

February 4, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	397		393	
Sales (Rs. m)	18,752	22,870	19,207	23,935
% Chng.	(2.4)	(4.4)		
EBITDA (Rs. m)	5,617	7,169	5,738	7,401
% Chng.	(2.1)	(3.1)		
EPS (Rs.)	11.5	19.0	13.2	21.4
% Chng.	(12.8)	(11.1)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	18,974	337	18,752	22,870
EBITDA (Rs. m)	5,968	524	5,617	7,169
Margin (%)	31.5	155.7	30.0	31.3
PAT (Rs. m)	150	(3,289)	1,298	2,141
EPS (Rs.)	1.5	(29.2)	11.5	19.0
Gr. (%)	(89.2)	NA	NA	65.0
DPS (Rs.)	1.0	-	1.0	1.0
Yield (%)	0.3	-	0.3	0.3
RoE (%)	2.4	NA	19.6	24.8
RoCE (%)	10.0	NA	9.2	12.4
EV/Sales (x)	3.2	188.3	3.4	2.8
EV/EBITDA (x)	10.3	121.0	11.4	8.9
PE (x)	225.7	NA	28.6	17.3
P/BV (x)	5.4	6.8	5.6	4.3

Key Data

INOL.BO | INOL IN

52-W High / Low	Rs.512 / Rs.158
Sensex / Nifty	50,614 / 14,896
Market Cap	Rs.37bn/ \$ 509m
Shares Outstanding	113m
3M Avg. Daily Value	Rs.745.48m

Shareholding Pattern (%)

Promoter's	47.54
Foreign	12.28
Domestic Institution	22.46
Public & Others	17.72
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.5	39.4	(20.2)
Relative	3.3	3.8	(35.7)

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Focus to shift from liquidity & cost to content

Quick Pointers:

- Currently, average cash burn is Rs250-300mn per month.
- A portion of Rs2.5bn raised via QIP in Nov was utilized to pare down debt. As of 31st Jan, gross debt stood at Rs1.15bn.
- ATP/SPH was down 25.0%/9.9% to Rs153/Rs73 respectively.

Ind-AS adjusted EBITDA loss stood at Rs855mn (excluding OI) versus our estimate of Rs737mn as rigorous cost cutting initiatives resulted in fixed opex burn of ~Rs250-300mn per month during the quarter. While 4QFY21 is more or less expected to be a replica of 3QFY21, removal of occupancy caps and expectation of big budget releases towards end of March indicate normalcy is expected to kick-in with the onset of FY22. Further, current trends on ATP (higher/similar to pre-COVID levels for fresh content) and SPH (down only 9.9% YoY from pre-COVID base) indicate no structural change in consumer behavior/mindset post-COVID. As a result, we keep our EBITDA estimates broadly intact (marginal decline of 2.1%/3.1% in FY22/FY23 respectively). We maintain BUY with a revised TP of Rs397 (earlier Rs393) valuing the stock at EV/EBITDA multiple of 10x (earlier 9.5x) our FY23E estimates. INOL's low gearing (net debt free as of Jan-2021) and stringent cost control gives us additional comfort until normalcy resumes.

Revenue falls steeply: INOL's top-line declined 97.1% YoY to Rs149mn (PLe Rs91mn) given limited fresh content & occupancy caps. Except for Tenet & Wonder Woman response to the newly released Hindi movies was muted. ATP/SPH declined 25.0%/9.9% to Rs153/Rs73 respectively. Footfalls stood at 0.5mn (16.9mn in 3QFY20) with occupancy of 3% in 3QFY21 (27% in 3QFY20). NBOC/F&B/Advertisement/other revenues declined 97.9%/97.7%/98.3%/87.2% to Rs60mn/Rs30mn/Rs10mn/Rs54mn respectively in 3QFY21.

Ind-AS adjusted EBITDA loss at Rs855mn: Ind-AS adjusted EBITDA loss stood at Rs855mn (~Rs790mn including OI) versus our estimate of Rs737mn. Fixed burn was in the range of ~Rs250-300mn in 3QFY21. Rent & CAM cost was Rs464mn, down by 52.2% YoY in 3QFY21. Further, employee cost (including outsourced manpower) / power & fuel / other overheads were down by 65.0% YoY/ 66.8% YoY/ 66.2% YoY during 3QFY21.

