

India Multiplex



As OTT viewership surges, what's in store for multiplexes?

As the tussle between OTT and theatres continues, for now the theatrical success of *Brahmastra*, one of the most expensive Indian movies of all time, has shown that good content / spectacle movies can still attract a widespread audience. We feel a combination of factors augur well for PVR-Inox, including i) tremendous scope for screen penetration (a fraction of developed markets), ii) industry consolidation (c.16% of market share across theatres for the merged entity), iii) reinstatement of 8-week theatrical windows, and iv) acceptance of regional movies in the Hindi language. With minimal leverage, PVR-Inox remains extremely comfortably placed in terms of growth plans also. While in 2QFY23, multiplexes are likely to see a QoQ dip in earnings on account of the high base of 1QFY23 we continue to maintain our positive stance on Inox / PVR with a Mar'23 TP of 665 / 2,220 (implying 33% / 26% upside).

- **Brahmastra does well:** Amid significant apprehension and mixed reviews, *Brahmastra* has worked well in theatres and already garnered over INR 2bn in the first 2 weeks and the momentum seems to be continuing. It is, therefore, likely to have INR 3-4bn of domestic collections (among top 15 in net India collections; Exhibit 4). *Brahmastra*'s strong collections across domestic / international circuits has brought some optimism and, more importantly, footfalls after the recent debacle of movies such as *Laal Singh Chaddha*, *Raksha Bandhan*, and *Shamshera*, all of which had superstars in the lead role but failed to attract audiences. In 1QFY23, a number of blockbusters did well and, as a result, 2QFY23 is likely to show a dip for PVR and Inox.
- **Theatrical exhibition remains the best way to monetise movie content:** During the past 2 years, several movies bypassed the theatrical window and released digitally. This has raised genuine concerns on whether there is a shift in consumer behaviour, leading to compression of revenue for multiplexes. However, most movies released digitally have largely been mid-budget ones looking to cash in opportunistically. From Aug'22, the theatrical window has been reinstated to 8 weeks, which should drive back footfalls into multiplexes. It is estimated that c.60-70% of a film's revenue comes from a domestic theatrical release and bypassing this seems unlikely.
- **Percolation of South Indian movies to Bollywood opens up new markets:** A majority of the recent blockbusters have been South Indian movies (*RRR*, *KGF 2*, *Pushpa* and *Vikram*) which were also launched in Hindi and did well across the country. We believe this trend is here to stay / gaining traction and increases possibilities of higher box office collection.
- **Cineworld bankruptcy unlikely in the Indian context:** Recently Cineworld, the world's second largest movie theatre company (Screens: 9,189; Sites: 751; Countries: 10), filed for bankruptcy due to weak admissions and on account of a highly leveraged balance sheet (Net debt at US\$ 5.0bn) thereby limiting its scope for going through a relatively lean patch. However, the Indian multiplex industry benefits from significantly lower penetration compared to developed markets like US and UK where Cineworld used to operate coupled with lower OTT adoption. Moreover, PVR / Inox together have negligible debt (0.68x for PVR and net cash for Inox) thus offering comfort on their growth ambitions.
- **Inox and PVR a major beneficiary of industry consolidation:** Previously, malls were only found in Metros and Tier-I cities, but now they are opening in Tier-II cities as well. The expansion of multiplexes will also be aided by this deepening footprint and Inox and PVR already have screen addition visibility over the next 5-7 years. Moreover, with c.16% of total Indian screens / 50% of the multiplex market, PVR-Inox would be the largest multiplex chain with substantial bargaining power (producers, landlords, and audiences).
- **We remain positive on Inox and PVR as merger completion nears:** We have a BUY rating on PVR / Inox with a Mar'23 TP of INR 665 / 2,220. The impending merger with PVR can potentially re-rate the Inox stock further (6% discount to swap ratio considering CMP of PVR). Key risks: higher-than anticipated OTT adoption curve and sub-par content.

