

## Blockbuster March drives footfall recovery...

**About the stock:** Inox Leisure is the second largest player in terms of multiplex screen count in India. Currently, the company operates 681 screens in 161 cinemas in 72 cities in India with an aggregate seating capacity of ~1.53 lakhs seats.

- It is the only national multiplex, which enjoys a net debt free balance sheet

**Q4FY22 Results:** Despite washout first half of Q4, March box office led to footfalls growth QoQ.

- Reported revenue was at ₹ 317.7 crore (up ~7.2 QoQ). The box office revenue was ₹ 202 crore (up 14% QoQ) led by footfalls at 11 mn, up 17% QoQ while F&B revenue was ₹ 87 crore and ad revenues at ₹ 13 crore
- EBITDA (ex- Ind AS 116) was at ~₹ 14 crore, with margins of 4.5%, as the expenses went up on business resumption towards normalcy. On reported basis, EBITDA was ₹ 78 crore, with margins of 24.6%
- Inox recognised ₹ 20.3 crore as rent concessions. On a reported basis, net loss was at ₹ 22.8 crore, also aided by rent concession recognition mentioned above. Ex- Ind AS116 basis, loss was ₹ 12 crore

**What should investors do?** Inox' share price has grown by ~77% over the past five years (from ~₹ 278 in May, 2017 to ~₹ 493 levels in May, 2022).

- We maintain **BUY** rating on the company

**Target Price and Valuation:** We value Inox at ₹ 670 i.e. 15x FY24E EV/EBITDA. Higher implied target multiple is owing to overall merger led benefits.

### Key triggers for future price performance:

- Strong content slate line up to drive recovery in footfalls/revenues
- Benefits of permanent saving in costs (ex-rental) by 8-10%, given the rationalisation measures
- Merged entity (PVR Inox) will benefit from scale of expansion, faster growth trajectory and other revenues/cost synergy

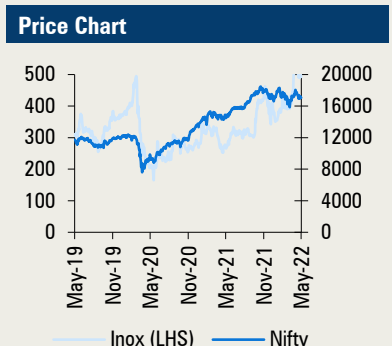
**Alternate Stock Idea:** Apart from Inox Leisure, we like PVR in multiplex space

- A play on recovery of earnings of multiplexes
- BUY with target price of ₹ 2265



Particulars	
Particulars	Amount
Market Capitalization (₹ Crore)	6,025
Total Debt (FY21) (₹ Crore)	86
Cash (FY21) (₹ Crore)	252
EV (₹ Crore)	6,121
52 week H/L (₹)	564/ 252
Equity Capital (₹ crore)	122.2
Face value (₹)	10.0

Shareholding pattern				
	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	43.6	43.6	43.6	44.0
DII	23.1	22.2	23.4	24.2
FII	16.4	16.5	16.9	15.3
Other	16.8	17.7	16.1	16.5



**Key risks**

**Key Risk:** (i) Any further pandemic wave (ii) Any hindrance to merger consummation

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### Key Financial Summary

(Year-end March)	FY20	FY21	FY22E	5 yr CAGR (FY17-22)	FY23E	FY24E	4 yr CAGR (FY20-24E)
Total Operating Income (₹ crore)	1,897.4	105.9	683.9	(10.9)	2,062.4	2,492.9	7.1
EBITDA (₹ crore)	596.8	(172.3)	71.7	(13.1)	675.3	863.4	9.7
Net Profit (₹ crore)	15.0	(337.7)	(239.4)	PL	87.2	188.9	88.4
EPS (₹)	1.5	(30.0)	(19.6)		7.1	15.5	
P/E (x)	337.6	(16.4)	(25.2)		69.1	31.9	
Price / Book (x)	8.1	8.8	8.7		8.0	6.6	
EV/EBITDA (x)	14.7	(51.0)	122.0		12.9	10.2	
RoCE (%)	9.9	(11.7)	(5.4)		10.2	13.2	
RoE (%)	2.4	(62.5)	(50.6)		11.6	20.8	