Con-call highlights: 1) Target is to open 29 screens (15 already opened) in FY21E. Balance 14 screens (86% of the work is complete) would require additional capex of Rs80-100mn. 2) In addition, 12 screens are in advanced stage of completion and can open in 4QFY21/1QFY22. 3) While cinemas are now allowed to operate at 100% capacity, not all states (Ex- Maharashtra) have given the permission as yet. No fixed time-line was shared on cap withdrawal. 4) Pre-COVID monthly expenses were in the range of Rs800-850mn and are expected to decline once normalcy sets in 5) For fresh content (example: Master movie) ATP/SPH were nearly back to pre-COVID levels 6) Couple of big budget movies are lined for release in the month of March 7) Inox is still operating on curtailed menu 8) As of 31st Jan, liquidity stands at Rs2.3bn (including undrawn limits of Rs930mn).

Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q3FY21	Q3FY20	YoY gr.	Q2FY21	QoQ gr.	9MFY21	9MFY20	YoY gr.
Net sales	149	5,129	-97.1%	4	4033.3%	155	15,259	-99.0%
Movie exhibition cost	29	1,337	-97.8%	-	NM	29	4,027	-99.3%
<i>As a % of sales</i>	<i>19.6%</i>	<i>26.1%</i>		<i>0.0%</i>		<i>18.8%</i>	<i>26.4%</i>	
Consumption of F&B	11	320	-96.6%	-	NM	11	998	-98.9%
<i>As a % of sales</i>	<i>7.3%</i>	<i>6.2%</i>		<i>0.0%</i>		<i>7.0%</i>	<i>6.5%</i>	
Employee expenses	212	369	-42.5%	152	39.3%	607	1,093	-44.5%
<i>As a % of sales</i>	<i>142.5%</i>	<i>7.2%</i>		<i>NM</i>		<i>392.1%</i>	<i>7.2%</i>	
Other expenses	1	1,414	-99.9%	(554)	NM	(1,128)	4,272	NM
<i>As a % of sales</i>	<i>0.9%</i>	<i>27.6%</i>		<i>NM</i>		<i>NM</i>	<i>28.0%</i>	
EBITDA	(105)	1,690	NM	406	NM	635	4,868	-87.0%
<i>EBITDA margin</i>	<i>NM</i>	<i>32.9%</i>		<i>NM</i>		<i>NM</i>	<i>31.9%</i>	
Depreciation	709	648	9.4%	714	-0.7%	2,131	1,902	12.1%
EBIT	(814)	1,041	NM	(309)	NM	(1,496)	2,966	NM
<i>EBIT margin</i>	<i>NM</i>	<i>20.3%</i>		<i>NM</i>		<i>NM</i>	<i>19.4%</i>	
Interest cost	620	547	13.3%	641	-3.2%	1,894	1,598	18.5%
Other income	66	49	36.7%	43	54.2%	136	124	10.1%
Exceptional items	-	-	NM	-		-	-	
PBT	(1,368)	542	NM	(906)	NM	(3,253)	1,492	NM
Tax expenses	(343)	192	NM	(228)	NM	(814)	520	NM
Tax rate	NM	35.4%		NM		NM	34.9%	
PAT	(1,025)	350	NM	(678)	NM	(2,440)	972	NM
<i>PAT margin</i>	<i>NM</i>	<i>6.8%</i>		<i>NM</i>		<i>NM</i>	<i>6.4%</i>	
Non-controlling interest	-	-	NM	-	NM	-	-	NM
Other comprehensive income (OCI)	(3)	2	NM	6	NM	7	(9)	NM
PAT inclusive of OCI	(1,028)	352	NM	(673)	NM	(2,432)	962	NM
EPS (Rs)	(9.6)	3.6	NM	(6.7)	NM	(23.9)	9.9	NM

Source: Company, PL

Exhibit 2: Revenue Mix (Rs mn)