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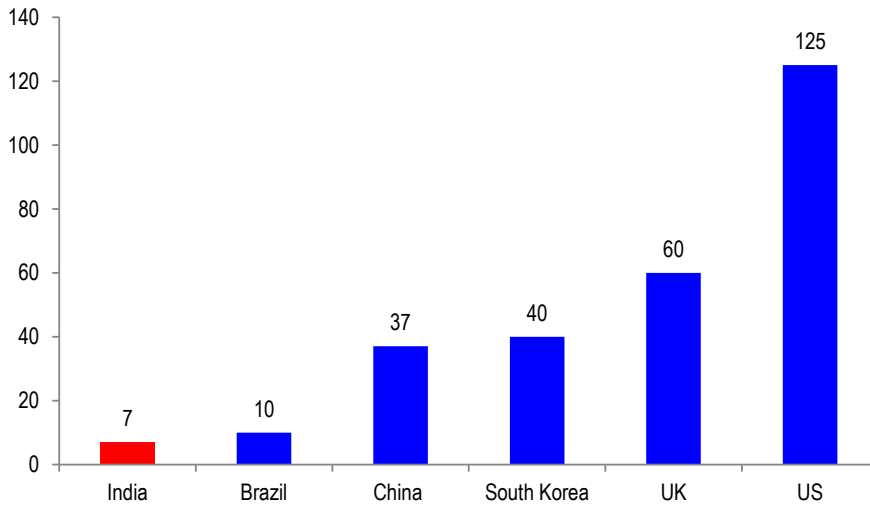
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- **Low levels of penetration for multiplexes should still imply a reasonably strong growth trajectory despite the risk of some shift in revenue:** While there exists some risk to revenue for the exhibition industry, the scope for penetration still remains huge, which would more than negate the risks from the rise of OTT, in our view. India has only seven screens per million people compared with 10 in Brazil and 37 in China. Developed countries such as South Korea/UK have 40/60 screens. We believe the inflection point for growth in theatres is still a while away and would come about as per capita income rises steadily. (Exhibit 1-3)
- **Interplay of occupancy and content to decide ticket pricing:** There have been concerns on PVR / Inox raising average ticket prices and food and beverage prices in recent times. However, we feel that as steady state occupancy heads to pre-Covid levels ticket pricing can possibly be tweaked (if required) to increase footfalls. PVR / Inox will exercise substantial bargaining power over producers / mall owners also to further reduce cost-side pressure. (Exhibit 8-9)

Key Charts

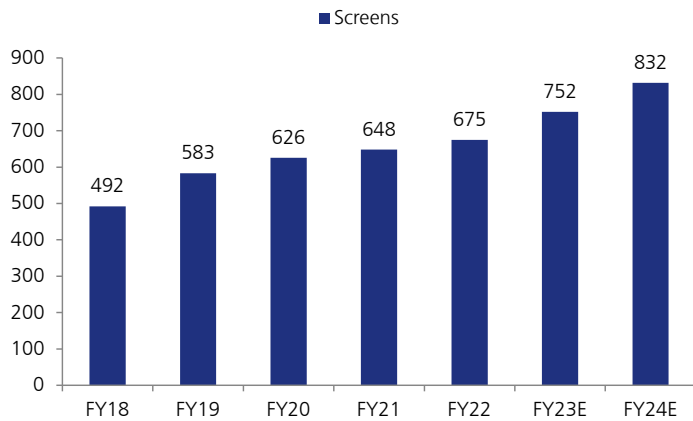
Exhibit 1. Screen per mn population in India is c.1/5th of China and 1/18th of USA

Screen per mn population - 2019



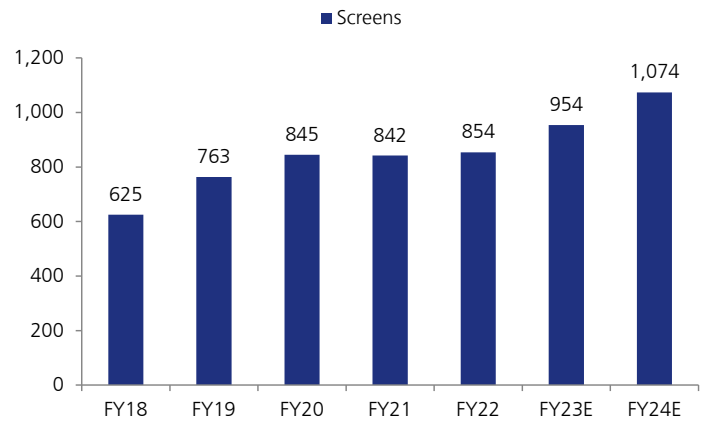
Source: Inox presentation Aug-19, Inox ARFY20, JM Financial

