



UFO Moviez India Ltd

Issue Summary

Price Band (Rs)	615	625
Market Lot	24 Equity shares	
Face Value	Rs 10	
Opens on	28 th Apr' 15	
Closes on	30 th Apr' 15	
Fresh Issue	NIL	
Offer for sale	Rs 600 cr	
P/E FY14 Earnings	36.9x	37.5x

BRLM

- Axis Capital Ltd
- Citigroup Global Markets India Private Limited

Company & Business Profile

UFO Moviez India Ltd (UFO) is India's largest digital cinema distribution network and in-cinema advertising platform company in terms of number of screens. UFO Moviez India Ltd operates the satellite-based, digital cinema distribution network using its UFO-M4 platform, as well as India's largest D-Cinema network. The issue is an offer for sale by 3i Research Mauritius Limited and P5 Asia Holding Investments (Mauritius) Limited along with some promoter members.

Objects of the Issue

Objects of the Issue:

The objects of the offer are to:

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges;
- Sale of Equity Shares by the Selling Shareholders

Investment Positives

Pan India presence: In fiscal year 2014, UFO digitally delivered more than 1,500 movies in 22 languages to 4,703 screens with aggregate seating capacity of approximately 2.14 million viewers spread across India. As at October 31, 2014, UFO's global network spanned 6,611 screens worldwide, including 4,912 screens across India and 1,699 screens across Nepal, the Middle East, Israel, Mexico and the USA.

Diversified revenue stream: Company receives revenue primarily from (i) advertisers, for in-cinema advertising, (ii) movie producers and distributors, for secured delivery and screening of their movies and (iii) exhibitors, who are the owners of screens, through rental and sales of digital cinema equipment. UFO also receives other revenues from distributors for digitisation and exhibitors for registration fees for exhibitors using company's network.

In-house technology: Company delivers movie content through (i) satellite-based cinema distribution network using UFO-M4 platform developed by UFO and (ii) D-Cinema network. UFO-M4 is satellite-based, E-Cinema movie delivery platform. "E-Cinema" is a commonly used term to describe various technologies used to digitally deliver movie content other than through D-Cinema. UFO-M4 platform provides an end-to-end platform for the satellite delivery of movies (excluding movies from the major Hollywood studios that created the D-Cinema

Issue break-up

Net Issue	No. of Shares (Lacs)	%
QIB's	~48.0	50
NIB	~14.4	15
Retail	~33.6	35
Total	~96	100

Listing

BSE, NSE

standard format), to exhibitors across 3,482 cinema screens across India as at October 31, 2014, which then exhibit movies using company's digital cinema equipment. Under D-Cinema network, company's primary activities includes: (i) collecting VPF D-Cinema from certain major Hollywood studios and other movie studios, and (ii) providing D-Cinema equipment to D-Cinemas across India. Company has D-Cinema deployment contracts with certain major Hollywood studios that allows it to collect VPF D-Cinema from those studios. As at October 31, 2014, it has collected VPF D-Cinema for 1,430 screens across India. It has also provided D-Cinema equipment to 699 D-Cinema screens across India as at October 31, 2014. In fiscal year 2014, company had digitally delivered 57 movies from major Hollywood studios across our D-Cinema network.

Creating value for stakeholders: Business model is focused on creating value for all stakeholders in the cinema industry. It provides value to movie producers and distributors by reducing distribution costs, providing reach to its wide network along with faster delivery of content and encryption and other security measures to reduce piracy. It provides value to exhibitors by providing them access to first day release of movies on in-house developed digital platform. Exhibitors also benefit from sharing a portion of advertisement revenue. Cinema-going audiences benefit from faster access to new movie releases and consistently high quality viewing experience. Advertisers benefit from high levels of transparency, remote capability, and advanced technology.

First mover advantage: UFO Moviez faces no competition as it is the only player in the segment.

Concerns

- **Downturn in the Indian or international cinema** industries could materially adversely affect company's business, financial condition, results of operations and prospects.
- **Relationships with value-chain:** UFO's business depends on their relationships and agreements with movie producers, distributors, exhibitors and advertisers. Any failure to maintain these relationships, or to establish and capitalise on new relationships, could have a material adverse effect on its business, prospects, financial condition and results of operations.
- **Business dynamics:** New players entering may create competition and thus reduce the profitability of the company. Further, the trend of multiplexes handling their own distribution may cause a threat to company's revenues.
- Company may face pricing pressures from their customers.

