



### Inox Leisure's Q2FY22 were a mixed bag with revenue lower than our estimates while company managed costs well so losses were lower than our estimates

- Revenue from operations at INR 474 Mn vs INR 223 Mn qoq / INR 4 Mn yoy and below our estimate of INR 1,117 Mn
- \*EBITDA was positive at INR 156 Mn vs loss of INR (290) Mn and profit of INR 406 Mn | qoq / yoy\*
- \*PBT loss at INR (1,167) Mn vs loss of INR (1,632) Mn and loss of INR (906) Mn | qoq / yoy\*
- \*PAT loss stood at INR (877) Mn vs loss of INR (1,223) Mn and loss of INR (678) Mn | qoq / yoy\*
- \*EPS stood INR (-7.1) vs INR (10) / INR (7) | qoq / yoy\*

#### Key Takeaways of the result:

- Inox Leisure had 1.8Mn footfalls with an occupancy of 10%
- ATP stood at INR 178 and SPH in F&B at INR92
- Screens have opened up in all states with varying degrees of occupancy allowed. In summary, 64% of seats are allowed to remain open
- Opened 6 screens in Q2FY22. Work on 9 screens in 95% complete and opening up of balance 25 screens will be decided based on how the situation normalizes.
- Inox has laid out an aggressive plan of adding 927 screens post FY22 (no time horizon) leading to a total of 1,619 screens
- Liquidity close to INR 300 Cr available – which includes INR 120 Cr of undrawn limits
- Gross debt stands at INR 93 Cr whereas company is net debt free as on 18<sup>th</sup> October 2021

#### Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	16,922	18,974	1,059	8,015	20,545
Adjusted net profit	1,335	150	(3,336)	(2,552)	1,572
Free cash flow	10	1,849	407	316	4,426
EPS (Rs)	13.0	1.5	(29.7)	(22.7)	14.0
P/E (x)	32.3	287.2	(14.2)	(18.5)	30.1
P/B (x)	4.5	6.9	7.5	12.6	9.0
EV/EBITDA (x)	14.2	11.8	149.6	45.6	10.6
D/E	0.1	0.2	0.1	0.2	0.1
RoCE (%)	21.9	47.0	-27.3	-18.9	82.2
RoE (%)	13.9	2.4	-52.7	-68.3	29.8

Source: Company

Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>448</b>	<b>7</b>

#### Market data

<b>Current price</b>	Rs	<b>418</b>
<b>Market Cap (Rs.Bn)</b>	(Rs Bn)	<b>51.11</b>
<b>Market Cap (US\$ Mn)</b>	(US\$ Mn)	<b>681</b>
<b>Face Value</b>	Rs	<b>10</b>
<b>52 Weeks High/Low</b>	Rs	<b>437/242</b>
<b>Average Daily Volume</b>	('000)	<b>621</b>
<b>BSE Code</b>		<b>532706</b>
<b>Bloomberg</b>		<b>INOL:IN</b>

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
<b>Promoters</b>	<b>43.63</b>	<b>43.63</b>
<b>Public</b>	<b>56.25</b>	<b>56.23</b>
<b>Others</b>	<b>0.12</b>	<b>0.14</b>
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Key Highlights

- Very positive on Maharashtra opening up
- Association with ITC – Kitchens of India offers authentic Indian food and association with Swiggy / Zomato allows food delivery to home
- Added 2 cinemas with 6 screens in Q2FY22 and work on 9 more screens is 95% complete
- Allowed to operate in all states of India and from 25<sup>th</sup> October will open in Kerala also
- States like Telengana, Andhra Pradesh, Karnataka and Orissa have 100% capacity utilization – seeing good traction in terms of footfalls. But state like Rajasthan, audience is still waiting for Hindi movies – so should do well going ahead.
- Liquidity of INR 300 cr including undrawn limit of INR 120 Cr
- Will need INR 65 Cr for the balance 25 new screens – opening of which will be decided on situation normalizing
- From April 2022 – confident of sharing between Distributor and Exhibitor to reach pre-covid normal, right now the company is sharing slightly more with the distributor
- Some benefit of rent concession may flow in Q3 and Q4 as well. Post April 2022, rent should return to normal.
- SPH was higher as shows were on during prime time (6 to 10 pm) and mix of food offered was higher priced.
- Maharashtra – food is allowed to be consumed in the lobby and not in the hall so consumption does fall and bring down the SPH
- Live counters have increased in certain states and consumption has been higher than normal and strike rate (consumption per person has increased) is also better
- Could see savings to the tune of 8-10% qoq

