

### Heading for pole position



### Inox Leisure's Q1FY22 was largely in-line with our estimates

- Revenue from operations at INR 223 Mn vs INR 904 Mn qoq / INR 3 Mn yoy and marginally below our estimate of INR 305 Mn
- EBITDA loss at INR (290) Mn vs loss of INR (137) Mn and profit of INR 334 Mn | qoq / yoy and largely in-line with our estimated loss of INR (327) Mn
- PBT loss at INR (1,632) Mn vs loss of INR (1,456) Mn and loss of INR (1,006) Mn | qoq / yoy
- PAT loss stood at INR (1,223) Mn vs loss of INR (1,141) Mn and loss of INR (764) Mn | qoq / yoy and marginally above our estimated loss of INR (1,106) Mn
- EPS stood INR (-10.8) vs INR (9) / INR (7) | qoq / yoy

### Key Takeaways of the result:

- Inox Leisure had 8.25 Lakh footfalls with an occupancy of 12%
- ATP stood at INR 173 and SPH at 78
- Screens are allowed to remain open in 13 states and 1 UT which translates into 459 screens
- 5 states and 189 screens still remain shut
- Opened 5 screens with 694 seats in Bengaluru during the quarter
- Company plans to open another 44 screens in 10 locations during the balance of FY22

### Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	16,922	18,974	1,059	7,826	20,496
Adjusted net profit	1,335	150	(3,336)	(2,877)	1,485
Free cash flow	10	1,849	407	405	4,481
EPS (Rs)	13.0	1.5	(29.7)	(25.6)	13.2
P/E (x)	21.0	186.7	(9.2)	(10.7)	20.7
P/B (x)	2.9	4.5	4.9	9.0	6.3
EV/EBITDA (x)	9.3	9.3	116.4	48.7	8.6
D/E	0.1	0.2	0.1	0.2	0.1
RoCE (%)	21.9	47.0	-27.3	-31.6	87.0
RoE (%)	13.9	2.4	-52.7	-84.3	30.6

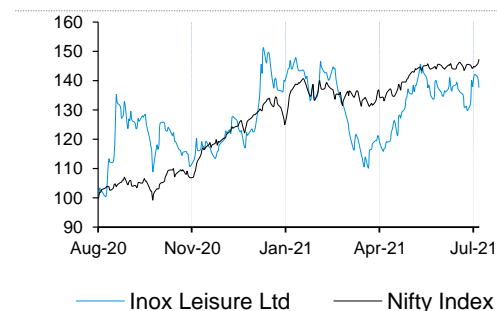
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY	367	17

### Market data

<b>Current price</b>	<b>Rs</b>	<b>313</b>
Market Cap (Rs.Bn)	(Rs Bn)	39
Market Cap (US\$ Mn)	(US\$ Mn)	525
Face Value	Rs	10
52 Weeks High/Low	Rs	359/228
Average Daily Volume	('000)	560
BSE Code		532706
Bloomberg		INOL:IN
Source: Bloomberg		

### One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Dec-20
Promoters	43.63	47.38
Public	56.23	52.46
Others	0.14	0.16
<b>Total</b>	<b>100</b>	<b>100</b>

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## Conference Call Key Highlights

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- Q1FY22 should be the point from where turnaround should begin
- INR 300 Cr successfully raised in June 2021
- Net Debt free as of date
- Employee Benefit Expenses reduced from INR 37 cr to 27.1 Cr QoQ
- Power, fuel and Repair & Maintenance reduced from 24.1 Cr to 10.1 Cr QoQ
- Rent & CAM negotiated for 65% of properties. Rest of props have considered full rent
- Overhead expenses reduced from INR 20.5 Cr to 10.5 Cr QoQ
- Based on agreements signed and negotiations conducted, Inox plans to add 133 properties - 926 screens - 1,71,675 seats post FY22. This will take the total screen count from 648 currently to 1,618.
- 19 screens which are 90% completed would need INR 8-10 cr additional capex required and additional 65 cr might be needed for fit outs for another 25 screens - which will be decided as situation normalizes
- Liquidity 400 Cr with an undrawn limit of 120 Cr
- 117 Cr of Gross Debt as of 31<sup>st</sup> July 2021
- So far, Producers of Bell Bottom will go ahead with release even without Maha and TN on 19<sup>th</sup> August
- Out of 459 screens allowed to open - 201 are operational
- Hindi movies from Maharashtra would contribute 20-22% of collections typically
- Monthly cash burn: looking at similarly to Q1FY21
- Demand is extremely strong: For example, Telugu movie released last week - be it 50% capacity or 100% capacity - the shows went houseful

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## Valuation & Outlook

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Inox is currently trading at an EV/EBITDA multiple of 8.6x FY23e EBITDA. Movie exhibitors now have an extremely rich content pipeline across Bollywood, Hollywood and Regional films (Tamil, Telugu, etc.) and producers are better prepared to time their releases this time (versus last open-up wherein theatres opened in October 2020 and 1<sup>st</sup> movie launch was February 2021). Green shoots for movie exhibitors are already visible in US and China where box office collections have been phenomenal. Management commentary about houseful shows in recently released Telugu movie is extremely encouraging. Inox Leisure's strong liquidity position coupled with net debt free status and high promoter holding enables its ambitious screen addition plan post FY22 which could probably drive it to leading position in India's movie exhibition industry over the long term.

