

November 6, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	322		323	
Sales (Rs. m)	19,443	24,229	19,366	24,132
% Chng.	0.4	0.4		
EBITDA (Rs. m)	6,016	7,626	5,975	7,474
% Chng.	0.7	2.0		
EPS (Rs.)	15.4	23.9	16.1	23.2
% Chng.	(4.0)	3.2		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	18,974	3,354	19,443	24,229
EBITDA (Rs. m)	5,968	1,060	6,016	7,626
Margin (%)	31.5	31.6	30.9	31.5
PAT (Rs. m)	150	(2,389)	1,584	2,458
EPS (Rs.)	1.5	(23.3)	15.4	23.9
Gr. (%)	(89.2)	NA	NA	55.2
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	2.4	NA	30.4	32.5
RoCE (%)	10.0	NA	10.8	14.0
EV/Sales (x)	2.9	16.4	2.8	2.2
EV/EBITDA (x)	9.2	51.9	9.0	6.9
PE (x)	182.7	NA	17.3	11.2
P/BV (x)	4.4	7.4	5.3	3.6

Key Data

INOL.BO | INOL IN

52-W High / Low	Rs.512 / Rs.158
Sensex / Nifty	41,893 / 12,264
Market Cap	Rs.27bn/ \$ 370m
Shares Outstanding	103m
3M Avg. Daily Value	Rs.515.12m

Shareholding Pattern (%)

Promoter's	52.07
Foreign	10.86
Domestic Institution	21.17
Public & Others	15.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.5)	29.2	(26.6)
Relative	(10.8)	(2.3)	(29.1)

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Costly interval about to END

Quick Pointers:

- Enabling resolution has been taken to raise Rs2.5bn via equity/other securities.
- Fixed opex burn was in the range of ~Rs100-120mn per month.

INOL's Ind-AS adjusted EBITDA loss of Rs334mn (excluding OI) was broadly in-line with our estimates of Rs378mn as rigorous cost cutting initiatives resulted in fixed opex burn of ~Rs100-120mn per month during the quarter. We expect burn rate to increase in the initial few months post re-opening as fixed costs like rent, CAM, and employee expenses will rise (as compared to the levels prevailing in lockdown) without sufficient corresponding rise in footfalls amid 1) occupancy caps and 2) hesitancy to visit multiplexes. In addition, in the initial phase, ATP & SPH is likely to be lower due to promotional discounts. Consequently, we cut our FY21E EBITDA estimates by 48% but keep our FY22E/FY23E estimates broadly intact as we expect normalcy to resume within the next 6 months given 1) strong content slate and 2) improved visibility on re-opening schedules of various states (Maharashtra, the most critical state with ~20% of screen mix for INOL, has given permission to re-open from 05th Nov). We value INOL at an EV/EBITDA multiple 10x (no change) and upgrade the stock to a BUY (ACCUMULATE earlier) with a revised TP of Rs322 (Rs323 earlier) as current price offers good entry point for long term gains. INOL's low gearing (net debt of Rs1.2bn) and stringent cost control give us additional comfort until normalcy resumes.

Revenue falls steeply: INOL's top-line declined 99.9% YoY to Rs4mn (PLe of Rs NIL) as multiplexes remained shut in 2QFY21 due to the ongoing pandemic.

Ind-AS adjusted EBITDA loss at Rs334mn: Ind-AS adjusted EBITDA loss stood at Rs334mn (Rs300mn including OI) and was broadly in-line with our estimate of Rs378mn as INOL undertook rigorous cost cutting initiatives (fixed burn was in the range of ~Rs110-120mn in 2QFY21). Rent & CAM cost was NIL in 2QFY21 as force majeure was invoked. Further, employee cost (including outsourced manpower) / power & fuel / other overheads were down by 78% YoY/ 88% YoY/ 58% YoY during 2QFY21.

