

Inox Leisure (INOL IN)

Rating: **ACCUMULATE** | CMP: Rs254 | TP: Rs256

June 9, 2020

Q4FY20 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	ACCUMULATE		BUY	
Target Price	256		344	
Sales (Rs. m)	8,060	19,175	18,474	25,021
% Chng.	(56.4)	(23.4)		
EBITDA (Rs. m)	739	5,885	5,662	7,905
% Chng.	(86.9)	(25.6)		
EPS (Rs.)	(14.2)	15.4	11.1	22.8
% Chng.	NA	(32.4)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	16,922	18,974	8,060	19,175
EBITDA (Rs. m)	3,092	5,968	739	5,885
Margin (%)	18.3	31.5	9.2	30.7
PAT (Rs. m)	1,393	150	(1,459)	1,581
EPS (Rs.)	13.6	1.5	(14.2)	15.4
Gr. (%)	3.4	(89.2)	NA	NA
DPS (Rs.)	-	1.0	1.0	1.0
Yield (%)	-	0.4	0.4	0.4
RoE (%)	13.9	2.4	NA	25.8
RoCE (%)	20.6	10.0	NA	10.1
EV/Sales (x)	1.6	2.8	6.7	2.7
EV/EBITDA (x)	8.6	9.0	72.9	8.9
PE (x)	18.7	174.0	NA	16.5
P/BV (x)	2.7	4.2	5.6	4.3

Key Data

INOL.BO | INOL IN

52-W High / Low	Rs.512 / Rs.158
Sensex / Nifty	33,957 / 10,047
Market Cap	Rs.26bn / \$ 346m
Shares Outstanding	103m
3M Avg. Daily Value	Rs.412.93m

Shareholding Pattern (%)

Promoter's	52.09
Foreign	9.32
Domestic Institution	23.30
Public & Others	15.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	24.6	(30.2)	(27.0)
Relative	16.1	(16.8)	(14.8)

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Long interval; all eyes on FY22

Quick Pointers:

- Average monthly opex burn during lockdown is ~Rs150-160mn.
- Tax adjustment of Rs689mn resulting from re-measuring DTAs led to a loss of Rs822mn during the quarter.

INOL's performance was significantly below our estimates (revenue/Ind-AS adjusted EBITDA miss by 4%/45% respectively) due to weak content (only 2 movies viz; Tanhaji and Baghi 3 crossed Rs1bn in box office collections during 4QFY20 versus ~4/5 movies in 4QFY19) and COVID-19 led shutdown (complete loss of revenue for 15-20 days). We expect 1HFY21 to be a period of liquidity management as occupancy would remain negligible (NIL in 1Q and 5.5% in 2Q) with gradual recovery in 2HFY21 (average occupancy expectation of 18.8%). Further, risk of rising instances of producers opting for the OTT route (Gulabo Sitabo & Gunjan Saxena are to bypass theatrical release) can further dent the content pipeline which is already in disarray as production schedules have been hampered. We have thus drastically cut our sales/EBITDA estimates as we believe that footfall normalization and gaining consumer confidence will be a gradual process post-COVID. While there are near term headwinds, INOL has a strong BS (D/E of 0.3x) and comfortable liquidity position (real estate of Rs3.5bn and treasury stock of Rs1.25bn on BS) to navigate the current crisis. We continue to maintain our positive stance on the multiplex space (low ticket consumer discretionary play) but given the current environment, recommend a staggered buying approach. As a result, we downgrade INOL to ACCUMULATE (BUY earlier) valuing the stock at EV/EBITDA multiple of 9x (earlier 7.5x; long period average is 10x) with a TP of Rs256 (Rs344 earlier).

Revenues decline 22.4% YoY: INOL's top-line declined 22.4% YoY to Rs3,716mn (PL of Rs3,889mn) due to weak content and COVID-19 led shutdown. Revenues from NBOC, F&B and advertising declined 23.2% YoY to Rs2,180mn, 23.6% YoY to Rs940mn and 18.6% YoY to Rs350mn respectively. Footfalls declined 28.9% YoY to 12.8mn. Gross ATP and SPH increased 6.9% YoY to Rs202 and 6.8% YoY to Rs78 respectively.

Poor operating performance: Ind-AS adjusted EBITDA declined 64.2% YoY to Rs349mn with a margin of 9.4%. INOL reported a loss of Rs822mn, due to tax adjustment of Rs689mn resulting from re-measuring DTAs.

