

Inox Leisure (INOL IN)

Rating: BUY | CMP: Rs276 | TP: Rs368

April 30, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	368		390	
Sales (Rs. m)	11,648	21,178	18,522	22,592
% Chng.	(37.1)	(6.3)		
EBITDA (Rs. m)	3,357	6,809	5,549	7,078
% Chng.	(39.5)	(3.8)		
EPS (Rs.)	(5.6)	16.5	11.4	18.7
% Chng.	(149.4)	(11.8)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	18,974	1,059	11,648	21,178
EBITDA (Rs. m)	5,968	498	3,357	6,809
Margin (%)	31.5	47.0	28.8	32.2
PAT (Rs. m)	150	(3,336)	(633)	1,859
EPS (Rs.)	1.5	(29.7)	(5.6)	16.5
Gr. (%)	(89.2)	NA	NA	NA
DPS (Rs.)	1.0	-	-	1.0
Yield (%)	0.4	-	-	0.4
RoE (%)	2.4	NA	NA	25.0
RoCE (%)	10.0	NA	2.1	11.5
EV/Sales (x)	2.9	55.1	5.0	2.7
EV/EBITDA (x)	9.3	117.2	17.4	8.5
PE (x)	188.8	NA	NA	16.7
P/BV (x)	4.6	4.9	5.5	4.2

Key Data

INOL.BO | INOL IN

52-W High / Low	Rs.359 / Rs.158
Sensex / Nifty	49,766 / 14,895
Market Cap	Rs.31bn/ \$ 420m
Shares Outstanding	113m
3M Avg. Daily Value	Rs.406.77m

Shareholding Pattern (%)

Promoter's	47.54
Foreign	15.90
Domestic Institution	21.86
Public & Others	14.71
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.4)	8.0	31.9
Relative	(9.8)	(13.7)	(13.3)

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Liquidity back in focus amid 2nd wave

Quick Pointers:

- Enabling resolution taken of Rs3bn to infuse liquidity.
- Out of 648 screens, 108 are currently operational.

INOL's 4QFY21 performance was broadly in-line with our estimates. Emergence of 2nd wave has delayed the recovery process (only 17% screens are currently operational) and footfall stabilization is expected in 2HFY22 given rising instances of localized lockdowns prompting us to cut our FY22E EBITDA estimates by ~40% odd. Nonetheless, we keep our FY23E estimates broadly intact and remain constructive over the long term as content pipeline is strong which is expected to result in bunching up of releases post re-opening. Further, INOL is well placed to manage liquidity crisis in the interim amid imminent fund raise of ~Rs3bn in near term. We maintain BUY with a revised TP of Rs368 (earlier Rs390), EV/EBITDA multiple of 10x (no change) FY23E. INOL's low gearing (net D/E of 0.05x as of April 2021), the ongoing vaccination drive (eliminates fear psychosis which was present in 1st wave), encouraging ATP (higher/similar to pre-COVID levels for fresh content) / SPH (flat on YoY basis) trends and stringent cost control gives us additional comfort until normalcy resumes.

Dearth of content drags footfalls: INOL's top-line declined 75.7% YoY to Rs904mn (PLe Rs690mn) during the quarter given limited fresh content & prevailing occupancy caps. Except for Master there was a dearth of big budget releases which dragged footfalls by 73.4% YoY to 3.4mn (PLe 3.2mn). ATP declined 14.9% YoY to Rs172 while SPH was flat at Rs78. NBOC/F&B/Advertisement/Other revenues declined 77.5%/74.5%/94.3%/46.9% to Rs490mn/Rs240mn/Rs20mn/Rs154mn respectively in 4QFY21.

Ind-AS adjusted EBITDA loss stood at Rs887mn: Ind-AS adjusted EBITDA loss stood at Rs887mn (PLe Rs956mn) due to stringent cost control. Employee cost (including outsourced manpower) / power & fuel / other overheads were down by 45.1% YoY/ 25.3% YoY/ 42.4% YoY during 4QFY21. Ind-AS adjusted loss stood at Rs747mn (PLe loss of Rs769mn) in comparison with Ind-AS adjusted loss of Rs25mn in 4QFY20.

