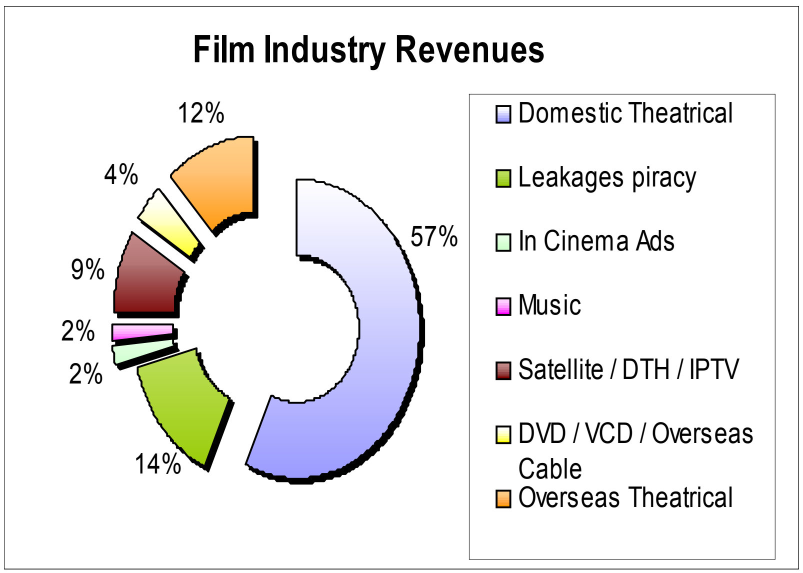
Industry Overview

- The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year.
- Revenue for 2004 was estimated at Rs. 59 billion (US$1.3 billion), which was less than 1% of global film industry revenue and a fraction of the U.S. Film industry revenue, which was US$9.49 billion in 2003. *(Source CII)*



Nearly 80% of Indian Industry revenues come from Domestic and Overseas Theatrical.

On the contrary US Film Industry earns only 35% from box office sales and remaining 65% is derived from other revenue sources

This clearly signifies the onset and potential of Multiplexes in the Indian Film Exhibition Sector.

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Indian Film Exhibition Industry

The Film Exhibition Industry

- The Indian film exhibition sector had revenues of Rs. 34 billion in 2004. (Source:CII)
- The Film Exhibition Industry can be divided into two segments:
  - single and double-screen cinemas and
  - multiplex cinemas, i.e. three screens or more.
- As of March 2005, there were approximately 12,000 cinemas in India of which 73 were multiplexes with a total of 276 screens.
- Multiplexes constitute only 0.6 % of about 12,000 cinema halls in India, but account for 28% to 34 % of the box office take for the Top 50 films in 2004. (Source Yes Bank)

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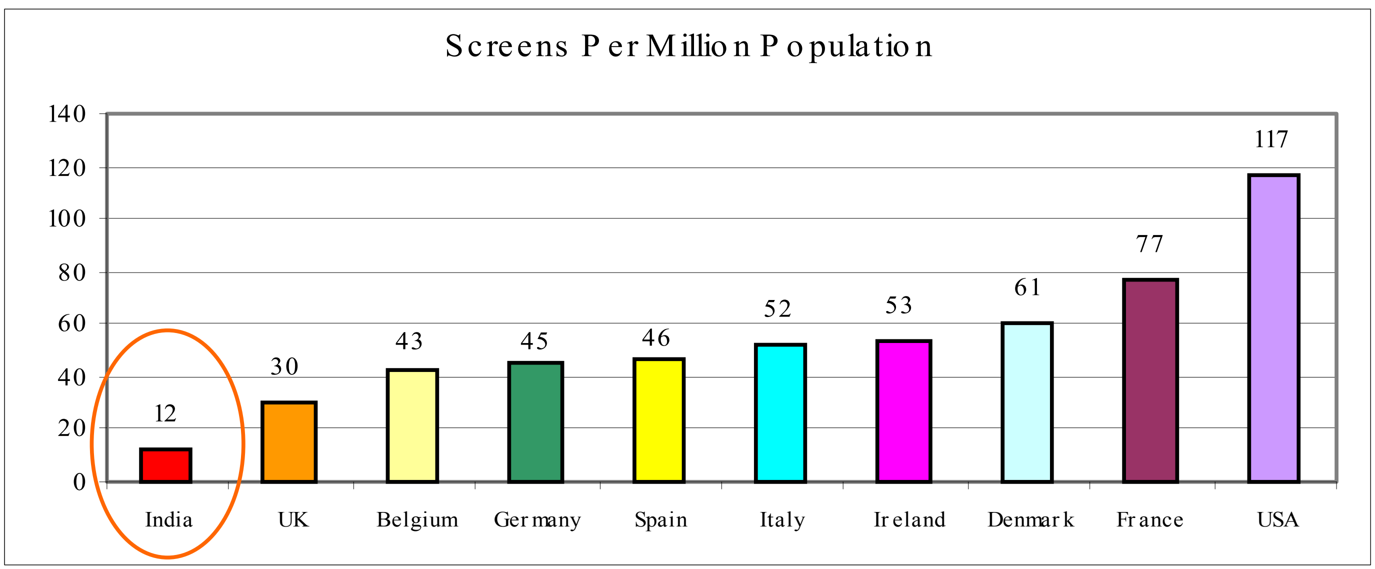
The Film Exhibition Industry: Multiplex

