



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- 4QFY22 performance was impacted by the third covid wave, with Jan'22 and first half of Feb'22 indicated as washout periods but March'22 boxoffice led footfall growth QoQ.
- EBITDA beat estimates; Average ticket prices and spend per head (SPH) grew by 27% and 10% on y-o-y.
- The company reported a strong revenue growth of 251% YoY to ₹317.7 crore. 'Valimai', 'Bheemla Nayak', 'Gangubai Kathiawadi', 'The Kashmir Files', 'Radhe Shyam' and 'RRR', owing to which company reported its highest-ever monthly gross box office and F&B collection in March'22.

2. MANAGEMENT COMMENTARY:

- Company has launched its first cinema wallet called Inox Insta Pay.
- The company has signed an agreement of new properties of 117 properties and will accommodate 840 screens with 1.5 lakh seats.
- For FY23 the company is planning 73 screens and all the CAPEX will be done through internal accruals.
- Company expect early recovery in advertising revenue over next two quarters versus earlier expectations of next 3-4 quarters, led by strong footfalls in March.
- The number of movies screened per day has been 3.3 which used to be 4.4 in the pre-covid level. There are no restrictions now with no night curfew, no late opening of theatres and no capacity restrictions which will take the screening per day higher as we go forward.

3. SEGMENTAL ANALYSIS:

- The Box Office revenue was ₹202 crore up by 14% QoQ led by increased footfall.
- Food and Beverage revenue was ₹87 crore.
- Advertisement revenue stood at ₹13 crore.
- Q4FY22 witnessed highest ever ATP (Average Ticket Price) of ₹218 and SPH (Spend per Head) of ₹86.

4. CONCALL SUMMARY:

- Company in the covid periods had limited the movie showing to the 4-week window which now has been increased to the 8-week window which will be at the pre-covid level.
- Dubbed movies in other Indian languages multiplied the number of audiences.
- In the Q3 festive season and few English films added to the increase of ATP (Average Ticket Price) and SPH (Spend per Head) which was not the case in the Q4 which reduced the same. Other than this there is nothing different fundamentally.
- There are currently no new updates related to the merger of the PVR-Inox and they are awaiting the approval of exchanges and SEBI to go further.
- The advertisement revenue was very low in the January, but in February and March the advertisement revenue started picking up as there were some big movies. Company feels it will take more than 1 to 2 quarters for the advertisement revenue to pick up completely.

5. VALUATION AND OUTLOOK:

Starting FY23, complete normalcy is expected in the sector and hence, we continue to remain bullish on Inox Leisure. Given a healthy movie pipeline, robust consumer demand for good content and success of dubbed Southern movies across the country, we believe that the revenue recovery of Inox Leisure would be strong in FY2023 so we have maintained BUY rating on Inox Leisure with the TARGET PRICE of ₹600.

RECOMMENDATION - BUY

CMP – 487

TARGET – 600 (23%)

Industry	Entertainment
NSE CODE	INOXLEISUR
BSE CODE	532706
Market Cap (₹ Cr)	5664.30
Shares Outstanding (in Cr)	12.23
52 wk High/Low (₹)	563.6 / 251.8
P/E	0.00
P/BV	8.18
Face Value (₹)	10.00
Book Value (₹)	56.62
EPS (FY21) (₹)	-30.02
Dividend Yield (%)	0.35
Debt / Equity	0.16
Interest Coverage	-0.78

SHAREHOLDING PATTERN

	Mar 22	Dec 21	Sep 21
Promoters	44.04	43.63	43.63
MF/ DII	24.15	23.06	21.68
FII/FPI	15.28	16.86	16.53
Retail & Others	14.71	13.94	14.86
Promoter	0.00	0.00	0.00
Pledging			

