

Inox Leisure

Refer to important disclosures at the end of this report

Strong content pipeline to drive footfalls

- Inox's revenue grew by 7.2% qoq to Rs3.2bn in Q4, but missed our estimates due to marginally lower footfalls, ATP and SPH. Although business disruption in Jan-Feb led to a 7.1% fall qoq in EBITDA, it was in line with estimates, led by cost management.
- ATP fell 3.5% and SPH was down 11.3% qoq due to the higher base. However, footfalls increased to 11mn from 9.4mn in Q3FY22 despite fewer operational days. The company's core revenue streams - ticketing and F&B - surpassed pre-Covid levels in March.
- Inox remains net-cash, which provides a cushion to manage any further disruptions arising from a new Covid wave. Continued strong box-office performance, recovery in ad revenues and timely merger approvals will be key near-term triggers for the stock.
- We have raised FY23-24 EBITDA estimates marginally. Maintain Buy with a revised TP of Rs640 (Rs665 earlier) as we cut the target multiple for pro-forma merged co. financials to 12.5x from 13.5x on higher CoE while rolling forward valuations to Jun'24E.

Revenue recovery on track with continued control over costs

Inox's Q4FY22 revenues fell 4.8% short of our estimates due to marginally lower ATP, SPH and footfalls compared with our estimates. Despite virtually no business in the initial months of the quarter, footfalls, at 11mn, exceeded the Q3 print of 9.4mn, driven by strong content performance in March. Ad revenues were down 35% qoq and stood at Rs130mn. In terms of operational metrics, ATP was down 3.5% qoq to Rs218, while SPH declined 11.3% to Rs86. With audiences now returning to theatres and a strong content pipeline, we believe the recovery in advertising revenue is in the offing. Film distribution and F&B expenses were 9% and 10% below our estimates, respectively; employee costs fell 6% qoq. This led to an in-line EBITDA of Rs780mn even amid lower revenues. Inox added 32 screens in FY22. It has a comfortable liquidity position, with cash and equivalents of Rs2.6bn+.

Outlook: After the disruption in Jan-Feb, the recovery in March was strong as new movie releases attracted audiences back to cinemas. The April NBOC is also encouraging. This, along with a strong movie pipeline in the upcoming months, should ensure sustained recovery in footfalls and also provide confidence to advertisers to start spending at pre-covid run-rate. Timely regulatory approvals for the merger with PVR would augur well for Inox, with benefits accruing from potential synergies and fast-paced screen rollouts in the medium term. Near-term stock price movement will depend on merger approvals and overall business recovery, and these have already been factored into our estimates. **Key risks:** 1) resurgence in Covid-19 cases leading to closure of theatres; 2) OTTs grabbing high-quality content; 3) delayed recovery in ad revenues; 4) regulatory push-back to the merger; and 5) structural increase in the revenue share to producers/distributors and short content windowing.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Media & Entertainment \(Page 9\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,059	6,839	22,570	27,548	31,084
EBITDA	(1,723)	717	7,295	9,276	10,499
EBITDA Margin (%)	(162.6)	10.5	32.3	33.7	33.8
APAT	(5,556)	(3,844)	1,095	2,361	3,167
EPS (Rs)	(45.5)	(31.5)	9.0	19.3	25.9
EPS (% chg)	(3,801.9)	0.0	0.0	115.7	34.1
ROE (%)	(88.6)	(58.0)	15.3	27.7	28.1
P/E (x)	(10.8)	(15.7)	55.0	25.5	19.0
EV/EBITDA (x)	(51.0)	121.9	12.2	9.8	8.4
P/BV (x)	9.5	8.7	8.2	6.2	4.7

Source: Company, Emkay Research

CMP Rs 493 as of (May 3, 2022)	Target Price Rs 640 (▼) 12 months
Rating BUY (■)	Upside 29.8 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	16.4/2.8
Target Price change (%)	(3.8)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	9.0	19.3
Consensus	11.9	19.2
Mean Consensus TP (12M)	Rs 575	