Con-call highlights: 1) Target to open 41 screens in FY21E remains intact entailing a capex of Rs280-300mn (85% work is already complete) 2) No fixed timeline has been identified for withdrawal of occupancy caps 3) Out of the 528 screens that have been given permission to re-open, not all are operational currently 4) Post re-opening from 15th Oct, occupancies have been hovering in mid-single digits 5) ATP for library content is in the range of Rs80-110 while blended ATP is ~Rs140-145 6) For 6 new movies released in West Bengal, occupancies for most shows was ~100% (within the 50% cap limit) while ATP was similar to pre-COVID levels 7) Ad-volumes for library content is not more than 2-3 minutes per show 8) Negotiations for rent waivers have been reached with 60-70% of property owners 9) Receivables are down from Rs628mn in March 2020 to Rs73mn in Sep 2020 as Inox aggressively collected the outstanding balances from its customers. Out of 200 odd ad-agencies/customers it deals with, ~160-170 have already paid their dues. 10) F&B spend in West Bengal was similar to pre-COVID levels especially during the Durga Puja period (week long holiday due to festivities).

Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.	H1FY21	H1FY20	YoY gr.
Net sales	4	5,199	-99.9%	3	44.0%	6	10,130	-99.9%
Movie exhibition cost	-	1,391	-100.0%	-	NM	-	2,690	-100.0%
<i>As a % of sales</i>	<i>0.0%</i>	<i>26.8%</i>		<i>0.0%</i>		<i>0.0%</i>	<i>26.6%</i>	
Consumption of F&B	-	345	-100.0%	-	NM	-	678	-100.0%
<i>As a % of sales</i>	<i>0.0%</i>	<i>6.6%</i>		<i>0.0%</i>		<i>0.0%</i>	<i>6.7%</i>	
Employee expenses	152	373	-59.2%	243	-37.3%	395	724	-45.4%
<i>As a % of sales</i>	<i>NM</i>	<i>7.2%</i>		<i>NM</i>		<i>NM</i>	<i>7.1%</i>	
Other expenses	(554)	1,412	NM	(574)	NM	(1,129)	2,858	NM
<i>As a % of sales</i>	<i>NM</i>	<i>27.2%</i>		<i>NM</i>		<i>NM</i>	<i>28.2%</i>	
EBITDA	406	1,678	-75.8%	334	21.5%	740	3,179	-76.7%
<i>EBITDA margin</i>	<i>NM</i>	<i>32.3%</i>		<i>NM</i>		<i>NM</i>	<i>31.4%</i>	
Depreciation	714	645	10.7%	708	0.9%	1,422	1,253	13.5%
EBIT	(309)	1,033	NM	(374)	NM	(682)	1,926	NM
<i>EBIT margin</i>	<i>NM</i>	<i>19.9%</i>		<i>NM</i>		<i>NM</i>	<i>19.0%</i>	
Interest cost	641	542	18.2%	633	1.2%	1,274	1,051	21.2%
Other income	43	44	-2.3%	27	58.7%	70	75	-6.6%
Exceptional items	-	-	NM	-		-	-	
PBT	(906)	534	NM	(979)	NM	(1,886)	950	NM
Tax expenses	(228)	183	NM	(243)	NM	(471)	328	NM
Tax rate	NM	34.3%		NM		NM	34.6%	
PAT	(678)	351	NM	(737)	NM	(1,415)	621	NM
<i>PAT margin</i>	<i>NM</i>	<i>6.8%</i>		<i>NM</i>		<i>NM</i>	<i>6.1%</i>	
Non-controlling interest	-	-	NM	-	NM	-	-	NM
Other comprehensive income (OCI)	6	0	NM	5	26.7%	10	(11)	NM
PAT inclusive of OCI	(673)	351	NM	(732)	NM	(1,405)	610	NM
EPS (Rs)	(6.7)	3.6	NM	(7)	NM	(14.2)	6.3	NM

Source: Company, PL

Exhibit 2: Revenue Mix (Rs mn)

