

Inox Leisure Ltd – Positive

Blockbuster performance

Inox Leisure continued its strong show in Q4 FY19 and full year FY19. The highlights for the same are a) Strong content driven footfall, b) highest ever occupancy, c) increased conversion rate for its F&B business and d) a continued streak of strong revenue growth in advertising. Topline in Q4 FY19 witnessed a strong 48% yoy growth driven by robust collection from the movies, which led to 50% NBOC revenue growth. Strong content attracted patrons to the theatres enabling 43% yoy growth in footfalls to 18mn patrons and highest historic occupancy of 31% in Q4. Owing to revised GST rates, the ATP was lower at Rs.189 in Q4 FY19 as against Rs.193 in Q4 FY18. Management stated that ATP would increase in line with the inflation.

Inox focus on F&B and advertising business is paying off very well. Net F&B revenue grew 58% yoy to Rs.1.2bn led by company's efforts towards higher conversion rates and selling more items by way of combos. SPH stood at Rs.73 in Q4 FY19 against Rs.67 in Q4 FY18. Advertising revenue growth of 30% yoy was driven by increase in effective ad rates and ad featuring timings. As guided, PVR has successfully added 80+ screens in FY19. It plans to add another 80 screens in FY20 and have already signed up for 830 screen additions post FY20. This pipeline would enable the company to have its presence in 80-85 cities from current 67 cities.

We remain positive on the stock led by strong content pipeline driving footfalls, aggressive screen expansion plan, premiumization, improved focus on entering new cities, higher conversion rate enabling improved SPH and continued focus on improving its advertising revenue. At CMP, the stock is attractive at 10.5x FY19 EV/EBITDA.

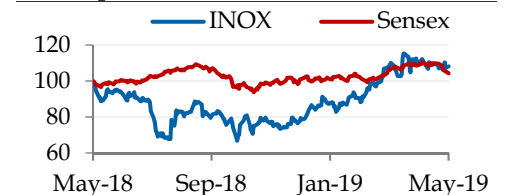
CMP (Rs) 310

Stock data (As on May 13, 2019)

Sensex:	37,091
52 Week h/l (Rs)	344/188
Market cap (Rs bn)	31,819
Enterprise value (Rs bn)	32,422
6m Avg t/o (Rs mn):	61.8
FV (Rs):	10
Div yield (%):	-
Bloomberg code:	INOL IN
BSE code:	532706
NSE code:	INOXLEISUR

Sector: Media & Entertainment

Stock performance



Shareholding pattern (As of Mar'19 end)

Promoter	51.9%
FII+DII	32.9%
Others	15.3%

Exhibit 1: Result table (Consolidated)

(Rs m)	Q4 FY19	Q4 FY18	% yoy	Q3 FY19	% qoq
Net sales	4,788	3,236	48.0	4,331	10.6
Operating profit	965	421	129.5	835	15.6
OPM (%)	20.2	13.0	716 bps	19.3	88 bps
Depreciation	(249)	(220)	13.2	(245)	1.3
Interest	(38)	(71)	(46.8)	(62)	(39.0)
Other income	53	62	(15.9)	31	69.4
PBT	732	192	280.2	559	30.9
Tax	(201)	470	(142.7)	(194)	3.4
Reported PAT	531	662	(19.9)	365	45.6
Exceptional item	(50)	(86)	(41.5)	-	-
OCI	1	2	(75.0)	(2)	(125.0)
Adjusted PAT	481	579	(16.9)	363	32.7