Stock Details

Bloomberg Code	INOL IN
Face Value (Rs)	10
Shares outstanding (mn)	122
52 Week H/L	564 / 252
M Cap (Rs bn/USD bn)	60 / 0.79
Daily Avg Volume (nos.)	1,233,936
Daily Avg Turnover (US\$ mn)	7.7

Shareholding Pattern Mar '22

Promoters	44.0%
FII's	15.3%
DII's	26.0%
Public and Others	14.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	14	15	81
Rel. to Nifty	(2)	19	21	55

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates (Q4FY22)

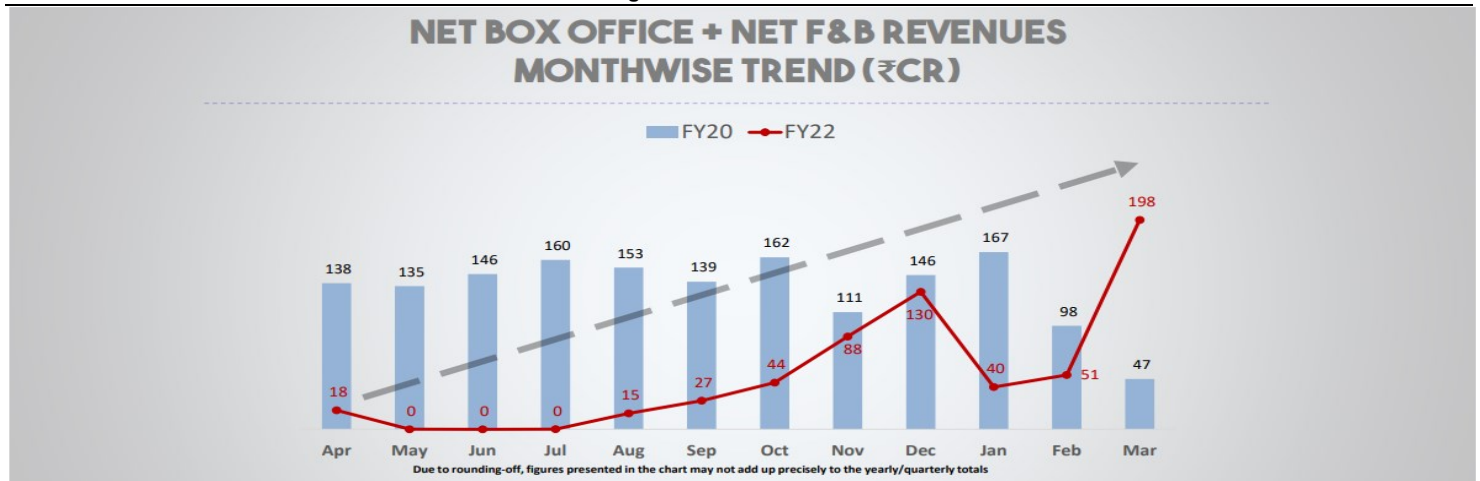
Rs mn	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	3,177	3,338	3,353	-5%	-5%	On account of lower estimates of footfall, ATP and SPH
EBITDA	780	782	454	0%	72%	Lower employee, film distributor and F&B expenses
EBITDA margin	25%	23%	14%	111 bps	1103 bps	
PAT	-282	-457	(336)	-38%	-16%	Lower depreciation and finance costs, higher other income