Con-call highlights: 1) Target is to open 41 screens in FY21E which shall entail a capex of Rs280-300mn (86% work is already complete). 2) Since March rentals were paid in advance INOL has received credit note from the developers for the lockdown period. 3) Few developers have also agreed for a variable rental model with no MG post re-opening. 4) Additional Rs750mn will be raised via debt to meet liquidity needs. 5) Current cash balance is Rs720mn (including undrawn limits). 6) Break-even occupancy post re-opening is expected to be in the range of ~21-22% 7) Substantial portion of advertising deals are of long term nature (52 weeks). 8) No change in revenue share with either the distributor or online ticket aggregator is expected post re-opening 9) Windowing gap of 2 months is expected to continue.

Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q4FY20	Q4FY19	YoY gr.	Q3FY20	QoQ gr.	FY20	FY19	YoY gr.
Net sales	3,716	4,788	-22.4%	5,129	-27.6%	18,974	16,922	12.1%
Movie exhibition cost	937	1,272	-26.3%	1,337	-29.9%	4,965	4,442	11.8%
<i>As a % of sales</i>	<i>25.2%</i>	<i>26.6%</i>		<i>26.1%</i>		<i>26.2%</i>	<i>26.3%</i>	
Consumption of F&B	264	317	-16.7%	320	-17.5%	1,262	1,125	12.2%
<i>As a % of sales</i>	<i>7.1%</i>	<i>6.6%</i>		<i>6.2%</i>		<i>6.7%</i>	<i>6.6%</i>	
Employee expenses	327	309	6.1%	369	-11.3%	1,421	1,152	23.4%
<i>As a % of sales</i>	<i>8.8%</i>	<i>6.4%</i>		<i>7.2%</i>		<i>7.5%</i>	<i>6.8%</i>	
Other expenses	1,087	1,917	-43.3%	1,414	-23.1%	5,359	7,112	-24.7%
<i>As a % of sales</i>	<i>29.3%</i>	<i>40.0%</i>		<i>27.6%</i>		<i>28.2%</i>	<i>42.0%</i>	
EBITDA	1,100	974	13.0%	1,690	-34.9%	5,968	3,092	93.1%
<i>EBITDA margin</i>	<i>29.6%</i>	<i>20.3%</i>		<i>32.9%</i>		<i>31.5%</i>	<i>18.3%</i>	
Depreciation	740	249	197.9%	648	14.2%	2,642	955	176.7%
EBIT	360	725	-50.3%	1,041	-65.4%	3,327	2,137	55.7%
<i>EBIT margin</i>	<i>9.7%</i>	<i>15.1%</i>		<i>20.3%</i>		<i>17.5%</i>	<i>12.6%</i>	
Interest cost	614	38	1524.6%	547	12.2%	2,212	237	834.7%
Other income	48	53	-8.8%	49	-1.2%	172	149	15.1%
Exceptional items	-	58	-100.0%	-		-	58	
PBT	-206	682	NM	542	NM	1,286	1,991	-35.4%
Tax expenses	615	201	206.5%	192	220.4%	1,136	656	73.1%
Tax rate	NM	29.5%		35.4%		88.3%	33.0%	
PAT	-822	481	NM	350	NM	150	1,335	-88.8%
<i>PAT margin</i>	<i>NM</i>	<i>10.0%</i>		<i>6.8%</i>		<i>0.8%</i>	<i>7.9%</i>	
Non-controlling interest	-	-	NM	-	NM	-	-	NM
Other comprehensive income (OCI)	-4	1	NM	2	NM	-13	1	NM
PAT inclusive of OCI	-825	481	NM	352	NM	137	1,336	-89.7%
EPS (Rs)	(8.4)	5.0	NM	3.6	NM	1.5	14.2	-89.2%

Source: Company, PL

Exhibit 2: Revenue Mix (Rs mn)