Exhibit 2. Inox screen count growth



Source: Company, JM Financial

Exhibit 3. PVR screen count growth



Source: Company, EY FICCI Report, JM Financial

Exhibit 4. Top grossing Indian movies (INR mn); Brahmastra with INR 3-4bn of net India collections is likely to be among top 15 Indian movies

Rank	Movie	Worldwide	India Net	India Gross	Overseas	Budget
1	Baahubali 2 The Conclusion	17,881	10,304	14,169	3,712	2,500
2	KGF Chapter 2	12,070	8,596	10,007	2,064	1,000
3	RRR	11,117	7,721	9,037	2,080	5,500
4	Baahubali	6,500	4,210	5,160	1,340	1,800
5	2.0	7,448	4,071	5,515	1,933	5,430
6	Dangal	20,703	3,874	5,350	15,353	700
7	Avengers End Game	189,700	3,731	4,450	133,350	25,000
8	Sanju	5,885	3,426	4,385	1,500	1,000
9	PK	7,920	3,408	4,890	3,030	850
10	Tiger Zinda Hai	5,580	3,392	4,338	1,242	2,100
11	Bajrangi Bhaijaan	9,220	3,203	4,325	4,896	900
12	War	4,710	3,180	3,750	960	1,500
13	Saaho	4,510	3,106	3,590	920	3,500
14	Padmaavat	5,850	3,022	4,000	1,850	2,150
15	Sultan	6,278	3,005	4,213	2,066	800
16	Dhoom 3	5,580	2,843	3,720	1,860	1,750
17	Tanhaji: The Unsung Warrior	3,610	2,796	3,250	360	1,500
18	Kabir Singh	3,770	2,788	3,300	470	550
19	Pushpa: The Rise (Part 1)	3,501	2,676	3,138	363	1,500
20	The Kashmir Files	3,410	2,523	2,950	460	200
	Brahmastra	3,483	2,100	2,530	953	4500