Source: Company, YES Sec – Research

CONFERENCE CALL HIGHLIGHTS

- ✓ Net Box Office Collection (NBOC) revenue grew 50% yoy to Rs.2.8bn. The growth was largely driven by strong collection from the movies such as URI, Gully boy, Simmba, Total Dhamaal and Kesari. In Q4 FY19, the top five movies contributed 48% to the total GBOC as compared to 53% in Q4 FY18. Movie pipeline for FY20 is robust, with strong start from Avengers crossing Rs.3bn collection mark.
- ✓ Footfalls for the top five movies stood at 8.6mn in Q4 FY19 as against 6.5mn in Q4 FY18. Overall footfall was up 42% yoy to 18mn in Q4 FY19 and 17% yoy to 62.5mn in FY19. Comparable footfall was up 26% yoy and 6% yoy to 15.9mn and 50.8mn in Q4 FY19 and full year FY19, respectively.
- ✓ Occupancy for the company was strong at 31% in Q4 FY19 and 28% in FY19 against 26% each respectively. Comparable occupancy was similar to the overall occupancy levels for both Q4 FY19 and FY19. Inox seats/screen is higher than the competitors and hence the occupancy is lower than the competition, despite higher growth. Management stated that the new screens have lesser seats. Hence, the seats/screens have come down from 250 to 235 seats/screen.
- ✓ Average Ticket Price (ATP) was down 2% to Rs.189 in Q4 FY19 owing to revision in GST rates post January' 2019. The company has passed on entire GST benefits to the customers. PVR managed to clock highest ever ATP of Rs.197 in FY19.
- ✓ Content mix in FY19 was 67-69% Hindi, 13-15% English and rest was regional language.
- ✓ Net F&B revenue grew 58% yoy to Rs.1.2bn led by company's efforts towards providing food through various medium such as interactive shops, app ordering, master chef curated menu,

tweaking the menu as per customer feedback and selling more items using combo offers. SPH was up 9% yoy and 11% yoy to Rs.73 and Rs.74 in Q4 FY19 and FY19, respectively.

- ✓ Advertising revenue has been consistently growing at healthy rate over the past quarters. Management efforts on attracting quality crowd, increased number of screens and robust content has led them to remain confident on this revenue stream.
- ✓ PAT for the company was down 16.9% yoy on account of tax write back of Rs.537mn in Q4 FY18 as against a write back of Rs.46mn in the current quarter. If we exclude this write back, the PAT growth would be 287% yoy to Rs.485mn in Q4 FY19 as against Rs.125mn in Q4 FY18.

Exhibit 2: Cost analysis (Consolidated)

As a % of net sales	Q4 FY19	Q4 FY18	bps yoy	Q3 FY19	bps qoq
Cost of F&B	6.6	6.0	60	6.5	8
Exhibition cost	26.6	25.1	145	25.9	67
Rent	18.1	21.0	(291)	18.9	(80)
Personnel costs	6.4	7.9	(141)	7.0	(52)
Other overheads	22.1	27.0	(489)	22.4	(30)
Total costs	79.8	87.0	(716)	80.7	(88)

Source: Company, YES Sec – Research

Exhibit 3: Segmental analysis

(Rs m)	Q4 FY19	Q4 FY18	bps yoy	Q3 FY19	bps qoq
Net Box Office	2,840.0	1,895.0	50	2,429.0	17
Net Food & Beverage	1,230.0	777.0	58	1,063.0	16
Advertisement	430.0	332.0	30	557.0	(23)
Total	4,500	3,004	49.8	4,049	11.1