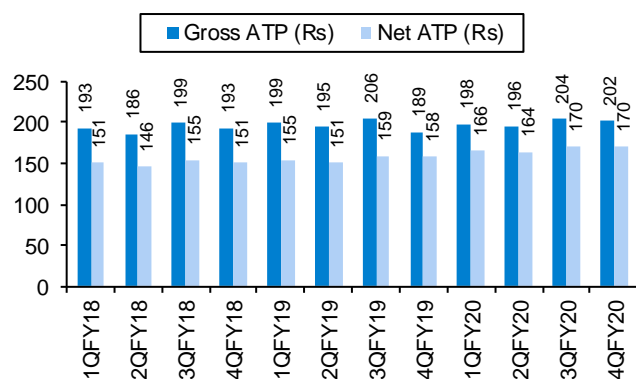
Particulars	Q4FY20	Q4FY19	YoY gr.	Q3FY20	QoQ gr.
NBOC	2,180	2,840	-23.2%	2,880	-24.3%
<i>As a % of sales</i>	<i>58.0%</i>	<i>59.4%</i>		<i>55.6%</i>	
Net F&B	940	1,230	-23.6%	1,300	-27.7%
<i>As a % of sales</i>	<i>25.0%</i>	<i>25.7%</i>		<i>25.1%</i>	
Advertisement revenue	350	430	-18.6%	580	-39.7%
<i>As a % of sales</i>	<i>9.3%</i>	<i>9.0%</i>		<i>11.2%</i>	
Other operating income	290	280	3.6%	420	-31.0%
<i>As a % of sales</i>	<i>7.7%</i>	<i>5.9%</i>		<i>8.1%</i>	
Total sales	3,760	4,780	2.0%	5,180	-27.4%

Source: Company, PL

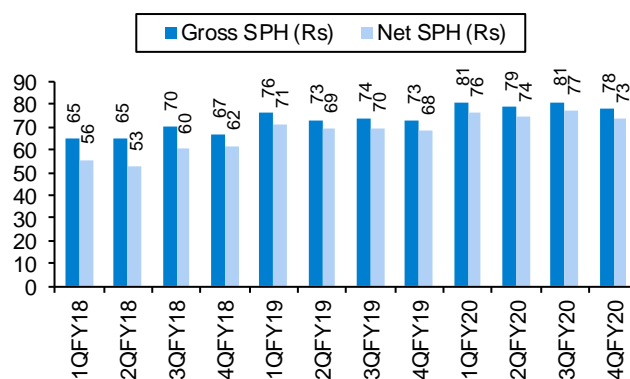
Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q4FY20	Q4FY19	YoY gr.	Q3FY20	QoQ gr.	FY20	FY21E	FY22E
Sales	3,716	4,788	-22.4%	5,129	-27.6%	18,974	8,060	19,175
Ind-AS Adjusted EBITDA	349	974	-64.2%	1,035	-66.3%	3,301	(822)	3,291
<i>Ind-AS Adjusted EBITDA margin</i>	<i>9.4%</i>	<i>20.3%</i>		<i>20.2%</i>		<i>17.4%</i>	<i>NM</i>	<i>17.2%</i>
Ind-AS Adjusted PAT	(25)	481	NM	511	NM	1,410	(1,459)	1,581
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>10.0%</i>		<i>10.0%</i>		<i>7.4%</i>	<i>NM</i>	<i>8.2%</i>

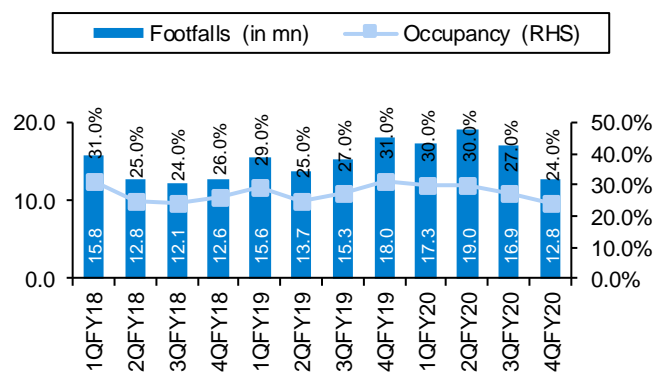
Source: Company, PL

Exhibit 4: Gross/Net ATP trend over the last 12 quarters


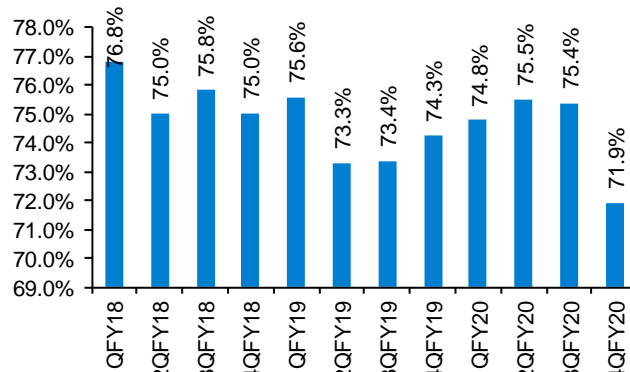
Source: Company, PL

Exhibit 5: Gross/Net SPH trend over the last 12 quarters


Source: Company, PL

Exhibit 6: Footfalls are volatile, driven by content


Source: Company, PL

Exhibit 7: F&B GM down in 4QFY20 amid inventory write-off


Source: Company, PL

Exhibit 8: Relative valuation EV/EBITDA

Particulars	FY22*
EV/EBITDA	9.0
EBITDA	5,885
EV	52,967
Less: Debt	28,245
Add: Cash	1,656
Equity Value	26,377
No of shares	103
Per share value (Rs)	256