Source: Industry, JM Financial

Exhibit 5. Movie releases in FY23

Sr	Release Date	Movie	Language	Cast	Director
1	01-Apr-22	ATTACK	HINDI	John Abraham, Rakul Preet Singh, Premhansh, Jacqueline Fernandez	Lakshya Raj Anand
2	08-Apr-22	FANTASTIC BEASTS: THE SECRETS OF DUMBLEDORE	ENGLISH	Jude Law, Mads Mikkelsen, Katherine Waterston, Eddie Redmayne, Ezra Miller, Alison Sudol	David Yates
3	08-Apr-22	GHANI	TELEUGU	Vrun Tej, Suniel Shetty, Saiee Manjrekar, Jagapati Babu, Upendra	Kiran Korrapati
4	14-Apr-22	K.G.F. CHAPTER 2	KANNADA	Yash, Sanjay Dutt, Raveena Tandon, Srinidhi Shetty, Anant Nag, Prakash Raj	Prashanth Neel
5	13-Apr-22	BEAST (TAMIL/TELEUGU) & RAW (Hindi)	TAMIL	Vijay, Pooja Hegde, Yogi Babu, K. Selvaraghavan, Shine Tom Chacko	Nelson Dilipkumar
6	22-Apr-22	JERSEY	HINDI	Shahid Kapoor, Mrunal Thakur, Pankaj Kapoor, Palak Singh, Sanjeev Copra	Gowtam Tinnanuri
7	22-Apr-22	SHER SHIVARAJ	MARATHI	Chinmay Mandekar, Mrinal Kulkarni, Ajay Purkar, Bipin Suresh	Digpal Langekar
8	29-Apr-22	RUNWAY 34	HINDI	Ajay Devgan, Amitabh Bachchan, Rakul Preet Singh, Aakash Singh, Angira Dhar	Ajay Devgan
9	29-Apr-22	HEROPANTI 2	HINDI	Tiger Shroff, Tara Sutaria, Sarwan Ali Paliyo	Ahmed Khan
10	29-Apr-22	AACHARYA	TELEUGU	Chiranjeevi, Ram Charan Teja, Kajal Agarwal	Koratala Siva
11	06-May-22	DOCTOR STRANGE IN THE MULTIVERSE OF MADNESS	ENGLISH	Elizabeth Olsen, Rachael McAdams, Benedict Cumberbatch, Chiwetel Ejiofor, Benedict Wong	Sam Raimi
12	12-May-22	SARKARU VAARI PAATA	TELEUGU	Mahesh Babu, Keerthy Suresh, Duy Beck, Vennela Kishore, Subbaraju	Parasuram
13	13-May-22	DON	TAMIL	Shivakartikayen, Priyanka Arul Mohan	Cibi Chakaravathi
14	13-May-22	JAYESHBHAI JORDAAR	HINDI	Ranveer Singh, Shalini Pandey, Boman Irani, Ratna Pathak	Divyng Thakkar
15	20-May-22	BHOO BHULAIYAA 2	HINDI	Kartik Aryan, Kiara Advani, Tabu, Rajpal Yadav	Anees Bazmee
16	20-May-22	DHAAKAD	HINDI	Kangana Ranaut, Arjun Rampal, Divya Dutta	Razneesh Ghai
17	27-May-22	ANEK	HINDI	Ayushmann Khurrana	Anubhav Sinha
18	27-May-22	TOP GUN 2 MAVERICK	ENGLISH	Jennifer Connelly, Tom Cruise, Jon Hamm	Joseph Kosinski
19	27-May-22	F3: FUN AND FRUSTRATION	TELEUGU	Venkatesh, Varun Tej	Anil Ravipudi
20	03-Jun-22	PRITHVIRAJ	HINDI	Akshay Kumar, Manushi Chhilar, Sonu Sood, Sanjay Dutt, Manoj Joshi, Sakshi Tanwar	Dr Chandraprakash Dwivedi
21	To be Disclosed	MAIDAAN	HINDI	Ajay Devgan, Keerthy Suresh, Priyamani, Gajaraj Rao, Rudrani Ghosh	Amit Ravindranath Sharma & Rohit Bhujbal
22	03-Jun-22	VIKRAM	TAMIL/HINDI	Kamal Haasan, Vijay Sethupathi, Fahadh Faasil, Arjun Das	Lokesh Kanagaraj
23	10-Jun-22	JURASSIC WORLD : DOMINION	ENGLISH	Bryce Dallas Howard, Chris Pratt, Jake Johnson, Jeff Goldblum	Colin Trevorrow
24	10-Jun-22	GOVINDA NAAM MERA	HINDI	Vicky Kaushal, Bhumi Pednekar, Kiara Advani	Shashank Khaitan
25	17-Jun-22	RAMARAO ON DUTY	TELEUGU	Ravi Teja, Divyansha Kaushik, Rajisha Vijayan, Nassar, Surekha Vani	Sarath Mandava
26	17-Jun-22	DOCTOR G	HINDI	Ayushmann Khurrana, Rakul Preet Singh, Shefali Shah, Sheeba Chaddha	Anubhuti Kashyap
27	24-Jun-22	JUGJUG JEEYO	HINDI	Varun Dhavan, Kiara Advani, Anil Kapoor, Neetu Singh, Manish Paul, Prajakta Koli	Raj Mehta
28	24-Jun-22	TRANSFORMERS : RISE OF THE BEASTS	ENGLISH	Antony Ramos, Ron Periman, Peter Cullen, Luna Lauren Velez, Dominique Fishback	Stever Caple Jr
29	01-Jul-22	OM - THE BATTLE WITHIN	HINDI	Aditya Roy Kapoor, Sanjana Sanghi	Kapil Verma
30	08-Jul-22	THOR : LOVE AND THUNDER	ENGLISH	Chris Patt, Jaimie Alexander, Karen Gillan, Chris Hemsworth	Taika Waititi