Financials

Restated Consolidated Financial Information of Profit and Loss:

Rs. in crs	Nine month period	For the year ended				
Particulars	ended 31-Dec-2014	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10
Income from operations						
Revenue from operations	225.4	269.1	213.2	146.0	108.5	72.1
Other income	0.4	0.9	1.5	0.9	1.2	0.3
Total revenue	225.8	269.9	214.6	146.9	109.6	72.4
Expenses						
Operating direct cost	70.6	80.2	51.6	40.6	35.7	29.3
Employee benefits expense	33.3	41.6	35.0	25.7	19.7	15.0
Other expenses	38.3	49.3	45.2	36.2	31.9	26.0
Total expenses	142.2	171.1	131.7	102.5	87.3	70.3
Restated Earnings before depreciation and amortisation, interest and tax	83.5	98.8	82.9	44.4	22.3	2.0
Depreciation and amortisation expense	43.8	54.6	46.7	34.2	24.9	19.2
Finance cost	11.7	15.4	13.4	7.9	5.1	6.3
Finance income	-3.2	-2.3	-2.3	-6.2	-2.3	-3.9
Restated profit/(loss) before tax	31.2	31.1	25.2	8.4	-5.4	-19.5
Tax expense/(income)						
Current tax	14.3	6.7	2.5	-	-	-
MAT credit entitlement	-	-0.1	-2.5	-	-	-
Net Current Tax	14.3	6.6	-	-	-	-
Deferred tax (credit)	-3.5	-10.5	-	-	-	-
Total tax expense/(income)	10.8	-3.9	-	-	-	-
Restated profit/(loss) for the period / year	20.4	34.9	25.2	8.4	-5.4	-19.5

Source: RHP, UFO Moviez India Limited

Restated Consolidated statement of Assets and Liabilities:

Rs. in crs Particulars	As at 31 December 2014	As at 31 March				
		2014	2013	2012	2011	2010
Equity and Liabilities						
Shareholder's Funds						
Equity share capital	25.9	25.9	25.9	25.9	20.2	18.7
Reserves and surplus	365.2	345.0	310.0	284.9	123.9	108.9
Total of Shareholder's Funds	391.1	370.9	335.9	310.8	144.0	127.6
Share Application money	-	-	-	-	44.0	-
Non-current liabilities						
Long-term borrowings	51.2	71.5	65.5	47.1	33.0	35.1
Other long-term liabilities	55.2	46.0	47.2	24.2	10.2	19.6
Total of Non-Current liabilities	106.4	117.5	112.8	71.3	43.2	54.6
Current liabilities						
Short-term borrowings	24.2	0.9	16.8	-	-	-
Trade payables	20.8	16.4	11.8	10.3	14.3	6.3
Other current liabilities	99.6	90.3	97.6	79.2	48.6	33.2
Short-term provisions	2.5	2.3	2.0	1.4	1.0	0.7
Total of Current liabilities	147.1	109.9	128.2	90.9	63.9	40.2
Total Liabilities	644.6	598.4	576.9	473.0	295.2	222.4
Assets						
Non-current assets						
Fixed assets						
Tangible assets	242.5	265.9	236.6	161.9	114.3	109.6
Intangible assets	0.2	0.3	0.3	1.1	1.6	2.0
Capital work-in-progress	12.1	10.7	29.5	49.6	6.4	7.3
	254.8	276.8	266.5	212.5	122.2	118.9
Non-current investments	210.6	171.3	175.8	155.1	69.4	1.7
Deferred tax assets (net)	14.1	10.5	-	-	-	-
Long-term loans and advances	25.7	26.1	19.2	13.1	28.6	53.2
Trade receivables	-	2.2	7.6	-	-	-
Other non-current assets	0.1	0.0	5.7	0.0	0.8	0.0
Total Non-current assets	505.2	486.9	474.8	380.7	221.1	173.8
Current assets						
Current investments	-	3.5	9.8	-	-	-
Inventories	5.0	6.2	5.9	6.5	3.0	3.2
Trade receivables	74.1	55.8	43.9	31.9	38.1	13.7
Cash and bank balances	27.9	34.4	26.2	37.8	17.0	15.1
Short-term loans and advances	20.0	7.0	14.6	15.3	12.6	13.4
Other current assets	12.3	4.5	1.6	0.8	3.3	3.3
Total Current assets	139.4	111.4	102.1	92.3	74.1	48.6
Total assets	644.6	598.4	576.9	473.0	295.2	222.4