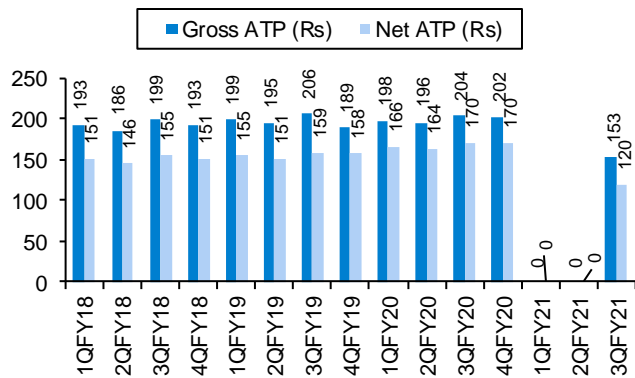
Particulars	Q3FY21	Q3FY20	YoY gr.	Q2FY21	QoQ gr.
NBOC	60	2,880	-97.9%	-	NM
<i>As a % of sales</i>	<i>39.0%</i>	<i>55.6%</i>		<i>0.0%</i>	
Net F&B	30	1,300	-97.7%	-	NM
<i>As a % of sales</i>	<i>19.5%</i>	<i>25.1%</i>		<i>0.0%</i>	
Advertisement revenue	10	580	-98.3%	-	NM
<i>As a % of sales</i>	<i>6.5%</i>	<i>11.2%</i>		<i>0.0%</i>	
Other operating income	54	420	-87.2%	4	1391.7%
<i>As a % of sales</i>	<i>34.9%</i>	<i>8.1%</i>		<i>100.0%</i>	
Total sales	154	5,180	-97.0%	4	4169.4%

Source: Company, PL

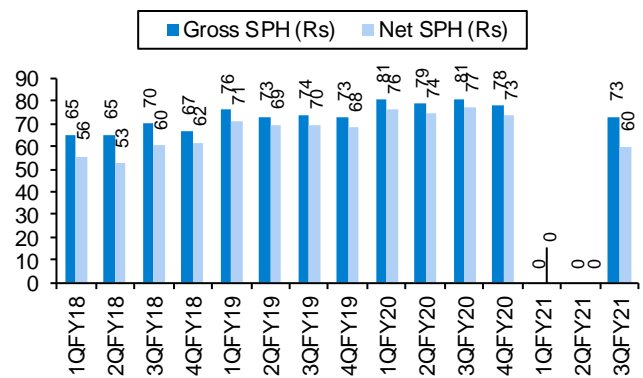
Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q3FY21	Q3FY20	YoY gr.	Q2FY21	QoQ gr.	FY20	FY21E	FY22E	FY23E
Sales	149	5,129	-97.1%	4	4033.3%	18,974	337	18,752	22,870
Ind-AS Adjusted EBITDA	(855)	1,035	NM	(334)	NM	3,301	(2,421)	2,926	4,129
<i>Ind-AS Adjusted EBITDA margin</i>	<i>NM</i>	<i>20.2%</i>		<i>NM</i>		<i>17.4%</i>	<i>NM</i>	<i>15.6%</i>	<i>18.1%</i>
Ind-AS Adjusted PAT	(835)	511	NM	(478)	NM	1,410	(2,659)	1,298	2,141
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>10.0%</i>		<i>NM</i>		<i>7.4%</i>	<i>NM</i>	<i>6.9%</i>	<i>9.4%</i>

