

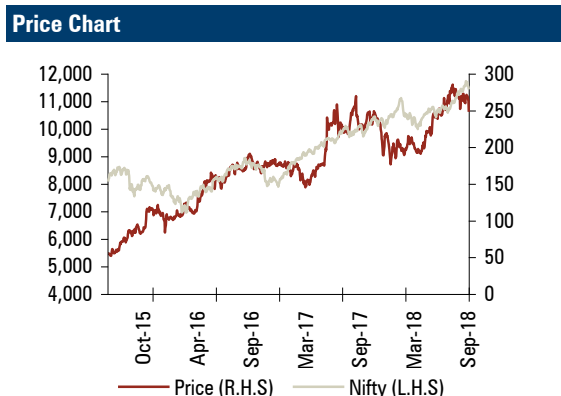
Rating matrix	
Rating	: Buy
Target	: ₹ 275
Target Period	: 12 months
Potential Upside	: 15%

What's changed?	
Target	Changed from ₹ 210 to ₹ 275
EPS FY19E	Changed from ₹ 9 to ₹ 8.8
EPS FY20E	Changed from ₹ 11.2 to ₹ 12.1
Rating	Changed from Hold to Buy

Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	1,220.7	1,348.1	1,495.2	1,692.7
EBITDA	144.8	209.2	236.1	295.8
Adj Net Profit	30.6	71.3	84.8	116.8
EPS (₹)	3.2	7.4	8.8	12.1

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E	74.9	32.2	27.0	19.6
Target P/E	86.3	37.1	31.1	22.6
EV / EBITDA	17.9	12.2	11.1	8.8
P/BV	4.2	3.4	3.0	2.6
RoNW	5.5	10.6	11.3	13.4
RoCE	7.3	13.2	13.3	15.4

Stock data	
Particulars	Amount
Market Capitalization (₹ Crore)	2,294.0
Total Debt (FY18) (₹ Crore)	291.9
Cash (FY18) (₹ Crore)	14.2
EV (₹ Crore)	2,559.3
52 week H/L	326 / 190
Equity Capital (₹ crore)	96.2
Face value	10.0


Research Analysts

Bhupendra Tiwary
bhupendra.tiwary@icicisecurities.com

Sameer Pardikar
sameer.pardikar@icicisecurities.com

Inox Leisure (INOX)

₹ 239

Charts out healthy growth trajectory...

We met the management of Inox Leisure to understand the current state of the F&B issue and business strategy of the company ahead. The management indicated that F&B issue seems to be fading away now due to favourable judgements on similar petitions in Madhya Pradesh, Telangana and Jammu & Kashmir. Major multiplex players have taken selective F&B price moderation in Maharashtra to mitigate public outrage. The screen addition guidance has been revised upwards to 65+ screens in FY19 vs. earlier guidance of 59 screens on account of better visibility. The company also guided for 5-7% ATP growth and 20%+ growth in advertisement in FY19. They indicated that while inorganic opportunities are available in the market, they are cautious given the high valuations demanded and would focus on organic screen additions.

F&B issue seems to be fading away; price moderation undertaken

The management indicated that the F&B issue seems to be fading away on account of favorable judgments on similar petitions in Madhya Pradesh, Telangana and J&K. The Government of Maharashtra, in its affidavit to the high court, also cautioned on allowing outside food inside multiplex on security grounds. To mitigate the public outcry, to some extent, they, along with other major multiplex players in Maharashtra, have taken selective price moderation and guided for lower F&B revenue growth in FY19 against earlier guidance of 13-14% growth. We have also moderated F&B growth for FY18-20E and now build in 10% CAGR over the period. We note that due to price moderation, there could be some higher volume uptake, the benefits of which we do not build in, currently.

