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Q4FY21 result review and earnings revision

Media

Target price: Rs362

Earnings revision

(%)	FY22E	FY23E
Revenue	↓ 44.9	↓ 1.8
EBITDA	↓ 179.1	↓ 6.0
PAT	↓ 347.5	↓ 14.7

Target price revision

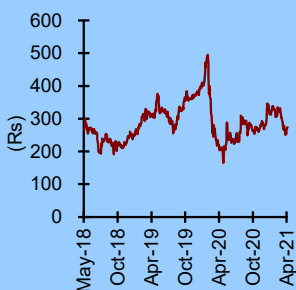
Rs362 from Rs424

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	51.9	47.6	47.6
Institutional investors	32.0	34.7	37.7
MFs and others	20.6	21.8	20.4
Banks /FIs	0.0	0.0	0.0
Insurance Cos.	0.2	0.0	0.0
FII	11.2	12.9	17.3
Others	16.1	17.7	14.7

Source: BSE

Price chart



INDIA

INOX Leisure

BUY
Maintain
Rs276

H1FY22 looks like a washout

INOX Leisure's Q4FY21 print has little relevance on limited opening of theaters; it incurred cash EBITDA loss of Rs887mn. H1FY22 will be a washout and losses may continue, but the company plans to raise equity of Rs3bn, which should ease its balance sheet pressure. Rent renegotiation holds key in curtailing cash losses. The company has already started discussions with mall owners. ATP and SPH continue to remain encouraging, though on low admits, giving us the confidence of faster recovery on lifting of restriction and release of fresh content. INOX has strong new screen addition pipeline and healthy balance sheet, which should help it grab higher market share. We are factoring in a complete washout in H1FY22, thus, the company will be reporting EBITDA loss in FY22; we cut our FY23 EBITDA estimate by 6%. Our target price reduces to Rs362 (from Rs424). Reiterate BUY.

- **Back to square one – rental negotiations.** In FY21, INOX's losses (on cashflow basis) got restricted (Rs2.2bn) due to rental waiver and concession till Mar'21. INOX is back to negotiation table as its screens are shut again (only Bengal and AP/Telangana operating). INOX's rental settlement for FY21 is complete, and it has again requested for concession in rentals considering screens are shut due to government order or on low demand. Annual rental cost is ~Rs4bn and even if we assume the next two quarters will be washout, and the company gets 50% concession, we are looking at Rs1bn saving.
- **Fund raising is key.** INOX's fixed overheads slipped to just Rs300mn / quarter in the previous lockdown; we assume it will be higher in H1FY22 due to partial operations of theaters and vaccination drive raising hope of faster lifting up of restrictions, keeping the screens running. INOX has board approval to raise Rs3bn equity, and if it succeeds, it would significantly ease its balance sheet pressure.
- **Screen addition continues.** INOX has added 22 screens in FY21; it plans to add 49 screens in FY22, of which, 90% of capex on 19 screens has already been incurred and it will need additional sum of only Rs80-100mn for commercialisation. The remaining screens will see ramp up on normalisation likely in H2FY22.
- **Other highlights:** **1)** Post the reopening of screens, movie release may take 4-5 weeks due to lead time for marketing; **2)** at least 45 movies in Hindi are ready to release in theaters and with international market also reopening, it sees movie release in Hindi to expedite with the easing of the lockdown. The company does not see any challenge in slotting even if movies get released in bunches; **3)** INOX estimates only 6,000 screens opened during the previous lockdown; and multiplexes were >3,000 screen. It sees post normalisation, at least 8-10% screens will shut permanently shut; and **4)** it is not worried about movies releasing simultaneously on OTT platform, as these are exceptional.

