

## Restrictions lifted; awaiting new releases...

Inox Leisure reported a washout Q3FY21 as expected due to low footfalls. Occupancy remained weak at 3% owing to lack of new content and prevailing Covid-19 situation, leading to revenue of ₹ 14.9 crore, down 97.1% YoY. EBITDA loss (ex-Ind AS116) came in at ~₹ 86 crore. Inox recognised ₹ 54.1 crore as rent concessions. Subsequently, the company reported net loss (ex-Ind AS116) at ₹ 83 crore. On a reported basis, net loss was at ₹ 102.5 crore.

## Full occupancy allowed - a positive

Inox reopened theatres from October 15 onwards in a staggered manner. Except for the festive period in Bengal and few Hollywood releases, occupancy remained low due to lack of fresh content. ATP during the quarter was ₹ 153, down 25% YoY while SPH was ₹ 73, down ~10% YoY. The management said ATP for new releases was at pre-Covid level. Inox opened 15 new screens in January and further 14 screens are expected to open in rest of Q4FY21. We build in 70 screens addition in both FY22E and FY23E. Subsequently, we bake in footfall growth of 4.5% CAGR in FY20-23E to 75.3 mn (94% decline in FY21 followed by sharp growth thereafter) coupled with 2.2% CAGR in net ATP to lead to 6.7% CAGR in FY20-23E (94% decline in FY21, followed by sharp recovery) in net box office revenues to ₹ 1340 crore. We believe box office will see meaningful pick up only after continuous flow of new/big budget releases. The risk of box office clashes of big movies also looms. The F&B CAGR of 7.8% in FY20-23E, implies ~94% decline in FY21 followed by recovery in FY22. Ad will be last to recover and is expected to witness -2% CAGR in FY20-23E.

## Cash loss increase post reopening

Inox' monthly cash burn is at ₹ 25-30 crore, a sharp increase post reopening as the company incurred higher rent & CAM expenses, power and fuel costs, etc. The company has relatively stronger balance sheet with liquidity of ₹ 230 crore after completing QIP of ₹ 250 crore in the quarter. It has negotiated with most of developers for nil rentals during lockdown period and discount in rent & CAM/ revenue sharing model for rest of FY21. On expenses front, the management said partial cost saving will be sustainable.

## Valuation & Outlook

Cinemas are allowed to run with no capacity restrictions from February 1 onwards (depending on respective state advisory). We believe cinemas will see normalised scenario only from H2FY22 onwards with recovery being a function of content pipeline. We will closely track the possible release announcement of new movies and subsequent audience response. We believe most positives are already captured post ~30% run-up in stock price in the last three months. We roll over valuations to FY23E and maintain **HOLD** rating on the stock. We value the stock at 9x FY23E (ex-Ind-AS) EV/EBITDA with a target price of ₹ 350/share (earlier TP: ₹ 250/share).

### Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Total Operating Income (₹ crore)	1,692.2	1,897.4	115.1	1,837.1	2,240.6	5.7
EBITDA (₹ crore)	308.3	596.8	(194.6)	568.2	751.3	8.0
Net Profit (₹ crore)	133.5	15.0	(384.2)	19.8	122.2	101.3
EPS (₹)	13.0	1.5	(34.2)	1.8	10.9	
P/E (x)	25.4	226.0	(9.7)	187.5	30.4	
Price / Book (x)	3.5	5.4	5.5	5.5	4.9	
EV/EBITDA (x)	12.3	10.8	(32.4)	11.1	8.3	
RoCE (%)	19.6	10.0	(13.0)	8.1	11.5	
RoE (%)	14.2	2.4	(62.8)	3.0	16.0	

Source: Company, ICICI Direct Research \*FY20, FY21E and FY22E EBITDA and PAT are not comparable to earlier year numbers owing to IND AS 116 implementation



Particulars	
Particulars	Amount
Market Capitalization (₹ Crore)	3,711.8
Total Debt (FY20) (₹ Crore)	122.6
Cash (FY20) (₹ Crore)	44.7
EV (₹ Crore)	3,807.6
52 week H/L	511/ 158
Equity Capital (₹ crore)	96.2
Face value	10.0

