

Not Rated

Price Rs81

Market Capitalisation
Rs4,998mn (US\$117mn)

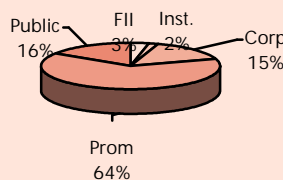
52 wk range H/L (Rs) 242/78

Shares o/s (mn) 61.67
Daily vol (mn shares) 0.02Reuters INOL BO
Bloomberg INOL IN

Performance (%)	1M	3M	12M	YTD
Absolute (21.3)	(5.6)	(40.7)	(64.3)	
Sensex (9.5)	6.7	(39.5)	(49.1)	

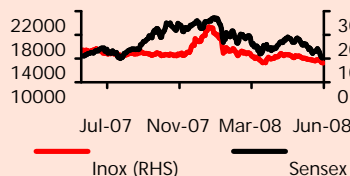
Source: Bloomberg

Shareholding pattern (%)



Source: Capitaline

Price performance



Source: Capitaline

Financials (Rs mn)

Yr end-Mar	FY06	FY07	FY08
Net opg inc	1,020.7	1,410.7	1,847.2
% chg	68.6	39.3	29.9
EBIDTA	360.0	371.0	402.3
EBIDTA mgn(%)	35.3	26.1	21.8
Net profit	175.5	248.2	264.4
Diluted EPS (Rs)	3.7	4.2	4.3
% chg	129.2	12.5	3.6
RoE (%)	8.2	10.6	10.3
Net D/E (x)	0.5	0.3	0.2
P/E (x)	22.0	19.5	18.8

Source: Company

Analysts

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Inox Leisure

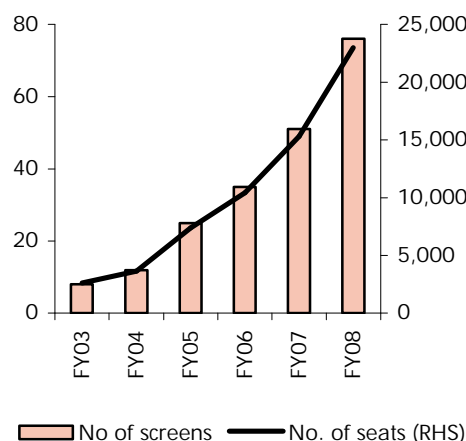
Management visit - key updates

- Ramping up presence in Tier-II and Tier-III cities
- Economics of Tier-II/III cities equally compelling
- Advertising deal with Future Media adds to predictable cash flows
- Q4FY08 an aberration due to lack of good content; content slate for FY09 appears robust

About the company

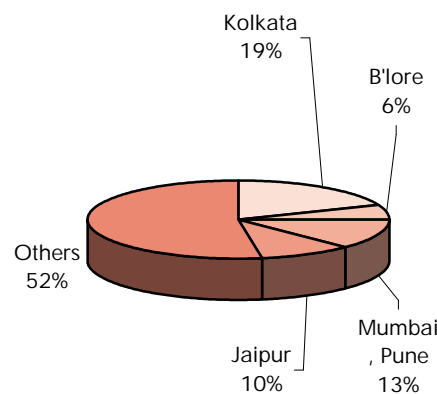
Inox Leisure (Inox) was set up as part of a diversification strategy by its parent company, Gujarat Fluorochemicals. The company opened its first multiplex in Pune in 2002. Since then, the company has come a long way as one of the leading premier multiplex chain operators with a strong brand recall. Starting from just 4 screens in 2002, Inox has ramped up its presence to 84 screens in 18 locations at present.

Ramping up presence



Source: Company

Distribution of screens



Source: Company

Aggressive expansion plans

Inox has aggressive plans of adding ~100 screens across India by 2010 with an investment of ~Rs17mn per screen. Most of these properties will come up in tier II and III cities where location attributes justify presence. In spite of clocking in lower on key indicators such as the average ticket price (ATP) and spend per head (SPH), the management believes that the economics of multiplex properties in Tier-II and Tier-III cities is more compelling due to the inherently less inflated cost structure.

Inox has two internal benchmarks of assessing location potential which are a payback period of less than 5 years and an IRR of 15% or more, which has worked for the company in the past. We believe that moving earlier into these locations will help Inox in cornering prime locations and gaining a better understanding of the local tastes.

First acquisition in the industry

As exhibition industry in India is largely fragmented; consolidation is bound to happen. Inox has started the trend with the acquisition of Culcutta Cine Line Private Ltd. (CCPL). CCPL runs 2 cinemas in West Bengal under the brand name 89 Cinemas. It has 9 more multiplexes in various stages of construction, thus the merger will give Inox access to 11 multiplexes in the eastern part of India.

Tie-up with Future Group

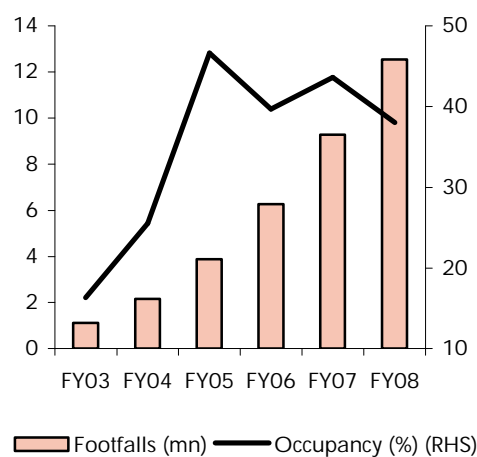
Inox has also entered into an MoU with the Future Group under which the company has the first right of refusal as the multiplex operator on all properties that the group will develop in the future. For starters, this gives Inox access to 8 properties that Future Group is planning to develop over the next three years. The management believes that association with the Future Group, an established player in the retail space, would help Inox acquire quality retail space for its multiplex operations.