Market Cap	Rs31.1bn/US\$420mn	Year to Mar	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	INOL.BO/INOL IN	Revenue (Rs mn)	18,974	1,059	9,911	21,720
Shares Outstanding (mn)	112.7	EBITDA(Rs mn)	150	(3,377)	(2,239)	1,708
52-week Range (Rs)	495/165	Net Income (Rs mn)	1.5	(30.0)	(19.9)	15.2
Free Float (%)	52.4	EPS (Rs)	(88.8)	(2,154.0)	(33.7)	(176.3)
FII (%)	17.3	P/E (x)	188.8	(9.2)	(13.9)	18.2
Daily Volume (US\$'000)	3,943	CEPS (Rs)	12.0	(20.9)	(10.2)	26.6
Absolute Return 3m (%)	(13.8)	EV/E (x)	8.9	(6.7)	(18.6)	9.4
Absolute Return 12m (%)	31.9	Dividend Yield	0.4	0.0	0.0	0.4
Sensex Return 3m (%)	7.7	RoCE (%)	1.5	(45.2)	(28.0)	21.0
Sensex Return 12m (%)	53.8	RoE (%)	1.9	(53.7)	(42.8)	34.8

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Table 1: INOX consolidated financials

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
Revenue	3,716	3	4	149	904	507.8	(75.7)
Cost of goods sold	1,201	-	-	40	303		(74.8)
Gross Profit	2,515	3	4	109	602	453.0	(76.1)
% Gross profit margin	67.7	100.0	100.0	73.1	66.5		
Employee Cost	327	243	152	212	259	22.3	(20.8)
% of revenue	8.8	9,720.0	4,230.6	142.5	28.7		
Rent and common facility charges	76	(693)	(723)	(541)	(263)		
% of revenue	2	(27,708)	(20,092)	(363)	(29)		
Other expenses	1,011	118	169	542	743	37.1	(26.5)
% of revenue	27.2	4,732.0	4,694.4	364.2	82.2		
Total expenses	1,414	(331)	(402)	213	739	246.3	(47.7)
EBITDA	1,100	334	406	(105)	(137)		
EBITDA margin (%)	29.6	13,356.0	11,266.7	(70.3)	(15.2)		
Adj EBITDA	350	(376)	(344)	(855)	(887)		
EBITDA margin (%)	9.4	(15,044.0)	(9,566.7)	(574.3)	(98.1)		
Depreciation	740	708	714	709	701		
EBIT	360	(374)	(309)	(814)	(838)		
EBIT margin (%)	9.7	(14,944.0)	(8,572.2)	(547.0)	(92.7)		
Other income	48	27	43	66	286		
Finance cost	614	633	641	620	617		
PBT	(206)	(979)	(906)	(1,368)	(1,170)		
Tax expenses	615	(243)	(228)	(343)	(274)		
ETR (%)	(298.6)	24.8	25.2	25.1	23.4		
PAT	(822)	(736)	(678)	(1,025)	(937)		

Source: Company data, I-Sec research

Table 2: Revenue break-up

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
Revenue break-up							
Sale of movie tickets	2,180	-	-	60	490	716.7	(77.5)
F&B	940	-	-	10	240	2,300.0	(74.5)
Advertisement	350	-	-	30	20	(33.3)	(94.3)
Others	246	-	-	49	154	216.4	(37.2)
Total income	3,716	-	-	149	904	507.8	(75.7)
Revenue mix (%)							
Sale of movie tickets	58.7			40.3	54.2		
F&B	25.3			6.7	26.5		
Advertisement	9.4			20.2	2.2		
Others	6.6			32.8	17.1		

Source: Company data, I-Sec research

Table 3: INOX has added 22 new screens in FY21

	Q4FY20	Q4FY20	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
No. of properties	147	147	147	151	153	1.3	4.1
net add	1	-	-	4	2		
No. of screens	626	626	626	641	648	1.1	3.5
net add	12	-	-	15	7		
of which premium screens							
North	149	149	149	157	157		
South	138	138	138	141	146		
West	252	252	252	256	256		
East	87	87	87	87	89		
No. of seats	1,44,467	1,44,467	1,44,467	1,46,320	1,47,436	0.8	2.1
net add	1,783	-	-	1,853	1,116		
Seat/screen (x)	231	231	231	228	228		

Source: Company data, I-Sec research

Table 4: ATP for new movie release was at pre-covid rate...