## Key performance highlight and outlook

### Blockbuster March drives footfall...

Notably Q3 revenues were 14% below pre-pandemics levels with footfalls also down 14%. However, in the context of Omicron led disruption impacting releases and subsequent restrictions in January/February, **the company has witnessed a March which was the best ever in the history, led by superlative performances by *Kashmir Files, RRR, Gangubai, etc.*** Consequently, footfalls were up 17% QoQ at 11 mn. We highlight that April has been strong again with release of **KGF 2**, which has grossed ₹ 370 crore plus in Hindi segment alone. We highlight that content pipeline is very strong and there is high probability of similar strong collections in the coming quarters. **We bake in 77, 80 screens addition in FY23E, FY24E, respectively. Consequently, we build in footfall growth of 4% CAGR in FY20-24E to 77 million coupled with 4% CAGR in ATP to lead to ~8% FY20-24E CAGR in net box office revenues to ₹ 1499 crore. F&B revenue CAGR is estimated at 9.5% over FY20-24E leading to a total of ₹ 714 crore. Ad revenue is expected to take longer to recover. We expect ad revenue of ₹ 180 crore in FY24E (similar to FY20). We expect strong recovery in FY23 with all variables (except ad) back to pre-Covid levels for the full year.**

### Liquidity strong; merger timeline on track...

The company indicated that from March, 2022, it is back to paying committed rentals as per agreements, and concession booked was for January/February, 2022. The liquidity position is strong and the company is net debt free. As on date, the company has close to ₹ 360+ crore, including undrawn limit. Gross debt is ₹ 86 crore as on date and net cash is ~₹ 252 crore. It also indicated that for the merger, it is now awaiting exchange approvals and it is on track to be completed in stipulated timelines (i.e. six to nine months).

### Other highlights

- **Guidance:** The company guided for **77 screens opening FY23, all funded through internal accruals. It indicated that ATP hike will be in line with inflations trends, while spends per head (SPH) will likely see a growth of ~8-10%.** It also guided that **ad revenues would be back to pre-Covid run rate over the next two quarters** given the strong content pipeline ahead.
- **Screen opening:** The company added 32 screens in FY22, which was highest in the industry.
- **Others:**
  - The contribution from F&B to overall revenue have increased to 28% in FY22 (vs ~26% in FY20/FY21) respectively. This is mainly aided by a) stronger push, b) more menus to offer and c) higher point of sales via app, LED kiosk and delivery partners
  - Furthermore, the company **expects the monthly fixed costs to trend towards pre-Covid levels of ~₹ 82-83 crore, despite screens being 10% higher than the same, implying a clear costs savings**
  - ATP and **SPH in Q4 was lower as Q3 (November and December) was a festive season**, which was not the case in Q4. Furthermore, **movie mix also led to lower ATP** as sleeper blockbuster like Kashmir Files commanded average ticket prices

We believe that that with strong content pipeline recovery trend will continue ahead. Inox with strong balance sheet is poised to grow at superior rate. We maintain **BUY** and assign FY24E EV/EBITDA multiple of 15x, with a target price of ₹ 670/share. Higher implied target multiple is owing to overall merger led benefits.