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Crore			
Sales	683.9	2500.5	3000.5
Sales Gr. (%)	545	265.60	20
EBITDA	-108	430.1	554.7
EBITDA %	-15.8	17.20	18.48
PAT	-239.4	254.7	298.3
EPS (₹)	-19.57	20.87	24.45
EPS Gr. (%)	33.67	204.82	17.15
BV/Sh. (₹)	56		
Ratios			
RoE (%)	-13.1	31.1	30.4
RoCE (%)	-15.0	23.1	23.8
Valuation			
P/E (x)	-		
P/BV (x)	8.18	6.4	4.7
EV/EBITDA	-55.1	12.1	9.4

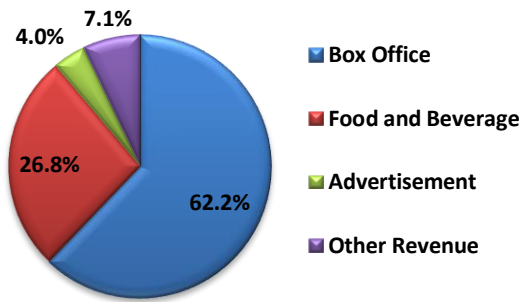
Historical & Industrial Val Ratios

Historical P/E	0.00
Industry P/E	51.04
Historical P/B	8.18
Industry P/B	2.85

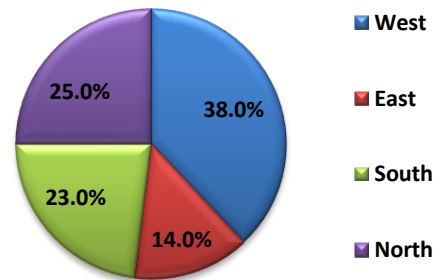


REVENUE SPLIT (Q4 FY22)

Segmental Mix (Q4 FY22)



Screens Zone Wise (Q4 FY22)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21			FY22				FY23	FY22	FY23E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
Net sales	0	15	90	22	47	296	318	340	5,553	2500.5
YoY change (%)	-100%	-97%	76%	8824%	13,078%	1892%	251%	1445%	31.34%	265.6
Total Expenditures	-40	25	104	51	32	165	219	250	5,090	2070.4
EBITDA	41	-10	-14	-29	16	132	98	90	464	430.1
Margins (%)	11267%	-70%	-15%	-130%	33%	44%	31%	26	8%	17.20
Depreciation	71	71	70	73	74	747	74	70	47	145
Interest	64	62	62	64	65	64	64	60	18	27
Other income	4	7	25	3	6	5	8	10	102	15
PBT	-91	-137	-121	-163	-117	-2	-32	-30	500	293.1
Rate (%)	25%	25%	23%	25%	25%	18%	12%	15%	25%	25
Adjusted PAT	-68	-102	-94	-122	-88	-1	-28	-34.5	376	254.7
EPS in Rs	-6.59	-9.10	-8.32	-10	-7.17	-0.11	-2.30	-2.82	35.80	20.87

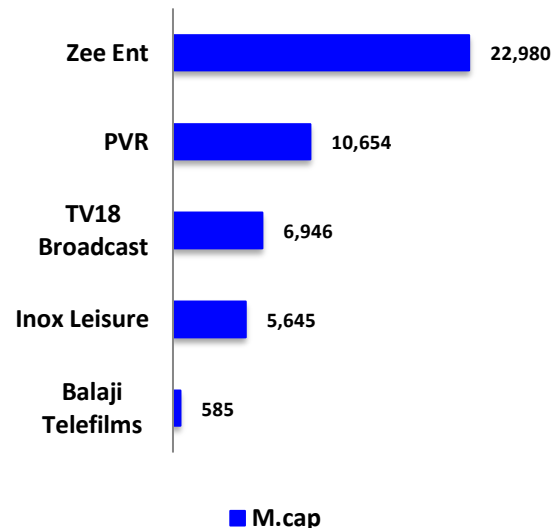
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- India's Media & Entertainment industry is expected to grow to reach \$100 bn by 2030 at 10-12% CAGR, led by OTT, Gaming, Animation and VFX.
- The merger of Film Media Units in December 2020 by the Ministry of Information and Broadcasting under one corporation will lead to convergence of activities and resources and better coordination, thereby ensuring synergy and efficiency in achieving the mandate of each media unit.
- India has consistently been the world's largest producer of films since 2007. At the same time, the country is the leading film market in terms of the number of tickets sold.
- Advertisers in India are aware of the industry's popularity with audiences and have invested heavily in cinema based advertising.
- The Indian film industry has a variety of revenue sources and with increasing focus on digital and regional languages, the value of the industry is poised for growth.
- The number of single screens in India has been steadily declining from 7,031 in 2016 to 6,327 in 2019. As recovery remains slow, the pandemic could lead to further consolidation in the sector, given financial strain for single screens. Hence, multiplexes would gain market share. Theatrical releases provide better opportunities to producers to generate RoI, especially in case of big-budget movies.