Guide for 20%+ ad growth in FY19

The management guided for 20%+ ad revenue growth in FY19, primarily driven by a mix of volume and yield as they still have higher ad inventory compared to peers. Currently, Inox has 30 screens in the premium category and is looking to ramp it up to 10-12% of overall screens in the next three years. The ATP growth guidance is of 5-7% of which 4-5% will be normal inflation driven while 1-2% is likely to be contributed from premium screens. The company indicated that they continue to explore domestic inorganic opportunities but are cautious given the high valuations demanded. They also mentioned that they do not foresee expansion overseas as of now. They also guided for opening of around 65+ screens for FY19 vs. 59 screens guidance given in Q1FY19 on account of better visibility (31 screens opened in first five months of FY19). Annual capex guidance is of ₹ 220-250 crore. We build in 58 screen additions in FY19 and bake in ~4% CAGR in ATP coupled with ~17.5% CAGR in ad revenues over FY18-20E.

Focus back on business; upgrade to BUY...

We believe the F&B issue is behind now and Inox is staring at another strong year with an exciting content pipeline. On the valuations front, Inox, which is trading at 8.8x FY20E EV/EBITDA, is at ~27% discount to PVR. However, given the strong traction in ad revenues, we expect the discount to narrow eventually. We upgrade the stock to **BUY** recommendation and now value it at 10x FY20E EV/EBITDA (20% discount to target EV/EBITDA multiple of PVR) to arrive at target price of ₹ 275/share. We continue to prefer Inox over PVR.

Exhibit 1: Change in estimates

(₹ Crore)	FY19E			FY20E		
	Old	New	% Change	Old	New	Change
Revenue	1,492.2	1,495.2	0.2	1,695.8	1,692.7	-0.2
EBITDA	238.4	236.1	-1.0	281.5	295.8	5.1
EBITDA Margin (%)	16.0	15.8	-18 bps	16.6	17.5	88 bps
PAT	86.4	84.8	-1.9	107.4	116.8	8.8
EPS (₹)	9.0	8.8	-1.9	11.2	12.1	8.8

Source: Company, ICICI Direct Research

Box office collections in Q2FY19 till date have been strong driven by the healthy content slate

Exhibit 2: Net box office collections trend

Q1FY18	Collections (₹ crore)	Q4FY18	Collections (₹ crore)
Baahubali 2	511	Padmaavat	300
Tubelight	121	Sonu Ke Titu Ki Sweety	102
The Fate Of The Furious	77	Raid	97
Hindi Medium	69	Tiger Zinda Hai*	87
Half Girlfriend	60	PadMan	79
Others	175	Others	253
Total Collections	1,014	Total Collections	918

Q2FY18	Collections (₹ crore)	Q1FY19	Collections (₹ crore)
Toilet - Ek Prem Katha	134	Avengers: Infinity War	223
Baadshaho	78	Race 3	161
Jab Harry Met Sejal	63	Raazi	123
Mubarakan	55	Baaghi 2	120
Jagga Jasoos	53	Veere Di Wedding	80
Others	458	Others	410
Total Collections	840	Total Collections	1,117

Q3FY18	Collections (₹ crore)	Q2FY19 QTD	Collections (₹ crore)
Tiger Zinda Hai*	252	Sanju*	268
Golmaal Again	206	Gold	104
Judwaa 2*	101	Satyameva Jayate	89
Fukrey Returns	79	Mission Impossible Fallout	77
Secret Superstar	62	Dhadak	72
Others	197	Others	186
Total Collections	897	Total Collections	796

* collections during the quarter

Source: Koimoi.com, ICICI Direct Research

Exhibit 3: Recent favourable judgements in F&B issues

State/Place	Status	Date of judgment
J&K	Supreme court stay J&K HC direction allowing outside food inside multiplex	11 August '18
Maharashtra	Maha Govt files affidavit saying allowing outside food may create security issue	8 August '18
Indore/Jabalpur	PIL alleging exorbitant prices of food items at multiplexes dismissed	29 August '18
Hyderabad	Hyderabad HC dismisses PIL over selling eatables at higher rates in multiplexes	22 August '18