Source: PL

*IndAS 116 compliant projections

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	16,922	18,974	8,060	19,175
YoY gr. (%)	25.5	12.1	(57.5)	137.9
Cost of Goods Sold	5,567	6,227	2,542	6,337
Gross Profit	11,355	12,748	5,518	12,838
Margin (%)	67.1	67.2	68.5	66.9
Employee Cost	1,152	1,421	1,140	1,438
Other Expenses	7,112	5,359	3,639	5,514
EBITDA	3,092	5,968	739	5,885
YoY gr. (%)	46.9	93.1	(87.6)	696.2
Margin (%)	18.3	31.5	9.2	30.7
Depreciation and Amortization	955	2,642	1,868	2,497
EBIT	2,137	3,327	(1,129)	3,388
Margin (%)	12.6	17.5	NA	NA
Net Interest	237	2,212	980	1,447
Other Income	149	172	164	173
Profit Before Tax	1,991	1,286	(1,946)	2,114
Margin (%)	11.8	6.8	NA	11.0
Total Tax	656	1,136	(486)	533
Effective tax rate (%)	33.0	88.3	NA	25.2
Profit after tax	1,335	150	(1,459)	1,581
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,393	150	(1,459)	1,581
YoY gr. (%)	10.3	(89.2)	NA	NA
Margin (%)	8.2	0.8	NA	8.2
Extra Ord. Income / (Exp)	(58)	-	-	-
Reported PAT	1,335	150	(1,459)	1,581
YoY gr. (%)	16.5	(88.8)	NA	NA
Margin (%)	7.9	0.8	NA	8.2
Other Comprehensive Income	1	(13)	-	-
Total Comprehensive Income	1,336	137	(1,459)	1,581
Equity Shares O/s (m)	103	103	103	103
EPS (Rs)	13.6	1.5	(14.2)	15.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	12,158	37,007	37,433	40,018
Tangibles	11,947	36,823	37,244	39,823
Intangibles	211	185	190	195
Acc: Dep / Amortization	3,109	5,751	7,620	10,116
Tangibles	3,009	5,651	7,519	10,016
Intangibles	101	101	101	101
Net fixed assets	9,049	31,256	29,814	29,901
Tangibles	8,939	31,172	29,725	29,807
Intangibles	111	84	89	94
Capital Work In Progress	637	854	854	854
Goodwill	175	175	175	175
Non-Current Investments	1,758	1,969	2,097	2,264
Net Deferred tax assets	529	1,773	1,773	1,773
Other Non-Current Assets	1,127	385	400	468
Current Assets				
Investments	6	10	10	10
Inventories	122	137	66	158
Trade receivables	882	628	397	1,156
Cash & Bank Balance	137	447	813	1,700
Other Current Assets	312	431	484	537
Total Assets	14,788	38,154	36,924	39,074
Equity				
Equity Share Capital	1,026	1,027	1,027	1,027
Other Equity	8,612	5,192	3,630	5,109
Total Network	9,638	6,219	4,657	6,135
Non-Current Liabilities				
Long Term borrowings	550	26,819	26,840	26,969
Provisions	127	179	202	249
Other non current liabilities	690	665	725	825
Current Liabilities				
ST Debt / Current of LT Debt	200	1,026	1,776	1,276
Trade payables	1,596	1,295	662	1,471
Other current liabilities	1,897	1,877	1,984	2,067
Total Equity & Liabilities	14,788	38,154	36,924	39,074

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,335	150	(1,946)	2,114
Add. Depreciation	955	2,642	1,868	2,497
Add. Interest	237	2,212	980	1,447
Less Financial Other Income	149	172	164	173
Add. Other	551	977	(8)	(22)
Op. profit before WC changes	3,077	5,981	895	6,036
Net Changes-WC	88	(726)	(278)	(111)
Direct tax	(369)	(513)	486	(533)
Net cash from Op. activities	2,797	4,742	1,104	5,392
Capital expenditures	(2,492)	(2,070)	(426)	(2,584)
Interest / Dividend Income	32	14	-	-
Others	104	(74)	-	-
Net Cash from Invst. activities	(2,356)	(2,130)	(426)	(2,584)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,819)	(2,099)	21	129
Dividend paid	-	-	-	-
Interest paid	(231)	(111)	(980)	(1,447)
Others	1,594	(119)	647	(603)
Net cash from Fin. activities	(456)	(2,328)	(312)	(1,921)
Net change in cash	(16)	284	366	887
Free Cash Flow	301	2,669	679	2,808