## Valuation & Outlook

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Inox is currently trading at an EV/EBITDA multiple of 10.6x FY23e EBITDA. Movie exhibitors now have an extremely rich releases planned across Bollywood, Hollywood and Regional films (Tamil, Telugu, etc.) and producers are better prepared to time their releases this time. Inox Leisure's strong liquidity position coupled with net debt free status and high promoter holding enables its ambitious screen addition plan of adding 927 screens post FY22 which could probably drive it to leading position in India's movie exhibition industry over the long term.

We expect good traction in the media exhibition business in the near term and possibly few hiccups in the medium term as tail-ending waves of COVID restrict occupancy until FY23 end (as seen in other markets like Singapore, UK and Russia). Post complete normalization, Inox's net debt free status and high promoter holding allows the company to take an aggressive plan on screen opening and possibly become the leader in the movie exhibition business in 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 448(earlier target INR 367), based on our FY23 estimates.**

P.S. We may re-rate the stock based on box office collections of some of the upcoming releases and depending on COVID situation

## Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	16,922	18,974	1,059	8,015	20,545
Expenses	13,838	13,006	562	6,363	13,105
<b>EBITDA</b>	<b>3,083</b>	<b>5,968</b>	<b>498</b>	<b>1,652</b>	<b>7,441</b>
Depreciation	955	2,642	2,832	2,889	3,033
<b>EBIT</b>	<b>2,129</b>	<b>3,327</b>	<b>(2,334)</b>	<b>(1,237)</b>	<b>4,408</b>
Other income	149	172	423	412	409
Interest	237	2,212	2,511	2,586	2,716
<b>Profit before tax</b>	<b>2,041</b>	<b>1,286</b>	<b>(4,423)</b>	<b>(3,411)</b>	<b>2,101</b>
Exceptional Items	50	-	-	-	-
share of profit/loss in JV	-	-	-	-	-
<b>PBT ( Post Extra Ordinary)</b>	<b>1,991</b>	<b>1,286</b>	<b>(4,423)</b>	<b>(3,411)</b>	<b>2,101</b>
Provision for tax	656	1,136	(1,087)	(860)	530
<b>Reported PAT</b>	<b>1,335</b>	<b>150</b>	<b>(3,336)</b>	<b>(2,552)</b>	<b>1,572</b>
<b>Ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin (%)	18	31	47	21	36
NPM (%)	8	1	(315)	(32)	8
Tax rate	32	88	25	25	25
<b>Growth Ratios (%)</b>					
Net Sales	26	12	(94)	657	156
Operating Profit	49	94	NA	232	350
PBIT	76	56	NA	(23)	(162)
PAT	16	(89)	NA	(24)	(162)
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	13	1	(30)	(23)	14
Cash Earnings (CPS)	22	27	(4)	3	41
Dividend	1	-	-	-	-
Book Value	94	61	56	33	47
Free Cash Flow	(1)	45	(5)	0	1
<b>Valuation Ratios</b>					
P/E(x)	32	287	(14)	(19)	30
P/B(x)	4	7	7	13	9