More than 60 additional multiplexes with more than 220 additional screens are slated to commence operations by the end of 2006, a growth rate of 80-100%

Average price of a ticket for a multiplex cinema is Rs. 75 - 85 but the number of screens in multiplexes represented only 2.3% of total screens in India as of March 2005. (Source:Industry Estimates)

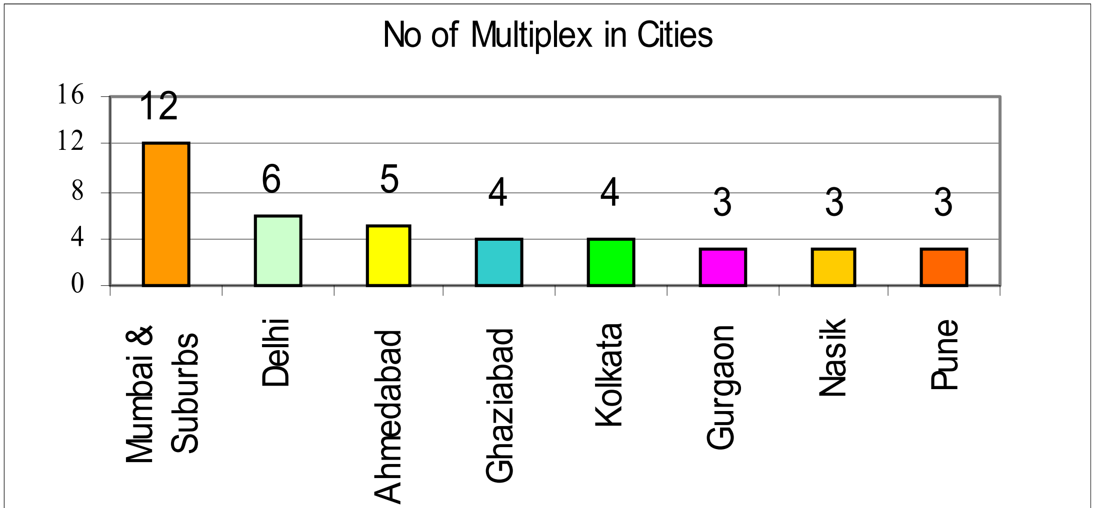
An increase in the number of Multiplex screens should result in an increase in film exhibition revenues, so the opening of new Multiplexes represents a significant growth opportunity for the industry.