Source: Company, JM Financial

Exhibit 6. Movie pipeline continued

Release Date	Movie	Language	Cast	Director	
31	15-Jul-22	PHONE BHOOT	HINDI	Katrina Kaif, Ishaan Khatter, Siddhant Chaturvedi	Gurmeet Singh
32	22-Jul-22	SHAMSHERA	HINDI	Ranbeer Kapoor, Sanjay Dutt, Vaani Kapoor	Karan Malhotra
33	29-Jul-22	THANK GOD	HINDI	Ajay Devgn, Rakul Preet Singh, Siddharth Malhotra	Indra Kumar
34	29-Jul-22	BLACK ADAM	ENGLISH	Dwayne Johnson, Sarah Shahi, Pierce Brosnan, Joseph Gatt, Noah Centineo	Jaume Collect-Serra
35	29-Jul-22	BULLET TRAIN	ENGLISH	Brad Pitt, Michale Dannon, Joey King, Sandra Bullock, Aron Taylor-Johnson, Andrew Koji	David Leitch
36	To be Disclosed	SALAAR	TELEUGU/HINDI/KANNADA	Prabhas, Shruti Haasan, Jagapati Babu	Prashanth Neel
37	11-Aug-22	LAL SINGH CHADDHA	HINDI	Amir Khan, Kareena Kapoor Khan, Mona Singh, Naga Chaitanya Akkineni	Advait Chandan
38	11-Aug-22	RAKSHA BANDHAN	HINDI	Akshay Kumar, Bhumi Pednekar, Sadia Khateeb	Aanand L Rai
39	25-Aug-22	LIGER	HINDI/TELEUGU	Vijay Devarkonda, Ananya Panday, Ramya Krishnan, Ronit Roy, Vishu Reddy, Makrand Deshpande	Puri Jagannath
40	26-Aug-22	SAMARITAN	ENGLISH	Sylvester Stallone, Martin Starr, Dascha Polanco, Pilou Asbak, Nicholas Logan	Julius Avery
41	09-Sep-22	BRAHMASTRA (PART 1)	HINDI	Ranbir Kapoor, Alia Bhatt, Amitabh Bachchan, Mouni Roy, Nagarjuna	Ayan Mukherjee
42	30-Sep-22	VIKRAM VEDHA REMAKE	HINDI	Hrithik Roshan, Saif Ali Khan, Radhika Apte	Gayatri, Pushkar
43	07-Oct-22	MR AND MRS MAHI	HINDI	Rajkumar Rao, Janhvi Kapoor	Sharan Sharma
44	24-Oct-22	RAM SETU	HINDI	Akshay Kumar, Nusrat Bharucha, Jacqueline Fernandez, Divyam Agrawal	Abhishek Sharma
45	04-Nov-22	SHEHZADA	HINDI	Kartik Aryan, Kriti Sanon, Paresh Rawal, Manisha Koirala, Ronit Roy, Sachin Khedekar	Rohit Dhawan
46	04-Nov-22	THE FLASH	ENGLISH	Ben Affleck, Ezra Miller, Michael Keaton	Andy Muschietti
47	11-Nov-22	BLACK PANTHER : WAKANDA FOREVER	ENGLISH	Martin Freeman, Angela Bassett, Lupita Nyong'O, Danai Gurira, Letitia Wright, Winston Duke	Ryan Cooglar
48	25-Nov-22	BHEDIA	HINDI	Varun Dhavan, Kriti Sanon, Deepak Dobriyal	Amar Kaushik
49	To be Disclosed	CIRKUS	HINDI	RANVEER SINGH, POOJA HEGDE, JACQUELINE FERNANDEZ, VARUN SHARMA	ROHIT SHETTY
50	16-Dec-22	AVATAR 2	ENGLISH	Sam Worthington, Zoe Saldana, Vin Diesel, Kate Winslet, Michelle Yeoh, Stephen Lang, Cliff Curtis, Giovanni Ribisi	James Cameron
51	16-Dec-22	AQUAMAN AND THE LOST KINGDOM	ENGLISH	Amber Heard, Jason Momoa, Patrick Wilson, Yahya Abdul-Mateen II	James Wan
52	23-Dec-22	GANAPATH - PART 1	HINDI	Tiger Shroff, Kriti Sanon, Nupur Sanon	Vikas Bahl
53	23-Dec-22	MERRY CHRISTMAS	HINDI	Vijay Sethupathi, Katrina Kaif	Sriram Raghavan
54	30-Dec-22	KABHI EID KABHI DIWALI	HINDI	Salman Khan, Pooja Hegde, Aayush Sharma, Zaheer Iqbal, Asim Riaz	Sajid Samji
55	12-Jan-23	ADIPURUSH	TELEUGU/HINDI	Prabhash, Saif Ali Khan, Sunny Singh Nijjar,	Om Raut
56	25-Jan-23	PATHAN	HINDI	Shah Rukh Khan, Deepika Padukone, Dimple Kadadia, John Abraham	Siddharth Anand
57	10-Feb-23	ROCKY AUR RANI KI PREM KAHANI	HINDI	Ranveer Singh, Alia Bhat, Dharmendra, Shabana Azmi, Jaya Bachchan	Karan Johar
58	17-Feb-23	THE MARVELS (CAPTAIN MARVAL 2)	ENGLISH	Brie Larson, Samuel L Jackson, Teyonah Parris, Zawe Ashton, Seo Jun Park, Iman Vellani	Nia Dacosta
59	08-Mar-23	LUV RANJAN'S NEXT Movie	HINDI	Ranbir Kapoor, Shraddha Kapoor, Boney Kapoor, Dimple Kadadia	Luv Ranjan
60	BHOLAA	BHOLAA	HINDI	Ajay Devgan, Tabu	Dharmendra Sharma

