

May 3, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	681		681	
Sales (Rs. m)	22,471	26,521	22,365	26,471
% Chng.	0.5	0.2		
EBITDA (Rs. m)	7,342	8,907	7,335	8,936
% Chng.	0.1	(0.3)		
EPS (Rs.)	10.2	18.3	10.1	18.5
% Chng.	0.3	(1.1)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	1,059	6,839	22,471	26,521
EBITDA (Rs. m)	498	2,167	7,342	8,907
Margin (%)	47.0	31.7	32.7	33.6
PAT (Rs. m)	(3,336)	(2,394)	1,244	2,244
EPS (Rs.)	(29.7)	(19.6)	10.2	18.3
Gr. (%)	NA	NA	NA	80.4
DPS (Rs.)	-	-	1.0	1.0
Yield (%)	-	-	0.2	0.2
RoE (%)	NA	NA	15.5	22.1
RoCE (%)	NA	NA	11.5	14.5
EV/Sales (x)	78.1	12.8	3.9	3.3
EV/EBITDA (x)	166.3	40.5	12.0	9.8
PE (x)	NA	NA	48.5	26.9
P/BV (x)	8.8	8.7	7.5	5.9

Key Data

INOL.BO | INOL IN

52-W High / Low	Rs.564 / Rs.252
Sensex / Nifty	56,976 / 17,069
Market Cap	Rs.60bn/ \$ 788m
Shares Outstanding	122m
3M Avg. Daily Value	Rs.590.49m

Shareholding Pattern (%)

Promoter's	44.16
Foreign	15.61
Domestic Institution	25.64
Public & Others	14.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	15.0	81.4
Relative	(1.2)	21.2	55.3

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Strong recovery in March; all eyes on 1QFY23

Quick Pointers:

- Target is to open 77 screens in FY23E. Capex will be funded by internal accruals.
- March 2022 witnessed highest ever NBOC and F&B revenue of ~Rs2bn.

INOL reported decent performance with pre IND-AS EBITDA margin of 4.5% (PLe of 7.0%) due to strong recovery in the month of March. ATP and SPH have witnessed significant jump led by blockbuster content while management highlighted that ad-revenue (key margin lever) is expected to reach pre-COVID base within 2 quarters.

After being marred by COVID for last 2 years, normalcy has finally set in and we expect the momentum to continue given 1) strong content pipeline (20 titles to be released this Friday including Dr Strange, a Marvel Studio production) 2) easing occupancy restrictions and 3) pick up in vaccination drive. Given improved operating environment, we expect revenue/EBITDA CAGR of 8.7%/10.5% over 4 years on a pre-COVID base of FY20. Retain BUY on the stock with a TP of Rs681 (arrived from the merger swap ratio of 3:10 with PVR) after assigning EV/EBITDA multiple of 15.5x (no change) to the merged entity.

Footfall in-line with estimates: Top-line increased 251.3% YoY to Rs3,177mn (PLe Rs3,309mn) buoyed by strong content like The Kashmir Files, Gangubai Kathiawadi, and RRR. Overall, 6 movies crossed the Rs1bn barrier in 4QFY22. ATP/SPH stood at Rs218/Rs86 respectively with footfalls of 11mn (PLe of 11.2mn). NBOC/F&B/Advertisement revenue increased to Rs2,020mn/Rs870mn/Rs130mn respectively.

Pre IND-AS EBITDA margin of 4.5%: Ind-AS adjusted EBITDA stood at Rs143mn (PLe of Rs231mn) with a margin of 4.5% (PLe 7.0%) as against Ind-AS adjusted loss of Rs887mn in 4QFY21. Ind-AS adjusted loss stood at Rs122mn (PLe loss of Rs12mn) in comparison with Ind-AS adjusted loss of Rs747mn in 4QFY21.