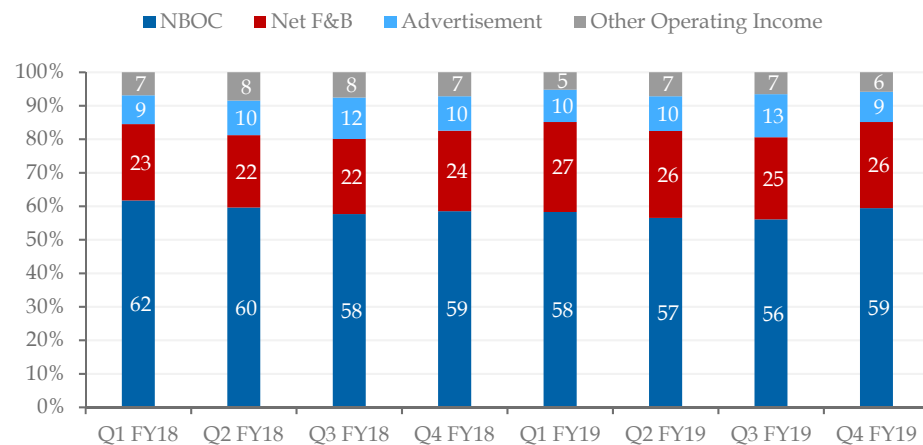
Source: Company, YES Sec – Research

Exhibit 4: Screen addition pipeline

Properties	Open Date	Properties	Screens	Seats
Screens as of March'2019		139	574	135,586
FY20				
Lucknow Garden	12-Apr-19	1	4	803
Taksh Galaxy	3-May-19	1	5	976
Openings YTD FY20		2	9	1,779
Upcoming screens in FY20				
Hyderabad		1	8	1,678
Gurugram		2	8	970
Kolkata		1	2	342
Bengaluru		2	9	1,357
Gorakhpur		1	4	761
Lucknow		2	9	1,817
Jalandhar		1	3	822
Indore (existing)		-	6	403
Pune		1	5	1,160
Delhi		2	6	498
Tumkur		1	5	1,000
Vijayawada		1	3	1,022
Salem		1	3	803
Total		18	80	14,412
Additions Post FY20		120	830	151,663
Total pipeline		277	1,484	301,661

