



IMV Equity Report: Inox leisure

From Research Desk

- *Fundamentals*
- *Technical Aspect*
- *Recommendation*
- *Disclaimer*



<i>Stock</i>	<i>Industry</i>	<i>Recommendation</i>	<i>CMP</i>	<i>Targets</i>
INOXLEISUR	Media & Entertainment	Buy around 295-300	299	340+

IMV Equity Research Desk

www.indianmarketview.com

research@indianmarketview.com

0120-654-6555

Inox leisure

Recommendation: Buy

Inox Leisure Limited (INOL), incorporated in 1999, is the 2nd largest multiplex operator in India. INOL Currently operates 96 properties (372 screens and 98, 782 seats) located in 52 cities across India, being The only multiplex operator having such a diverse presence across pan India. The company accounts For 23% share of the multiplex screens in India and 7- 8% share of the domestic's box office collections.

Stock Info	
BSE Code	53206
NSE Code	INOXLEISUR
CMP	299
Face Value	10
Market Cap(Cr.)	2845
Beta	1.38
Book Value	61.28
EPS	4.81
PE Ratio	59.10
52 Week High	305
52 Week Low	191

- INOL reported overall revenue of INR 2,980m (est. INR3, 122m) in 3QFY17 as against INR2, 979m in 3QFY16 marking a flattish YoY growth.
- Ticket sales de-grew by 3% YoY, F&B revenue posted 3% growth while advertisement revenue grew by 2%.
- Footfalls declined by 3% YoY to 12.9m while on comparable basis it de-grew by 10%. ATP grew 2% YoY to INR182 while SPH grew 7% to INR63 on YoY basis.
- Occupancy came in at 26% in 3QFY17 v/s 28% in 3QFY16. EBITDA margins declined by 730bps from 17.9% in 3QFY16 to 10.6% (est. 16.6%) in 3QFY17.
- EBITDA thus declined 41% to INR317m (est. INR518m) in 3QFY17 from INR534m in 3QFY16.
- Consequently, adj. PAT de-grew 82% from INR205m in 3QFY16 to INR37m in 3QFY17.

Investment Rationale

- **Good content expected in FY18:** Inox stated that FY18 looks exciting with multiple movies of all megastars like Shahrukh, Akshay, Aamir, Ranveer and Salman and Hollywood movies like 'Spiderman' and regional movies like 'Baahubali' and one of Rajnikant's films also getting released.
- **Working on improving SPH:** Inox has been focusing on premiumisation of its properties and working on flexible food menus and introducing a lot of variety, increasing point of sales, 'on-seat' orders through tablets, and services like butler on call. It is also considering flexible F&B prices by charging lower rates for food sold before 12 noon and higher rates for food sold after 12 noon.
- **Lack of mall development is a bottleneck, but the situation is not as bad as is made out to be:** Inox discarded the notion that there is not much development of malls and asserted that

now only serious players are developing malls and there is a significant pick-up in building of Small malls of the size of 200,000 sqft. It also stated that growth in metros has not slowed down either and there are multiplexes coming up in Dwarka and Gurgaon. In Tier-2 and Tier-3 cities like Patna, Bareilly, Ranchi and Raipur, it stated development of malls is sluggish. Inox also stated that it has been working with mall developers for development of properties in these cities.

Share Price (%)	1 month	3 month	12 month
Absolute performance	16.37	24.23	42.93
Relative to Nifty	16.99	14.81	27.50

Valuation and view:

Inox recently upgraded two of its properties with the intent to provide luxury movie viewing experience in line with PVR and would look at revamping some other properties subject to the success there. We note that Inox has superior levers of growth in advertisement and F&B revenues (that are at a discount to PVR), going ahead. However, it has been witnessing muted ad growth. Going ahead, with levers such as GST implementation, which could be margin accretive by 200-400 bps and a potential ad revival, we assign BUY. We value it at 12x FY18E EV/EBITDA (at ~15% discount to PVR) to arrive at a target price of | 340/share.

Technical Aspect



Inox is finding support at 272 and resistance at 295. On weekly chart, Inox is forming double bottom pattern while trading above 21 and below 55 days exponential moving average which is at 244 and 241 respectively while RSI and MACD too showing positive divergence which indicates that upper side seems certain in it. Inox is likely to touch 78% and 100% projection level which stood at 308 and 340 respectively. Three consecutive close + weekly close above 295 will see nonstop rally in Inox till 340+ mark in days to come.

Traders don't go for aggressive or positional selling at all because trend looks positive and we expect rally to remain continue till 340+++mark in coming weeks. For positional trade, stop loss seeing below 272 on closing basis which in unlikely to breach in near terms.

Recommendation:

Traders can buy and accumulate

Buy Inox leisure Future around 295-300 for the initial upside target of 340++ mark with stop loss below 272 on closing basis.

INNOV

Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of IMV, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of IMV and its affiliates cannot be held responsible for any losses in trading. Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, IMV that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. The reports are only for information purposes and not to be construed as investment advice.

IMV