Con-call highlights: 1) March contributed substantially to Rs130mn of ad-revenue registered in 4QFY22. However, revenue was down 35.0% QoQ as 3QFY22 was a festive quarter and had receptive English content which is typically shown in high end properties that command better yields. 2) Ad-revenue is expected to reach pre-COVID levels within 2 quarters. 3) Rent and CAM negotiations have ended and payments are made as per pre-COVID agreements since March. 4) Film hire distribution agreements have also reverted to pre-COVID terms. 5) Windowing gap will revert to 8 weeks within 1-2 months. 6) Launched Insta-Pay wallet, a reward based platform which will lead to consumer stickiness and higher spends. 7) Operational fixed cost is down from ~Rs820mn in March 2020 to ~Rs760-770mn in March 2022 but is expected to rise going forward in tandem with new property additions. 8) ATP declined sequentially as 4QFY22 had higher proportion of regional content which has lower realization due to pricing caps especially in South India. 9) ATP is expected to rise in line with inflation while SPH is expected to increase by 8-10% in long term.

Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.	FY22	FY21	YoY gr.
Net sales	3,177	904	251.3%	2,965	7.2%	6,839	1,059	545.6%
Movie exhibition cost	921	235	292.3%	846	8.9%	1,964	264	644.0%
<i>As a % of sales</i>	<i>29.0%</i>	<i>26.0%</i>		<i>28.5%</i>		<i>28.7%</i>	<i>24.9%</i>	
Consumption of F&B	196	68	188.8%	183	7.2%	427	79	442.2%
<i>As a % of sales</i>	<i>6.2%</i>	<i>7.5%</i>		<i>6.2%</i>		<i>6.2%</i>	<i>7.4%</i>	
Employee expenses	226	259	-12.8%	240	-5.7%	949	867	9.5%
<i>As a % of sales</i>	<i>7.1%</i>	<i>28.7%</i>		<i>8.1%</i>		<i>13.9%</i>	<i>81.8%</i>	
Other expenses	850	480	77.3%	378	124.9%	1,333	(648)	NM
<i>As a % of sales</i>	<i>26.8%</i>	<i>53.0%</i>		<i>12.8%</i>		<i>19.5%</i>	<i>NM</i>	
EBITDA	983	(137)	NM	1,318	-25.4%	2,167	498	335.4%
<i>EBITDA margin</i>	<i>30.9%</i>	<i>NM</i>		<i>44.4%</i>		<i>31.7%</i>	<i>47.0%</i>	
Depreciation	735	701	4.9%	738	-0.3%	2,938	2,832	3.8%
EBIT	248	(838)	NM	580	-57.3%	(772)	(2,334)	NM
<i>EBIT margin</i>	<i>7.8%</i>	<i>NM</i>		<i>19.6%</i>		<i>NM</i>	<i>NM</i>	
Interest cost	643	617	4.2%	645	-0.2%	2,580	2,511	2.7%
Other income	77	286	-73.1%	49	57.5%	218	423	-48.3%
Exceptional items	-	41	NM	-	NM	-	41	NM
PBT	(318)	(1,210)	NM	(16)	NM	(3,133)	(4,464)	NM
Tax expenses	(37)	(274)	NM	(3)	NM	(739)	(1,087)	NM
Tax rate	NM	NM		NM		NM	NM	
PAT	(282)	(937)	NM	(13)	NM	(2,394)	(3,377)	NM
<i>PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Non-controlling interest	-	-	NM	-	NM	-	-	NM
Other comprehensive income (OCI)	4	5	-24.1%	2	95.2%	9	13	-26.3%
PAT inclusive of OCI	(278)	(932)	NM	(11)	NM	(2,385)	(3,364)	NM
EPS (Rs)	(2.3)	(8.4)	NM	(0.1)	NM	(19.9)	(32.2)	NM

Source: Company, PL

Exhibit 2: Revenue Mix (Rs mn)

Particulars	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.
NBOC	2,020	490	312.2%	1,770	14.1%
<i>As a % of sales</i>	<i>63.7%</i>	<i>54.2%</i>		<i>59.8%</i>	
Net F&B	870	240	262.5%	840	3.6%
<i>As a % of sales</i>	<i>27.4%</i>	<i>26.6%</i>		<i>28.4%</i>	
Advertisement revenue	130	20	550.0%	200	-35.0%
<i>As a % of sales</i>	<i>4.1%</i>	<i>2.2%</i>		<i>6.8%</i>	
Other operating income	153	154	-0.6%	151	1.3%
<i>As a % of sales</i>	<i>4.8%</i>	<i>17.0%</i>		<i>5.1%</i>	
Total sales	3,173	904	251.0%	2,961	7.2%