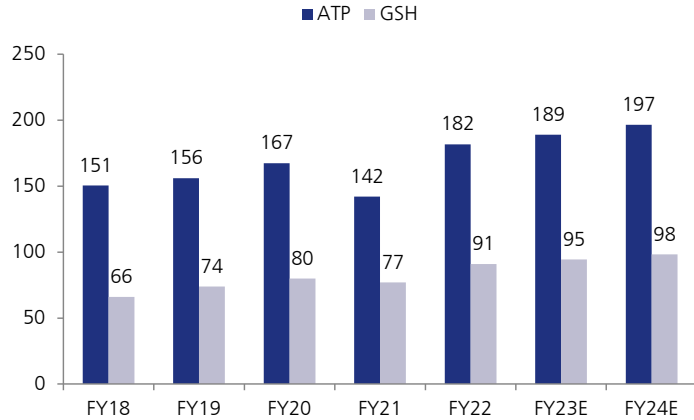
Source: Inox PPT, JM Financial

Exhibit 7. Theatre remains the cheapest out-of-home leisure activity amongst others

Out of home leisure activity	Price per person
Theatre	INR 150-500
Trekking	INR 1000-2500
Club/Bar/Dining out	>INR 1000
Amusement Parks	INR 1000-1500

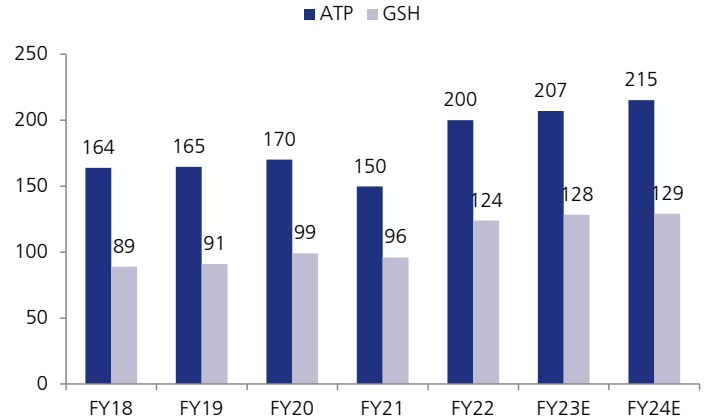
Source: Industry websites, news articles, JM Financial