KEY PLAYERS in Entertainment Space



PEER PERFORMANCE

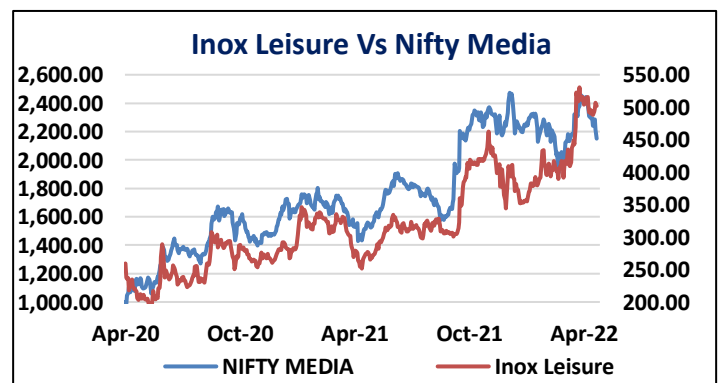
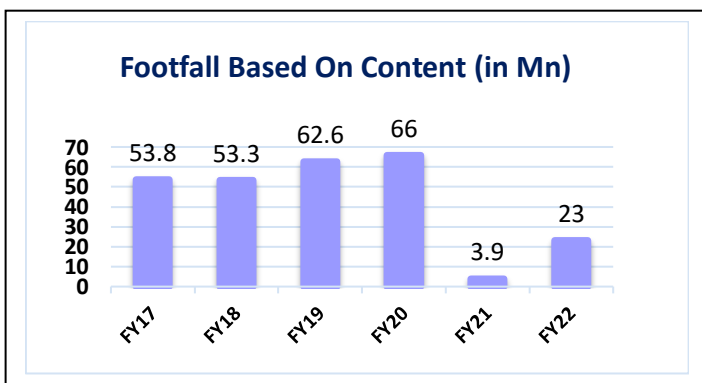
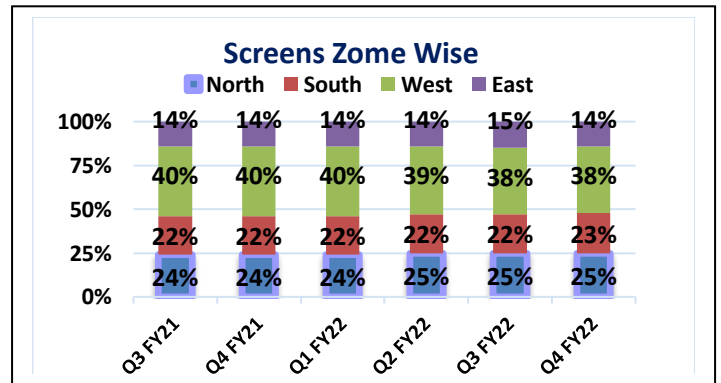