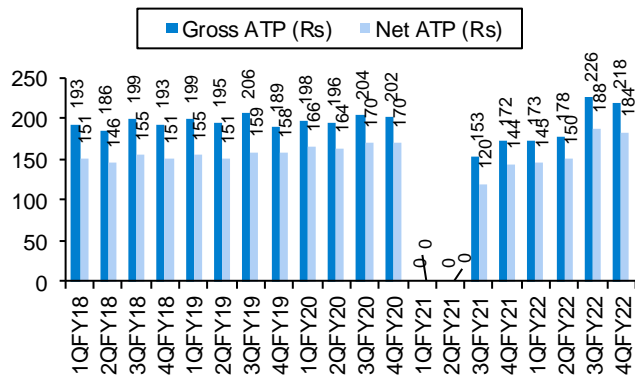
Source: Company, PL

Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.	FY21	FY22	FY23E	FY24E
Sales	3,177	904	251.3%	2,965	7.2%	1,059	6,839	22,471	26,521
Ind-AS Adjusted EBITDA	143	(887)	NM	498	-71.2%	(2,462)	(1,083)	4,001	5,218
Ind-AS Adjusted EBITDA margin	4.5%	NM		16.8%		NM	NM	17.8%	19.7%
Ind-AS Adjusted PAT	(122)	(747)	NM	177	NM	(2,567)	(1,634)	2,111	2,999
Ind-AS Adjusted PAT margin	NM	NM		6.0%		NM	NM	9.4%	11.3%

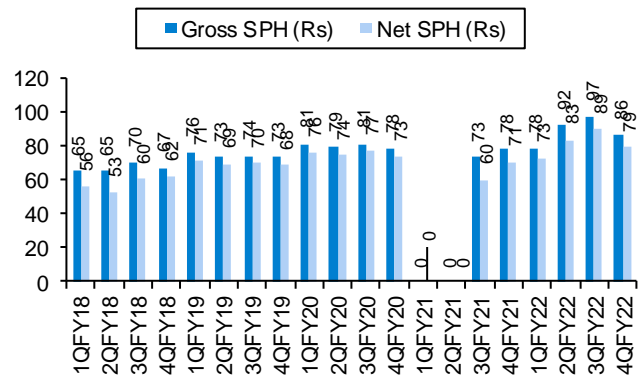
Source: Company, PL

Exhibit 4: Gross/Net ATP trend over the last few quarters



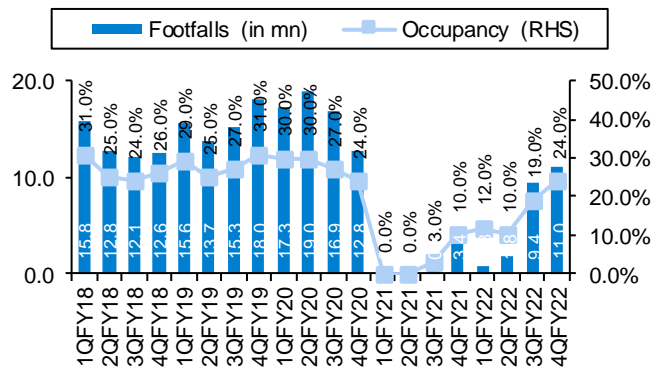
Source: Company, PL

Exhibit 5: Gross/Net SPH trend over the last few quarters



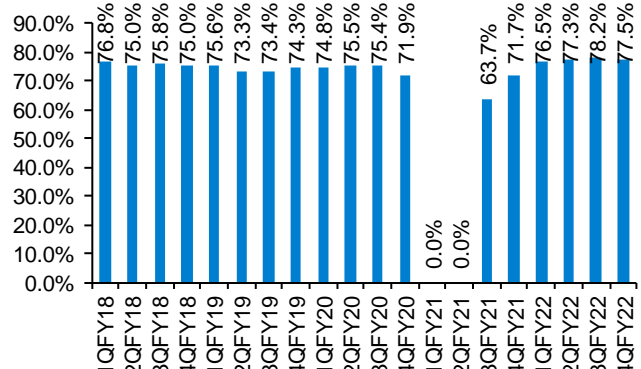
Source: Company, PL

Exhibit 6: Footfalls are volatile, driven by content



Source: Company, PL

Exhibit 7: F&B GM trend in last few quarters



Source: Company, PL

Exhibit 8: Merged entity valuation

Particulars (Rs mn)	FY24E
EV/EBITDA	15.5
EBITDA*	14,771
EV	2,28,955
Less: Debt*	16,377
Add: Cash	8,956
Equity Value	2,21,534
No of shares	97.7
Per share value of merged entity (Rs)	2,269
Implied TP of Inox based on swap ratio of 3:10	681