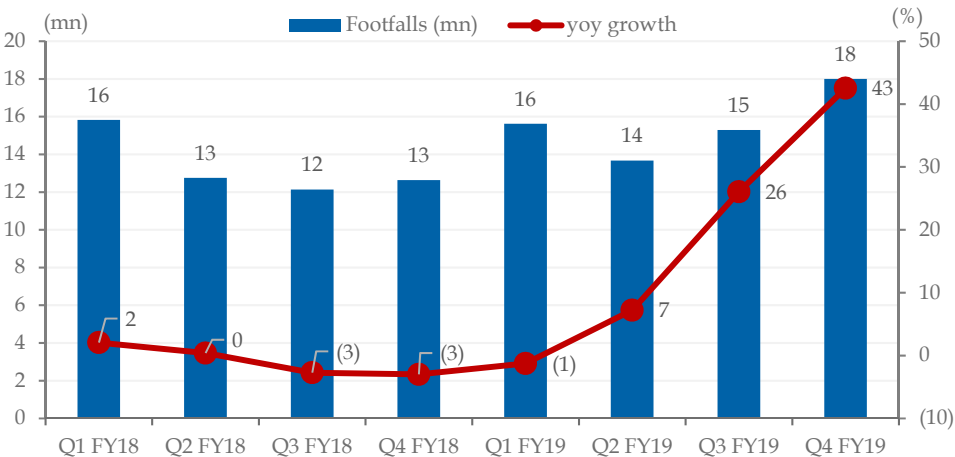
Source: Company, YES Sec - Research

Exhibit 5: Revenue break-up over the past quarters



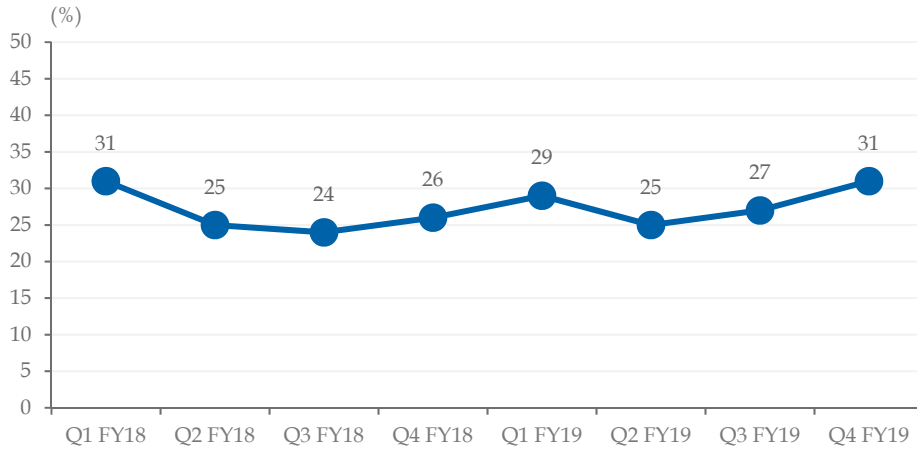
Source: Company, YES Sec - Research

Exhibit 6: Strong content led to robust footfall growth



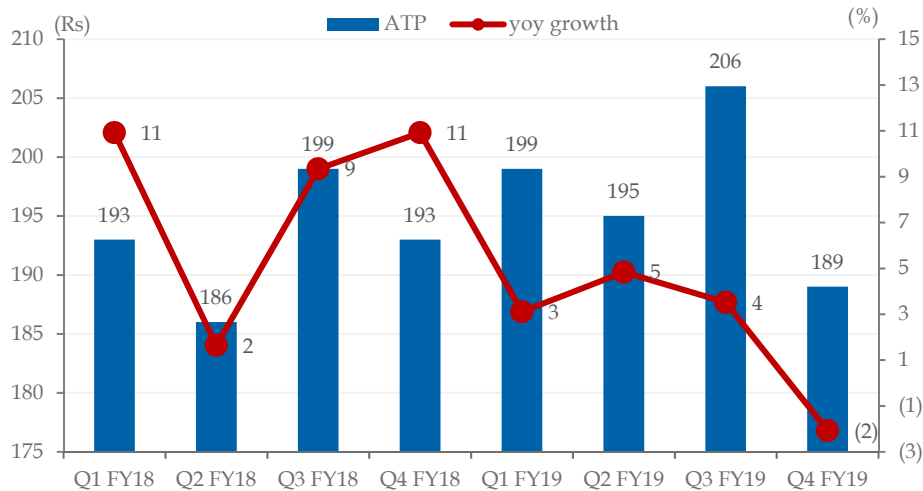
Source: Company, YES Sec - Research

Exhibit 7: Strong content led to higher occupancy



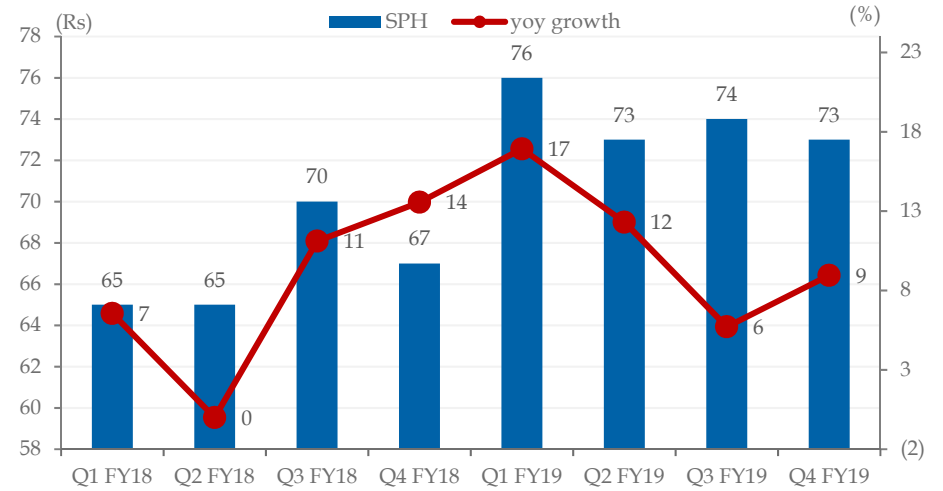
Source: Company, YES Sec - Research

Exhibit 8: ATP impacted on account of revision in GST rates



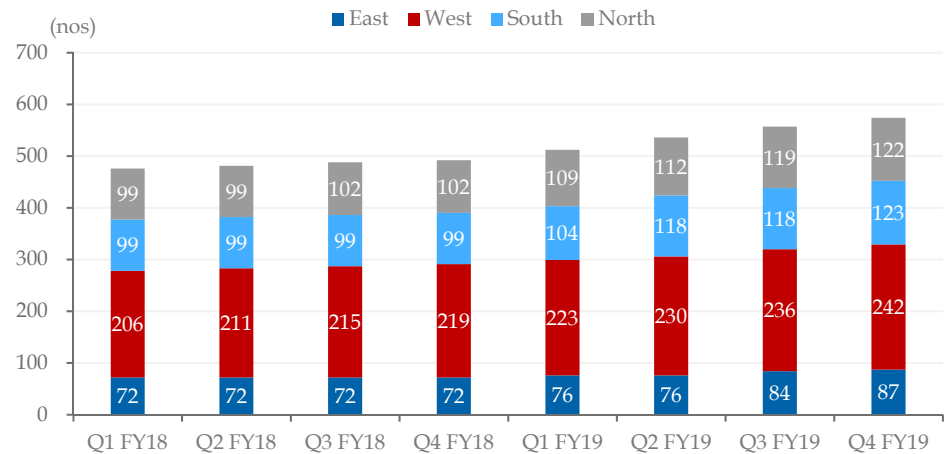
Source: Company, YES Sec - Research

Exhibit 9: Increased efforts for higher SPH



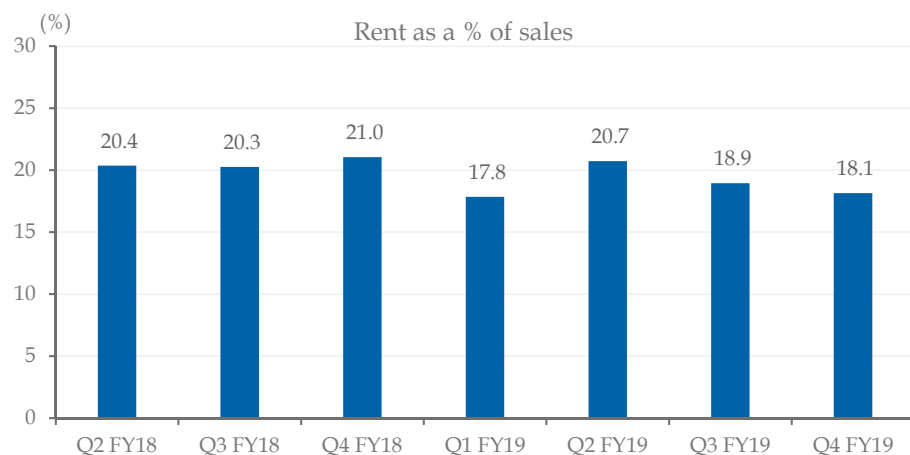
Source: Company, YES Sec - Research

Exhibit 10: Targets to open 80 screens in FY20



Source: Company, YES Sec - Research

Exhibit 11: Rental expense growth would be in line with the inflation