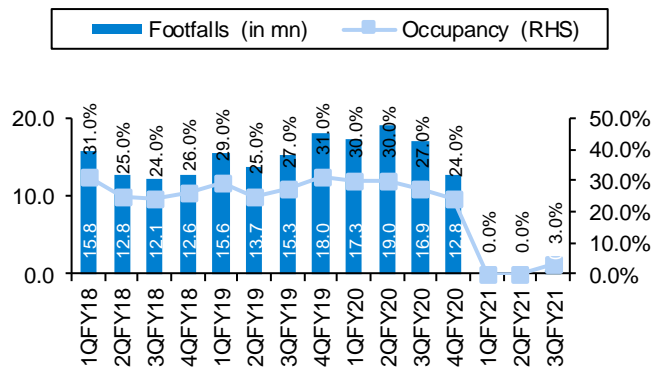
Source: Company, PL

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


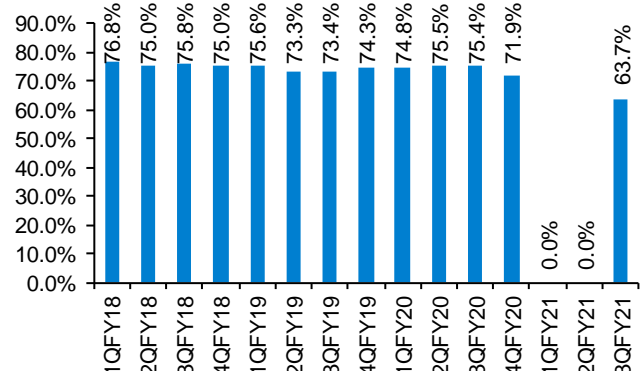
Source: Company, PL

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	FY23E*
EV/EBITDA	10.0
EBITDA	7,169
EV	71,691
Less: Debt	27,231
Add: Cash	316
Equity Value	44,776
No of shares	113
Per share value (Rs)	397

Source: PL *IndAS 116 compliant projections; lease liability is considered as debt

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	18,974	337	18,752	22,870
YoY gr. (%)	12.1	(98.2)	5,469.1	22.0
Cost of Goods Sold	6,227	94	6,187	7,401
Gross Profit	12,748	243	12,565	15,469
Margin (%)	67.2	72.0	67.0	67.6
Employee Cost	1,421	855	1,406	1,715
Other Expenses	5,359	(1,137)	5,541	6,585
EBITDA	5,968	524	5,617	7,169
YoY gr. (%)	93.1	(91.2)	971.7	27.6
Margin (%)	31.5	155.7	30.0	31.3
Depreciation and Amortization	2,642	2,784	2,546	2,820
EBIT	3,327	(2,259)	3,071	4,349
Margin (%)	17.5	NA	16.4	19.0
Net Interest	2,212	2,306	1,506	1,670
Other Income	172	178	169	183
Profit Before Tax	1,286	(4,387)	1,735	2,862
Margin (%)	6.8	NA	9.3	12.5
Total Tax	1,136	(1,098)	437	721
Effective tax rate (%)	88.3	25.0	25.2	25.2
Profit after tax	150	(3,289)	1,298	2,141
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	150	(3,289)	1,298	2,141
YoY gr. (%)	(89.2)	NA	NA	65.0
Margin (%)	0.8	NA	6.9	9.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	150	(3,289)	1,298	2,141
YoY gr. (%)	(88.8)	NA	NA	65.0
Margin (%)	0.8	NA	6.9	9.4
Other Comprehensive Income	(13)	7	-	-
Total Comprehensive Income	137	(3,282)	1,298	2,141
Equity Shares O/s (m)	103	112	112	112
EPS (Rs)	1.5	(29.2)	11.5	19.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	35,363	34,728	37,301	39,978
Tangibles	35,142	34,501	37,070	39,742
Intangibles	221	226	231	236
Acc: Dep / Amortization	4,107	6,891	9,436	12,256
Tangibles	3,970	6,753	9,299	12,119
Intangibles	137	137	137	137
Net fixed assets	31,256	27,837	27,865	27,722
Tangibles	31,172	27,748	27,771	27,623
Intangibles	84	89	94	99
Capital Work In Progress	854	968	968	968
Goodwill	175	175	175	175
Non-Current Investments	1,969	2,274	2,346	2,632
Net Deferred tax assets	1,773	2,239	3,695	4,619
Other Non-Current Assets	385	433	462	572
Current Assets				
Investments	10	4	4	4
Inventories	137	3	154	188
Trade receivables	628	17	1,130	1,566
Cash & Bank Balance	447	1,425	555	361
Other Current Assets	431	522	525	640
Total Assets	38,154	36,000	37,975	39,564
Equity				
Equity Share Capital	1,027	1,125	1,125	1,125
Other Equity	5,192	4,304	5,489	7,517
Total Networkth	6,219	5,429	6,614	8,642
Non-Current Liabilities				
Long Term borrowings	26,819	26,934	26,985	27,039
Provisions	179	185	206	229
Other non current liabilities	665	673	656	686
Current Liabilities				
ST Debt / Current of LT Debt	1,026	792	692	192
Trade payables	1,295	28	1,182	1,378
Other current liabilities	1,877	1,880	1,557	1,311
Total Equity & Liabilities	38,154	36,000	37,975	39,564