Con-call highlights: 1) For the 116 screens that are shut voluntarily, Inox has written to the developers expressing unwillingness to pay the rent. 2) 4QFY21 revenue (part of OI that gets clubbed in revenue) includes an insurance claim of ~Rs240mn pertaining to prior period.3) Inox has tied up with Swiggy and Zomato to increase outside F&B sales 4) Film hire cost was higher at 47% as revenue share of distributors was increased temporarily 5) 108 screens across 23 properties are currently open in states like West Bengal, Andhra Pradesh, Telangana, and Goa 6) Target is to open 49 screens in FY22E (5 already opened). For 19 new screens, where 90% work is complete, additional capex required would be Rs80-100mn. Management will take a call to open balance 25 screens depending on the situation (capex required would be Rs650mn) 7) Out of total of 9,000-9500 screens present in the country; ~10% might be shut down permanently due to the pandemic 8) Rental negotiations (similar to FY21 - where waiver/reduction/variable pay-out was present) are currently ongoing given the onset of second wave.

Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q4FY21	Q4FY20	YoY gr.	Q3FY21	QoQ gr.	FY21	FY20	YoY gr.
Net sales	904	3,716	-75.7%	149	507.8%	1,059	18,974	-94.4%
Movie exhibition cost	235	937	-74.9%	29	706.9%	264	4,965	-94.7%
<i>As a % of sales</i>	<i>26.0%</i>	<i>25.2%</i>		<i>19.6%</i>		<i>24.9%</i>	<i>26.2%</i>	
Consumption of F&B	68	264	-74.3%	11	522.9%	79	1,247	-93.7%
<i>As a % of sales</i>	<i>7.5%</i>	<i>7.1%</i>		<i>7.3%</i>		<i>7.4%</i>	<i>6.6%</i>	
Employee expenses	259	327	-20.8%	212	22.3%	867	1,421	-39.0%
<i>As a % of sales</i>	<i>28.7%</i>	<i>8.8%</i>		<i>142.5%</i>		<i>81.8%</i>	<i>7.5%</i>	
Other expenses	480	1,087	-55.9%	1	NM	(648)	5,374	NM
<i>As a % of sales</i>	<i>53.0%</i>	<i>29.3%</i>		<i>0.9%</i>		<i>NM</i>	<i>28.3%</i>	
EBITDA	(137)	1,100	NM	(105)	NM	498	5,968	-91.7%
<i>EBITDA margin</i>	<i>NM</i>	<i>29.6%</i>		<i>NM</i>		<i>47.0%</i>	<i>31.5%</i>	
Depreciation	701	740	-5.3%	709	-1.2%	2,832	2,642	7.2%
EBIT	(838)	360	NM	(814)	NM	(2,334)	3,327	NM
<i>EBIT margin</i>	<i>NM</i>	<i>9.7%</i>		<i>NM</i>		<i>NM</i>	<i>17.5%</i>	
Interest cost	617	614	0.5%	620	-0.5%	2,511	2,212	13.5%
Other income	286	48	497.3%	66	331.5%	423	172	146.1%
Exceptional items	41	-	NM	-	NM	41	-	
PBT	(1,210)	(206)	NM	(1,368)	NM	(4,464)	1,286	NM
Tax expenses	(274)	615	NM	(343)	NM	(1,087)	1,136	NM
Tax rate	NM	NM		NM		NM	88.3%	
PAT	(937)	(822)	NM	(1,025)	NM	(3,377)	150	NM
<i>PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>0.8%</i>	
Non-controlling interest	-	-	NM	-	NM	-	-	NM
Other comprehensive income (OCI)	5	(4)	NM	(3)	NM	13	(13)	NM
PAT inclusive of OCI	(932)	(825)	NM	(1,028)	NM	(3,364)	137	NM
EPS (Rs)	(8.4)	(8.4)	NM	(9.6)	NM	(32.2)	1.5	NM

Source: Company, PL

Exhibit 2: Revenue Mix (Rs mn)