Source: RHP, UFO Moviez India Limited

Restated Consolidated statement of cash flows:

Rs. in crs	Nine month period	For the year ended				
Particulars	ended 31-Dec-2014	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10
A. CASH FLOW FROM OPERATING ACTIVITIES						
Profit before taxation (as restated)	31.2	31.1	25.2	8.4	-5.4	-19.5
Non cash adjustments to reconcile profit before tax to net cash flows						
Depreciation and amortisation expenses	43.8	54.6	46.7	34.2	24.9	19.2
Foreign exchange (gain)/loss (net)	0.0	0.0	0.1	0.7	0.1	6.1
Loss on sale & write off of fixed assets	0.4	1.0	0.4	0.1	0.9	0.5
Bad debts written-off	0.3	0.1	0.2	0.8	0.9	0.6
Provision for doubtful debts	1.1	0.4	1.7	0.2	0.2	0.7
Provision for compensated absences	0.1	0.6	0.5	0.4	0.3	-
Provision for gratuity	0.4	0.4	0.4	0.3	0.2	-
Provision for diminution in value of fixed assets	0.1	0.2	0.7	-	-	-
Provision for diminution in value of investment	-	0.5	-	-	0.9	-
Sundry credit balances written back	-0.2	-0.1	-0.5	-0.2	-0.8	-0.0
Profit on sale of current investments	-	-	-	-1.0	-	-
Dividend income	-0.1	-0.3	-0.3	-0.3	-	-
Interest Income	-3.1	-2.1	-2.0	-4.9	-2.3	-3.9
Interest expense	11.6	14.3	12.9	6.1	3.9	4.8
Operating profit before working capital changes (as restated)	85.7	100.7	85.8	44.8	23.9	8.5
Movements in Working Capital						
Decrease / (increase) in trade payables	4.4	10.3	5.7	-4.0	-1.7	0.4
Increase / (decrease) in short-term provisions	-0.4	-0.6	-0.3	-0.3	-0.2	0.1
Increase / (decrease) in other current liabilities	5.6	2.1	-27.9	-0.3	12.4	10.5
Increase / (decrease) in other long-term current liabilities	-0.8	-1.2	34.5	14.0	4.6	-2.5
Decrease / (increase) in trade receivables	-17.6	-7.0	-21.1	4.9	-25.5	-1.3
(Increase) / decrease in inventories	1.2	-0.3	0.6	-3.5	0.2	-1.4
Decrease / (increase) in short-term loans and advances	-5.6	7.6	-2.2	1.0	2.3	-1.7
Decrease / (increase) in other current assets	-7.4	-2.8	-0.9	-0.7	-0.8	-0.6
Decrease / (increase) in long term loans and advances	0.0	-4.6	3.1	18.6	-	-
Cash flow from operations	65.2	104.1	77.3	74.5	15.1	12.2
Direct tax paid (including fringe benefit tax) (net of refunds)	-16.4	-7.6	-5.7	-3.5	-3.0	-51.9
Net cash generated from/ (used in) operating activities (A)	48.7	96.5	71.5	71.0	12.0	-39.7
B. CASH FLOW USED IN INVESTING ACTIVITIES						
Purchase of fixed sassets including intangible, capital work-in process & capital advances	-29.0	-82.5	-109.0	-100.8	-38.5	-36.8
Investment in subsidiary	-	-11.7	-	-57.8	0.2	-0.2
Purchase of shares of subsidiary	-16.5	-	-9.0	-27.8	-	-
Loans given to subsidiary	-7.5	-	-	-	-	-
Redemption of preference share in subsidiary	-	4.0	-	-	-	-
Loan repaid by subsidiary	-	-	-	-	-	49.0
Purchase of current investment including dividend reinvestment	-22.2	-35.3	-19.8	-55.0	-19.5	-
Proceeds from sale of current investment	25.7	41.5	10.1	56.0	-	-
Advance for purchase of Investment	2.0	-2.0	-	-	-	-
Refund of advances paid for purchase of investments	-	-	-	-	-	-
Advance for investment in subsidiaries	-	-	-	-	-20.1	-
Proceeds from sale of fixed assets	1.4	0.9	1.2	1.4	1.5	0.7
Interest received	2.6	1.9	2.1	4.7	1.1	1.7
Dividend received	0.1	0.3	0.3	0.3	-	-
(Placement)/Maturity of bank deposits having original maturity more than 3 months (net)	-3.5	-2.1	19.6	-35.0	3.5	0.0
Net cash generated from/ (used in) investing activities (B)	-46.8	-85.1	-104.6	-213.9	-71.9	14.4