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	4,930	5,199	5,129	3,716
YoY gr. (%)	18.8	42.3	18.4	(22.4)
Raw Material Expenses	1,632	1,737	1,657	1,201
Gross Profit	3,298	3,463	3,472	2,515
Margin (%)	66.9	66.6	67.7	67.7
EBITDA	1,501	1,678	1,690	1,100
YoY gr. (%)	79.8	274.5	102.3	13.0
Margin (%)	30.4	32.3	32.9	29.6
Depreciation / Depletion	608	645	648	740
EBIT	893	1,033	1,041	360
Margin (%)	18.1	19.9	20.3	9.7
Net Interest	509	542	547	614
Other Income	31	44	49	48
Profit before Tax	415	534	542	(206)
Margin (%)	8.4	10.3	10.6	(5.5)
Total Tax	145	183	192	615
Effective tax rate (%)	35.0	34.3	35.4	(298.6)
Profit after Tax	270	351	350	(821)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	270	351	350	(821)
YoY gr. (%)	(27.0)	193.5	(4.0)	(252.4)
Margin (%)	5.5	6.8	6.8	(22.1)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	270	351	350	(821)
YoY gr. (%)	(43.8)	30.1	(0.3)	(334.6)
Margin (%)	5.5	6.8	6.8	(22.1)
Other Comprehensive Income	(11)	-	2	(4)
Total Comprehensive Income	259	351	352	(825)
Avg. Shares O/s (m)	103	103	103	103
EPS (Rs)	2.8	3.6	3.6	(8.4)

Source: Company Data, PL Research

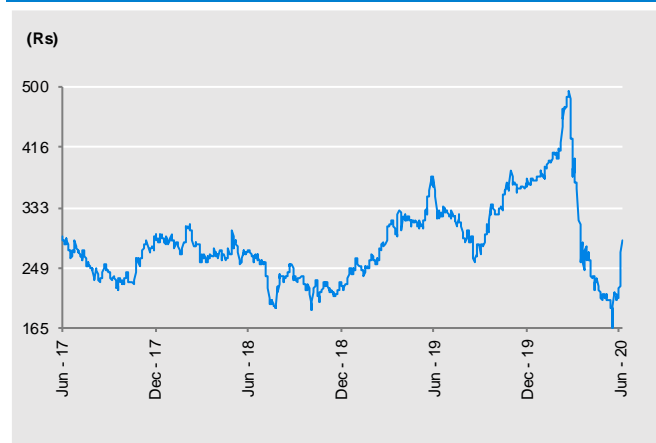
Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	13.6	1.5	(14.2)	15.4
CEPS	22.9	27.2	4.0	39.7
BVPS	93.9	60.6	45.4	59.8
FCF	2.9	26.0	6.6	27.4
DPS	-	1.0	1.0	1.0
Return Ratio(%)				
RoCE	20.6	10.0	NA	10.1
ROIC	20.9	15.6	2.0	15.1
RoE	13.9	2.4	NA	25.8
Balance Sheet				
Net Debt : Equity (x)	0.1	4.4	6.0	4.3
Net Working Capital (Days)	(13)	(10)	(9)	(3)
Valuation(x)				
PER	18.7	174.0	NA	16.5
P/B	2.7	4.2	5.6	4.3
P/CEPS	11.1	9.4	63.8	6.4
EV/EBITDA	8.6	9.0	72.9	8.9
EV/Sales	1.6	2.8	6.7	2.7
Dividend Yield (%)	-	0.4	0.4	0.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Apr-20	Hold	21	14
2	09-Apr-20	BUY	344	235
3	07-Feb-20	BUY	476	424
4	03-Jan-20	BUY	437	376
5	07-Dec-19	BUY	416	365
6	23-Oct-19	BUY	416	354
7	03-Oct-19	BUY	394	324
8	24-Sep-19	BUY	394	338

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	179	133
3	Indian Railway Catering and Tourism Corporation	BUY	1,428	1,292
4	Inox Leisure	Hold	21	14
5	Music Broadcast	Hold	17	13
6	Navneet Education	BUY	82	66
7	PVR	BUY	1,518	1,002
8	S Chand and Company	Accumulate	67	39
9	V.I.P. Industries	Hold	229	215

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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