Source: Company, Emkay Research

Exhibit 2: Summary of quarterly financials

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Sales	904	223	474	2,965	3,177
Film Distributors Share	235	58	138	846	921
as % of sales	26.0	26.0	29.1	28.5	29.0
F&B Cost	68	14	34	183	196
as % of sales	7.5	6.3	7.2	6.2	6.2
Employee Cost	259	246	236	240	226
as % of sales					
Other operating expenses	743	421	452	856	1,054
as % of sales					
Total Expenditure	1,305	739	861	2,125	2,397
EBITDA	(401)	(516)	(386)	840	780
Depreciation	701	729	736	738	735
EBIT	(1,102)	(1,245)	(1,123)	102	45
Other Income	286	32	61	49	77
Interest	617	645	648	645	643
PBT	(1,433)	(1,858)	(1,710)	(494)	(521)
Tax	(274)	(409)	(291)	(3)	(37)
One-time Gain/Expense	223	226	543	478	203
Reported PAT	(937)	(1,223)	(877)	(13)	(282)
Margins (%)					
EBITDA	(44)	(231)	(81)	28	25
EBIT	(122)	(558)	(237)	3	1
EBT	(158)	(833)	(360)	(17)	(16)
PAT	(104)	(548)	(185)	(0)	(9)
Effective Tax rate	19.1	22.0	17.0	0.6	7.0

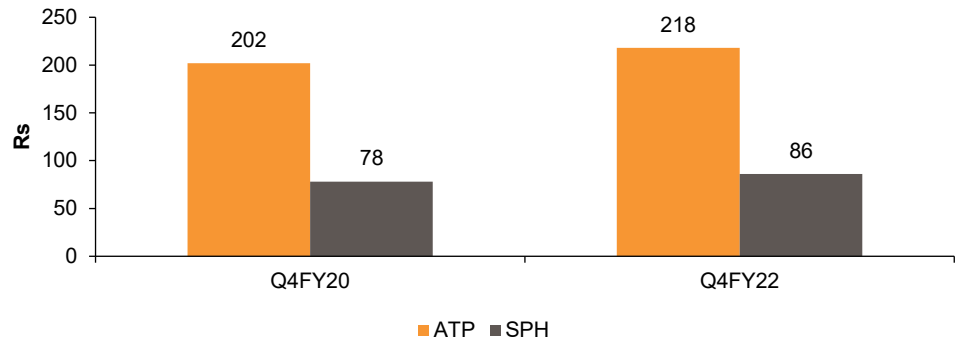
Source: Company, Emkay Research

Exhibit 3: Net box office collections and F&B revenue - the highest for Mar'22

Source: Company, Emkay Research

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Exhibit 4: ATP and SPH- Well above pre-Covid levels

Source: Company, Emkay Research

Exhibit 5: Key revenue assumptions

Rs mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Ticketing	8022	9752	11040	551	4,180	13,673	16,612	18,650
yoy growth		22%	13%	-95%	659%	227%	21%	12%
F&B	3061	4356	4970	273	1,920	6,397	7,901	8,974
yoy growth		42%	14%	-95%	604%	233%	24%	14%
Ad	1390	1765	1800	36	340	1,600	2,000	2,300
yoy growth		27%	2%	-98%	858%	371%	25%	15%
Others	1009	1049	1162	200	398	900	1,035	1,159
yoy growth		4%	11%	-83%	99%	126%	15%	12%
Total	13,482	16,922	18,972	1,059	6,838	22,570	27,548	31,084
yoy growth		26%	12%	-94%	546%	230%	22%	13%

Source: Company, Emkay Research

Exhibit 6: Changes in estimates

Particulars	FY23E			FY24E			FY25E
	Old	Revised	% Change	Old	Revised	% Change	Introduced
Revenue (Rs mn)	22,029	22,570	2.5	26,782	27,548	2.9	31,084
EBITDA (Rs mn)	7,148	7,295	2.1	9,146	9,276	1.4	10,499
EBITDA Margin (%)	32.4	32.3	-12 bps	34.1	33.7	-48 bps	33.8
EBITDA (Adj. for IND AS 116)	4,088	4,095	0.2	5,780	5,692	-1.5	6,485
PAT (Rs mn)	941	1,095	16.4	2,293	2,361	3.0	3,167
EPS (Rs)	7.7	9.0	16.4	18.8	19.3	2.8	25.9

Source: Company, Emkay Research

Exhibit 7: Pro-forma estimates for merged company (With synergies)