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	Q3FY22	YoY (%)	QoQ (%)	Comments
Revenue	317.7	331.9	90.4	296.5	251.3	7.2	
Other Income	7.7	5.0	28.6	4.9	-73.1	57.5	
Employee Expenses	22.6	24.9	25.9	24.0	-12.8	-5.7	
Exhibition Cost	92.1	100.1	23.5	84.6	NA	8.9	
Cost of F&B	19.6	20.5	6.8	18.3	188.8	7.2	
Rent	0.0	24.1	0.0	0.0	NA	NA	
Other Expenses	105.4	82.0	74.3	85.6	41.8	23.0	
EBITDA	78.0	80.3	-40.1	84.0	-294.7	-7.1	
EBITDA Margin (%)	24.6	24.2	-44.3	28.3	NM	NM	
Depreciation	73.5	80.0	70.1	73.8	4.9	-0.3	
Interest	64.3	67.7	61.7	64.5	4.2	-0.2	
Exceptional Items	-20.3	0.0	-22.3	-47.8	NA	NA	Company recognised the amount of ₹ 20.3 crore towards rent concession
Total Tax	-3.7	-26.2	-27.4	-0.3	-86.6	1,207.1	
PAT	-28.2	-77.7	-93.7	-1.3	-69.9	2,034.1	

Key Metrics

Footfalls	11.0	11.5	3.4	9.4	223.5	17.0
Occupancy	24	24	10	18	136.4	31.3
SPH	86.0	88.0	78.0	97.0	10.3	-11.3
ATP	218.0	220.0	172.0	226.0	26.7	-3.5

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,119.5	2,062.4	-2.7	2,499.2	2,492.9	-0.3	Realign estimates
EBITDA	706.2	675.3	-4.4	847.7	863.4	1.9	
EBITDA Margin (%)	33.3	32.7	-58 bps	33.9	34.6	72 bps	
PAT	109.7	87.2	NA	181.9	188.9	3.8	
EPS (₹)	9.0	7.1		14.9	15.5		

Source: Company, ICICI Direct Research

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

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,119.5	2,062.4	-2.7	2,499.2	2,492.9	-0.3	Realign estimates
EBITDA	393.7	373.2	-5.2	502.0	522.7	4.1	
EBITDA Margin (%)	18.6	18.1	-48 bps	20.1	21.0	88 bps	
PAT	211.3	195.5	-7.5	287.6	298.7	3.9	
EPS (₹)	17.3	16.0		23.5	24.4		