**We therefore remain positive on the long term prospects and retain a BUY rating on the stock, with an increased target price of INR 367, based on our FY23 estimates.**

# Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Balance Sheet	FY19	FY20	FY21	FY22E	FY23E
Net Sales	16,922	18,974	1,059	7,826	20,496	Equity capital	1,026	1,027	1,125	1,125	1,125
Expenses	13,838	13,006	562	6,609	13,171	Reserves	8,612	5,192	5,205	2,287	3,731
<b>Operating Profit</b>	<b>3,083</b>	<b>5,968</b>	<b>498</b>	<b>1,217</b>	<b>7,325</b>	<b>Net worth</b>	<b>9,638</b>	<b>6,219</b>	<b>6,329</b>	<b>3,412</b>	<b>4,856</b>
Depreciation	955	2,642	2,832	2,889	3,033	<b>Non Current Liabilities</b>	1,457	27,041	27,873	28,833	32,487
PBIT	2,129	3,327	(2,334)	(1,671)	4,292	<b>Current Liabilities</b>	3,694	4,895	3,640	3,096	3,953
Other income	149	172	423	412	409	<b>CAPITAL EMPLOYED</b>	<b>14,789</b>	<b>38,154</b>	<b>37,842</b>	<b>35,341</b>	<b>41,296</b>
Interest	237	2,212	2,511	2,586	2,716	<b>Non Current Assets</b>	13,275	36,411	36,347	34,083	39,188
<b>Profit before tax</b>	<b>2,041</b>	<b>1,286</b>	<b>(4,423)</b>	<b>(3,846)</b>	<b>1,985</b>	Fixed Assets	9,686	32,110	31,128	28,950	33,844
Exceptional Items	50	-	-	-	-	Non Current Investments	6	2	1	1	1
share of profit/loss in JV	-	-	-	-	-	Non Current tax assets	616	1,847	2,853	2,853	2,853
<b>PBT ( Post Extra Ordinary)</b>	<b>1,991</b>	<b>1,286</b>	<b>(4,423)</b>	<b>(3,846)</b>	<b>1,985</b>	Long Term Loans and Advances	892	1,016	1,048	1,152	1,268
Provision for tax	656	1,136	(1,087)	(969)	500	Other NON Current Assets	1,899	1,262	1,142	952	1,047
<b>Reported PAT</b>	<b>1,335</b>	<b>150</b>	<b>(3,336)</b>	<b>(2,877)</b>	<b>1,485</b>	Goodwill	175	175	175	175	175
<b>Ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Current Assets</b>	1,514	1,743	1,495	1,258	2,108
EBITDA Margin (%)	18	31	47	16	36	Current investments	6	10	4	4	4
NPM (%)	8	1	(315)	(37)	7	Inventories	122	137	103	58	137
Tax rate	32	88	25	25	25	Trade Receivables	882	628	43	257	674
<b>Growth Ratios (%)</b>						<b>Cash and Bank Balances</b>	<b>137</b>	<b>447</b>	<b>849</b>	<b>394</b>	<b>694</b>
Net Sales	26	12	(94)	639	162	Short Term Loans and Advances	52	88	3	3	3
Operating Profit	49	94	NA	145	502	Other Current Assets	314	433	493	542	595
PBIT	76	56	NA	(13)	(152)	<b>Capital Deployed</b>	<b>14,789</b>	<b>38,154</b>	<b>37,842</b>	<b>35,341</b>	<b>41,296</b>
PAT	16	(89)	NA	(14)	(152)	<b>Cash Flow St. (Rs. mn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
<b>Per Share (Rs.)</b>						Net Profit	1,335	150	(3,336)	(2,877)	1,485
Net Earnings (EPS)	13	1	(30)	(26)	13	Add: Dep. & Amort.	955	2,642	2,832	2,889	3,033
Cash Earnings (CPS)	22	27	(4)	0	40	Minority Interest	-	-	-	-	-
Dividend	1	-	-	-	-	<b>Cash profits (Inc)/Dec in</b>	<b>2,290</b>	<b>2,792</b>	<b>(504)</b>	<b>12</b>	<b>4,518</b>
Book Value	94	61	56	30	43	-Sundry debtors	(123)	255	585	(214)	(417)
Free Cash Flow	(1)	45	(5)	5	10	-Inventories	(28)	(15)	33	45	(79)
<b>Valuation Ratios</b>						-Loans/advances	(143)	(161)	54	(105)	(115)
P/E(x)	21	187	(9)	(11)	21	-Current Liab and Provision	718	(263)	(624)	(475)	784
P/B(x)	3	5	5	9	6	- Other Assets	(417)	472	61	141	(149)
EV/EBIDTA(x)	9	9	116	49	9	<b>Change in working capit.</b>	<b>6</b>	<b>289</b>	<b>108</b>	<b>(608)</b>	<b>24</b>
Div. Yield(%)	0	-	-	-	-	<b>CF from Oper. activities</b>	<b>2,296</b>	<b>3,081</b>	<b>(396)</b>	<b>(596)</b>	<b>4,542</b>
FCF Yield(%)	(0)	17	(2)	2	4	<b>CF from Inv. activities</b>	<b>(2,435)</b>	<b>1,554</b>	<b>(151)</b>	<b>1,184</b>	<b>(3,386)</b>
<b>Return Ratios (%)</b>						<b>CF from Fin. activities</b>	<b>126</b>	<b>(4,325)</b>	<b>1,857</b>	<b>(131)</b>	<b>(71)</b>
ROE	14	2	(53)	-84	31	<b>Cash generated/ut ilisec</b>	<b>(13)</b>	<b>310</b>	<b>1,310</b>	<b>457</b>	<b>1,085</b>
ROCE	22	47	(27)	-32	87	Cash at start of the year	150	137	447	849	394
						Cash at end of the year	137	447	849	394	694

Source: Dalal &amp; Broacha Research, Company

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