Exhibit 8. Inox Average ticket price and Gross Spending Per Head



Source: Company, JM Financial
Gross spending per head largely includes F&B and other avenues. Does not include ticket price

Exhibit 9. PVR Average ticket price and Gross Spending Per Head



Source: Company, JM Financial
Gross spending per head largely includes F&B and other avenues. Does not include ticket price

Inox

Exhibit 10. Inox DCF snapshot

(INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	CAGR FY20-32E
Revenue	12,207	13,481	16,922	18,974	1,059	6,839	24,719	28,418	32,466	36,717	41,815	48,016	54,975	61,479	67,436	73,788	12.0%
YoY growth	5%	10%	26%	12%	-94%	546%	261%	15%	14%	13%	14%	15%	14%	12%	10%	9%	
EBITDA (Pre Ind As 116)	1,448	2,073	3,092	3,393	-2,472	-891	5,260	5,972	6,772	7,584	8,764	9,959	11,415	12,667	13,920	15,135	13.3%
EBITDA margin - %	12%	15%	18%	18%	-233%	-13%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	
EBIT	607	1,207	2,137	2,245	-3,602	-2,067	3,935	4,414	4,922	5,472	6,315	7,071	8,045	8,875	9,773	10,622	
EBIT margin - %	5%	9%	13%	12%	-340%	-30%	16%	16%	15%	15%	15%	15%	15%	14%	14%	14%	
Tax Rate	35.0%	37.6%	35.2%	35.2%	24.4%	24.9%	25.2%	25.2%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	
NOPAT	395	753	1,384	1,454	-2,725	-1,553	2,943	3,302	3,667	4,077	4,705	5,268	5,993	6,612	7,281	7,913	15.2%
Depreciation	841	867	955	1,149	1,130	1,177	1,325	1,558	1,850	2,112	2,448	2,889	3,370	3,791	4,148	4,514	
Capex	-1,411	-1,293	-2,446	-2,003	-478	-844	-2,689	-3,364	-3,364	-4,811	-6,132	-7,230	-7,695	-5,901	-6,192	-6,564	
Net working capital investment	-397	26	9	305	-133	101	-295	-48	-48	-137	-179	-169	-220	-161	-153	-134	
Free Cash Flow	-573	353	-98	904	-2,206	-1,120	1,284	1,447	2,104	1,241	842	757	1,448	4,342	5,084	5,730	16.6%
YoY Growth - %						-49.2%	-214.6%	12.7%	45.4%	-41.0%	-32.1%	-10.1%	91.3%	199.7%	17.1%	12.7%	
Discounting Factor								0.90	0.81	0.73	0.66	0.60	0.54	0.49	0.44	0.40	
Present Value of FCF								1,305	1,712	910	557	452	780	2,108	2,227	2,263	
Fade period forecast	FY33E	FY34E	FY35E	FY36E	FY37E	FY38E	FY39E	FY40E	FY41E	FY42E	FY32-42 Cagr						
FCF	6,425	7,168	7,956	8,785	9,651	10,547	11,465	12,399	13,337	14,271	9.6%						
Discounting Factor	0.36	0.32	0.29	0.26	0.24	0.21	0.19	0.17	0.16	0.14							
Present Value of FCF	2,289	2,304	2,306	2,297	2,276	2,243	2,200	2,145	2,082	2,009							

Mar'23 Equity Valuation	
PV of Cash Flow - Explicit Period	12,315
PV of Cash Flow - Fade Period	22,151
PV of Terminal Value	43,722
Enterprise Value	78,188
Debt - Mar'23	865
Cash - Mar'23	4,005
Net Debt	-3,140
Equity value	81,328
Mn no of shares	122
Mar'23 TP (DCF value) - Rs per share	665
FY24 EBITDA	5,972
EV/EBITDA	13.1

WACC computation	
Pre-tax Cost of Debt	9.5%
Risk Free Rate	7.0%
Risk Premium	5.0%
Company Beta	0.9
Cost of Equity	11.4%
WACC used	10.9%
Terminal Growth Rate	6%