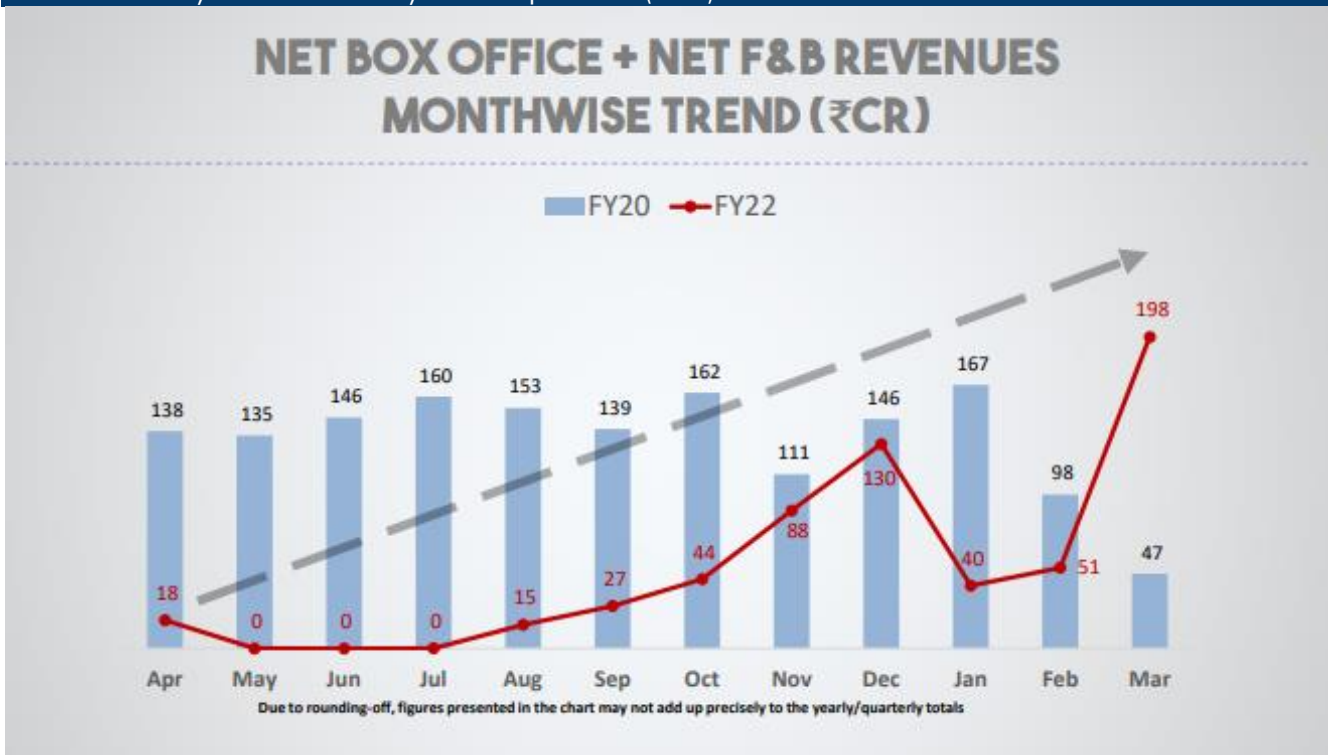
Source: Company, ICICI Direct Research

Exhibit 4: Q1FY23 Content pipeline

Release Date	Movie	Language	Cast
01-Apr-22	ATTACK	HINDI	John Abraham, Rakul Preet Singh, Premhansh, Jacqueline Fernandez
08-Apr-22	FANTASTIC BEASTS: THE SECRETS OF DUMBLEDORE	ENGLISH	Jude Law, Mads Mikkelsen, Katherine Waterston, Eddie Redmayne, Ezra Miller, Alison Sudol
08-Apr-22	GHANI	TELVUGU	Vrun Tej, Suniel Shetty, Saiee Manjrekar, Jagapati Babu, Upendra
14-Apr-22	K.G.F. CHAPTER 2	KANNADA	Yash, Sanjay Dutt, Raveena Tandon, Srinidhi Shetty, Anant Nag, Prakash Raj
13-Apr-22	BEAST (TAMIL/TELVUGU) & RAW (Hindi)	TAMIL	Vijay, Pooja Hegde, Yogi Babu, K. Selvaraghavan, Shine Tom Chacko
22-Apr-22	JERSEY	HINDI	Shahid Kapoor, Mrunal Thakur, Pankaj Kapoor, Palak Singh, Sanjeev Copra
22-Apr-22	SHER SHIVARAJ	MARATHI	Chinmay Mandlekar, Mrinal Kulkarni, Ajay Purkar, Bipin Suresh
29-Apr-22	RUNWAY 34	HINDI	Ajay Devgan, Amitabh Bachchan, Rakul Preet Singh, Aakasha Singh, Angira Dhar
29-Apr-22	HEROPANTI 2	HINDI	Tiger Shroff, Tara Sutaria, Sarwan Ali Paliyo
29-Apr-22	AACHARYA	TELVUGU	Chiranjeevi, Ram Charan Teja, Kajal Agarwal
06-May-22	DOCTOR STRANGE IN THE MULTIVERSE OF MADNESS	ENGLISH	Elizabeth Olsen, Rachael Mcadams, Benedict Cumberbatch, Chiwete Ejiofor, Benedict Wong
12-May-22	SARKARU VAARI PAATA	TELVUGU	Mahesh Babu, Keerthy Suresh, Duy Beck, Vennela Kishoore, Subbaraju
13-May-22	DON	TAMIL	Shivakartikayen, Priyanka Arul Mohan
13-May-22	JAYESHBHAI JORDAAR	HINDI	Ranveer Singh, Shalini Pandey, Boman Irani, Ratna Pathak
20-May-22	BHOOL BHULAIYAA 2	HINDI	Kartik Aryan, Kiara Advani, Tabu, Rajpal Yadav
20-May-22	DHAAKAD	HINDI	Kangana Ranaut, Arjun Rampal, Divya Dutta
27-May-22	ANEK	HINDI	Ayushmann Khurrana
27-May-22	TOP GUN 2 MAVERICK	ENGLISH	Jennifer Connelly, Tom Cruise, Jon Hamm
27-May-22	F3: FUN AND FRUSTRATION	TELVUGU	Venkatesh, Varun Tej
03-Jun-22	PRITHVIRAJ	HINDI	Akshay Kumar, Manushi Chhilar, Sonu Sood, Sanjau Dutt, Manoj Joshi, Sakshi Tanvar
To be Disclosed	MAIDAAN	HINDI	Ajay Devgan, Keerthy Suresh, Priyamani, Gajaraj Rao, Rudrani Ghosh
03-Jun-22	VIKRAM	TAMIL/HINDI	Kamal Haasan, Vijay Sethupathi, Fahadh Faasil, Arjun Das
10-Jun-22	JURASSIC WORLD : DOMINION	ENGLISH	Bryce Dallas Howard, Chris Pratt, Jake Johnson, Jeff Goldblum
10-Jun-22	GOVINDA NAAM MERA	HINDI	Vicky Kaushal, Bhumi Pednekar, Kiara Advani
17-Jun-22	RAMARAO ON DUTY	TELVUGU	Ravi Teja, Divyansha Kaushik, Rajisha Vijayan, Nassar, Surekha Vani
17-Jun-22	DOCTOR G	HINDI	Ayushmann Khurrana, Rakul Preet Singh, Shefali Shah, Sheeba Chaddha
24-Jun-22	JUGJUG JEEYO	HINDI	Varun Dhavan, Kiara Advani, Anil Kapoor, Neetu Singh, Maniesh Paul, Prajakta Koli
24-Jun-22	TRANSFORMERS : RISE OF THE BEASTS	ENGLISH	Antony Ramos, Ron Perlman, Peter Cullen, Luna Lauren Velez, Dominique Fishback