Source: RHP, UFO Moviez India Limited

Restated Consolidated statement of cash flowscontd

C. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES						
Proceeds from long term borrowings	19.3	92.0	76.9	32.7	14.3	31.1
Repayment of long term borrowings	-42.6	-72.8	-34.6	-10.7	-10.0	-11.5
Proceeds and repayment of short term borrowings (net)	23.4	-15.9	16.8	-	-	-19.0
Proceeds from issuance of equity shares	-	-	-	0.0	25.0	25.0
Share issue expenses	-	-	-	-	-3.2	-
Share application money	-	-	-	-	44.0	-
Interest paid	-11.8	-14.2	-12.3	-5.9	-3.8	-4.6
Proceeds from issuance of preference share capital	-	-	-	114.3	-	-
Net cash generated from/(used in) financing activities (C)	-11.8	-11.0	46.8	130.3	66.4	21.0
(A+B+C)Net increase/(decrease) in cash and cash equivalents	-9.9	0.4	13.7	-12.6	6.6	-4.3
Cash and cash equivalents at the beginning of the period/year	17.1	16.6	3.0	15.6	9.3	13.6
Total Cash and cash equivalents at the end of the period/yea	7.2	17.1	16.6	3.0	15.9	9.3
Components of Cash and Cash Equivalents						
Cash on hand	0.0	0.0	0.0	0.0	0.0	0.0
Balance with scheduled banks :						
Current account	7.2	15.8	14.6	2.9	12.1	1.4
Fixed deposit account with original maturity of less than 3 months	-	1.3	2.1	0.1	3.5	7.9
Total	7.2	17.1	16.6	3.0	15.6	9.3

Source: RHP, UFO Moviez India Limited

Top ten Equity shareholders as on date of Red Herring Prospectus are as follows:

Sr No	Shareholder	Number of Equity Shares Pre-Offer	Percentage of pre-offer capital%	Number of Equity Shares held Post-Offer	Percentage of post-offer capital %
1	P5 Asia Holding Investments (Mauritius) Limited	9,253,740	35.73	[●]	[●]
2	3i Research (Mauritius) Limited	5,566,570	21.49	[●]	[●]
3	Valuable Technologies Limited	3,071,745	11.86	[●]	[●]
4	Apollo International Limited	2,266,417	8.75	2,266,417	8.75
5	Valuable Media Limited	2,131,782	8.23	[●]	[●]
6	Advent Fiscal Private Limited	737,182	2.85	737,182	2.85
7	Raaja Kanwar	566,214	2.19	[●]	[●]
8	Nifty Portfolio Services Private Limited	542,136	2.09	542,136	2.09
9	Kapil Agarwal*	370,869	1.43	[●]	[●]
10	Sanjay Gaikwad	329,773	1.27	[●]	[●]
	Total	24,836,428	95.89		

*This includes 101,250 Equity Shares held by Mr. Kapil Agarwal on behalf of the M.B. Zaidi Memorial

Valuations

The company is bringing the issue at price band of Rs. 615-625 at price/earnings (PE) ratio of 37.5x the upper price band of Rs 625 and 36.9x the lower price band of Rs 615 on FY2014.

Name of Company	Standalone / Consolidated	Face Value (Rs. Per share)	EPS (Rs)		NAV (Rs per share)	P/E	RONW
			Basic	Diluted			
UFO Moviez India Limited	Standalone	10.00	12.30	12.21	142.01	--	8.66%
	Consolidated	10.00	16.77	16.66	153.33	36.9-37.5	10.94%
Peer Group							
Entertainment (India) Ltd Network	Consolidated	10.00	17.54	17.54	111.72	21.11	15.70%
Inox Leisure Limited	Consolidated	10.00	4.85	4.85	46.23	23.57	8.31%
TV18 Broadcast Limited	Consolidated	2.00	0.61	0.61	17.92	41.72	3.38%
PVR Limited	Consolidated	10.00	13.72	13.69	87.14	34.11	15.65%
Zee Enterprises Entertainment Ltd	Consolidated	1.00	9.19	9.19	27.33	29.56	33.99%

P/E ratio based on closing market price as on March 31, 2014

Source: RHP, UFO Moviez India Limited

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