Source: Company, Media articles, ICICI Direct Research

Exhibit 4: Q2FY19 and Q3FY19 – Major movies pipeline

Movie	Cast	Date of Release
Paltan	Jackie Shroff, Arjun Rampal, Esha Gupta	7 Sep '18
Drive	Sushant Singh Rajput, Jacqueline Fernandes	7 Sep '18
Bati Gul Meter Chalu	Shahid Kapoor, Shraddha Kapoor	14 Sep '18
Helicopter Leela	Kajol, Neha Dhupia	14 Sep '18
Sui Dhaga	Anushka Sharma, Varun Dhavan	28 Sep '18
Namaste England	Arjun Kapoor, Parineeti Chopra	19 Oct '18
Thugs of Hindustan	Amitabh Bacchan, Aamir Khan, Katrina Kaif	7 Nov '18
2.0'	Rajnikant, Akshay Kumar	29 Nov '18
Kedarnath	Sushant Singh Rajput, Sara Ali Khan	30 Nov '18
Total Dhamaal	Ajay Devgn, Riteish Deshmukh, Arshad Warsi	7 Dec '18
Zero	Shah Rukh Khan, Anushka Sharma, Katrina Kaif	21 Dec '18
Simba	Ranveer Singh	28 Dec '18

Source: Company, Koimoi.com, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total operating Income	1,220.7	1,348.1	1,495.2	1,692.7	
Growth (%)	5.3	10.4	10.9	13.2	
Employee Expenses	86.4	96.4	110.6	128.8	
Exhibition Cost	345.3	367.3	403.8	471.0	
Cost of F&B	68.1	74.4	86.7	93.3	
Rent	185.8	203.9	247.4	283.8	
Other Expenses	390.3	397.0	410.6	420.0	
Total Operating Expenditure	1,075.9	1,138.9	1,259.1	1,396.9	
EBITDA	144.8	209.2	236.1	295.8	
Growth (%)	-23.8	44.5	12.9	25.3	
Depreciation	84.1	86.7	92.7	104.9	
Interest	25.3	28.9	27.7	30.3	
Other Income	9.1	14.5	11.8	12.0	
Exceptional Items	0.0	10.4	0.0	0.0	
PBT	44.6	97.7	127.5	172.5	
Total Tax	14.0	-17.0	42.7	55.7	
PAT	30.5	114.7	84.8	116.8	
Adjusted PAT	30.6	71.3	84.8	116.8	
Growth (%)	-60.6	132.9	19.0	37.7	
Adj EPS (₹)	3.2	7.4	8.8	12.1	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Liabilities					
Equity Capital	96.2	96.2	96.2	96.2	
Reserve and Surplus	489.0	606.1	690.1	807.0	
Interest in benefit trust	(32.7)	(32.7)	(32.7)	(32.7)	
Total Shareholders funds	552.5	669.6	753.6	870.5	
Total Debt	317.0	291.9	331.9	371.9	
Others	86.0	77.8	77.8	77.8	
Total Liabilities	955.6	1,039.3	1,163.3	1,320.2	
Assets					
Total Fixed Assets	765.3	825.6	966.9	1,097.0	
Investments	12.0	13.6	13.6	8.6	
Goodwill on Consolidation	0.0	0.0	0.0	0.0	
Debtors	46.6	76.1	86.0	97.4	
Inventory	9.1	9.4	10.2	11.6	
Loans and Advances	73.4	80.1	88.8	95.5	
Other Current Assets	21.3	24.6	27.3	29.3	
Cash	13.2	14.2	2.5	48.8	
Total Current Assets	163.6	204.4	214.9	282.7	
Total Current Liabilities	188.5	245.5	272.5	308.5	
Net Current Assets	-24.9	-41.1	-57.6	-25.8	
Other Non Current Assets	203.2	240.4	240.4	240.4	
Application of Funds	955.6	1,038.5	1,163.3	1,320.2	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
PAT	30.5	114.7	84.8	116.8	
Add: Depreciation	84.1	86.7	92.7	104.9	
Add: Interest Paid	25.3	28.9	27.7	30.3	
(Inc)/dec in Current Assets	-17.0	-39.8	-22.2	-21.5	
Inc/(dec) in CL and Provisions	19.5	57.0	27.0	36.0	
CF from operating activities	142.3	247.4	210.1	266.6	
(Inc)/dec in Investments	4.5	-1.7	0.0	5.0	
(Inc)/dec in Fixed Assets	-145.2	-147.0	-234.0	-235.0	
Others	-40.1	-45.3	0.0	0.0	
CF from investing activities	(180.8)	(194.0)	(234.0)	(230.0)	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	50.0	-25.1	40.0	40.0	
Less: Interest Paid	25.3	28.9	27.7	30.3	
Others	-50.9	-56.2	-55.4	-60.7	
CF from financing activities	24.4	(52.4)	12.3	9.7	
Net Cash flow	-14.1	1.0	-11.6	46.3	
Opening Cash	27.2	13.2	14.2	2.5	
Closing Cash	13.1	14.2	2.5	48.8	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Per share data (₹)					
EPS	3.2	11.9	8.8	12.1	
Adj EPS	3.2	7.4	8.8	12.1	
BV	57.5	69.6	78.4	90.5	
DPS	0.0	0.0	0.0	0.0	
Cash Per Share	1.4	1.5	0.3	5.1	
Operating Ratios (%)					
EBITDA Margin	11.9	15.5	15.8	17.5	
PBT / Net Sales	5.0	9.1	9.6	11.3	
PAT Margin	2.5	5.3	5.7	6.9	
Inventory days	2.7	2.5	2.5	2.5	
Debtor days	13.9	20.6	21.0	21.0	
Creditor days	26.4	30.7	30.7	30.7	
Return Ratios (%)					
RoE	5.5	10.6	11.3	13.4	
RoCE	7.3	13.2	13.3	15.4	
RoIC	8.2	14.8	14.7	17.3	
Valuation Ratios (x)					
P/E	74.9	20.0	27.0	19.6	
EV / EBITDA	17.9	12.2	11.1	8.8	
EV / Net Sales	2.1	1.9	1.7	1.5	
Market Cap / Sales	1.9	1.7	1.5	1.4	
Price to Book Value	4.2	3.4	3.0	2.6	
Solvency Ratios					
Debt/EBITDA	2.2	1.4	1.4	1.3	
Net Debt / Equity	0.6	0.4	0.4	0.4	
Current Ratio	1.3	1.4	1.4	1.3	
Quick Ratio	1.3	1.3	1.3	1.3	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Media)