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	150	(4,387)	1,735	2,862
Add. Depreciation	2,642	2,784	2,546	2,820
Add. Interest	2,212	2,306	1,506	1,670
Less Financial Other Income	172	178	169	183
Add. Other	977	(597)	(1,505)	(1,119)
Op. profit before WC changes	5,981	106	4,281	6,233
Net Changes-WC	(726)	(827)	(473)	(799)
Direct tax	(513)	1,098	(437)	(721)
Net cash from Op. activities	4,742	377	3,371	4,712
Capital expenditures	(2,070)	(260)	(2,574)	(2,677)
Interest / Dividend Income	14	-	-	-
Others	(74)	787	-	-
Net Cash from Inv. activities	(2,130)	527	(2,574)	(2,677)
Issue of share cap. / premium	-	2,401	-	-
Debt changes	(2,099)	431	51	53
Dividend paid	-	-	-	-
Interest paid	(111)	(2,306)	(1,506)	(1,670)
Others	(119)	1,950	(213)	(613)
Net cash from Fin. activities	(2,328)	74	(1,667)	(2,229)
Net change in cash	284	978	(870)	(194)
Free Cash Flow	2,669	116	797	2,035

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	1.5	(29.2)	11.5	19.0
CEPS	27.2	(4.5)	34.2	44.1
BVPS	60.6	48.3	58.8	76.8
FCF	26.0	1.0	7.1	18.1
DPS	1.0	-	1.0	1.0
Return Ratio(%)				
RoCE	10.0	NA	9.2	12.4
ROIC	15.6	1.5	14.8	18.1
RoE	2.4	NA	19.6	24.8
Balance Sheet				
Net Debt : Equity (x)	4.4	4.8	4.1	3.1
Net Working Capital (Days)	(10)	(9)	2	6
Valuation(x)				
PER	225.7	NA	28.6	17.3
P/B	5.4	6.8	5.6	4.3
P/CEPS	12.1	NA	9.7	7.5
EV/EBITDA	10.3	121.0	11.4	8.9
EV/Sales	3.2	188.3	3.4	2.8
Dividend Yield (%)	0.3	-	0.3	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	3,716	3	4	149
YoY gr. (%)	(22.4)	(99.9)	(99.9)	(97.1)
Raw Material Expenses	1,201	-	-	40
Gross Profit	2,515	3	4	109
Margin (%)	67.7	100.0	100.0	73.1
EBITDA	1,100	334	406	(105)
YoY gr. (%)	13.0	(77.8)	(75.8)	NA
Margin (%)	29.6	NA	NA	NA
Depreciation / Depletion	740	708	714	709
EBIT	360	(374)	(309)	(814)
Margin (%)	9.7	NA	NA	NA
Net Interest	614	633	641	620
Other Income	48	27	43	66
Profit before Tax	(206)	(979)	(906)	(1,368)
Margin (%)	NA	NA	NA	NA
Total Tax	615	(243)	(228)	(343)
Effective tax rate (%)	(298.6)	24.8	25.2	25.1
Profit after Tax	(821)	(737)	(678)	(1,025)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(821)	(737)	(678)	(1,025)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(821)	(737)	(678)	(1,025)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	(4)	5	6	(3)
Total Comprehensive Income	(825)	(732)	(673)	(1,028)
Avg. Shares O/s (m)	103	103	103	113
EPS (Rs)	(8.4)	(7.5)	(6.7)	(9.6)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	BUY	393	346
2	06-Nov-20	BUY	322	267
3	09-Oct-20	Accumulate	323	281
4	06-Aug-20	Accumulate	262	235
5	08-Jul-20	Accumulate	256	237
6	09-Jun-20	Accumulate	256	254
7	09-Apr-20	BUY	344	235
8	07-Feb-20	BUY	476	424

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Accumulate	210	171
3	Indian Railway Catering and Tourism Corporation	BUY	1,639	1,456
4	Inox Leisure	BUY	393	346
5	Music Broadcast	Hold	24	23
6	Navneet Education	Accumulate	93	76
7	PVR	BUY	1,673	1,475
8	S Chand and Company	BUY	86	70
9	V.I.P. Industries	Accumulate	384	378
10	Zee Entertainment Enterprises	BUY	290	231

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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