FY24E	PVR	Inox	Synergies	Merged Entity	Comments
Ticket	23,940	16,612		40,552	
F&B	14,415	7,901		22,316	
Ad revenue per screen	4.2	2.6			
Number of Screens	1,018	810		1,828	
Ad revenue	4,290	2,000	936	7,226	Discount for Inox will narrow with scale
Convenience Fee	1,740	670	179	2,589	Better negotiations for Inox
% Sales	3.7%	2.4%			
Others	2,200	365			
Total revenue	46,584	27,548	1,115	75,248	
Opex					
Movie Exhibition Costs	10,354	7,642		17,996	
F&B	3,892	2,054	367	5,579	Vendor consolidation and scale benefits
Employee Costs	4,088	1,439	371		Removing redundancies
Other Expenses	12,112	7,138	371		Scale benefits
Total Expenses	30,446	18,272	1,109	46,981	
EBITDA	16,138	9,276	2,141	28,267	
EBITDA adj. for IND-AS	9,838	5,692	2,141	17,671	
Depreciation	6,950	3,427		10,377	
EBIT	9,188	5,849		17,890	
Other Income	346	100		446	
Interest Cost	4,272	2,792		7,065	
PBT	5,262	3,157		11,271	
Tax	1,324	795	539	2,658	
Tax Rate	25.2%	25.2%			
PAT	3,937	2,362	1602	8,613	

Source: Emkay Research

Con-call highlights

- The sequential decline in ATP and SPH was due to the higher base, as tickets were priced higher in the festive period and for Hollywood content. However, the Q4 trend does not point toward any shift in pricing in the subsequent quarters.
 - The number of shows on a per-day, per-screen basis is back to normal levels of 4.5-5.
- **Content windowing:** In the next 1-2 months, all movies will have 8-week windowing to alternate platforms, while the movies released in April had lower windowing.
- **Ad revenues:** Advertisers have started coming back with the majority of the Rs130mn revenue in Q4 being recorded in March. The sequential revenue decline in Q4 was due to the ambiguity among advertisers due to the Omicron wave-led disruptions. April saw continued improvement on the ad revenue front, and within the next 2-3 quarters, revenue should reach pre-Covid levels.
- **Insta Pay Wallet:** The wallet was launched to create customer stickiness. Once the customer loads money to the wallet, they get additional points which can be redeemed for ticketing or F&B.
- **Movie distribution costs:** Revenue sharing with producers/distributors is back to pre-Covid levels now.
- All the rent and CAM agreements with landlords are in place and payments are based on normal terms from Mar'22.
- **Capex:** The company plans to open 77 screens in FY23, funded via internal accruals.
- **Merger:** The CCI is yet to come back regarding the merger. The merger timeline of 6-9 months, however, remain unchanged.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1,059	6,839	22,570	27,548	31,084
Expenditure	2,782	6,122	15,275	18,272	20,584
EBITDA	(1,723)	717	7,295	9,276	10,499
Depreciation	2,832	2,938	3,173	3,427	3,566
EBIT	(4,555)	(2,221)	4,123	5,849	6,934
Other Income	423	218	80	100	120
Interest expenses	2,511	2,580	2,739	2,792	2,820
PBT	(6,643)	(4,583)	1,464	3,157	4,234
Tax	(1,087)	(739)	369	795	1,067
Extraordinary Items	2,179	1,450	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	(3,377)	(2,394)	1,095	2,361	3,167
Adjusted PAT	(5,556)	(3,844)	1,095	2,361	3,167