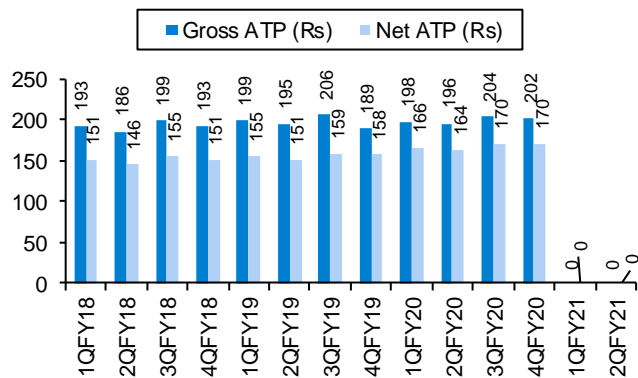
Particulars	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.
NBOC	-	3,110	-100.0%	-	NM
<i>As a % of sales</i>	<i>0.0%</i>	<i>59.2%</i>		<i>0.0%</i>	
Net F&B	-	1,410	-100.0%	-	NM
<i>As a % of sales</i>	<i>0.0%</i>	<i>26.9%</i>		<i>0.0%</i>	
Advertisement revenue	-	400	-100.0%	-	NM
<i>As a % of sales</i>	<i>0.0%</i>	<i>7.6%</i>		<i>0.0%</i>	
Other operating income	4	330	-98.9%	3	44.0%
<i>As a % of sales</i>	<i>100.0%</i>	<i>6.3%</i>		<i>100.0%</i>	
Total sales	4	5,250	-99.9%	3	44.0%

Source: Company, PL

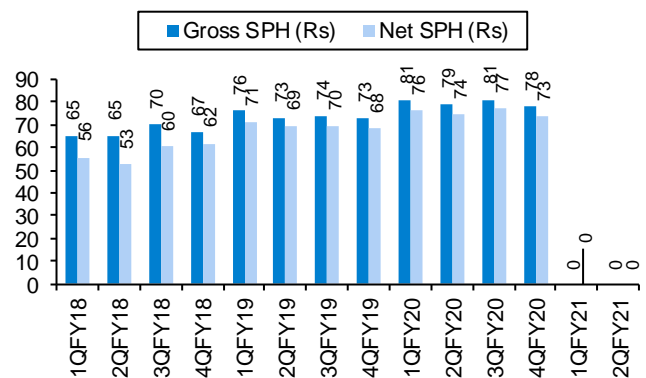
Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.	FY20	FY21E	FY22E	FY22E
Sales	4	5,199	-99.9%	3	44.0%	18,974	3,354	19,443	24,229
Ind-AS Adjusted EBITDA	(334)	1,029	NM	(376)	NM	3,301	(1,424)	3,353	4,542
<i>Ind-AS Adjusted EBITDA margin</i>	<i>NM</i>	<i>19.8%</i>		<i>NM</i>		<i>17.4%</i>	<i>NM</i>	<i>17.2%</i>	<i>18.7%</i>
Ind-AS Adjusted PAT	(478)	512	NM	(517)	NM	1,410	(1,954)	1,584	2,458
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>9.8%</i>		<i>NM</i>		<i>7.4%</i>	<i>NM</i>	<i>8.1%</i>	<i>10.1%</i>