Sector / Company	CMP (₹)		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
		TP(₹)			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
DB Corp (DBCORP)	230	250	Hold	4,227	17.1	17.1	20.9	13.4	13.4	11.0	7.2	7.0	5.5	23.1	21.6	24.3	16.3	15.3	16.9
DISH TV (DISHTV)	69	80	Hold	12,696	-0.4	1.1	2.5	NM	61.4	28.0	11.4	6.6	5.7	3.1	9.1	11.1	0.1	3.1	6.4
ENIL (ENTNET)	680	780	Hold	3,242	7.5	14.3	24.2	91.0	47.6	28.1	27.2	19.2	13.6	6.2	10.6	16.1	3.5	7.2	10.9
HT Media (HTMED)	54	NA	Unrated	1,262	13.2	7.4	9.3	4.1	7.4	5.8	3.8	4.2	2.8	12.7	9.8	11.2	12.0	6.4	7.5
Inox Leisure (INOX)	239	275	Buy	2,294	11.9	8.8	12.1	20.0	27.0	19.6	12.2	11.1	8.8	13.2	13.3	15.4	10.6	11.3	13.4
Jagran Prakashan	121	185	Hold	3,768	10.6	9.6	10.4	11.4	12.6	11.6	5.8	6.5	5.8	18.9	18.6	19.5	16.1	14.7	14.8
PVR (PVRLIM)	1,325	1,390	Hold	6,190	26.4	37.2	47.3	50.2	35.6	28.0	17.4	14.1	12.0	14.7	16.8	18.9	11.5	14.0	15.2
Sun TV (SUNTV)	725	960	Buy	28,571	28.8	35.9	41.7	25.2	20.2	17.4	13.3	10.6	8.5	35.5	36.9	35.9	24.2	25.1	24.2
TV Today (TVTNET)	440	450	Hold	2,627	19.9	26.5	30.0	22.1	16.6	14.7	11.7	9.0	7.3	30.4	31.3	29.8	19.3	20.0	19.0
ZEE Ent. (ZEEENT)	484	600	Buy	46,483	15.4	16.4	20.0	31.4	29.5	24.2	21.0	17.5	14.3	25.6	24.5	25.5	15.3	15.3	15.9

Source: Company, ICICI Direct Research

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Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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