing Activities	**(68)**	**1,099**	**120**	**132**
Issue of Share Capital	1	2,500	-	-
Buyback of shares				
Inc (Dec) in Borrowings	476	-	-	(1,000)
Dividend paid	(119)	-	-	(112)
Interest paid	(111)	(615)	(1,881)	(2,030)
Repayment of lease liabilities	**(2,575)**	**(363)**	**(1,318)**	**(1,463)**
Chg. in Cash & Bank balance	**284**	**1,427**	**67**	**(865)**

Source: Company data, I-Sec research

Table 10: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (Rs)				
Recurring EPS	1.5	(23.3)	8.0	17.8
Reported EPS	1.5	(23.3)	8.0	17.8
Recurring Cash EPS	12.0	(14.0)	17.9	29.3
Dividend per share (DPS)	1.0	-	-	1.0
Book Value per share (BV)	60.6	63.3	71.3	88.1
Growth Ratios (%)				
Operating Income	12.1	(91.0)	948.9	22.9
EBITDA	93.6	(126.2)	(444.8)	35.9
Recurring Net Income	(88.8)	(1,843.1)	(134.6)	121.2
Diluted Recurring EPS	(88.8)	(1,691.2)	(134.6)	121.2
Diluted Recurring CEPS	(46.4)	(217.1)	(227.6)	64.0
Valuation Ratios (x)				
P/E	190.2	(12.0)	34.5	15.6
P/CEPS	23.2	(19.8)	15.5	9.5
P/BV	4.6	4.4	3.9	3.2
EV / EBITDA	9.0	(12.9)	13.3	7.8
EV / Operating Income	1.6	18.0	1.7	1.4
EV / Operating FCF	11.0	(25.9)	9.8	8.5
Operating Ratio				
Cost of revenues / Revenues (%)	35.7	158.8	35.7	32.3
Other expenses/ Sales (%)	28.2	105.8	28.7	25.9
Other Income / PBT (%)	13.4	(2.5)	9.9	4.9
Effective Tax Rate (%)	88.3	25.2	25.2	25.2
NWC / Total Assets (%)	(131.7)	(237.4)	(50.1)	1.4
Receivables (days)	12	80	13	14
Payables (days)	25	200	25	25
D/E Ratio (x)	0.2	(0.0)	(0.0)	(0.1)
Return/Profitability Ratio (%)				
Recurring Net Income Margins	0.8	(152.5)	5.0	9.1
RoCE	1.5	(31.3)	10.0	19.6
RoNW	1.9	(39.2)	12.0	22.3
Dividend Payout Ratio	68.4	-	-	5.6
Dividend Yield	0.4	-	-	0.4
EBITDA Margins	31.5	(91.2)	30.0	33.2

Source: Company data, I-Sec research

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