Source: Company, YES Sec - Research

Exhibit 12: Financial Summary (Consolidated)

Y/e 31 Mar (Rs m)	FY15	FY16	FY17	FY18	FY19
Revenues	10,168	13,327	12,207	13,481	16,922
yoy growth (%)	17.0	31.1	(8.4)	10.4	25.5
Operating profit	1,228	1,899	1,448	2,073	3,083
OPM (%)	12.1	14.3	11.9	15.4	18.2
Reported PAT	200	775	306	1,146	1,335
Adjusted PAT	206	825	306	1,232	1,385
yoy growth (%)	(45.7)	286.7	(60.5)	274.4	16.5
EPS (Rs)	2.1	8.1	3.2	11.9	13.0
P/E (x)	148.8	38.5	97.4	26.0	23.8
Price/Book (x)	4.2	4.8	5.1	4.2	3.2
EV/EBITDA (x)	26.1	17.0	22.7	15.7	10.5
Debt/Equity (x)	0.3	0.4	0.5	0.4	0.1
RoE (%)	3.3	12.4	5.1	19.1	16.3
RoCE (%)	6.4	12.4	7.8	14.3	22.1

Source: Company, YES Sec - Research

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ADD 5% to 15%

HOLD -15% to +5%

SELL > - 15%

NOT RATED

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