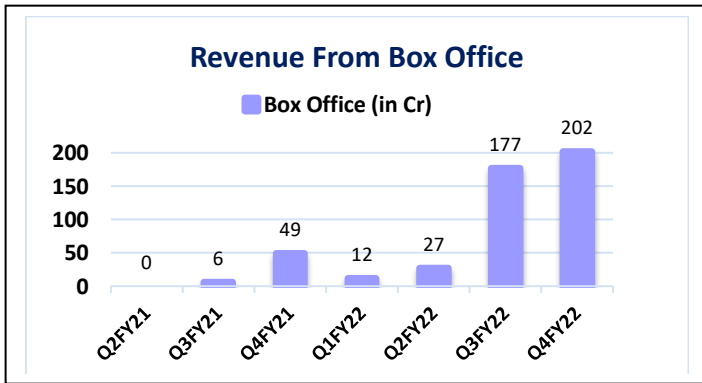
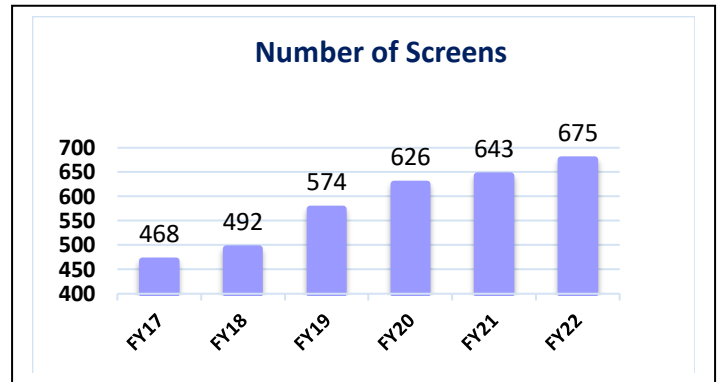
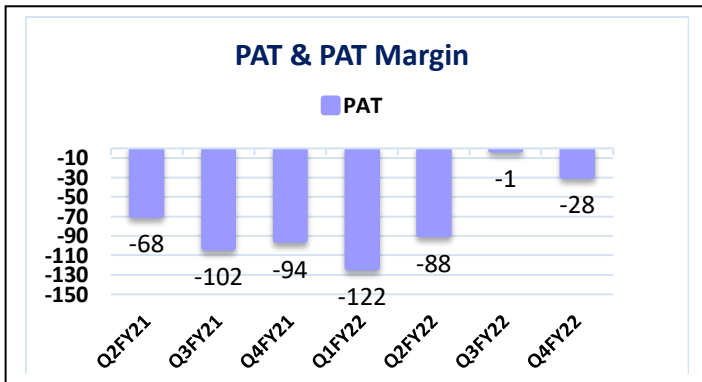
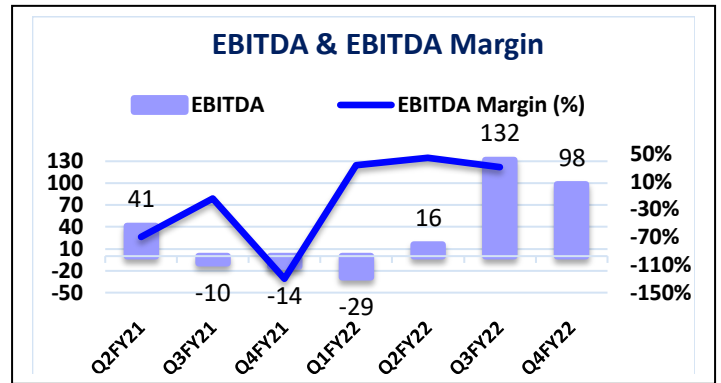
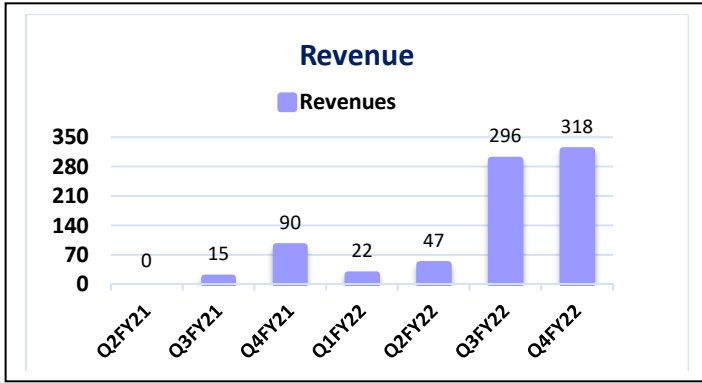
(₹ Cr)