### Key Highlights

- Post reopening, occupancy was minimal due to lack of fresh content
- Maintain HOLD with revised target price of ₹ 350/share

### Key risks to our call

- Quicker than expected recovery in footfalls post vaccination drive, thereby higher earnings
- Further delay in new releases and higher cash loss will impact performance

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**Exhibit 1: Variance Analysis**

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	14.9	12.1	512.9	0.4	-97.1	4,033.3	Lack of content and mid quarter opening meant insignificant revenues
Other Income	6.6	5.0	4.9	4.3	36.7	54.2	
Employee Expenses	21.2	26.2	36.9	15.2	-42.5	39.3	
Exhibition Cost	2.9	2.8	133.7	0.0	-97.8	NA	
Cost of F&B	1.1	0.6	32.0	0.0	-96.6	NA	
Rent	0.0	5.4	31.7	0.0	-100.0	NA	
Other Expenses	54.2	40.0	109.7	16.9	-50.6	220.7	
EBITDA	-64.5	-62.9	169.0	-31.8	-138.2	103.1	
EBITDA Margin (%)	NM	NM	32.9	-8,825	NM	NM	
Depreciation	70.9	71.4	64.8	71.4	9.4	-0.7	
Interest	62.0	65.1	54.7	64.1	13.3	-3.2	
Exceptional Items	-54.1	-74.3	0.0	-72.3	NA	NA	Company recognised the amount towards reduction of rental expense following invocation of Force Majeure
Total Tax	-34.3	-30.3	19.2	-22.8	-278.4	50.3	
PAT	-102.5	-89.9	35.0	-67.8	-392.8	51.1	

**Key Metrics**

Footfalls	0.5	0.5	16.9	0.0	-97.0	NA
Occupancy	3.0	1.0	27.0	0.0	-88.9	NA
SPH	73.0	60.4	81.0	0.0	-9.9	NA
ATP	153.0	151.0	204.0	0.0	-25.0	NA

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

₹ Crore)	FY21E			FY22E			FY23E	
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	144.2	115.1	-20.1	2,012.5	1,837.1	-8.7	2,240.6	Cut down FY21E estimates due to no release post reopening
EBITDA	-165.9	-194.6	17.3	598.1	568.2	-5.0	751.3	
EBITDA Margin (%)	-115.1	-169.0	-5398 bps	29.7	30.9	121 bps	33.5	
PAT	-303.7	-384.2	NA	30.3	19.8	-34.6	122.2	
EPS (₹)	-29.6	-34.2		3.0	1.8		10.9	

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates (ex- IND AS 116)**

₹ Crore)	FY21E			FY22E			FY23E	
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	144.2	115.1	-20.1	2,012.5	1,837.1	-8.7	2,240.6	
EBITDA	-192.5	-229.7	19.4	288.2	261.2	-9.4	412.6	
EBITDA Margin (%)	-133.5	-199.6	-6608 bps	14.3	14.2	-10 bps	18.4	
PAT	-160.2	-257.7	NA	139.2	128.4	-7.7	219.1	
EPS (₹)	-15.6	-22.9	NA	13.6	11.4		19.5	

Source: Company, ICICI Direct Research

**Exhibit 4: Assumptions**

	Current					Earlier		
	FY19	FY20	FY21E	FY22E	FY23E	FY21E	FY22E	
Footfalls (mn)	63	66	4	63	75	4	69	Realign estimates
Occupancy (%)	28.4	28.2	3.3	24.7	27.0	3.2	26.2	
SPH (₹)	74	80	80	91	88	81	91	
ATP (₹)	197	200	195	207	213	202	216	