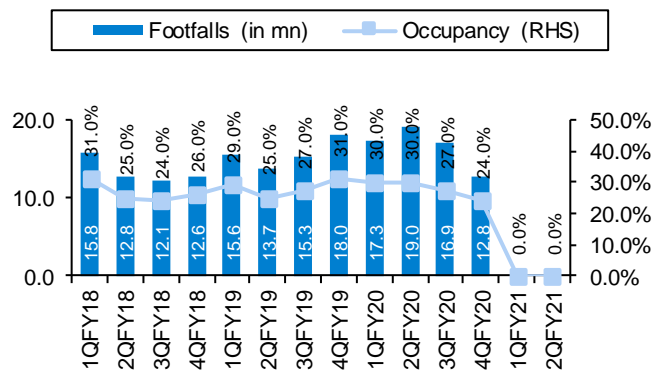
Source: Company, PL

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


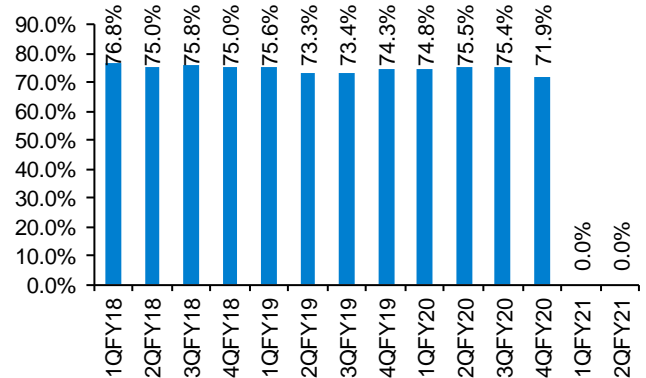
Source: Company, PL

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


Source: Company, PL

Exhibit 6: Footfalls are volatile, driven by content


Source: Company, PL

Exhibit 7: F&B GM trend in last few quarters


Source: Company, PL

Exhibit 8: Relative valuation EV/EBITDA

Particulars	FY22*
EV/EBITDA	10.0
EBITDA	6,016
EV	60,164
Less: Debt	27,855
Add: Cash	814
Equity Value	33,123
No of shares	103
Per share value (Rs)	322

Source: PL

*IndAS 116 compliant projections

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	18,974	3,354	19,443	24,229
YoY gr. (%)	12.1	(82.3)	479.8	24.6
Cost of Goods Sold	6,227	923	6,415	7,850
Gross Profit	12,748	2,431	13,028	16,379
Margin (%)	67.2	72.5	67.0	67.6
Employee Cost	1,421	892	1,458	1,890
Other Expenses	5,359	479	5,553	6,864
EBITDA	5,968	1,060	6,016	7,626
YoY gr. (%)	93.1	(82.2)	467.7	26.7
Margin (%)	31.5	31.6	30.9	31.5
Depreciation and Amortization	2,642	2,499	2,532	2,842
EBIT	3,327	(1,439)	3,484	4,784
Margin (%)	17.5	NA	17.9	19.7
Net Interest	2,212	1,900	1,542	1,692
Other Income	172	154	175	194
Profit Before Tax	1,286	(3,185)	2,118	3,285
Margin (%)	6.8	NA	10.9	13.6
Total Tax	1,136	(796)	534	828
Effective tax rate (%)	88.3	25.0	25.2	25.2
Profit after tax	150	(2,389)	1,584	2,458
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	150	(2,389)	1,584	2,458
YoY gr. (%)	(89.2)	NA	NA	55.2
Margin (%)	0.8	(71.2)	8.1	10.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	150	(2,389)	1,584	2,458
YoY gr. (%)	(88.8)	NA	NA	55.2
Margin (%)	0.8	NA	8.1	10.1
Other Comprehensive Income	(13)	10	-	-
Total Comprehensive Income	137	(2,379)	1,584	2,458
Equity Shares O/s (m)	103	103	103	103
EPS (Rs)	1.5	(23.3)	15.4	23.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	35,363	34,823	37,414	40,125
Tangibles	35,142	34,596	37,182	39,888
Intangibles	221	226	231	236
Acc: Dep / Amortization	4,107	6,605	9,137	11,979
Tangibles	3,970	6,468	9,000	11,842
Intangibles	137	137	137	137
Net fixed assets	31,256	28,217	28,276	28,145
Tangibles	31,172	28,128	28,182	28,046
Intangibles	84	89	94	99
Capital Work In Progress	854	968	968	968
Goodwill	175	175	175	175
Non-Current Investments	1,969	2,014	2,296	2,618
Net Deferred tax assets	1,773	2,239	2,239	2,239
Other Non-Current Assets	385	415	474	616
Current Assets				
Investments	10	4	4	4
Inventories	137	28	160	199
Trade receivables	628	165	1,172	1,660
Cash & Bank Balance	447	124	859	2,356
Other Current Assets	431	402	544	678
Total Assets	38,154	34,788	37,247	39,783
Equity				
Equity Share Capital	1,027	1,027	1,027	1,027
Other Equity	5,192	2,700	4,181	6,536
Total Networkth	6,219	3,727	5,208	7,562
Non-Current Liabilities				
Long Term borrowings	26,819	26,934	27,063	27,117
Provisions	179	235	253	291
Other non current liabilities	665	771	778	921
Current Liabilities				
ST Debt / Current of LT Debt	1,026	792	792	292
Trade payables	1,295	276	1,278	1,660
Other current liabilities	1,877	1,975	1,793	1,853
Total Equity & Liabilities	38,154	34,788	37,247	39,783