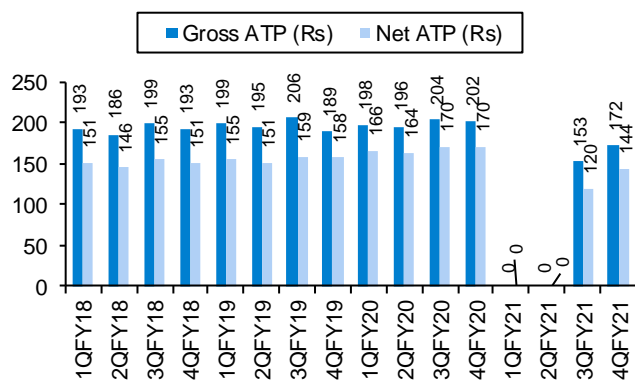
Particulars	Q4FY21	Q4FY20	YoY gr.	Q3FY21	QoQ gr.
NBOC	490	2,180	-77.5%	60	716.7%
<i>As a % of sales</i>	<i>54.2%</i>	<i>58.0%</i>		<i>39.0%</i>	
Net F&B	240	940	-74.5%	30	700.0%
<i>As a % of sales</i>	<i>26.6%</i>	<i>25.0%</i>		<i>19.5%</i>	
Advertisement revenue	20	350	-94.3%	10	100.0%
<i>As a % of sales</i>	<i>2.2%</i>	<i>9.3%</i>		<i>6.5%</i>	
Other operating income	154	290	-46.9%	54	186.6%
<i>As a % of sales</i>	<i>17.0%</i>	<i>7.7%</i>		<i>34.9%</i>	
Total sales	904	3,760	-76.0%	154	488.1%

Source: Company, PL

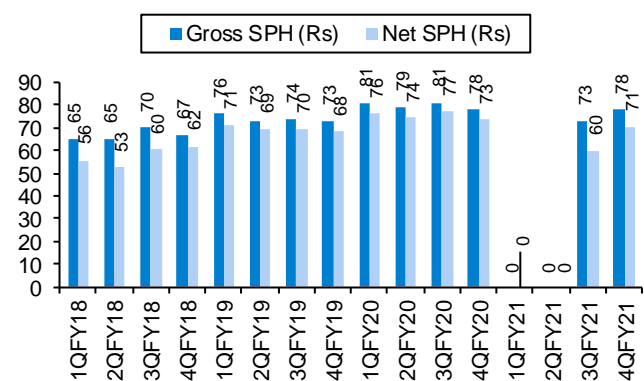
Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q4FY21	Q4FY20	YoY gr.	Q3FY21	QoQ gr.	FY21E	FY22E	FY23E
Sales	904	3,716	-75.7%	149	507.8%	1,059	11,648	21,178
Ind-AS Adjusted EBITDA	(887)	349	NM	(855)	NM	(2,462)	409	3,755
<i>Ind-AS Adjusted EBITDA margin</i>	<i>NM</i>	<i>9.4%</i>		<i>NM</i>		<i>NM</i>	<i>3.5%</i>	<i>17.7%</i>
Ind-AS Adjusted PAT	(747)	(25)	NM	(835)	NM	(2,567)	(633)	1,859
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	<i>8.8%</i>

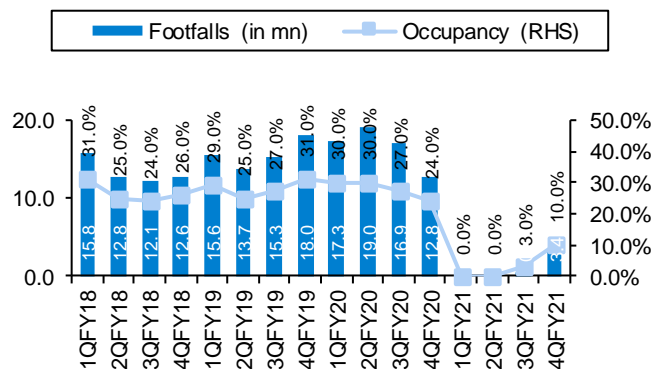
Source: Company, PL

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


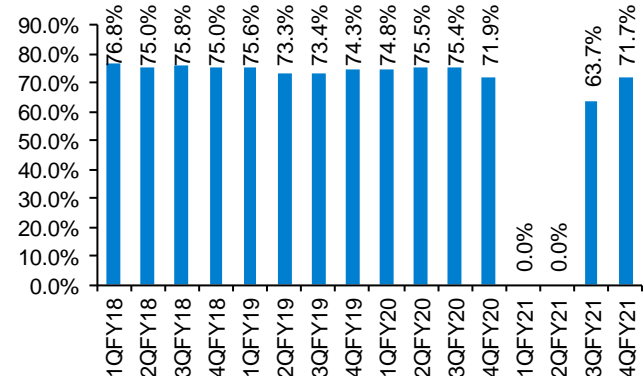
Source: Company, PL

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	6,809
EV	68,088
Less: Debt	28,040
Add: Cash	1,425
Equity Value	41,473
No of shares	113
Per share value (Rs)	368