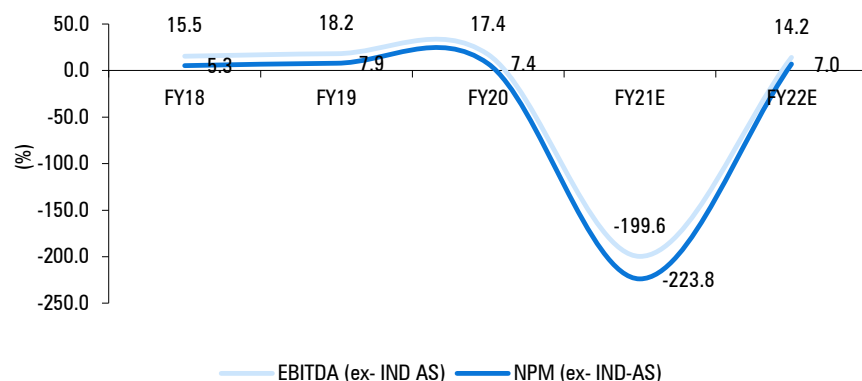
Source: Company, ICICI Direct Research

## Conference Call Highlights

- **100% occupancy permitted:** The management said out of 641 screens, 239 screens are allowed to operate at full capacity while 398 screens can operate at 50% as of now
- **Hopeful of new releases in coming months:** The management expects marquee movies to release from March/April onwards. They expect normalised occupancy from H2FY22 ahead
- **No inorganic opportunity:** The management said while they are open to acquiring a multiplex chain, currently there is no deal proposition of inorganic expansion

## Financial story in charts

Exhibit 5: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 6: P&L (excl. Ind-AS 116)

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Total operating Income</b>	<b>1,897.4</b>	<b>115.1</b>	<b>1,837.1</b>	<b>2,240.6</b>
Growth (%)	12.1	-93.9	1,495.9	22.0
Employee Expenses	142.1	97.0	135.1	169.3
Exhibition Cost	496.5	27.6	492.6	603.1
Cost of F&B	126.2	6.5	151.9	174.3
Rent	368.0	40.8	436.3	481.3
Other Expenses	434.2	172.9	360.0	400.0
Total Operating Expenditure	1,567.0	344.9	1,575.9	1,828.0
<b>EBITDA</b>	<b>330.5</b>	<b>-229.7</b>	<b>261.2</b>	<b>412.6</b>
Margin (%)	17.4	-199.6	14.2	18.4
Depreciation	108.1	112.0	95.5	117.6
Interest	11.7	19.0	18.0	24.0
Other Income	17.1	19.7	24.0	22.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	227.7	-341.1	171.7	293.0
Total Tax	86.7	-83.4	43.3	73.8
<b>PAT</b>	<b>141.0</b>	<b>-257.7</b>	<b>128.4</b>	<b>219.1</b>
Adjusted PAT	141.0	-257.7	128.4	219.1
Growth (%)	3.0	-282.7	-149.8	70.7
<b>Adj EPS (₹)</b>	<b>13.7</b>	<b>-22.9</b>	<b>11.4</b>	<b>19.5</b>