Source: Company, ICICI Direct Research

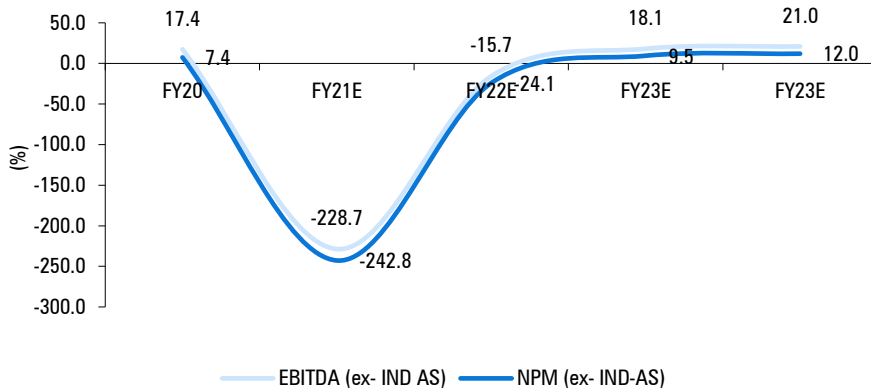
Exhibit 5: Monthly revenues recovery trend vs. pre-Covid (FY20)



Source: Company, ICICI Direct Research

## Financial story in charts

Exhibit 6: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 7: P&L (excl. Ind-AS 116)