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

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	18,974	1,059	11,648	21,178
YoY gr. (%)	12.1	(94.4)	999.6	81.8
Cost of Goods Sold	6,227	343	3,870	6,820
Gross Profit	12,748	717	7,778	14,358
Margin (%)	67.2	67.6	66.8	67.8
Employee Cost	1,421	867	1,048	1,588
Other Expenses	5,359	(648)	3,373	5,960
EBITDA	5,968	498	3,357	6,809
YoY gr. (%)	93.1	(91.7)	574.5	102.8
Margin (%)	31.5	47.0	28.8	32.2
Depreciation and Amortization	2,642	2,832	2,674	2,827
EBIT	3,327	(2,334)	683	3,982
Margin (%)	17.5	(220.4)	5.9	18.8
Net Interest	2,212	2,511	1,634	1,667
Other Income	172	423	105	169
Profit Before Tax	1,286	(4,464)	(846)	2,485
Margin (%)	6.8	NA	NA	11.7
Total Tax	1,136	(1,087)	(213)	626
Effective tax rate (%)	88.3	NA	NA	25.2
Profit after tax	150	(3,377)	(633)	1,859
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	150	(3,336)	(633)	1,859
YoY gr. (%)	(89.2)	NA	NA	NA
Margin (%)	0.8	NA	NA	8.8
Extra Ord. Income / (Exp)	-	(41)	-	-
Reported PAT	150	(3,377)	(633)	1,859
YoY gr. (%)	(88.8)	NA	NA	NA
Margin (%)	0.8	NA	NA	8.8
Other Comprehensive Income	(13)	13	-	-
Total Comprehensive Income	137	(3,364)	(633)	1,859
Equity Shares O/s (m)	103	112	112	112
EPS (Rs)	1.5	(29.7)	(5.6)	16.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	35,363	37,573	38,468	40,891
Tangibles	35,142	37,380	38,269	40,687
Intangibles	221	194	199	204
Acc: Dep / Amortization	4,107	6,939	9,613	12,440
Tangibles	3,970	6,802	9,476	12,302
Intangibles	137	137	137	137
Net fixed assets	31,256	30,634	28,855	28,451
Tangibles	31,172	30,578	28,794	28,385
Intangibles	84	56	61	66
Capital Work In Progress	854	570	570	570
Goodwill	175	175	175	175
Non-Current Investments	1,969	1,914	1,958	2,076
Net Deferred tax assets	1,773	2,840	2,840	3,693
Other Non-Current Assets	385	290	340	431
Current Assets				
Investments	10	4	4	4
Inventories	137	103	96	174
Trade receivables	628	43	543	1,160
Cash & Bank Balance	447	774	730	1,425
Other Current Assets	431	490	524	593
Total Assets	38,154	37,843	36,672	38,818
Equity				
Equity Share Capital	1,027	1,125	1,125	1,125
Other Equity	5,192	5,205	4,572	6,318
Total Networkth	6,219	6,329	5,697	7,443
Non-Current Liabilities				
Long Term borrowings	26,819	27,874	27,891	27,940
Provisions	179	167	175	212
Other non current liabilities	665	577	466	424
Current Liabilities				
ST Debt / Current of LT Debt	1,026	200	100	100
Trade payables	1,295	1,054	798	1,335
Other current liabilities	1,877	1,576	1,475	1,293
Total Equity & Liabilities	38,154	37,843	36,672	38,818

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	150	(3,377)	(846)	2,485
Add. Depreciation	2,642	2,832	2,674	2,827
Add. Interest	2,212	2,511	1,634	1,667
Less Financial Other Income	172	423	105	169
Add. Other	977	(3,524)	(195)	(1,054)
Op. profit before WC changes	5,981	(1,558)	3,267	5,924
Net Changes-WC	(726)	200	(912)	(450)
Direct tax	(513)	49	213	(626)
Net cash from Op. activities	4,742	(1,308)	2,568	4,848
Capital expenditures	(2,070)	(601)	(895)	(2,423)
Interest / Dividend Income	14	27	-	-
Others	(74)	(642)	-	-
Net Cash from Inv. activities	(2,130)	(1,216)	(895)	(2,423)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,099)	(540)	18	48
Dividend paid	-	-	-	-
Interest paid	(111)	(158)	(1,634)	(1,667)
Others	(119)	2,897	(100)	(113)
Net cash from Fin. activities	(2,328)	2,199	(1,716)	(1,731)
Net change in cash	284	(325)	(43)	694
Free Cash Flow	2,669	(1,910)	1,673	2,425