Source: PL

*Pre-Ind AS 116 projections

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	1,059	6,839	22,471	26,521
YoY gr. (%)	(94.4)	545.6	228.5	18.0
Cost of Goods Sold	343	2,391	7,226	8,499
Gross Profit	717	4,449	15,245	18,022
Margin (%)	67.6	65.0	67.8	68.0
Employee Cost	867	949	1,708	2,016
Other Expenses	(648)	1,333	6,195	7,099
EBITDA	498	2,167	7,342	8,907
YoY gr. (%)	(91.7)	335.4	238.8	21.3
Margin (%)	47.0	31.7	32.7	33.6
Depreciation and Amortization	2,832	2,938	3,150	3,300
EBIT	(2,334)	(772)	4,192	5,607
Margin (%)	NA	NA	18.7	21.1
Net Interest	2,511	2,580	2,720	2,820
Other Income	423	218	191	212
Profit Before Tax	(4,464)	(3,133)	1,663	3,000
Margin (%)	NA	NA	7.4	11.3
Total Tax	(1,087)	(739)	419	756
Effective tax rate (%)	24.4	23.6	25.2	25.2
Profit after tax	(3,377)	(2,394)	1,244	2,244
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(3,336)	(2,394)	1,244	2,244
YoY gr. (%)	NA	NA	NA	80.4
Margin (%)	NA	NA	5.5	8.5
Extra Ord. Income / (Exp)	(41)	-	-	-
Reported PAT	(3,377)	(2,394)	1,244	2,244
YoY gr. (%)	NA	NA	NA	80.4
Margin (%)	NA	NA	5.5	8.5
Other Comprehensive Income	13	9	-	-
Total Comprehensive Income	(3,364)	(2,385)	1,244	2,244
Equity Shares O/s (m)	112	122	122	122
EPS (Rs)	(29.7)	(19.6)	10.2	18.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	35,835	38,805	41,397	44,049
Tangibles	35,608	38,600	41,187	43,835
Intangibles	227	205	210	215
Acc: Dep / Amortization	5,201	8,139	11,289	14,589
Tangibles	5,030	7,968	11,118	14,418
Intangibles	171	171	171	171
Net fixed assets	30,634	30,665	30,107	29,460
Tangibles	30,578	30,632	30,069	29,416
Intangibles	56	34	39	44
Capital Work In Progress	570	263	263	263
Goodwill	175	175	175	175
Non-Current Investments	1,914	1,857	2,022	2,387
Net Deferred tax assets	2,840	3,576	4,291	6,008
Other Non-Current Assets	290	355	384	469
Current Assets				
Investments	4	1,493	1,493	1,493
Inventories	103	143	185	218
Trade receivables	43	290	1,047	1,381
Cash & Bank Balance	774	558	548	1,260
Other Current Assets	490	400	562	610
Total Assets	37,842	39,799	41,112	43,764
Equity				
Equity Share Capital	1,125	1,222	1,222	1,222
Other Equity	5,205	5,704	6,825	8,947
Total Networkth	6,329	6,926	8,047	10,168
Non-Current Liabilities				
Long Term borrowings	27,874	29,310	29,310	29,310
Provisions	167	153	180	186
Other non current liabilities	577	512	449	424
Current Liabilities				
ST Debt / Current of LT Debt	200	171	171	171
Trade payables	1,054	1,359	1,416	1,671
Other current liabilities	1,576	1,356	1,527	1,822
Total Equity & Liabilities	37,842	39,799	41,112	43,764