(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>105.9</b>	<b>683.9</b>	<b>2,062.4</b>	<b>2,492.9</b>
Growth (%)	-94.4	545.7	201.5	20.9
Employee Expenses	86.7	94.9	121.2	140.4
Exhibition Cost	26.4	196.4	586.2	697.0
Cost of F&B	7.9	42.7	145.4	192.8
Rent	70.0	179.4	436.3	490.1
Other Expenses	157.2	278.3	400.0	450.0
Total Operating Expenditure	348.2	791.7	1,689.2	1,970.3
<b>EBITDA</b>	<b>-242.3</b>	<b>-107.7</b>	<b>373.2</b>	<b>522.7</b>
Margin (%)	-228.7	-15.7	18.1	21.0
Depreciation	113.0	116.0	127.9	143.3
Interest	17.0	11.0	8.0	8.0
Other Income	42.3	21.8	24.0	28.0
Exceptional Items	4.0	0.0	0.0	0.0
PBT	-339.0	-212.9	261.4	399.3
Total Tax	-81.8	-48.4	65.9	100.6
<b>PAT</b>	<b>-257.2</b>	<b>-164.5</b>	<b>195.5</b>	<b>298.7</b>
Adjusted PAT	-257.2	-164.5	195.5	298.7
Growth (%)	-282.4	-36.0	-218.8	52.8
<b>Adj EPS (₹)</b>	<b>-22.9</b>	<b>-13.5</b>	<b>16.0</b>	<b>24.4</b>

Source: Company, ICICI Direct Research

Exhibit 8: KPI

(Year-end March)	FY21	FY22E	FY23E	FY24E
Box office Revenues	55	418	1,261	1,499
YoY	-95%	661%	202%	19%
F&B	27	192	582	714
YoY	-95%	604%	203%	23%
Ad	3	34	140	180
YoY	-99%	1181%	317%	29%
ATP	170	217	224	232
YoY	-15%	28%	3%	4%
Footfalls (mn)	4	23	67	77
	-94%	490%	192%	14%
Screens	643	673	750	830
Net Debt	(11)	(119)	(138)	(299)

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>105.9</b>	<b>683.9</b>	<b>2,062.4</b>	<b>2,492.9</b>
Growth (%)	-94.4	545.7	201.5	20.9
Employee Expenses	86.7	94.9	121.2	140.4
Exhibition Cost	26.4	196.4	586.2	697.0
Cost of F&B	7.9	42.7	145.4	192.8
Rent	0.0	0.0	134.3	149.4
Other Expenses	157.2	278.3	400.0	450.0
Total Operating Expenditure	278.2	612.2	1,387.1	1,629.5
<b>EBITDA</b>	<b>-172.3</b>	<b>71.7</b>	<b>675.3</b>	<b>863.4</b>
Growth (%)	NM	NM	LP	27.9
Depreciation	283.2	293.8	313.8	345.8
Interest	251.1	258.0	268.6	292.4
Other Income	42.3	21.8	24.0	28.0
Exceptional Items	-217.9	-145.0	0.0	0.0
PBT	-446.4	-313.3	116.9	253.2
Total Tax	-108.7	-73.9	29.7	64.3
<b>PAT</b>	<b>-337.7</b>	<b>-239.4</b>	<b>87.2</b>	<b>188.9</b>
Adjusted PAT	-395.4	-350.2	87.2	188.9
Growth (%)	NM	NM	NM	116.7
<b>EPS (₹)</b>	<b>-30.0</b>	<b>-19.6</b>	<b>7.1</b>	<b>15.5</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	112.5	122.2	122.2	122.2
Reserve and Surplus	520.5	570.4	628.2	787.8
Interest in benefit trust	-	-	-	-
Total Shareholders funds	632.9	692.6	750.4	910.0
Total Debt	104.0	86.5	86.5	86.5
Others	2,804.7	2,913.9	2,928.0	3,123.6
<b>Total Liabilities</b>	<b>3,541.6</b>	<b>3,693.0</b>	<b>3,764.9</b>	<b>4,120.1</b>
<b>Assets</b>				
Total Fixed Assets	1,021.5	975.5	1,147.7	1,304.3
Investments	0.5	151.5	151.5	151.5
Rights of Use Assets	2,116.4	2,134.8	2,073.6	2,111.1
Debtors	4.3	29.0	56.5	68.3
Inventory	10.3	14.3	13.0	15.7
Loans and Advances	105.1	185.7	120.1	145.2
Other Current Assets	49.3	40.0	30.1	36.4
Cash	77.4	55.8	90.5	251.5
Total Current Assets	246.3	324.9	310.2	517.1
Total Current Liabilities	242.6	286.9	311.2	357.0
Net Current Assets	3.7	38.0	-1.0	160.1
Other Non Current Assets	399.5	393.1	393.1	393.1
<b>Application of Funds</b>	<b>3,541.6</b>	<b>3,693.0</b>	<b>3,764.9</b>	<b>4,120.1</b>