Exhibition Segment - Good Show

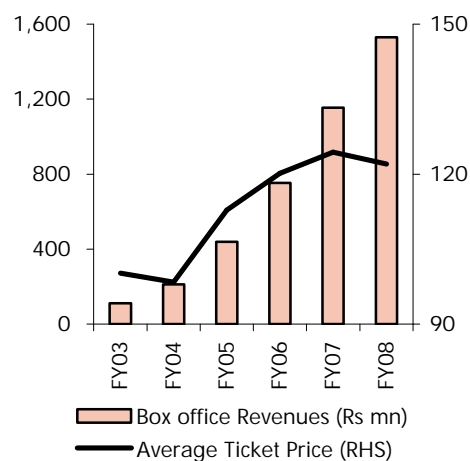
In the exhibition space, Inox has shown a good performance on all operational parameters. Exhibition segment revenues have grown by more than 11 times in the period FY03-FY08, at a CAGR of 64%. A strong brand has helped the company attract higher footfalls without compromising on the profit margins. The company has recorded a continuous growth in box office revenues and average ticket price.

The company has seen a decline in operating margins in the FY08 period due to lack of content on the one side and a higher proportion of properties starting operations at the fag end of the year which pushed up the administrative costs. However, according to the management, content flow will be good in FY09E which will help the topline growth.

Strong positive trend on key operational parameters



Source: Company

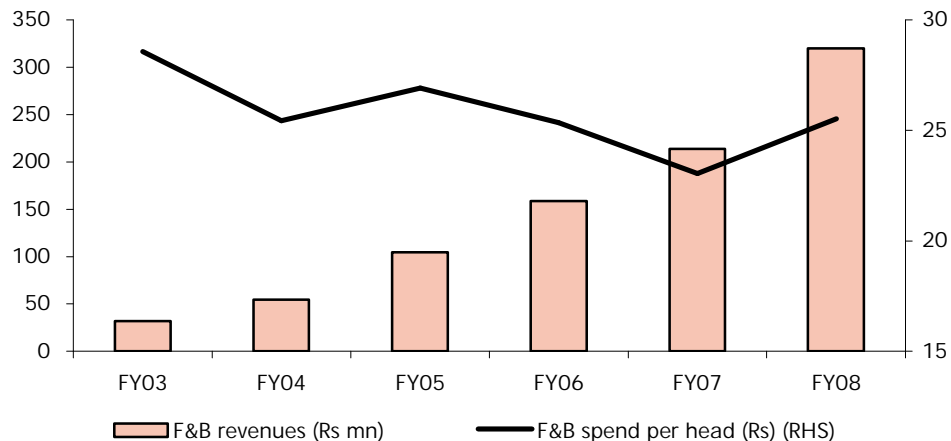


Source: Company

Food & Beverage revenues

Inox has been able to grow its food & beverage revenues by 7 times during the period FY03-FY08 with a gross margin of 65% plus. As the company scales up its number of screens under operation, revenues from this segment should show an even better growth and contribution.

Stable growth trend in F&B revenues



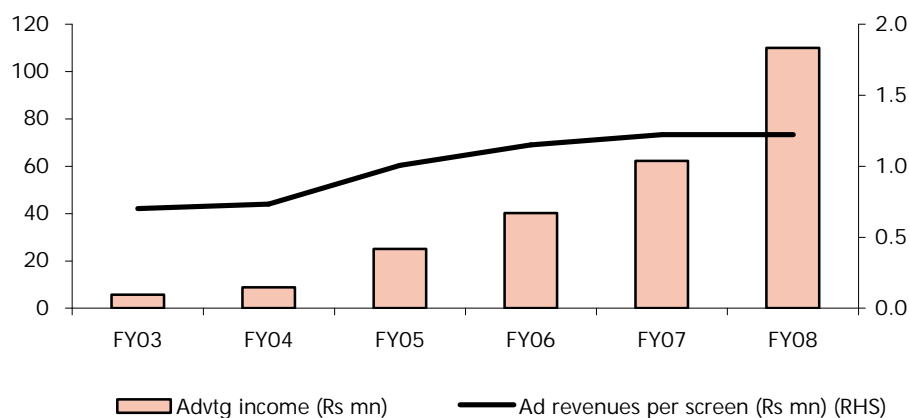
Source: Company

Ad Income

As ad income depends on the number of patrons served as well as the number of screens under operation, a growing fold of Inox in this space should see it generating more revenues from advertisements on walls, staircases, entrances, screens, food packs etc.

Inox's ad income has increased by more than 10 times in the past five years with increasing add income per screen. Recently Future Media, the unlisted out-of-home advertisement venture of Future group, has bought out all on screen ad rights for all of the present and upcoming screens of Inox. This deal will provide Inox an income of Rs150mn per year going forward.

Advertising revenues gathering pace



Source: Company

At the CMP of 81, the stock is trading at a P/E of 18.3 times the FY08 fully diluted EPS. We don't have coverage on the stock.

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