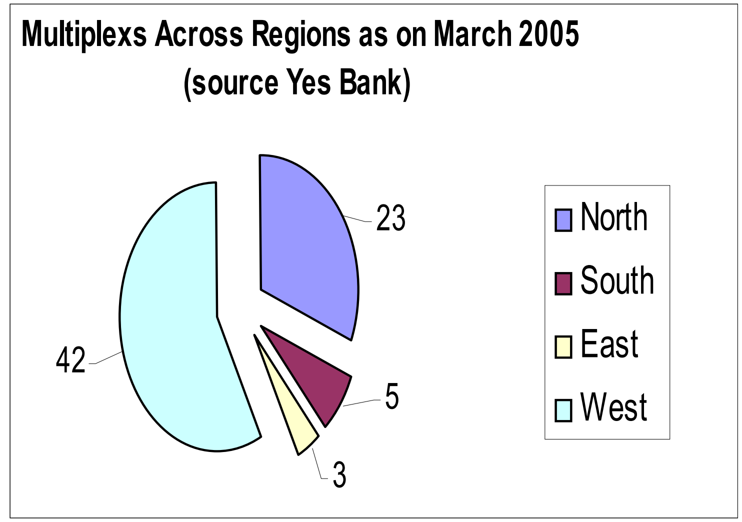


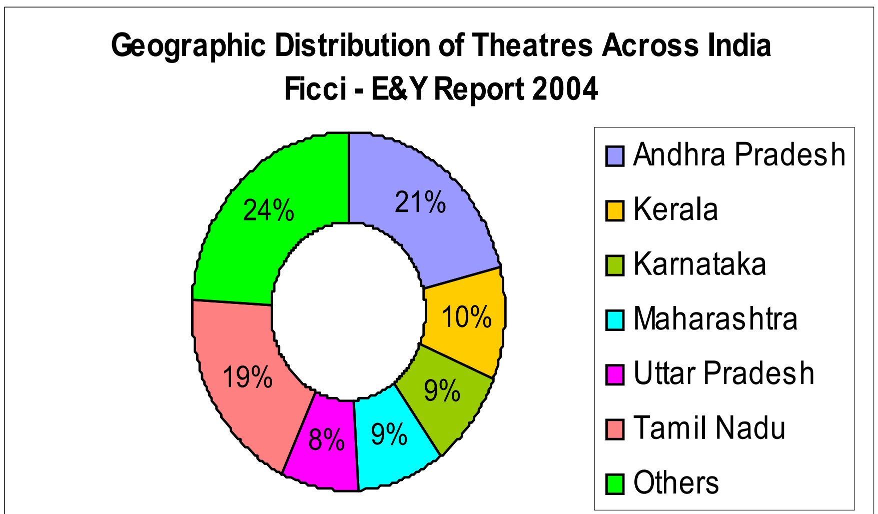
In India, the number of screens per million of population is just 12 whereas the average in western countries is 40.

India needs 20,000 screens to cater the entire cinema viewing population

The Film Exhibition Industry: Multiplex







Number of Screens	Number of Multiplexes	Number of Screens	Number of Seats	Seats / Screens
3 Screens	40	120	43143	360
4 Screens	21	84	25862	308
5 Screens	6	30	10148	338
6 Screens	4	24	6991	291
More than 6 Screens	2	18	3326	185
	73	**276**	**89470**	**1482**

Majority of multiplexes have 3 screens. The table enlists the number of multiplexes sub-divided by the number of screens and seats.

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Key Players

Key players

Company	# of Properties	# of Screens	# of Seats
PVR Cinemas *	7	34	7333
Inox Leisure Limited	5	25	7344
Adlabs Films *	4	14	5666
Shringar Cinemas	3	14	4588
Wave Cinemas	3	13	4380
E-City Cinemas	3	14	3952
Total	25	114	33263
% of India	34%	41%	37%

*Only film exhibition properties with 3 or more screens have been considered for this analysis

*Kindly note that the No of Properties , Screens and Seats have been updated in the subsequent slides * from respective Company Web Sites as new properties have come up after report was published.*

Six largest multiplex operators of India tabulated above operate 114 screens spread across 25 properties with a cumulative seating capacity of 33,263. This constitutes 34%, 41% and 37% of India's total multiplex properties, screens and seats respectively.

(Source: Market Estimates)

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Key player : Adlabs Films

Adlabs Upcoming Multiplexes			
Name	City	Screens	Seats
Cineplex Adlabs	Mangalore	3	1,076
Ansal Vaishali Plaza	Ghaziabad	3	1,003
Metro Adlabs	Mumbai	6	1,491
Mangal Adlabs	Indore	4	1,102
Goldspot Adlabs	Hyderabad	4	1,362
Adlabs Palm Beach	New Mumbai	4	1,008
Himalaya Adlabs	Ahmedabad	5	1,200
RDB Boulevard	Kolkata	3	1,050
IMAX, Mani Square	Kolkatta	4	1,350
Ansal Mall	Greater Noida	4	1,200
Gopalan Legacy Adlabs	Bangalore	4	1,100
Dattani Mall	Thane	4	1,100

Adlabs Upcoming Multiplexes			
Name	City	Screens	Seats
Sangam Adlabs	Mumbai	4	1250
R Town	Mumbai	8 to 10	2200
Fortune City Mall	Bangalore	8 to 10	2,200
Ansal Plaza	Gurgaon	3	1,000
Maheshwari - Parmeshwari Adlabs	Hyderabad	5 to 6	1600
RAP, Borivali	Mumbai	4	1250
Rap Mirage	Agra	3	1004
RAP Media Ltd	Amritsar	6	1,700
RAP Media Ltd	Jalandhar	5	1,500
RAP Media Ltd	Ludhiana	7	2,000
RAP Media Ltd	Mohali (Chandigarh)	5	1,500
RAP Metropolitan	Moradabad	3	1016
RAP Media Ltd	Patiala	5	1,450
Little world Mall	Kharghar	4 to 5	1,200
Paras Downtown	Zirakhpur	4	1300
	Total upcoming	122 - 128	36,212

