

INOX LEISURE

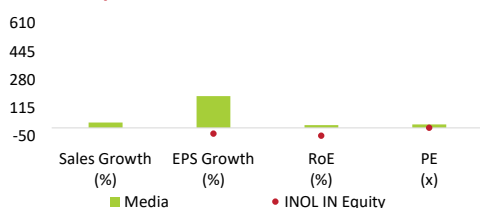
COMPANY UPDATE



KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	343
12 month price target (INR)	547
Market cap (INR bn/USD bn)	42/0.6
Free float/Foreign ownership (%)	48.1/10.9
What's Changed	
Target Price	—
Rating/Risk Rating	—

INVESTMENT METRICS

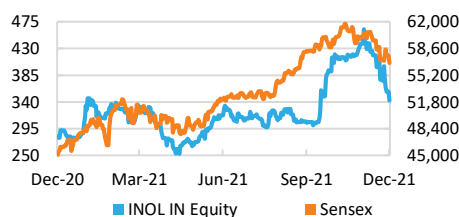


FINANCIALS

(INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Revenue	1,087	9,362	19,637	21,480
EBITDA	(1,695)	2,630	7,029	7,497
Adjusted profit	(3,349)	(2,359)	1,491	1,625
Diluted EPS (INR)	(29.8)	(19.3)	12.2	13.3
EPS growth (%)	nm	(35.0)	nm	9.0
RoAE (%)	(52.7)	(46.4)	33.1	27.7
P/E (x)	nm	nm	33.3	30.6
EV/EBITDA (x)	(29.8)	19.2	7.1	6.6
Dividend yield (%)	0	0.2	0.2	0.5

PRICE PERFORMANCE



Explore:



Financial model



Podcast



Corporate access



Video

Action: Set for next leg of growth

We recently met Mr. Siddharth Jain, Director (and promoter), and Mr. Alok Tandon, CEO, of INOX Leisure. If there is no serious wave 3 of covid, then INOX Leisure is set for a strong recovery aided by pent-up demand and a large pipeline of major movies. Meanwhile, the balance sheet can support expansion. Some of its initiatives such as refreshing food and beverage offerings with a new menu and partnerships with ITC and delivery & reservation apps along with screening of alternative content would help the brand evolve from just a film exhibitor to a more integral part of consumer lifestyle.

We remain upbeat on INOX's structural story; retain 'BUY' with a TP of INR547. Covid wave 3 remains a key risk and variable to watch out for.

Promising movie pipeline

Sooryavanshi has opened the floodgates, raking in more than INR2.5bn worldwide, and is an indication of the gushing pent-up demand. H2FY22 should also benefit from major regional as well as Hollywood movies—the latter includes a James Bond flick and Marvel movie *Eternals*. Pent-up demand is attributable to consumers' returning to screens after a gap of about two years. More release dates are being announced, and we expect at least one big-star film every month, each in Hindi and regional language alongside.

From a film exhibitor mindset to consumer lifestyle company

INOX is also stepping up offerings in terms of content diversity and food menu, and is integrating itself deeper into consumers' lives. The company has partnered with ITC's *Kitchens of India* to bring authentic Indian cuisine to its menu.

The company aims to offer more than stock popcorn and fries to consumers, and give them a proper dining and outing experience when they return to screens with their family and friends. The company is also exploring screening of alternative content such as sports and concerts of famous bands to showcase most relevant content to young audience.

Outlook and valuation: Pent-up demand; maintain 'BUY'

The stock has cooled off over the past few weeks by ~30% in the wake of the Omicron breakout. The multiplex association estimates INR40–60bn collections in 2021, showing a strong revival versus INR20bn in 2020. Ad revenues should bounce back with a lag of two quarters. Smaller players such as Carnival have seen significant impact from covid, giving more room to large players such as INOX to grow. There is strong pent-up demand and success of major films – *Sooryavanshi* – is a good indication thereof. Producers too have been sitting on content for a long time, and we are seeing more release dates being announced. Broadcasters such as Sun TV and ZEEL are also lining up strong content.

Given the strong revival in demand, innovations by INOX, not to mention consolidation tailwind, we maintain 'BUY/SO' on the stock with a TP of INR547.