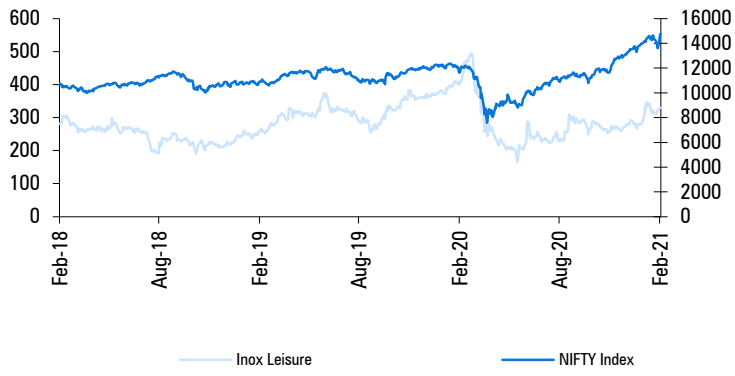
Source: Company, ICICI Direct Research

Exhibit 7: KPI

(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Box office Revenues</b>	<b>1,104</b>	<b>61</b>	<b>1,095</b>	<b>311</b>
YoY	13%	-94%	1684%	-72%
<b>F&amp;B</b>	<b>497</b>	<b>28</b>	<b>542</b>	<b>144</b>
YoY	14%	-94%	1824%	-73%
<b>Ad</b>	<b>179</b>	<b>11</b>	<b>115</b>	<b>40</b>
YoY	1%	-94%	982%	-65%
<b>Others</b>	<b>117</b>	<b>15</b>	<b>85</b>	<b>1,746</b>
<b>Footfalls (mn)</b>	<b>66</b>	<b>4</b>	<b>63</b>	<b>18</b>
	5%	-94%	1589%	-72%
<b>Screens</b>	<b>626</b>	<b>651</b>	<b>721</b>	<b>738</b>
<b>Net Debt</b>	<b>78</b>	<b>72</b>	<b>(43)</b>	<b>(193)</b>
<b>RoCE (post tax)</b>	<b>19.9</b>	<b>(11.7)</b>	<b>17.0</b>	<b>23.2</b>
<b>RoE</b>	<b>12.8</b>	<b>(30.4)</b>	<b>13.2</b>	<b>18.3</b>

Source: Company, ICICI Direct Research

**Exhibit 8: Price Performance**



Source: Company, ICICI Direct Research

## Financial summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Total operating Income</b>	<b>1,897.4</b>	<b>115.1</b>	<b>1,837.1</b>	<b>2,240.6</b>
Growth (%)	12.1	-93.9	1,495.9	22.0
Employee Expenses	142.1	97.0	135.1	169.3
Exhibition Cost	496.5	27.6	492.6	603.1
Cost of F&B	126.2	6.5	151.9	174.3
Rent	101.6	5.7	129.3	142.6
Other Expenses	434.2	172.9	360.0	400.0
Total Operating Expenditure	1,300.6	309.7	1,268.9	1,489.3
<b>EBITDA</b>	<b>596.8</b>	<b>-194.6</b>	<b>568.2</b>	<b>751.3</b>
Growth (%)	93.6	-132.6	-392.0	32.2
Depreciation	264.2	282.8	303.6	342.8
Interest	221.3	250.7	262.1	267.2
Other Income	17.1	19.7	24.0	22.0
Exceptional Items	0.0	-195.7	0.0	0.0
PBT	128.6	-512.8	26.5	163.3
Total Tax	113.6	-128.6	6.7	41.1
<b>PAT</b>	<b>15.0</b>	<b>-384.2</b>	<b>19.8</b>	<b>122.2</b>
Adjusted PAT	15.0	-424.7	-39.2	-4.7
Growth (%)	-89.1	NM	NM	NM
<b>Adj EPS (₹)</b>	<b>1.5</b>	<b>-37.8</b>	<b>1.8</b>	<b>10.9</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	102.7	112.5	112.5	112.5
Reserve and Surplus	551.9	564.4	557.2	652.3
Interest in benefit trust	(32.7)	-	-	-
Total Shareholders funds	621.9	676.8	669.7	764.8
Total Debt	122.6	272.6	197.6	147.6
Others	2,738.5	2,585.4	2,710.5	2,822.7
<b>Total Liabilities</b>	<b>3,483.0</b>	<b>3,534.9</b>	<b>3,577.8</b>	<b>3,735.1</b>
<b>Assets</b>				
Total Fixed Assets	1,086.7	1,025.3	1,139.8	1,272.2
Investments	1.2	1.2	1.2	1.2
Rights of Use Assets	2,141.8	2,017.8	2,012.5	1,990.1
Debtors	62.8	5.7	90.6	110.5
Inventory	13.7	0.8	12.6	15.3
Loans and Advances	110.5	6.7	101.6	117.7
Other Current Assets	43.3	2.6	35.7	37.0
Cash	44.7	200.9	240.6	340.5
Total Current Assets	274.9	216.7	481.0	621.1
Total Current Liabilities	332.4	36.9	367.5	460.3
Net Current Assets	-57.5	179.8	113.5	160.8
Other Non Current Assets	310.9	310.9	310.9	310.9
<b>Application of Funds</b>	<b>3,483.0</b>	<b>3,534.9</b>	<b>3,577.8</b>	<b>3,735.1</b>