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	150	(3,185)	2,118	3,285
Add. Depreciation	2,642	2,499	2,532	2,842
Add. Interest	2,212	1,900	1,542	1,692
Less Financial Other Income	172	154	175	194
Add. Other	977	(362)	(194)	(133)
Op. profit before WC changes	5,981	852	5,997	7,686
Net Changes-WC	(726)	(280)	(622)	(410)
Direct tax	(513)	796	(534)	(828)
Net cash from Op. activities	4,742	1,367	4,841	6,448
Capital expenditures	(2,070)	(355)	(2,591)	(2,711)
Interest / Dividend Income	14	-	-	-
Others	(74)	787	-	-
Net Cash from Inv. activities	(2,130)	432	(2,591)	(2,711)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,099)	431	129	54
Dividend paid	-	-	-	-
Interest paid	(111)	(1,900)	(1,542)	(1,692)
Others	(119)	(652)	(103)	(603)
Net cash from Fin. activities	(2,328)	(2,122)	(1,515)	(2,241)
Net change in cash	284	(323)	735	1,497
Free Cash Flow	2,669	1,012	2,250	3,737

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	1.5	(23.3)	15.4	23.9
CEPS	27.2	1.1	40.1	51.6
BVPS	60.6	36.3	50.7	73.7
FCF	26.0	9.9	21.9	36.4
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	10.0	NA	10.8	14.0
ROIC	15.6	3.0	16.2	19.2
RoE	2.4	NA	30.4	32.5
Balance Sheet				
Net Debt : Equity (x)	4.4	7.4	5.2	3.3
Net Working Capital (Days)	(10)	(9)	1	3
Valuation(x)				
PER	182.7	NA	17.3	11.2
P/B	4.4	7.4	5.3	3.6
P/CEPS	9.8	251.3	6.7	5.2
EV/EBITDA	9.2	51.9	9.0	6.9
EV/Sales	2.9	16.4	2.8	2.2
Dividend Yield (%)	0.4	0.4	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	5,129	3,716	3	4
YoY gr. (%)	18.4	(22.4)	(99.9)	(99.9)
Raw Material Expenses	1,657	1,201	-	-
Gross Profit	3,472	2,515	3	4
Margin (%)	67.7	67.7	100.0	100.0
EBITDA	1,690	1,100	334	406
YoY gr. (%)	102.3	13.0	(77.8)	(75.8)
Margin (%)	32.9	29.6	NA	NA
Depreciation / Depletion	648	740	708	714
EBIT	1,041	360	(374)	(309)
Margin (%)	20.3	9.7	NA	NA
Net Interest	547	614	633	641
Other Income	49	48	27	43
Profit before Tax	542	(206)	(979)	(906)
Margin (%)	10.6	NA	NA	NA
Total Tax	192	615	(243)	(228)
Effective tax rate (%)	35.4	NA	24.8	25.2
Profit after Tax	350	(821)	(737)	(678)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	350	(821)	(737)	(678)
YoY gr. (%)	(4.0)	NA	NA	NA
Margin (%)	6.8	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	350	(821)	(737)	(678)
YoY gr. (%)	(0.3)	NA	NA	NA
Margin (%)	6.8	NA	NA	NA
Other Comprehensive Income	2	(4)	5	6
Total Comprehensive Income	352	(825)	(732)	(673)
Avg. Shares O/s (m)	103	103	103	103
EPS (Rs)	3.6	(8.4)	(7.5)	(6.7)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	Accumulate	323	281
2	06-Aug-20	Accumulate	262	235
3	08-Jul-20	Accumulate	256	237
4	09-Jun-20	Accumulate	256	254
5	09-Apr-20	BUY	344	235
6	07-Feb-20	BUY	476	424
7	03-Jan-20	BUY	437	376
8	07-Dec-19	BUY	416	365

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Accumulate	185	146
3	Indian Railway Catering and Tourism Corporation	BUY	1,647	1,356
4	Inox Leisure	Accumulate	323	281
5	Music Broadcast	Hold	20	21
6	Navneet Education	Accumulate	95	76
7	PVR	Accumulate	1,435	1,255
8	S Chand and Company	BUY	89	66
9	V.I.P. Industries	Hold	288	291

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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