



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Retail Stock Idea @ Dalal & Broacha

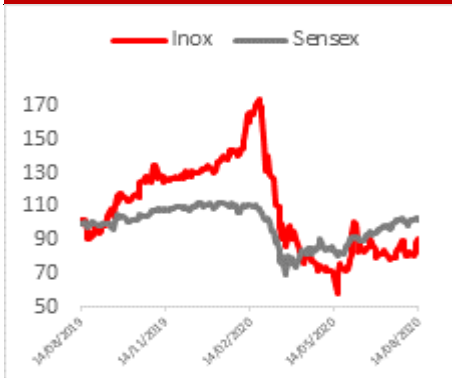
BUY

Current Price	262
Target Price	309
Upside/Downside	18%
52W range	158/511

Key Share Data

Market Cap (Rs.bn)	27
Market Cap (US\$ mn)	3540
No of o/s shares (mn)	103
Face Value	10
Monthly Avg. vol (BSE grew by NSE) Nos'000	1252
BSE Code	532706
NSE Code	INOXLEISUR
Bloomberg	INOL:IN

Price performance



% Shareholding	Jun-20	Mar-20
Promoters	51.89	51.89
Public	47.90	47.90
Others	0.20	0.20
Total	100.0	100.0

Key Investment case & triggers

- 1) Monthly Cash Burn and sustenance:** during lockdown period, cash burn is Rs. 150-Rs.160mn per month which is half of PVRs' post reduction. Company's current cash holdings including undrawn limits and treasury shares amount to Rs. 720mn and Rs. 1250mn (as of 5th June, 2020) respectively. Company is confident on being comfortably placed to survive for next 6 months without any revenues.
- 2) Debt Levels:** Gross Debt as of March 31st, 2020 stands at 1576mn and with treasury shares amounting to Rs. 1250mn, Cash and Bank at Rs. 446mn and undrawn limits of Rs. 720mn (as of 5th June, at the time of Q4 results).
- 3) Screen Count:** Post FY21, company has already signed agreements for 989 **screens additions**, which translates into 1,84,642 **seats** and 142 **property additions**. This will lead to 300 **properties** (FY21e: 142), 1656 **screens** (FY21e: 667) and 3,35,483 **seats** (FY21e: 1,50,841) as per management
- 4) Pre-Covid margins at same level as PVR:** on Pre-IndAS 116 basis, both companies made EBITDA margins of ~20%. Inox is focusing more on premium part of the portfolio by adding Megaplexes (format with all types of screens) across the country. The gap between **Average Ticket Price (ATP)** of the two movie exhibitors had reduced from Rs. 13 (PVR: Rs. 177, Inox: Rs. 164) to Rs. 6 in 9MFY20 (PVR: Rs. 205, Inox: Rs. 199)
- 5) Higher Promoter holding:** Promoter holding in Inox stands at 51.89% v/s PVR's which stands at 18.56% allowing more freedom for Inox promoters to guide and drive the company to a sustainable and profitable future.
- 6) High Budget Films will definitely have a theatrical release:** Several high budget films in both Bollywood and Hollywood were due to release in CY 2020. These films cannot be directly released on OTT due to their high cost of production and higher share of revenue that comes from releasing through this channel. (75%).

Key Risks

- 1) Content Delay:** Currently movies which were slated to release between March till date have been shifted to Q4CY20 due to delay in opening of theatres and cinema halls. Furthermore, the films which were in different stages of production and shooting were delayed to border restrictions and have only now begun to resume work, potentially delaying their timeline by another 4 months. This could leave a big gap for good content release.
- 2) F&B restrictions:** this segment currently contributes ~30% to overall revenues, there are chances that government after re-opening may put restrictions on the type of food, drinks etc. to be served and ordered. Company has already formulated a truncated menu and partnered up with 3rd party aggregators for deliveries.
- 3) Lower number of shows per day and seating capacity:** Due to time restrictions, average number of shows per day would reduce (currently at 5 per day per movie) resulting in lower revenues in the short term. Movie Exhibitors have proposed for a 25% seating capacity during re-opening. Both PVR and Inox need 20-25% average capacity per screen just to breakeven. This means company will continue to make losses post reopening.
- 4) Cut in Ad-spends by most companies:** currently every company has rationalized their ad & media spends to places where there are most eyeballs, which in current times is moving to TV & digital (complete shift from Print). Till the time, capacity would be capped, this segment would remain under pressure.

Financials (Rs. Mn)

Year	Net Sales	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	PE(x)	RoE %
FY19	16922	26%	3083	18%	1335	16%	14	18	14%
FY20*	18974	12%	3301	17%	150	-89%	1	179	2%
FY21(BE)*	9708	-49%	1906	20%	-1508	NA	-15	NA	-29%
FY22(BE)*	20145	108%	5410	27%	912	NA	9	28	13%

Source: Dalal & Broacha Research, Bloomberg Estimates (BE), *- Post IndAS 116



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Valuation: at CMP, as per Bloomberg Estimates, the stock is trading at 28x FY22e EPS of Rs. 9.4 and on EV/EBITDA basis, it trades at 9.97x FY22e EBITDA of Rs. 5410mn. We assign a 11x FY22e EV/EBITDA multiple and arrive at a target price of Rs. 309 i.e. upside of 18%. **It is prudent to mention that the stock has rallied 58% from May lows of Rs. 165 and rallied 15% in the last 1 month. The risk-reward ratio though favorable still, is entirely dependent on peaking of Covid cases in India/announcement and release of a potential cure. We recommend risk averse investors to stagger and follow a Buy on Dips strategy where as risk takers can start accumulating from current market price.**



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