Adlabs Films Ltd Existing Multiplexes				
Name	Location	City	Screen	Seats
Gold Adlabs	Kalyani Nagar	Pune	3	1,109
Divya Adlabs	CIDCO	Nashik	3	1,200
Imax Adlabs	Wadala	Mumbai	5	1,832
R-Adlabs	Mulund	Mumbai	4	1,353
Huma Adlabs	Kanjurmarg	Mumbai	4	1,263
Fame Adlabs	Andheri	Mumbai	5	1,282
Aerens R Imax at Rap Adlabs	Sahibabad Industrial Estate	Ghaziabad	4	1,313
			28	**9,352**

Adlabs Films Ltd was founded by Mr. Manmohan Shetty and Mr. Vasanji Mamania

In 2005, (Reliance - ADA Group) acquired a 50.16% stake in Adlabs Films Limited

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Key player : E-City Entertainment

E - City Entertainment (Essel Group)			
Name	Location	Since/Target Date	No of Screens
Sigma Mall	Bangalore	March, 2006	3
Fun Republic	Hyderabad	Planned 2007	6
Fun Republic	Lucknow	April, 2006	4
City Centre	Mumbai	Planned 2007	4
Cross River Mall	New Delhi	March, 2006	4
Ansals Plaza II	Punjab	Planned 2008	4
Pacific Mall	Agra, Uttar Pradesh	May, 2006	4
Nand Plaza	Agra, Uttar Pradesh	Planned 2006	3
Fun Republic	Ahmedabad	June, 2001	6
Fun Republic	Chandigarh	November, 2003	4
TDIChandigarh	Chandigarh	Planned 2007	3
Fun Republic	Coimbatore	Planned 2006	6
MaInz	G.T.Road	Planned 2008	6
Times Square (Jagat Cinema)	Jaipur	December,2005	2
Axis Mall	Kolkatta	Planned 2008	4
Lake Mall	Kolkotta	Planned 2007	4
Times Square	Kota	Planned 2006	4
Dindayal City Mall	M.P	Planned 2006	4
Fun Republic	Mumbai	August, 2003	6
Dreams Mall	Mumbai	Planned 2006	5
Kukreja Mall	Mumbai	June, 2006	4
AEZ Carnival Country	NCR (Uttar Pradesh)	March, 2006	3
North Square	New Delhi	February, 2006	3
TDI Mall	New Delhi	December, 2005	3
V3S Mall	New Delhi	February, 2006	3
Mittal's Mega Mall	Panipat, Haryana	Planned 2006	3
Ansals Plaza	Punjab	Planned 2007	4
Mittal's Mega Mall	Punjab	Planned 2009	4
Sun City Mall	Rajasthan	Planned 2007	4
Ansals Royale Plaza	Rajasthan	Planned 2007	3
Grand Total			**120**

E-City Entertainment is a business segment of the Essel Group.

In Film Exhibition they have 2 Brands

1. Fun Republic Entertainment

2.Fun Multiplex.

- E City Entertainment has made a prominent appearance Metros across Regions like Mumbai and Delhi.
- And is seen to be targeting Tier 2 Tier 3 Cities like Coimbatore, Rajasthan, Punjab, Kolkata

D'Essence Consulting

Key player : Shringar Cinemas

Shringar Cinemas Ltd	
Existing Multiplexes	
Fame Adlabs	5 screens , 1342 seats
Fame Malad	6 screens, 1571 seats
Fame Nasik	3 Screens, 1407 Seats
Fame Kandivali	4 Screens, 1275 Seats
Fame Kolkata	4 Screens, 900 Seats
Fame Pune	3 Screens - 1009 Seats
Grand Total	25 Screens 7504 Seats

- Shringar Cinemas, managed by promoters who have been one of the largest film distributors in Western India for Hindi films.
- Company is focusing on Western India i.e. Mumbai, Pune, Nashik, Aurangabad as well as Eastern Indian i.e. Kolkata

Shringar Cinemas Ltd		
Upcoming Projects		
FAME	Allahabad	
FAME	Ghatkopar	4 screens and 1250 seats
FAME	Aurangabad	3 screens and approximately 1000 seats.
FAME	Hyderabad	3 screens and approximately 900 seats
FAME	Surat - Raj Empire	6 Screen
FAME	Thane	5 screens