Financial Statements

Income Statement (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Total operating income	1,087	9,362	19,637	21,480
Gross profit	744	6,459	13,177	14,490
Employee costs	867	936	1,375	1,504
Other expenses	0	0	0	0
EBITDA	(1,695)	2,630	7,029	7,497
Depreciation	2,832	2,338	2,442	2,625
Less: Interest expense	2,511	2,831	2,795	2,900
Add: Other income	2,643	180	200	200
Profit before tax	(4,395)	(2,359)	1,992	2,172
Prov for tax	(1,087)	0	501	547
Less: Other adj	0	0	0	0
Reported profit	(3,308)	(2,359)	1,491	1,625
Less: Excp.item (net)	(41)	0	0	0
Adjusted profit	(3,349)	(2,359)	1,491	1,625
Diluted shares o/s	112	122	122	122
Adjusted diluted EPS	(29.8)	(19.3)	12.2	13.3
DPS (INR)	0	0.9	0.9	1.8
Tax rate (%)	24.7	0	25.2	25.2

Important Ratios (%)

Year to March	FY21A	FY22E	FY23E	FY24E
Avg Ticket Price (ATP)	170.0	195.5	205.3	213.5
Spend Per Head (SPH)	76.8	96.0	100.8	105.8
Footfall growth (%)	(94.6)	708.5	114.0	4.5
EBITDA margin (%)	(156.0)	28.1	35.8	34.9
Net profit margin (%)	(308.2)	(25.2)	7.6	7.6
Revenue growth (% YoY)	(94.3)	761.4	109.8	9.4
EBITDA growth (% YoY)	nm	nm	167.3	6.7
Adj. profit growth (%)	nm	(29.5)	nm	9.0

Assumptions (%)

Year to March	FY21A	FY22E	FY23E	FY24E
GDP (YoY %)	(6.0)	7.0	6.0	6.0
Repo rate (%)	3.5	3.5	4.0	4.0
USD/INR (average)	75.0	73.0	72.0	72.0
Screen addition	626.0	643.0	673.0	723.0
Exhibition cost (%)	37.3	40.0	45.6	45.0
F&B COGS (%)	37.0	37.0	25.8	26.2
Debtors days	15.0	12.0	10.1	10.0
Inventory days	10.0	10.5	11.0	11.0
Payable days	80.0	80.0	80.0	80.0

Valuation Metrics

Year to March	FY21A	FY22E	FY23E	FY24E
Diluted P/E (x)	nm	nm	33.3	30.6
Price/BV (x)	7.2	13.0	9.6	7.6
EV/EBITDA (x)	(29.8)	19.2	7.1	6.6
Dividend yield (%)	0	0.2	0.2	0.5

Source: Company and Edelweiss estimates

Balance Sheet (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Share capital	1,125	1,124	1,124	1,124
Reserves	5,204	2,709	4,065	5,419
Shareholders funds	6,329	3,833	5,189	6,543
Minority interest	0	0	0	0
Borrowings	1,481	1,600	1,200	1,200
Trade payables	1,054	671	1,478	1,555
Other liabs & prov	1,742	1,687	1,572	1,457
Total liabilities	37,842	38,464	40,200	42,711
Net block	30,578	30,524	32,495	34,630
Intangible assets	231	206	221	232
Capital WIP	570	85	85	85
Total fixed assets	31,380	30,815	32,801	34,946
Non current inv	1	1	1	1
Cash/cash equivalent	776	864	966	1,205
Sundry debtors	43	372	713	738
Loans & advances	1,918	1,922	1,922	1,922
Other assets	3,434	3,314	3,386	3,398
Total assets	37,842	38,464	40,200	42,711

Free Cash Flow (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Reported profit	(3,308)	(2,359)	1,491	1,625
Add: Depreciation	2,832	2,338	2,442	2,625
Interest (net of tax)	2,511	2,831	2,795	2,900
Others	(2,487)	(260)	(283)	(282)
Less: Changes in WC	209	(727)	280	(75)
Operating cash flow	(243)	1,823	6,725	6,793
Less: Capex	600	515	2,000	2,000
Free cash flow	(843)	1,308	4,725	4,793