Particulars	Inox Leisure	Zee Ent	PVR	TV18 Broadcast	Balaji Telefilms
Market Cap	5,645	22,980	10,654	6,946	585
Net Sales	105.9	7,729.9	280.0	4,497.6	293.7
EBITDA	-172.2	1,593.9	-341.1	808.0	-104.0
PAT	-337.7	800.1	-747.8	455.6	-118.8
EPS(Rs)	-30.0	8.3	-123.1	2.7	-11.8
EBITDA MARGIN %	86.9	22.0	48.0	16.6	-30.8
PAT MARGIN %	-318.7	10.3	-267.0	13.1	-40.5
ROCE %	-25.8	12.8	-14.8	13.8	-17.2
ROE %	-52.5	8.2	-45.3	17.3	-19.1
P/E	-	21.7	-	11.8	-
P/B	8.2	2.2	7.8	1.4	1.2
EV/EBITDA					
Dividend Yield %	0.2	1.0	-	-	0.3
MCap/Sales	8.3	2.9	8.0	1.3	2.0

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Inox Leisure reported a strong revenue growth of 251.3% y-o-y at Rs 317.7 crore, led by sharp recovery in occupancy rate, healthy growth in ATP (up 26.7% YoY) and good content which is expected to continue in FY23.
- The management indicated that the company is well positioned to show 20 unique titles in a week which may result in increased footfall and increase in average SPH.
- The screening of movies per day is expected to reach at pre-pandemic level in April 2022. Given a strong movie pipeline, robust consumer demand for good content, potential recovery in advertising revenue is expected in Q1FY23.
- The proposed merger of Inox Leisure and PVR is expected to bring in enhanced productivity, deeper reach in newer markets and cost optimization opportunities.
- Dubbed movies in other Indian languages multiplied the number of audiences.
- Company grossed the highest ever monthly box office and F&B collection in March 2022.
- Top 4 players control ~70% of the screens in the country and the entry barriers are quite high and there are no substitutes as well.
- Lately the content has been less star-driven and more based on good story lines, which may be a structural shift happening in the industry for the better hence, attracting more viewers to big screens.

RISK / NEGATIVE FACTORS:

- Manpower cost (including agency manpower) to go up as business has started operating as usual.
- Delay in screen additions and a drop in the quality of content might impact footfalls and advertisement revenue.
- Inability to take adequate price hikes at the right time might impact margins in the F&B segment on account of rising input cost.
- Delay in recovery in advertising revenue would impact earnings.