D'Essence Consulting

Key player :Inox Leisure Ltd

Inox Leisure Ltd			
Existing Multiplexes			
City	Location	No of screens	No of seats
Mumbai	Nariman Point	5	1335
Bangalore	Magrath Road	5	1103
Vadodara	Race Course Circle	4	1318
Pune	Bund Garden	4	1316
Goa	Panaji	4	1271
Kolkatta	Salt Lake	4	1144
Kolkatta	Elgin Road	4	1016
Indore	Sapna Sangeeta	3	1080
Darjeeling	Laden La road	3	811
Jaipur	Vaibhav Nagar	2	787
Grand Total		38	11181

Inox Leisure Ltd		
Upcoming Projects		
Location	**Screens**	**Seats**
Vishakhapatnam	4	1300
Raipur	4	1250
Lucknow	4	1000
Kolkatta	5	1042
Kharagpur	4	1200
Jaipur	3	750
Jaipur	3	750
Hyderabad	6	1470
Chennai	5	1156
Bangalore	4	1100
Bangalore	7	1860
Bangalore	7	1720
Grand Total	**56**	**14598**

Inox Leisure plans to target very specifically cities in South India Like Bangalore, Chennai, Hyderabad, Vishakhapatnam.

D'Essence Consulting

Key player : PVR

PVR Cinemas			
Existing Locations			
Name	Location	Screens	Seats
PVR Bangalore	Bangalore	11	NA
PVR Priya	Delhi	NA	944
PVR Saket	Delhi	4	1000
PVR Vikaspuri	Delhi	3	921
PVR Narania	Delhi	4	830
PVR Gurgaon	Gurgaon	7	1300
PVR EDM	Ghaziabad	3	720
PVR Faridabad	Faridabad (Ha	2	480
PVR SRS Faridabad	NCR Delhi	3	776
PVR Plaza	Delhi	NA	300
Spice PVR	Noida	NA	1821
PVR Hyderabad	Hyderabad	5	812*
PVR Rivoli	Delhi	3	329*
PVR Lucknow	Lucknow	4	928
PVR Indore	Indore	5	1199
PVR Mumbai	Mumbai	2 + 3	NA
Grand Total		**57 approx**	**12360 Approx**

PVR Cinemas			
Upcoming			
Cinemas	**Screens**	**Seats**	**Expected In**
PVR CINEMAS Mumbai	6 Screens	1750	Fiscal 2006
PVR CINEMAS New Delhi	6 Screens	1269	Fiscal 2007
PVR CINEMAS Mumbai	7 Screens	2050	Fiscal 2007
PVR CINEMAS Mumbai	8 Screens	2200	Fiscal 2007
PVR CINEMAS New Delhi	6 Screens	1500	Fiscal 2008
PVR CINEMAS Chennai	7 Screens	1600	Fiscal 2007
PVR CINEMAS Mumbai	4 Screens	1250	Fiscal 2007
PVR CINEMAS Ludhiana	4 Screens	1000	Fiscal 2007
PVR CINEMAS Gurgaon	2 Screens	450	Fiscal 2006
Prashant Vihar, Delhi	3 Screens	800	Fiscal 2006
Latur	3 Screens	1050	Fiscal 2006
Aurangabad	3 Screens	1100	Fiscal 2006
Silver Arc, Ludhiana	3 Screens	1000	Fiscal 2008
TOTAL	**71 Screens**	**19310 Seats**	

- PVR Cinemas setup India's first multiplex in 1997 at Delhi.
- The Company has been funded by ICICI Venture and is in final stages of closing second round of equity funding for future expansion
- PVR Cinemas is focusing on developing multiplex properties in Northern, Western and Southern India (Bangalore & Hyderabad)

Key player : Wave Cinemas

Wave Cinemas is a part of The Chadha Group. Currently operates 13 screens spread across 3 properties. With existing operations in Noida, Kaushambhi and Lucknow. Wave Cinemas is a regional player focusing on Northern India. penetrating in untapped raw territory in UP and Ghaziabad.

Wave Cinemas		
Existing Cinemas		
Location	Screens	Seats
Noida	5	1804
Kaushambi (Ghaziabad)	4	1192
Lucknow	4	1394
Grand Total	13	4390

Wave Cinemas	
Upcoming Projects	
Mohali	ALL LOCATIONS ARE
Ludhiana	IN NORTHERN INDIA
Raja Garden Delhi	

GROWTH DRIVERS

Summary: Growth Drivers

Growth drivers responsible for the expected increase in the number of multiplex cinemas are as follows:

- An increase in disposable income in the hands of an ever expanding Indian middle class
- Favourable demographic changes
- Organised retail boom
- Entertainment tax benefits for multiplex cinemas
- Increase in the number of high grade Hindi films.