Key Ratios

Year to March	FY21A	FY22E	FY23E	FY24E
RoE (%)	(52.7)	(46.4)	33.1	27.7
RoCE (%)	(23.9)	7.1	81.0	71.8
Inventory days	128	11	6	9
Receivable days	113	8	10	12
Payable days	1,251	108	61	79
Working cap (% sales)	49.2	14.4	6.0	6.9
Gross debt/equity (x)	0.2	0.4	0.2	0.2
Net debt/equity (x)	0.1	0.2	0	0
Interest coverage (x)	(1.8)	0.1	1.6	1.7

Valuation Drivers

Year to March	FY21A	FY22E	FY23E	FY24E
EPS growth (%)	nm	(35.0)	nm	9.0
RoE (%)	(52.7)	(46.4)	33.1	27.7
EBITDA growth (%)	nm	nm	167.3	6.7
Payout ratio (%)	nm	nm	7.5	13.8

We met the entire top management of Inox Lesiure: Mr. Siddharth Jain, Director (and promoter), and Mr. Alok Tandon, CEO, of INOX Leisure along with CFO Mr. Kailash Gupta. Key takeaways follow.

Time to watch: A strong pipeline



Mr. Siddharth Jain,
Director (Promoter), INOX Leisure

With 12 states now permitting 100% occupancy and major states such as Maharashtra opening up, a strong content pipeline is now lined up for H2FY22 and also moving into FY23.

Bollywood producers are fast lining up release dates to make up for lost time after the announcement made by the Maharashtra government. Five–six movies would hit screens every week in H2FY22, up 25% from pre-covid levels.

There will be at least one major Hindi film every two weeks during H2FY22. Apart from Akshay Kumar's *Sooryavanshi* that saw strong success, some major big-star movies include John Abraham's *Satyameva Jayate 2* (released on 26 November) and Ayushmann Khurrana's *Chandigarh Kare Aashiqui* (10 December). Shahid Kapoor's sports drama *Jersey* will release on 31 December, a week after Christmas. Nadiadwala's romantic film *Tadap* is due to hit screens for 3 December this year.

Producers have also lined up dates moving into next year. Sajid Nadiadwala's Akshay Kumar-starrer *Bachchan Pandey* has been slated for 4 March 2022, and Tiger Shroff's *Heropanti 2* for 6 May. Horror comedy *Bhool Bhulaiyaa 2* starring Kartik Aaryan, Kiara Advani and Tabu has been scheduled for 25 March 2022 and Ajay Devgn-directed *Mayday* on 29 April. Rajkummar Rao, Bhumi Pednekar-starrer 'Badhaai Do' is set to release in February. Big-budget period drama *Prithviraj* starring Akshay Kumar has been slated for 21 January 2022.

We believe the movie release dates imply a strong content pipeline for the next six months. We believe there is no big issue of big star content being bundled too close, impacting revenues as of now. Aamir Khan's *Laal Singh Chadha* that was earlier slated for Christmas has been pushed to February, which will avoid it being released too close to other big-star films.

Regional films have also lined up a strong content pipeline. *Annathe* has seen strong success and Sun TV Network will follow up this with four more major star movies in coming months. Meanwhile Reliance Entertainment has locked the Christmas weekend for its sports drama '83, which may clash with Telugu star Allu Arjun's multilingual action flick *Pushpa: The Rise- Part 1*.

Major metrics will return to normal

Footfalls are well on its way to strong recovery with major movies hitting screens every month and with many states now allowing 100% occupancy (Omicron variant is a near term risk and key monitorable). The company has said there has been no discounting of tickets so far for major movies. Only few old content were discounted. Now with the strong pipeline, there will be no worries regarding a fall in ATP going ahead. November 2021 box office collection were 83% of 2019 levels already. *Sooryavanshi* and *Annathe* have seen strong response from audience.

Sooryavanshi had overtaken *Thugs of Hindostan*, and *Shivaay* and *Ae Dil Hai Mushkil*. Released during November in previous years. The November collections assume significance in the post-Covid world as only six Hindi movies were released in 2021 when compared to the releases in November of 2015-19 (from nine in 2015 to a high of 27 in 2019). The number of screens also came down during the 18-month period.