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>PAT</b>	<b>15.0</b>	<b>-384.2</b>	<b>19.8</b>	<b>122.2</b>
Add: Depreciation	264.2	282.8	303.6	342.8
Add: Interest Paid	221.3	250.7	262.1	267.2
(Inc)/dec in Current Assets	-8.5	214.4	-224.6	-40.1
Inc/(dec) in CL and Provisions	12.9	-295.5	330.6	92.8
<b>CF from operating activities</b>	<b>504.8</b>	<b>68.2</b>	<b>691.5</b>	<b>784.9</b>
(Inc)/dec in Investments	-0.4	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-208.6	-25.0	-210.0	-250.0
Others	300.8	-225.5	-77.7	-90.7
<b>CF from investing activities</b>	<b>91.8</b>	<b>(250.5)</b>	<b>(287.7)</b>	<b>(340.7)</b>
Issue/(Buy back) of Equity	0.0	9.8	0.0	0.0
Inc/(dec) in loan funds	12.6	150.0	-75.0	-50.0
Less: Interest Paid	221.3	250.7	262.1	267.2
Others	-799.4	-72.0	-551.2	-561.4
<b>CF from financing activities</b>	<b>(565.5)</b>	<b>338.5</b>	<b>(364.1)</b>	<b>(344.2)</b>
Net Cash flow	31.1	156.2	39.7	100.0
Opening Cash	13.6	44.7	200.9	240.6
<b>Closing Cash</b>	<b>44.7</b>	<b>200.9</b>	<b>240.6</b>	<b>340.5</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	1.5	-34.2	1.8	10.9
Adj EPS	1.5	-37.8	1.8	10.9
BV	60.6	60.2	59.5	68.0
DPS	1.2	1.2	2.4	2.4
Cash Per Share	4.4	17.9	21.4	30.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	31.5	-169.0	30.9	33.5
PBT / Net Sales	17.5	-414.7	14.4	18.2
PAT Margin	0.8	-369.0	1.1	5.5
Inventory days	2.6	2.5	2.5	2.5
Debtor days	12.1	18.0	18.0	18.0
Creditor days	24.9	38.0	34.0	34.0
<b>Return Ratios (%)</b>				
RoE	2.4	-62.8	3.0	16.0
RoCE	10.0	-13.0	8.1	11.5
RoIC	31.2	-50.8	24.6	34.4
<b>Valuation Ratios (x)</b>				
P/E	226.0	-9.7	187.5	30.4
EV / EBITDA	10.8	-32.4	11.1	8.3
EV / Net Sales	3.4	54.7	3.4	2.8
Market Cap / Sales	2.0	32.2	2.0	1.7
Price to Book Value	5.4	5.5	5.5	4.9
<b>Solvency Ratios</b>				
Debt/EBITDA	0.2	-1.4	0.3	0.2
Net Debt / Equity	0.2	0.4	0.3	0.2
Current Ratio	1.4	1.0	1.1	1.0
Quick Ratio	1.3	0.9	1.0	0.9

Source: Company, ICICI Direct Research

**Exhibit 13: ICICI Direct Coverage Universe (Media)**

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Inox Leisure	330	350	Hold	3,712	1.5	-34.2	1.8	226.0	NM	187.5	10.8	-32.4	11.1	10.0	-13.0	8.1	2.4	-62.8	3.0
PVR	1,495	1,440	Hold	8,247	5.3	-101.7	10.7	281.1	NM	139.3	12.1	-44.0	11.7	8.5	-4.9	8.6	1.8	-46.0	4.7
Sun TV	549	480	Hold	21,617	35.1	36.2	39.9	15.6	15.2	13.7	8.3	8.6	6.9	31.2	29.2	28.9	24.2	22.1	21.9
TV Today	251	240	Hold	1,498	23.4	21.6	30.0	10.7	11.6	8.4	6.3	6.4	4.9	24.7	22.2	24.7	16.0	14.4	18.4
ZEE Ent.	249	250	Hold	23,957	5.5	9.2	16.1	45.5	27.2	15.5	14.1	12.1	9.9	13.9	14.3	19.1	16.7	10.3	13.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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