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ (%)	YoY (%)
Seat Capacity	53	-	-	17	34	104.0	(36.3)
<i>Shows per day (avg)</i>	4.1	-	-	1.3	2.5		
Occupancy (%)	24.0	-	-	3.0	10.0		
Admits (mn)	12.8	-	-	0.5	3.4	580.0	(73.4)
ATP (Rs)	202	-	-	153	172	12.4	(14.9)
Gross ticket revenue	2,586	-	-	77	585		
<i>Taxes</i>	406	-	-	17	95		
<i>Tax rate (%)</i>	18.6	-	-	27.5	19.3		
Ticket revenue	2,180	-	-	60	490	716.7	(77.5)
<i>COGS</i>	937	-	-	29	235		
<i>% of NBOC</i>	43	-	-	49	48		
Gross profit	1,243	-	-	31	255	725.9	(79.5)
<i>Gross profit margin (%)</i>	57.0	-	-	51.5	52.1		

Source: Company data, I-Sec research

Table 5: ...and so was SHP

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ (%)	YoY (%)
Spend per head (Rs)	78	-	-	73	78	6.8	-
<i>SHP to ATP ratio (%)</i>	38.6	-	-	47.7	45.3		
Gross F&B revenue	998	-	-	37	265		
<i>Taxes</i>	58	-	-	7	25		
<i>Tax rate (%)</i>	6.2	-	-	21.7	10.5		
F&B revenue	940	-	-	30	240	700.0	(74.5)
<i>COGS</i>	264	-	-	11	68		
Gross profit	676	-	-	19	172	801.0	(74.5)
<i>Gross profit margin (%)</i>	71.9	-	-	63.7	71.7		

Source: Company data, I-Sec research

Table 6: Earnings revision

Consolidated Rs mn	Revised		Earlier		% change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	9,911	21,720	17,996	22,118	(44.9)	(1.8)
EBITDA (adj for AS116)	(1,843)	3,697	2,330	3,931	(179.1)	(6.0)
<i>EBITDA margin (%)</i>	(18.6)	17.0	12.9	17.8		
PAT	(2,239)	1,708	905	2,002	(347.5)	(14.7)
EPS (Rs)	(19.9)	15.2	8.0	17.8	(347.5)	(14.7)

Source: Company data, I-Sec research

Table 7: INOX valuation

Rs mn	FY23E
EBITDA (adj. Ind-AS 116)	3,697
<i>Multiple (x)</i>	12.0
Enterprise value	44,364
Net debt	3,610
Equity value	40,754
<i>Shares (mn)</i>	112.5
Fair value (Rs/sh)	362

Source: I-Sec research, Company

Financial summary

Table 8: Profit and loss statement
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Operating Income (Sales)	18,974	1,059	9,911	21,720
of which box office collection	11,050	550	6,143	12,790
of which F&B	4,970	270	2,707	5,801
of which Advertising income	1,790	50	537	1,790
Cost of goods sold	6,227	343	3,486	7,300
Gross Profit	12,748	717	6,425	14,420
Operating Expenses	6,779	219	5,438	7,340
EBITDA	5,968	498	987	7,080
% margins	31.5	47.0	10.0	32.6
Depreciation & Amortisation	2,642	2,832	2,653	3,148
Gross Interest	2,212	2,511	1,496	1,835
Other Income	172	423	169	186
Recurring PBT	1,286	(4,423)	(2,994)	2,283
Add: Extraordinaries	-	(41)	-	-
Less: Taxes	1,136	(1,087)	(754)	575
Share of profit/loss from associate	-	-	-	-
Less: Minority Interest	-	-	-	-
Net Income (Reported)	150	(3,377)	(2,239)	1,708
Recurring Net Income	150	(3,377)	(2,239)	1,708

Source: Company data, I-Sec research

Table 9: Balance sheet
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Assets				
Total Current Assets	1,743	1,905	1,155	1,657
of which cash & cash eqv.	447	1,336	446	56
Total Current Liabilities & Provisions	4,895	3,631	3,694	5,307
Net Current Assets	(3,152)	(1,726)	(2,539)	(3,650)
Investments				
of which Strategic/Group	2	2	2	2
Net Fixed Assets	32,110	31,594	32,283	33,995
of which Capital Work-in-Progress	854	768	854	854
Right of use of assets	21,418	21,418	21,418	21,418
Non-current assets	4,125	3,097	3,001	4,465
Goodwill	175	175	175	175
Total Assets	33,259	33,142	32,922	34,988
Liabilities				
Borrowings	200	200	2,300	2,300
Deferred Tax Liability	-	-	-	-
Lease liabilities	25,922	25,922	25,922	25,922
Other non-current liabilities	919	665	584	1,054
Minority Interest	-	-	-	-
Equity Share Capital	1,027	1,125	1,125	1,125
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	5,192	5,231	2,992	4,587
Net Worth	6,219	6,356	4,116	5,712
Total Liabilities	33,259	33,142	32,922	34,988