"This decision has steered in a lot of cheer, not just for the entire film industry and its audiences, but also for the employees of the cinema exhibition sector, We are confident that with this much-awaited announcement, content producers would plan their releases, which should strengthen the Hindi film pipeline in the months to come "

—Alok Tandon, CEO, INOX Leisure in an interview with business daily Mint

The SPH was already close to pre-covid levels, and this should recover sharp hereon. Ad revenues may take a quarter or two to revive as advertisers would first want to see recovery of footfall.

Due to the pandemic, the gap between cinemas and OTT releases is now four weeks given cinemas are operating under capacity restrictions in many states. Producers that didn't want to hold onto movies for a long period negotiated a better price with OTTs for reducing the gap. Multiplexes have now decided to push for the original 8 week gap starting April 2022.

Exhibit 1: Occupancy levels permitted state-wise

State	Occupancy percentage allowed
Andra Pradesh	100
Chhatisgarh	100
Delhi	100
Gujarat	100
Haryana	100
Karnataka	100
Orissa	50
Punjab	100
Rajasthan	100
Tamil Nadu	100
Telengana	100
Uttar Pradesh	100
Madhya Pradesh	100
Uttarakhand	100
West Bengal	70
Assam	50
Goa	50
Jharkhand	50
Kerala	50
Maharashtra	50

Source: Edelweiss Research



“With this collaboration with ITC, we aim to further enhance our existing gourmet and indigenous food offerings for millions of INOX patrons spread across the country. Served in premium spill and leak-proof packaging, our guests will be able to comfortably relish the supreme delicacies even while enjoying a movie. This collaboration is a critical stepping stone in our endeavors to strengthen INOX’s F&B service brand as well as strengthen the bond with our patrons, by offering them newer preferred choices.”

- Dinesh Hariharan, Vice President, Food & Beverages Operations, INOX

The strong performance of recent Diwali releases and the dip in covid-19 cases could lead to smooth theatrical operations over the next few months and industry returning to the original six–eight-week window it used to follow for OTT by March or April. While studios like Yash Raj Films have already signed such deals for big-ticket films starring Shah Rukh Khan and Salman Khan scheduled for the second half of next year, theatres are confident others will follow once this period of uncertainty on return of audiences’ ends. The covid-19 pandemic saw several films bypass the theatrical medium to release directly on streaming platforms as cinemas remained shut indefinitely.

Mr. Rajendar Singh Jyala, chief programming officer at INOX Leisure who agreed producers will go back to longer windows by April, said “The process of recovery has definitely been delayed for theatre owners who had initially thought things would be back to normal by December this year. We always knew we were one big film away from normalcy. But then, movies like Sooryavanshi were delayed because Maharashtra had not allowed cinemas to reopen,”

Producer Amar Butala was quick to point out that the digital and satellite window for films, going forward is a dynamic situation and will be determined by the

performance of movies at the box office. "There was uncertainty in the business on whether audiences would come to cinemas with the same enthusiasm in the post-covid world, but the performance of *Sooryavanshi* has given producers the confidence that the audiences are back in cinemas. If we see the same trend moving forward as more films release, the OTT window might also go back to eight weeks. The window will then apply to all films moving forward," Butala said.

Multiplexes are confident about returning to the erstwhile window. The producers get more upside from screen launch and it adds to overall revenue of the film, benefitting the entire ecosystem. The distributor's share and rent expenses should also see return to normalcy by next year, if no further disruption occurs.

From a film exhibitor mindset to consumer lifestyle company

The company is expanding its menu beyond the standard popcorn and cola. INOX has tied up with ITC's ready-to-eat gourmet brand, Kitchens of India, to introduce vegetable pulao, Hyderabadi vegetable biryani, *dal makhani*, *rajma masala*, *pindi channa* across its cinema locations. Offering Indian cuisine would set it apart from the rest. It also helps the company elevate its service to a more proper dining experience.

INOX has also made its food offering available on online ordering platforms such as Swiggy, Zomato and Amazon. It currently sells food under three brands i.e., Café Unwind, Insignia and Delights, and plans to position these into full-service restaurant brands to target non-cinema consumers. The company has already partnered with EazyDiner - table reservation and food discovery platform. This collaboration will serve all multiplexes of INOX for table reservation services at its multiplexes with Insignia lounges and across its food and beverage counters.