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Favourable Demographics

Demographics (source CIA fact sheet July 2005 Est)

- Current Population: 1 billion+ (1,080,264,388) growing between 1.4% to 1.8% annually
- Age structure: 0-14 years: 31.2%
  15-64 years: 63.9%
  65 years and over: 4.9%
- Median age: 24.66 years
- A younger population tends to have higher aspirations, and will spend more as it enters the earning phase.

Increase in Disposal Income

Classes	Between	Households in 1995	Households in 2000	Households in 2006E
Rich	Above USD 4,600	1 million	3 million	6 million
Consuming	USD 970 - 4,600	29 million	66 million	75 million
Climbers	USD 470 - 970	48 milliom	66 million	78 million
Aspirants	USD 340 - 470	48 million	32 million	33 million
Destitutes	Less USD 340	32 million	24 million	17 million

Source: CII – KPMG Report 2005 accredited NCAER

URBAN CONSUMER SPEND % (Source KSA Technopak)				
Categories	**1999**		**2002**	
Savings & Investments	**14**		**5.2**	
Consumption				
Shopping		22		24.3
Leisure & Entertainment		21		29.1
Grocery		43		41.4
Sub total of Consumption		**86**		**94.8**
Total		**100**		**100**

Multiplexes generally cater to High and Middle income Groups, with an increase in the number of households within this earning group, will result to higher consumption and spending patterns.

Similarly migration of households from lower income to middle income levels will further drive the consumption patterns.

Urban consumers have increased their expenditure on leisure & entertainment. Simultaneously spends on eating out, movies and theater, and books and music will increase.

Onset of Retail Activity

- Though Organised retail comprises of 3% of the total retail pie of USD 200 Billion, it is growing at 25 to 30% CAGR
- Number of malls in India is expected to increase from approximately 50 as of the end of 2004 to around 250 by the end of 2006. (Source: BW Marketing Whitebook, 2005, attributed to KSA Technopak.)
- There will be approximately 600 malls by 2010 (Source Edelweiss Securities study)
- Multiplexes are one of the anchor tenants in large format malls, as their presence increases footfalls by approximately 40-50%. (Source: CII)

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Entertainment tax benefits

City	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Minimum Seating	Minimum No of Screens
Entertainment Tax Exemption / Benefit							
Mumbai	100%	100%	100%	75%	75%	1250	4
Rest of Maharashtra	100%	100%	100%	75%	75%	1000	3
Punjab	100%	100%	100%	100%	100%	1000	3
Kolkatta	100%	100%	100%	100%	NA	1000	3
Rajasthan	100%	100%	90%	80%	70%	NA	NA
UP	100%	100%	100%	100%	100%	NA	3
Bhopal/Indore/ Jabalpur/Gwalior	100%	100%	100%	75%	50%	1000	3

STATE	ENTERTAINMENT TAX
Delhi	30%
Gujrat	100%
Maharashtra	45%
Mumbai	45%
Kalyan, Thane, Dombivali, Navi Mumbai, Nasik, Aurangabad, Nagpur	40%
Vasai, Virar, Nallasopara	34%
Karnataka	40%
UP	60%
Tamil Nadu	15%
West Bengal	30%

Source PVR Cinema Research

- In order to encourage investment many state governments have announced policies offering entertainment tax benefits.
- This has encouraged the growth of Multiplex Cinemas and also encouraged single-screen theaters to convert into Multiplexes.
- Quantum of entertainment tax benefit would be dependant on compliance with certain conditions specified by the relevant state.

Increase in Hindi Movies

	2001	2002	2003	2004
Average number of high grade Hindi films released per week	1.15	1.46	1.58	1.71

The number of Hindi movies has increased from year 2001 to 2004.

This signifies immense potential and is definitely a sign of being a crowd puller and generating more revenue.

Regulatory

- The Indian film exhibition sector is highly regulated and changes in regulations may have an adverse effect on business.
- Regulations by both the central and the state governments.
- Policies extend to aspects of building and safety requirements, licensing requirements, tax and entertainment tax registrations and grant of exemptions from the payment of entertainment tax.
- Provisions of laws include:
  - Requiring a minimum distance between the screen and the front row seats, which distances were set based on large screens used in single-screen cinemas and not the smaller screens used at most Multiplex Cinemas.
  - The permissible pressure at which the electrical current may be supplied to a projector, which provision does not reflect the technological advances in respect of Multiplex Cinemas.
  - The reservation of playing times for a scientific film, educational film, news reel or documentary.,
  - Restrictions on ticket prices in certain states.