Source: Company, JM Financial

PVR

Exhibit 11. PVR DCF snapshot

(INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	CAGR FY20-32E
Revenue	21,194	23,341	30,856	34,144	2,800	13,310	39,814	49,032	56,864	66,795	75,623	85,083	95,213	105,489	115,881	126,968	11.6%
yoy growth	15%	10%	32%	11%	-92%	375%	199%	23%	16%	17%	13%	13%	12%	11%	10%	10%	
Comparable EBITDA (Pre Ind As 116)	3,136	4,018	5,863	5,800	-4,545	-2,333	7,921	9,953	11,030	13,355	14,971	16,659	18,558	20,393	22,244	24,211	12.6%
EBITDA margin - %	15%	17%	19%	17%	-162%	-18%	20%	20%	19%	20%	20%	20%	19%	19%	19%	19%	
Comparable EBIT(Pre Ind As 116)	1,752	2,482	3,951	3,518	-6,928	-4,974	5,277	6,880	7,441	9,207	10,221	11,263	12,469	13,602	14,746	15,957	13.4%
EBIT margin - %	8%	11%	13%	10%	-247%	-37%	13%	14%	13%	14%	14%	13%	13%	13%	13%	13%	
Tax Rate	37.3%	-81.3%	36.0%	34.8%	32.4%	28.2%	25.2%	25.2%	26.0%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	26.3%	
NOPAT	1,099	4,499	2,529	2,294	-4,686	-3,570	3,947	5,146	5,506	6,790	7,538	8,307	9,196	10,032	10,875	11,768	14.6%
Depreciation	1,384	1,537	1,913	2,282	2,383	2,642	2,644	3,074	3,590	4,148	4,750	5,396	6,089	6,790	7,498	8,255	
Capex	-3,525	-2,052	-8,165	-2,516	-1,392	-1,208	-4,269	-5,847	-5,847	-6,828	-7,334	-7,871	-8,441	-8,051	-8,607	-9,197	
Net working capital investment	368	-98	3,497	-3,238	-714	1,904	-385	-15	-15	-116	37	-1	-36	5	11	17	
Free Cash Flow	-674	3,887	-226	-1,178	-4,409	-232	1,936	2,358	3,234	3,994	4,991	5,830	6,808	8,775	9,777	10,843	
YoY Growth - %						-94.7%	-934.1%	21.8%	37.2%	23.5%	25.0%	16.8%	16.8%	28.9%	11.4%	10.9%	
Discounting Factor								0.90	0.81	0.73	0.66	0.59	0.53	0.48	0.43	0.39	
Present Value of FCF								2,124	2,625	2,920	3,288	3,460	3,640	4,227	4,242	4,239	

Fade period forecast	FY33E	FY34E	FY35E	FY36E	FY37E	FY38E	FY39E	FY40E	FY41E	FY42E	FY32-42 Cagr
FCF	11,983	13,197	14,481	15,834	17,252	18,729	20,260	21,836	23,450	25,092	8.8%
Discounting Factor	0.35	0.32	0.29	0.26	0.23	0.21	0.19	0.17	0.15	0.14	
Present Value of FCF	4,220	4,187	4,139	4,078	4,002	3,915	3,815	3,704	3,584	3,455	

Mar'23 Equity Valuation

PV of Cash Flow - Explicit Period	30,765
PV of Cash Flow - Fade Period	39,098
PV of Terminal Value	73,237
Enterprise Value	143,100
Debt - Mar'23	15,050
Cash - Mar'23	7,331
Net Debt	7,719
Equity value	135,381
Mn no of shares	61
Mar'23 Target (DCF value) - INR per share	2,220
FY24 EBITDA (pre-Ind-AS 116)	9,953
EV/EBITDA	14.4

WACC computation

Pre-tax Cost of Debt	11.0%
Risk Free Rate	7.0%
Risk Premium	5.0%
Company Beta	1.00
Cost of Equity	12.0%
WACC used	11.0%
Terminal Growth Rate	6%

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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