COMPANY RECAP

- Incorporated in 1999, Inox Leisure is one of the largest multiplex operators in India.
- The company currently operates 161 properties (681 screens and over 1.52 lakhs seats) located in 72 cities across India.
- Inox Leisure is the only multiplex operator having a diverse presence across India.
- The company accounts for 20% share of multiplex screens in India and ~11% share of domestic box office collections.
- The company has acquired many multiplex cinema chains in its past. It acquired Calcutta Cinemas in 2007, FAME Cinemas in 2011 & Satyam Cineplex in 2014.
- The company has been adding different formats of multiplexes for different classes of people. It has opened many multiplexes like Inox Insignia, IMAX, Max 4D, Kiddies, laserplex & Onyx. Onyx is first led screen experience multiplex in the city of Mumbai.
- Company is led by the experienced management which include Mr. Pavan Jain, Mr. Vivek Jain, Mr. Siddharth Jain.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	1,348.12	1,692.18	1,897.44	105.93	683.94	2500.5	3000.5
Growth YoY (%)	10.44	25.52	12.13	-94.42	503.15	265.60	20
Total Expenditure	1,140.77	1,383.84	1,300.60	278.18	612.13	2070.4	2445.8
(%) of sales	84.62	81.78	68.54	262.60	89.5	82.79	81.5
EBITDA	207.35	308.34	596.84	-172.24	-87	430.1	554.7
EBITDA Growth (%)	42.53	45.37	89.94	-85.01	49.48	594.3	28.97
EBITDA Margin (%)	16.50	19.10	32.36	-162.59	-12.72	17.20	18.48
Depreciation	86.70	95.49	264.19	283.21	294	145	172.5
EBIT	127.13	222.78	349.82	-442.27	-381	285.1	382.2
EBIT Growth (%)	79.94	75.23	57.03	-155.82	13.85	174.8	34.05
Net Interest Expenses	29.45	23.67	221.24	251.10	258	15	6.8
Other Income	15.02	14.92	17.17	264.28	23	27	32.9
Earnings before Taxes	97.68	199.10	128.58	-446.35	-313	293.1	408.3
EBT Margin (%)	7.25	11.77	6.78	-421.36	-45.76	11.72	13.60
Tax-Total	-16.99	65.61	113.58	-108.70	-78	84.9	110
Rate of tax (%)	-17.39	32.95	88.33	24.35	24.9	25	26.94
Net Profit	114.66	133.49	15.01	-337.65	-239	254.7	298.3
PAT Growth (%)	275.53	16.42	-88.76	-2,350.19	28.08	206.27	17.11
PAT Margin (%)	8.51	7.89	0.79	-318.75	-34.94	10.18	9.94
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted PAT	114.63	133.49	15.01	-337.65	-239	254.7	298.3
EPS	11.92	13.01	1.46	-30.02	-19.91	20.87	24.45
EPS Growth (%)	274.43	9.14	-88.76	-2,153.47	33.67	204.82	17.15

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	96	103	103	112	122
Reserves	573	861	519	452	570
Net Worth	669	964	622	564	692
Borrowings	292	110	2,820	2,844	2,948
Other Liabilities	323	405	374	375	339
Total Liabilities & Equity	1,285	1,479	3,815	3,784	2,555
Fixed Assets	772	922	3,143	3,081	3,084
CWIP	54	64	85	57	26
Investments	14	1	1	1	149
Other Assets	446	491	586	646	720
Total Assets	1,285	1,479	3,815	3,784	3,980

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	8.51	7.89	0.79	-318.75	-34.94
EBITDA margin (%)	16.50	19.10	32.36	86.88	-12.72
EBIT margin (%)	9.43	13.16	18.44	-184.32	-45.76
ROE (%)	17.84	15.75	1.82	-52.54	-13.1
ROCE (%)	13.89	21.89	37.75	-25.76	-15.0
Working Capital & liquidity ratios					
Payables (Days)	44.75	49.78	38.33	5442.17	1161
Inventory (Days)	2.50	2.33	2.48	41.31	122
Receivables (Days)	16.59	17.70	14.52	115.52	15
Current Ratio (x)	0.52	0.41	0.36	0.39	0.75
Valuations Ratios					
EV/sales (x)	2.09	2.05	1.48	30.47	12.93
EV/EBITDA (x)	12.68	10.73	4.57	35.07	37.1
P/E (x)	22.18	25.27	179.40	0.00	-
P/BV (x)	3.63	3.39	4.12	5.06	8.58
Dividend Yield (%)	0.00	0.00	0.38	0.35	0.00
Leverage Ratio					
Debt/Equity (x)	0.42	0.11	0.24	0.16	4.26

Cash Flow Statement					
Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	211	280	474	-131	77
CF from Investing Activities (B)	-154	-236	-213	-121.5599	-178
CF from Financing Activities (C)	-54	-46	-233	220	117
Net Cash Flow	3.2533	-1.5569	28.4342	-32	16
Add: Opening Bal.	10	13	12	40	8
Closing Balance	13	12	40	8	23

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
27 May 2022	Buy	600

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Name of the Research Analyst: CHINMAY BHANDARI

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