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	1,125	1,222	1,222	1,222	1,222
Reserves & surplus	5,204	5,706	6,121	8,482	11,649
Net worth	6,329	6,927	7,342	9,703	12,870
Minority Interest	0	0	0	0	0
Loan Funds	28,445	29,476	30,134	30,724	31,024
Net deferred tax liability	(2,840)	(3,580)	(3,580)	(3,580)	(3,580)
Total Liabilities	31,934	32,823	33,896	36,847	40,314
Net block	30,809	30,843	32,661	36,339	37,545
Investment	5	0	0	0	0
Current Assets	3,618	5,078	4,875	4,385	7,190
Cash & bank balance	774	2,318	1,352	435	2,706
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	3,068	3,378	3,919	4,157	4,700
Net current assets	550	1,701	956	228	2,490
Misc. exp	0	0	0	0	0
Total Assets	31,934	32,823	33,896	36,847	40,314

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	(7,066)	(4,801)	1,384	3,057	4,114
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(954)	(346)	(222)	(188)	9
Operating Cashflow	(1,499)	198	4,046	5,600	6,741
Capital expenditure	(1,926)	(2,682)	(4,991)	(7,105)	(4,771)
Free Cash Flow	(3,425)	(2,485)	(944)	(1,506)	1,970
Investments	7	5	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,497)	(2,459)	(4,911)	(7,005)	(4,651)
Equity Capital Raised	98	97	0	0	0
Loans Taken / (Repaid)	250	1,031	658	589	301
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	5,477	5,258	1,979	2,692	2,700
Financing Cashflow	3,315	3,805	(102)	489	181
Net chg in cash	319	1,544	(966)	(916)	2,271
Opening cash position	454	774	2,318	1,352	435
Closing cash position	774	2,318	1,352	435	2,706

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	(162.6)	10.5	32.3	33.7	33.8
EBIT Margin	(430.0)	(32.5)	18.3	21.2	22.3
Effective Tax Rate	16.4	16.1	25.2	25.2	25.2
Net Margin	(524.5)	(56.2)	4.9	8.6	10.2
ROCE	(12.8)	(6.2)	12.6	16.8	18.3
ROE	(88.6)	(58.0)	15.3	27.7	28.1
RoIC	(14.7)	(7.3)	13.2	17.1	18.9

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	(45.5)	(31.5)	9.0	19.3	25.9
CEPS	(22.3)	(7.4)	34.9	47.4	55.1
BVPS	51.8	56.7	60.1	79.4	105.4
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	(10.8)	(15.7)	55.0	25.5	19.0
P/CEPS	(22.1)	(66.5)	14.1	10.4	8.9
P/BV	9.5	8.7	8.2	6.2	4.7
EV / Sales	83.0	12.8	3.9	3.3	2.8
EV / EBITDA	(51.0)	121.9	12.2	9.8	8.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	4.4	3.9	3.9	3.1	2.2
Net Debt/EBIDTA	(16.1)	37.9	3.9	3.3	2.7
Working Cap Cycle (days)	(77.0)	(32.9)	(6.4)	(2.7)	(2.5)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(94.4)	545.7	230.0	22.1	12.8
EBITDA	(128.9)	0.0	917.3	27.1	13.2
EBIT	(236.9)	0.0	0.0	41.9	18.5
PAT	(2,349.8)	0.0	0.0	115.7	34.1

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	904	223	474	2,965	3,177
EBITDA	(401)	(516)	(386)	840	780
EBITDA Margin (%)	(44.3)	(231.4)	(81.4)	28.3	24.6
PAT	(937)	(1,223)	(877)	(13)	(282)
EPS (Rs)	(7.7)	(10.0)	(7.2)	(0.1)	(2.3)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	43.6	43.6	43.6	43.6	44.0
FIs	16.6	17.1	16.5	16.9	15.3
DIs	25.4	25.4	25.0	25.6	26.0
Public and Others	14.4	13.9	14.9	13.9	14.7