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(3,377)	(2,394)	1,663	3,000
Add. Depreciation	2,832	2,938	3,150	3,300
Add. Interest	2,511	2,580	2,720	2,820
Less Financial Other Income	423	218	191	212
Add. Other	(3,524)	(2,576)	(970)	(1,875)
Op. profit before WC changes	(1,558)	548	6,563	7,245
Net Changes-WC	200	262	(720)	(182)
Direct tax	49	(42)	(419)	(756)
Net cash from Op. activities	(1,308)	769	5,424	6,307
Capital expenditures	(601)	(735)	(2,592)	(2,653)
Interest / Dividend Income	27	25	-	-
Others	(642)	(1,070)	-	-
Net Cash from Inv. activities	(1,216)	(1,779)	(2,592)	(2,653)
Issue of share cap. / premium	-	-	-	-
Debt changes	(540)	(177)	-	-
Dividend paid	-	-	-	-
Interest paid	(158)	(107)	(2,720)	(2,820)
Others	2,897	1,450	(122)	(122)
Net cash from Fin. activities	2,199	1,166	(2,842)	(2,942)
Net change in cash	(325)	156	(10)	712
Free Cash Flow	(1,910)	23	2,832	3,655

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(29.7)	(19.6)	10.2	18.3
CEPS	(4.5)	4.4	35.9	45.3
BVPS	56.3	56.6	65.8	83.1
FCF	(17.0)	0.2	23.2	29.9
DPS	-	-	1.0	1.0
Return Ratio(%)				
RoCE	NA	NA	11.5	14.5
ROIC	1.3	5.4	17.9	20.4
RoE	NA	NA	15.5	22.1
Balance Sheet				
Net Debt : Equity (x)	4.3	4.0	3.4	2.6
Net Working Capital (Days)	(313)	(49)	(3)	(1)
Valuation(x)				
PER	NA	NA	48.5	26.9
P/B	8.8	8.7	7.5	5.9
P/CEPS	NA	110.9	13.7	10.9
EV/EBITDA	166.3	40.5	12.0	9.8
EV/Sales	78.1	12.8	3.9	3.3
Dividend Yield (%)	-	-	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	223	474	2,965	3,177
YoY gr. (%)	8,824.0	13,077.8	1,892.4	251.3
Raw Material Expenses	72	172	1,029	1,117
Gross Profit	151	302	1,936	2,060
Margin (%)	67.6	63.7	65.3	64.8
EBITDA	(290)	156	1,318	983
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	32.9	44.4	30.9
Depreciation / Depletion	729	736	738	735
EBIT	(1,019)	(580)	580	248
Margin (%)	NA	NA	19.6	7.8
Net Interest	645	648	645	643
Other Income	32	61	49	77
Profit before Tax	(1,632)	(1,167)	(16)	(318)
Margin (%)	NA	NA	NA	NA
Total Tax	(409)	(291)	(3)	(37)
Effective tax rate (%)	25.1	24.9	17.5	11.5
Profit after Tax	(1,223)	(877)	(13)	(282)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(1,223)	(877)	(13)	(282)
YoY gr. (%)	NA	NA	NA	(68.6)
Margin (%)	NA	NA	NA	(68.6)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(1,223)	(877)	(13)	(282)
YoY gr. (%)	NA	NA	NA	(68.6)
Margin (%)	NA	NA	NA	(68.6)
Other Comprehensive Income	4	(1)	2	4
Total Comprehensive Income	(1,219)	(877)	(11)	(278)
Avg. Shares O/s (m)	122	122	122	122
EPS (Rs)	(10.7)	(7.1)	(0.1)	(2.3)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	681	505
2	22-Jan-22	BUY	486	380
3	10-Jan-22	BUY	490	361
4	25-Oct-21	BUY	490	418
5	07-Oct-21	BUY	487	421
6	04-Aug-21	BUY	380	316
7	07-Jul-21	BUY	367	323
8	24-Jun-21	BUY	368	318

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	200	204
3	Indian Railway Catering and Tourism Corporation	Hold	727	791
4	Inox Leisure	BUY	681	505
5	Music Broadcast	Hold	24	26
6	Navneet Education	BUY	128	108
7	Nazara Technologies	BUY	2,550	1,695
8	PVR	BUY	2,272	1,882
9	S Chand and Company	BUY	159	114
10	Safari Industries (India)	BUY	1,264	968
11	V.I.P. Industries	BUY	825	726
12	Zee Entertainment Enterprises	BUY	413	286

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

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