The company is also screening alternative content such as sports and concerts to the audience. It is also offering select venues for private screening. During the last few months, the company screened some alternative content that needed fewer screens—and only in select areas. The content was selected based on a consumer need and portrayed INOX as a brand in tune with present consumer. For example screening of cricket, which is the nation's beloved sport, to KPOP band BTS, which took the younger consumers by storm.

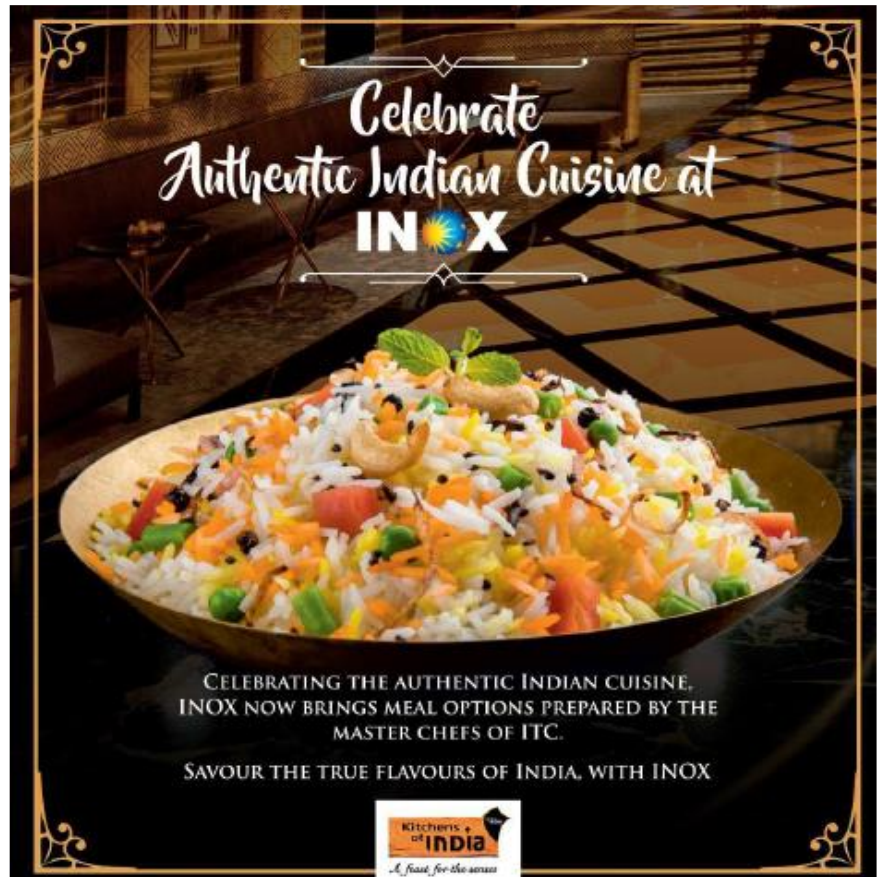
With a more extensive menu including Indian cuisine, a strong content pipeline of major movies and relevant alternative content, INOX aims to make its location an ideal place to step out to with family and friends, and become a more integral part of consumer lifestyle rather than remain a film exhibitor brand.

Exhibit 2: Tentative pipeline of major Indian movies

Release date	Movie	Language
10-Dec-21	Velle	Hindi
10-Dec-21	Chandigarh Kare Aashiqui	Hindi
10-Dec-21	Darling	Marathi
17-Dec-21	Free Hit Danka	Marathi
17-Dec-21	Pushpa The Rise Part 1	Telugu
24-Dec-21	83	Hindi
24-Dec-21	Ayalaan	Tamil
24-Dec-21	Etharkkum Thunindhavan	Tamil
24-Dec-21	Naane Varuven	Tamil
24-Dec-21	Ghani	Telugu
24-Dec-21	Agent	Telugu
24-Dec-21	Shyam Singha Roy	Telugu
31-Dec-21	Jersey	Hindi
31-Dec-21	Djibouti	Hindi
31-Dec-21	777 Charlie	Kannada, Tamil, Telugu, Malayalam, Hindi
31-Dec-21	De Dhakka 2	Marathi
7-Jan-22	RRR	Telugu, Malayalam, Kannada, Tamil, Hindi
12-Jan-22	Bheemala Nayak	Telugu
14-Jan-22	Valimai	Tamil
14-Jan-22	Radhe Shyam	Telugu, Hindi, Tamil
21-Jan-22	Attack	Hindi
21-Jan-22	Prithviraj	Hindi
1-Feb-22	Blur	Hindi
4-Feb-22	Badhaai Do	Hindi
11-Feb-22	Thiruchitrabalam	Tamil
11-Feb-22	Khiladi	Telugu
11-Feb-22	Major	Telugu, Hindi
18-Feb-22	Gangubai Kathiawadi	Hindi
18-Feb-22	Indru Netru Nalai 2	Tamil
25-Feb-22	Jayeshbhai Jordaar	Hindi
25-Feb-22	F3: Fun And Frustration	Telugu
4-Mar-22	Bachchan Pandey	Hindi
18-Mar-22	Shamshera	Hindi
25-Mar-22	Bhool Bhulaiyaa 2	Hindi
31-Mar-22	Anek	Hindi