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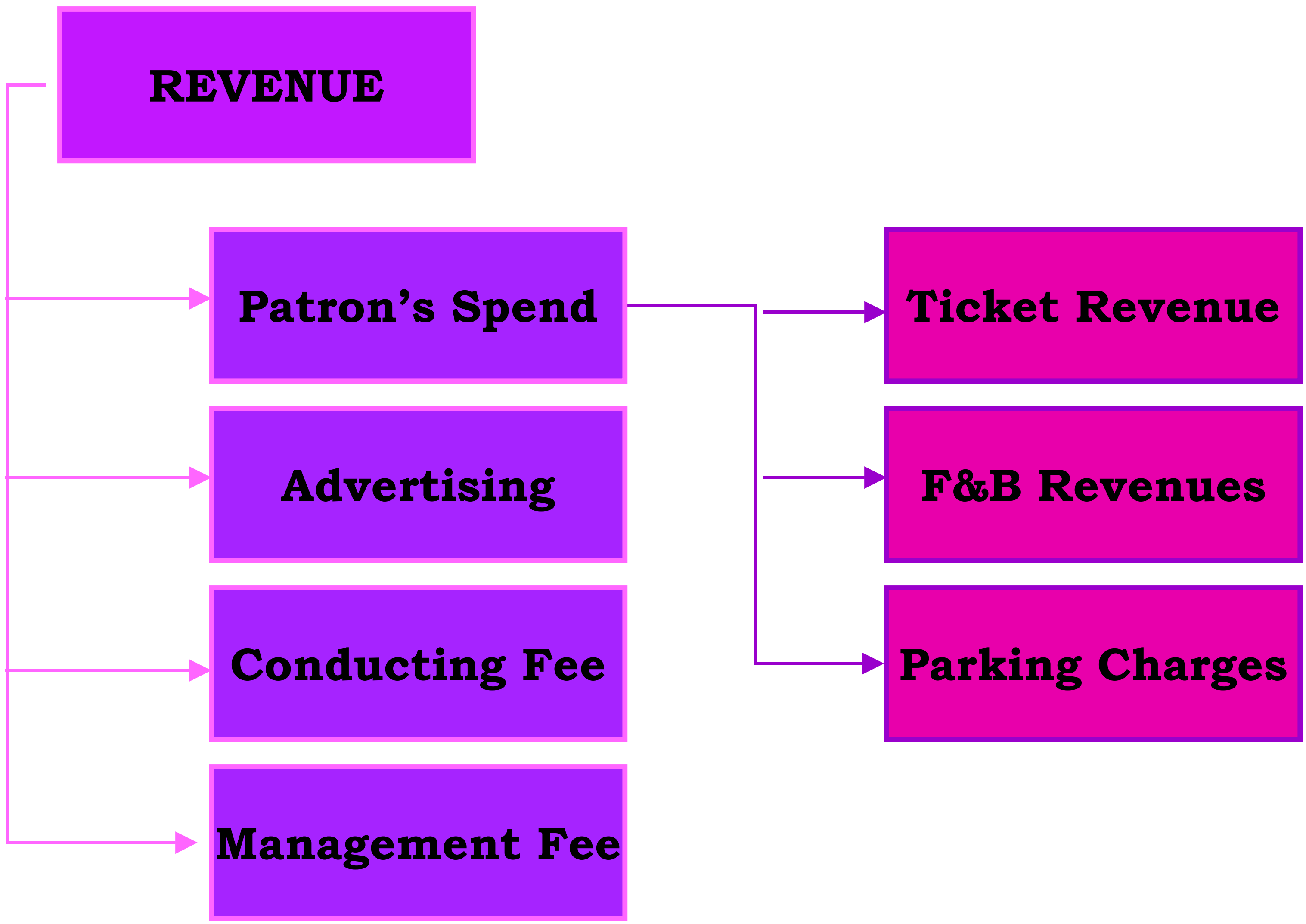
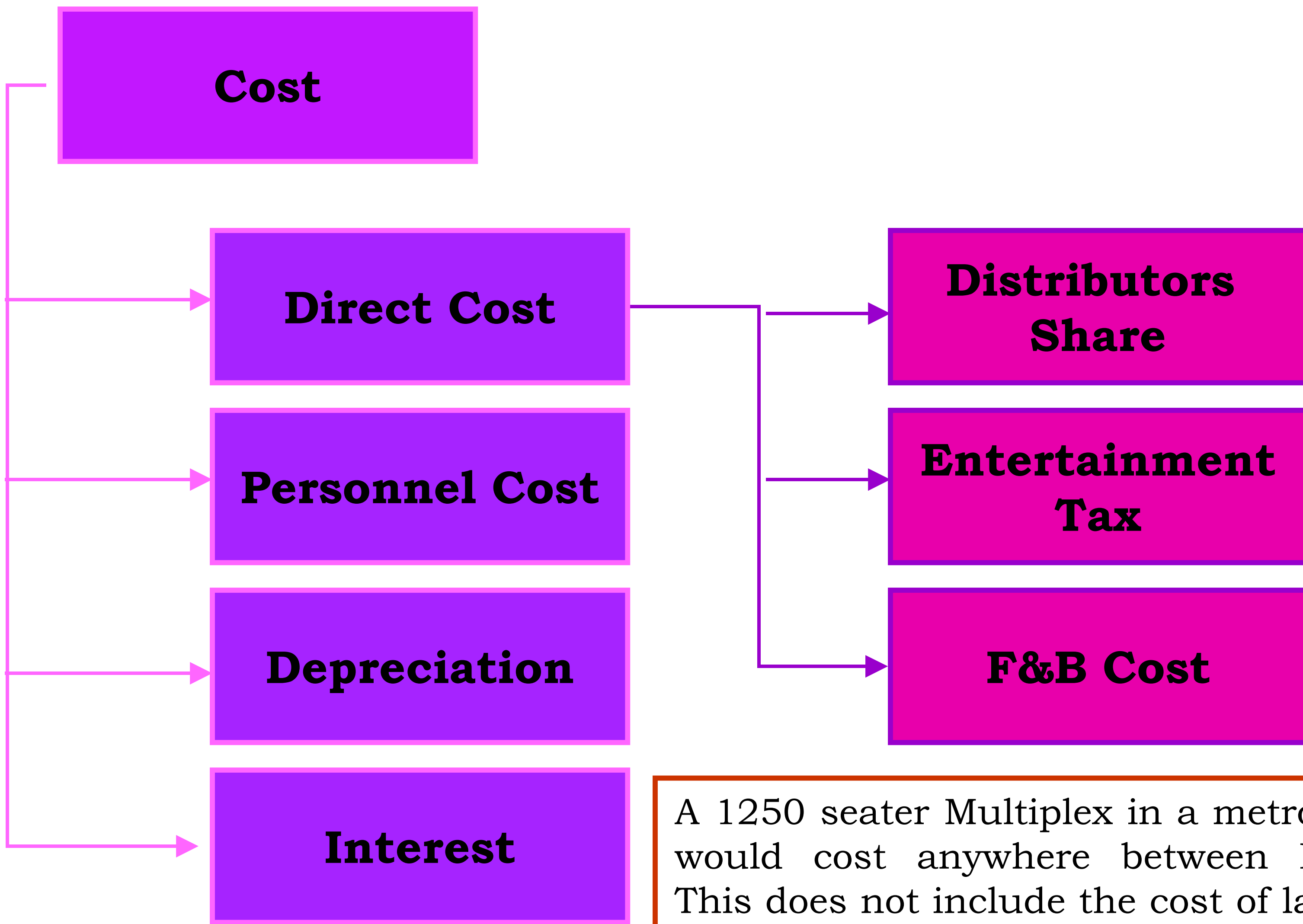
Break-Up of Revenues



Break-Up of Cost



A 1250 seater Multiplex in a metropolitan city would cost anywhere between Rs80-90mn. This does not include the cost of land because the land may be leased

Way Forward

- Over the next 18-24 months, 6 of the largest multiplex operators in India mentioned earlier are likely to commercialize approximately 200-240 screens spread across 50- 60 new multiplexes.
- These multiplexes will have a cumulative seating capacity in excess of 55000-60000.
- There will also be an increase in number of multiplexes operated by smaller players, who constituted 66% of total multiplexes as of march 2005.
- It is estimated that number of operating multiplexes in India will increase by 80-100% by end of 2006.
- By the end of 2006, 135+ multiplexes will house more than 160,000 seats spread across 500+ screens.
- These multiplexes will have significant direct positive impact on the business economics of film production, financing, distribution and exhibition and indirectly on other ancillary markets. *(Source: Yes bank)*

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