Source: Company data, I-Sec research

Table 10: Quarterly trends
(Rs mn, year ending March 31)

	Jun-20	Sep-20	Dec-20	Mar-21
Net sales	3	4	149	904
% growth (YoY)	(99.9)	(99.9)	(97.1)	(75.7)
EBITDA	334	406	(105)	(137)
Margin (%)				
Other income	27	43	66	286
Add: Extraordinaries	-	-	-	(41)
Net profit	(736)	(678)	(1,025)	(937)

Source: Company data

Table 11: Cashflow statement
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Operating Cashflow	5,468	1,544	1,741	6,505
Working Capital Changes	(726)	237	(62)	(272)
Capital Commitments	(2,062)	(515)	(1,785)	(3,000)
Free Cashflow	2,680	1,266	(106)	3,232
Cashflow from Investing Activities	(68)	1,436	169	186
Issue of Share Capital	1	2,500	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	476	-	2,100	-
Dividend paid	(119)	-	-	(112)
Interest paid	(111)	(2,511)	(1,496)	(1,835)
Repayment of lease liabilities	(2,575)	(1,802)	(1,556)	(1,861)
Chg. in Cash & Bank balance	284	889	(890)	(390)

Source: Company data, I-Sec research

Table 12: Key ratios
(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
Per Share Data (Rs)				
Recurring EPS	1.5	(30.0)	(19.9)	15.2
Reported EPS	1.5	(30.0)	(19.9)	15.2
Recurring Cash EPS	12.0	(20.9)	(10.2)	26.6
Dividend per share (DPS)	1.0	-	-	1.0
Book Value per share (BV)	60.6	56.5	36.6	50.8
Growth Ratios (%)				
Operating Income	12.1	(94.4)	835.6	119.2
EBITDA	93.6	(91.7)	98.3	617.5
Recurring Net Income	(88.8)	(2,350.2)	(33.7)	(176.3)
Diluted Recurring EPS	(88.8)	(2,154.0)	(33.7)	(176.3)
Diluted Recurring CEPS	(46.4)	(274.4)	(51.3)	(362.2)
Valuation Ratios (x)				
P/E	188.8	(9.2)	(13.9)	18.2
P/CEPS	23.1	(13.2)	(27.2)	10.4
P/BV	4.6	4.9	7.5	5.4
EV / EBITDA	8.9	(6.7)	(18.6)	9.4
EV / Operating Income	1.6	29.5	3.5	1.6
EV / Operating FCF	11.0	24.7	(322.5)	10.7
Operating Ratios				
Cost of revenues / Revenues (%)	35.7	20.7	54.9	33.8
Other expenses/ Sales (%)	28.2	(61.2)	42.6	27.5
Other Income / PBT (%)	13.4	(9.6)	(5.6)	8.1
Effective Tax Rate (%)	88.3	24.6	25.2	25.2
NWC / Total Assets (%)	(131.7)	(427.7)	(355.6)	(5.1)
Receivables (days)	12	80	13	14
Payables (days)	25	200	25	25
D/E Ratio (x)	0.2	0.0	0.8	0.6
Return/Profitability Ratios (%)				
Recurring Net Income Margins	0.8	(318.8)	(22.6)	7.9
RoCE	1.5	(45.2)	(28.0)	21.0
RoNW	1.9	(53.7)	(42.8)	34.8
Dividend Payout Ratio	68.4	-	-	6.6
Dividend Yield	0.4	-	-	0.4
EBITDA Margins	31.5	47.0	10.0	32.6

Source: Company data, I-Sec research

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