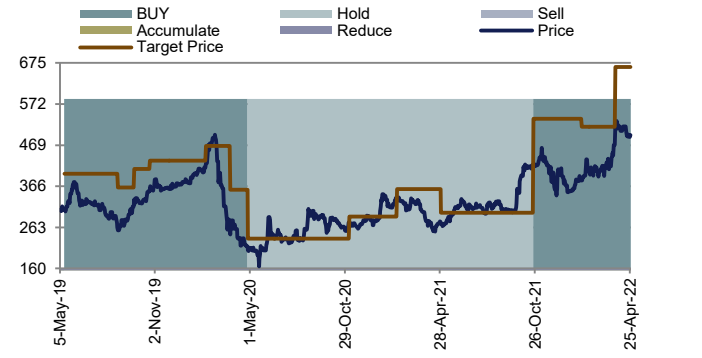
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Mar-22	523	665	12m	Buy	Naval Seth
23-Jan-22	380	515	12m	Buy	Naval Seth
23-Oct-21	418	535	12m	Buy	Naval Seth
30-Apr-21	272	300	12m	Hold	Naval Seth
21-Feb-21	324	359	12m	Hold	Naval Seth
5-Feb-21	330	359	12m	Hold	Naval Seth
6-Nov-20	266	290	12m	Hold	Naval Seth
5-Aug-20	235	235	12m	Hold	Naval Seth
10-Jun-20	237	235	12m	Hold	Naval Seth
27-Apr-20	206	235	12m	Hold	Naval Seth
24-Mar-20	245	357	12m	Buy	Naval Seth
7-Feb-20	424	467	12m	Buy	Naval Seth
25-Nov-19	362	430	12m	Buy	Naval Seth
23-Oct-19	354	430	12m	Buy	Naval Seth
26-Sep-19	337	410	12m	Buy	Naval Seth
23-Sep-19	334	410	12m	Buy	Naval Seth
23-Aug-19	256	363	12m	Buy	Naval Seth
2-Aug-19	291	397	12m	Buy	Naval Seth
20-Jun-19	325	397	12m	Buy	Naval Seth
13-May-19	309	397	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Media & Entertainment



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Contact Details

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Media & Entertainment	0.28	0.28	0%	0	100.00	
Inox Leisure	0.00	0.00	NA	0	0.00	0
PVR	0.00	0.00	NA	0	0.00	0
Sun TV Network	0.04	0.04	0%	0	14.29	0
Zee Entertainment	0.24	0.24	0%	0	85.71	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base						Latest
	1-Apr-19	30-Apr-21	29-Oct-21	31-Jan-22	31-Mar-22	29-Apr-22	
EAP - Media & Entertainment	100.0	52.8	80.1	76.3	75.8	66.5	
BSE200 Neutral Weighted Portfolio (ETF)	100.0	48.0	72.3	68.8	68.4	60.0	

*Performance measurement base date 1st April 2019

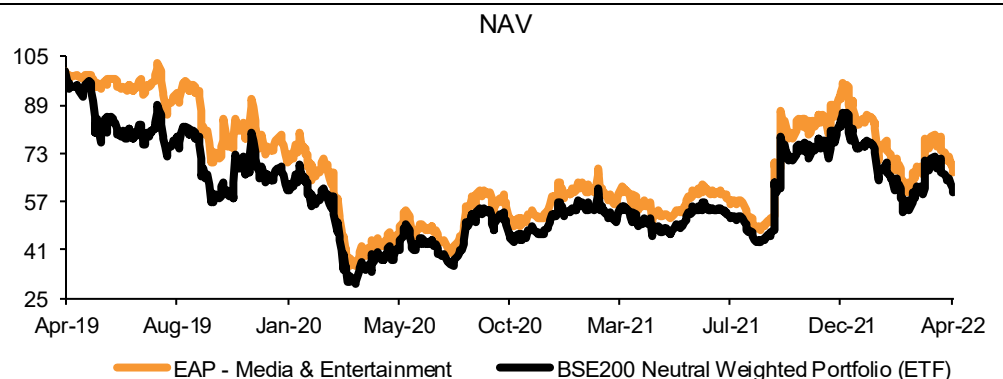
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Media & Entertainment	-12.3%	-12.8%	-17.0%	25.8%
BSE200 Neutral Weighted Portfolio (ETF)	-12.3%	-12.8%	-17.0%	24.9%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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