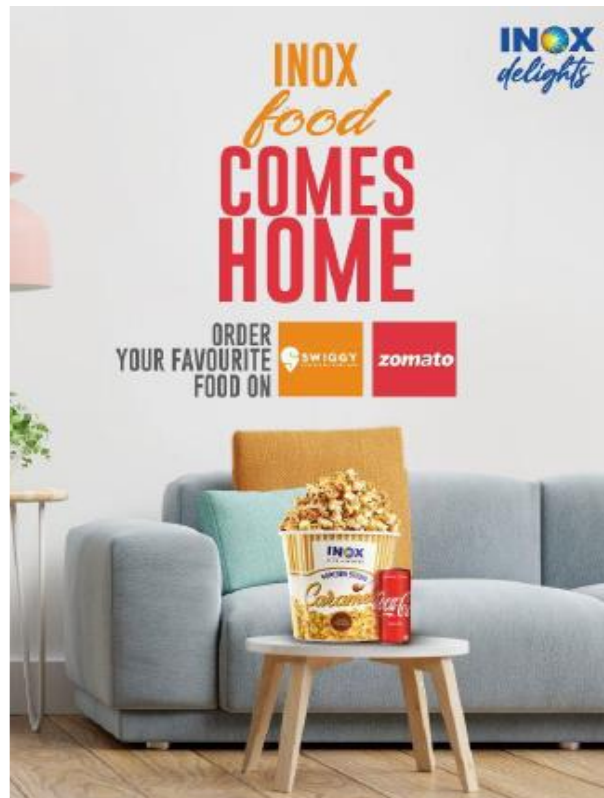
Source: Company, Edelweiss Research

Exhibit 3: INOX partners ITC to expand menu



Source: Company

Exhibit 4: INOX partners food delivery apps



Source: Company

Exhibit 5: INOX offers private screening

Exclusive Private Screening EXPERIENCES

STARTING AT JUST ₹4,999/-
FLAT 25% OFF ON FOOD

WRITE TO TICKETS@INOXMOVIES.COM

Movie of YOUR CHOICE | Date and time of YOUR CHOICE. | With only the people of YOUR CHOICE.

INOX LIVE & MOVIE | TEAM INOX

inoxmovies.com

Source: Company

Exhibit 6: Getting back advertisers

INOX LIVE & MOVIE

IT'S HIGH TIME NOW!
INDIA IS ON A HIGH.

HIGH ON CONTENT
ON EXCITEMENT
ON VACCINATION

4 th Nov	5 th Nov	19 th Nov	25 th Nov
26 th Nov	24 th Dec	6 th Jan	7 th Jan

IT'S TIME TO ADVERTISE IN CINEMAS WITH BIG BLOCKBUSTERS AROUND THE CORNER.