Source: Company Data, PL Research

Quarterly Financials (Rs m)

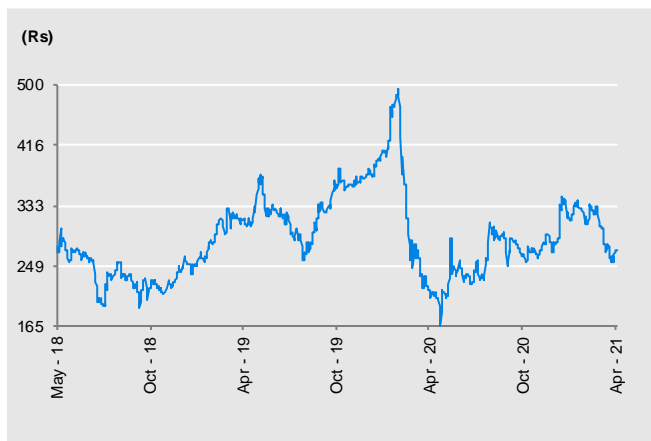
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	3	4	149	904
YoY gr. (%)	(99.9)	(99.9)	(97.1)	(75.7)
Raw Material Expenses	-	-	40	303
Gross Profit	3	4	109	602
Margin (%)	100.0	100.0	73.1	66.5
EBITDA	334	406	(105)	(137)
YoY gr. (%)	(77.8)	(75.8)	NA	NA
Margin (%)	NA	NA	NA	NA
Depreciation / Depletion	708	714	709	701
EBIT	(374)	(309)	(814)	(838)
Margin (%)	NA	NA	NA	NA
Net Interest	633	641	620	617
Other Income	27	43	66	286
Profit before Tax	(979)	(906)	(1,368)	(1,210)
Margin (%)	NA	NA	NA	NA
Total Tax	(243)	(228)	(343)	(274)
Effective tax rate (%)	NA	NA	NA	NA
Profit after Tax	(737)	(678)	(1,025)	(937)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(737)	(678)	(1,025)	(896)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	(41)
Reported PAT	(737)	(678)	(1,025)	(937)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	5	6	(3)	5
Total Comprehensive Income	(732)	(673)	(1,028)	(932)
Avg. Shares O/s (m)	103	103	113	113
EPS (Rs)	(7.5)	(6.7)	(9.6)	(8.4)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	1.5	(29.7)	(5.6)	16.5
CEPS	27.2	(4.5)	18.1	41.7
BVPS	60.6	56.3	50.6	66.2
FCF	26.0	(17.0)	14.9	21.6
DPS	1.0	-	-	1.0
Return Ratio(%)				
RoCE	10.0	NA	2.1	11.5
ROIC	15.6	1.3	9.2	17.5
RoE	2.4	NA	NA	25.0
Balance Sheet				
Net Debt : Equity (x)	4.4	4.3	4.8	3.6
Net Working Capital (Days)	(10)	(313)	(5)	-
Valuation(x)				
PER	188.8	NA	NA	16.7
P/B	4.6	4.9	5.5	4.2
P/CEPS	10.1	(61.6)	15.2	6.6
EV/EBITDA	9.3	117.2	17.4	8.5
EV/Sales	2.9	55.1	5.0	2.7
Dividend Yield (%)	0.4	-	-	0.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	390	276
2	04-Feb-21	BUY	397	330
3	11-Jan-21	BUY	393	346
4	06-Nov-20	BUY	322	267
5	09-Oct-20	Accumulate	323	281
6	06-Aug-20	Accumulate	262	235
7	08-Jul-20	Accumulate	256	237
8	09-Jun-20	Accumulate	256	254

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	155
3	Indian Railway Catering and Tourism Corporation	BUY	2,179	1,707
4	Inox Leisure	BUY	390	276
5	Music Broadcast	Hold	24	24
6	Navneet Education	Accumulate	98	82
7	PVR	BUY	1,544	1,139
8	S Chand and Company	BUY	127	109
9	V.I.P. Industries	Accumulate	374	342
10	Zee Entertainment Enterprises	BUY	296	201

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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