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>PAT</b>	<b>-337.7</b>	<b>-239.4</b>	<b>87.2</b>	<b>188.9</b>
Add: Depreciation	283.2	293.8	313.8	345.8
Add: Interest Paid	251.1	258.0	268.6	292.4
(Inc)/dec in Current Assets	61.2	-100.1	49.4	-45.9
Inc/(dec) in CL and Provisions	-54.4	44.3	24.3	45.8
<b>CF from operating activities</b>	<b>203.5</b>	<b>256.6</b>	<b>743.3</b>	<b>827.1</b>
(Inc)/dec in Investments	0.6	-148.9	0.0	0.0
(Inc)/dec in Fixed Assets	-50.6	-72.3	-300.0	-300.0
Others	-164.4	-80.5	-110.7	-44.3
<b>CF from investing activities</b>	<b>(214.4)</b>	<b>(301.7)</b>	<b>(410.7)</b>	<b>(344.3)</b>
Issue/(Buy back) of Equity	9.8	9.7	0.0	0.0
Inc/(dec) in loan funds	-54.0	-17.5	0.0	0.0
Less: Interest Paid	251.1	258.0	268.6	292.4
Others	-163.3	-226.6	-566.5	-614.1
<b>CF from financing activities</b>	<b>43.6</b>	<b>23.5</b>	<b>(297.9)</b>	<b>(321.7)</b>
Net Cash flow	32.7	-21.5	34.7	161.0
Opening Cash	44.7	77.4	55.8	90.5
<b>Closing Cash</b>	<b>77.4</b>	<b>55.8</b>	<b>90.5</b>	<b>251.5</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	-30.0	-19.6	7.1	15.5
Adj EPS	-35.2	-28.7	7.1	15.5
BV	56.3	56.7	61.4	74.5
DPS	0.0	0.0	2.4	2.4
Cash Per Share	6.9	4.6	7.4	20.6
<b>Operating Ratios (%)</b>				
EBITDA Margin	-162.6	10.5	32.7	34.6
PBT / Net Sales	-430.0	-32.5	17.5	20.8
PAT Margin	-373.3	-51.2	4.2	7.6
Inventory days	35.6	7.6	2.3	2.3
Debtor days	14.8	15.5	10.0	10.0
Creditor days	363.1	72.5	25.0	25.0
<b>Return Ratios (%)</b>				
RoE	-62.5	-50.6	11.6	20.8
RoCE	-11.7	-5.4	10.2	13.2
RoIC	-47.0	-21.6	32.1	40.2
<b>Valuation Ratios (x)</b>				
P/E	-16.4	-25.2	69.1	31.9
EV / EBITDA	-51.0	122.0	12.9	10.2
EV / Net Sales	82.9	12.8	4.2	3.5
Market Cap / Sales	56.9	8.8	2.9	2.4
Price to Book Value	8.8	8.7	8.0	6.6
<b>Solvency Ratios</b>				
Debt/EBITDA	-0.6	1.2	0.1	0.1
Net Debt / Equity	0.2	0.1	0.1	0.1
Current Ratio	1.2	1.6	1.1	1.1
Quick Ratio	1.1	1.5	1.0	1.1

Source: Company, ICICI Direct Research



## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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