EV/EBITDA(x)	14	12	150	46	10.6
Div. Yield(%)	0	-	-	-	-
FCF Yield(%)	(0)	11	(1)	0	0
<b>Return Ratios (%)</b>					
ROE	14	2	(53)	-68	30
ROCE	22	47	(27)	-19	82
<b>Balance Sheet</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
Equity capital	1,026	1,027	1,125	1,125	1,125
Reserves	8,612	5,192	5,205	2,612	4,143
<b>Net worth</b>	<b>9,638</b>	<b>6,219</b>	<b>6,329</b>	<b>3,737</b>	<b>5,268</b>
<b>Non Current Liabilities</b>	<b>1,457</b>	<b>27,041</b>	<b>27,873</b>	<b>28,807</b>	<b>32,384</b>
<b>Current Liabilities</b>	<b>3,694</b>	<b>4,895</b>	<b>3,640</b>	<b>3,377</b>	<b>4,136</b>
<b>CAPITAL EMPLOYED</b>	<b>14,789</b>	<b>38,154</b>	<b>37,842</b>	<b>35,921</b>	<b>41,788</b>
<b>Non Current Assets</b>	<b>13,275</b>	<b>36,411</b>	<b>36,347</b>	<b>34,226</b>	<b>39,242</b>
Fixed Assets	9,686	32,110	31,128	29,579	34,434
Non Current Investments	6	2	1	1	1
Non Current tax assets	616	1,847	2,853	2,853	2,853
Long Term Loans and Advances	892	1,016	1,048	838	922
Other NON Current Assets	1,899	1,262	1,142	779	857
Goodwill	175	175	175	175	175
<b>Current Assets</b>	<b>1,514</b>	<b>1,743</b>	<b>1,495</b>	<b>1,696</b>	<b>2,546</b>
Current investments	6	10	4	4	4
Inventories	122	137	103	62	148
Trade Receivables	882	628	43	220	675
<b>Cash and Bank Balances</b>	<b>137</b>	<b>447</b>	<b>849</b>	<b>865</b>	<b>1,120</b>
Short Term Loans and Advances	52	88	3	3	3
Other Current Assets	314	433	493	542	595
<b>Capital Deployed</b>	<b>14,789</b>	<b>38,154</b>	<b>37,842</b>	<b>35,921</b>	<b>41,788</b>
<b>Cash Flow St. (Rs. mn)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
Net Profit	1,335	150	(3,336)	(2,552)	1,572
Add: Dep. & Amort.	955	2,642	2,832	2,889	3,033
Minority Interest	-	-	-	-	-
<b>Cash profit s (Inc)/Dec in</b>	<b>2,290</b>	<b>2,792</b>	<b>(504)</b>	<b>337</b>	<b>4,605</b>
-Sundry debtors	(123)	255	585	(177)	(456)
-Inventories	(28)	(15)	33	41	(86)
-Loans/advances	(143)	(161)	54	209	(84)
-Current Liab and Provisions	718	(263)	(624)	(233)	689
- Other Assets	(417)	472	61	314	(132)
<b>Change in working capital</b>	<b>6</b>	<b>289</b>	<b>108</b>	<b>155</b>	<b>(69)</b>
<b>CF from Oper. activities</b>	<b>2,296</b>	<b>3,081</b>	<b>(396)</b>	<b>492</b>	<b>4,536</b>
<b>CF from Inv. activities</b>	<b>(2,435)</b>	<b>1,554</b>	<b>(151)</b>	<b>(470)</b>	<b>(4,475)</b>
<b>CF from Fin. activities</b>	<b>126</b>	<b>(4,325)</b>	<b>1,857</b>	<b>(91)</b>	<b>(71)</b>
<b>Cash generated/(ut ilised)</b>	<b>(13)</b>	<b>310</b>	<b>1,310</b>	<b>(69)</b>	<b>(9)</b>
Cash at start of the year	150	137	447	849	865
Cash at end of the year	137	447	849	865	1,120

Source: Dalal &amp; Broacha Research, Company

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