NORTH TRIPTI SHARMA 8527555002	EAST KAUSHIK MUKHERJEE 9874871522	WEST RAJESH MAKHIJA 9819204627	SOUTH SHAILENDER NEHRU 9845248485
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sales@inoxmovies.com

Source: Company

Exhibit 7: INOX screens T20 World Cup



Source: Company

Exhibit 8: Dine Without Ticket campaign



Source: Company

Exhibit 9: November box office collection



Source: Business Line, Industry

Additional Data

Management

CEO	Alok Tandon
CFO	Kailash Gupta
COO	Daizy Lal Puri
Chariman	Pawan Jain
Non-executive Director	Mr. Siddharth Jain
Auditor	M/s Kulkarni and Company

Holdings – Top 10*

	% Holding		% Holding
ICICI Prudentia	8.12	Abu Dhabi Inves	2.34
HDFC Asset Mana	4.78	Eastspring Inve	1.82
BNP Paribas	3.75	DSP MF	1.76
Aditya Birla Su	2.82	Nippon Life Ind	1.63
Taiyo Greater I	2.44	Pioneer Investm	1.62

*Latest public data

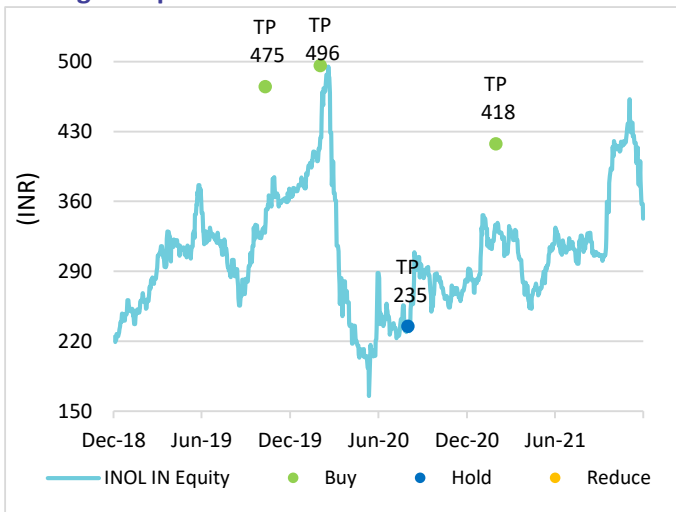
Recent Company Research

Date	Title	Price	Reco
22-Oct-21	Ready for strong recovery ; <i>Result Update</i>	420	Buy
03-Aug-21	Braving second wave; recovery in sight; <i>Result Update</i>	316	Buy
29-Apr-21	Fighting against odds; <i>Result Update</i>	276	Buy

Recent Sector Research

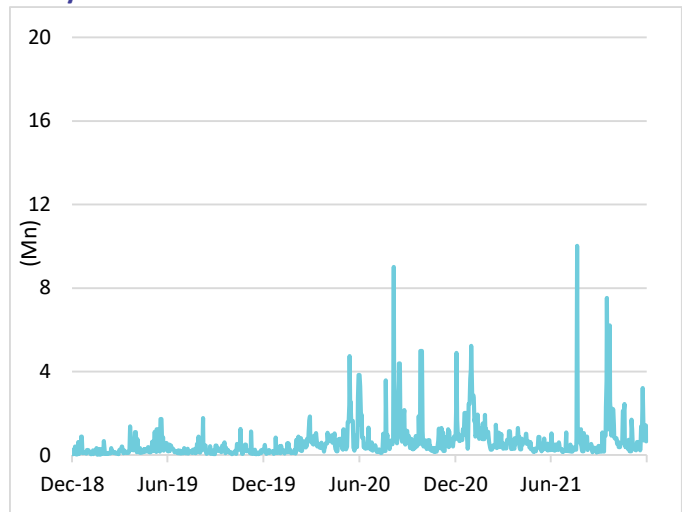
Date	Name of Co./Sector	Title
24-Nov-21	Zee Entertainment	ZEE-Sony merger talks in final stages; <i>Edel Flash</i>
11-Nov-21	Zee Entertainment	Key metrics improving; <i>Result Update</i>
08-Nov-21	Sun TV Network	Good performance; strong movie line-up; <i>Result Update</i>

Rating Interpretation



Source: Bloomberg, Edelweiss research

Daily Volume



Source: Bloomberg

Rating Distribution: Edelweiss Research Coverage

	Buy	Hold	Reduce	Total
Rating Distribution*	187	52	18	258
	>50bn	>10bn and <50bn	<10bn	Total
Market Cap (INR)	229	43	3	275

*1 stocks under review

Rating Rationale

Rating	Expected absolute returns over 12 months
Buy:	>15%
Hold:	>15% and <-5%
Reduce:	<-5%

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