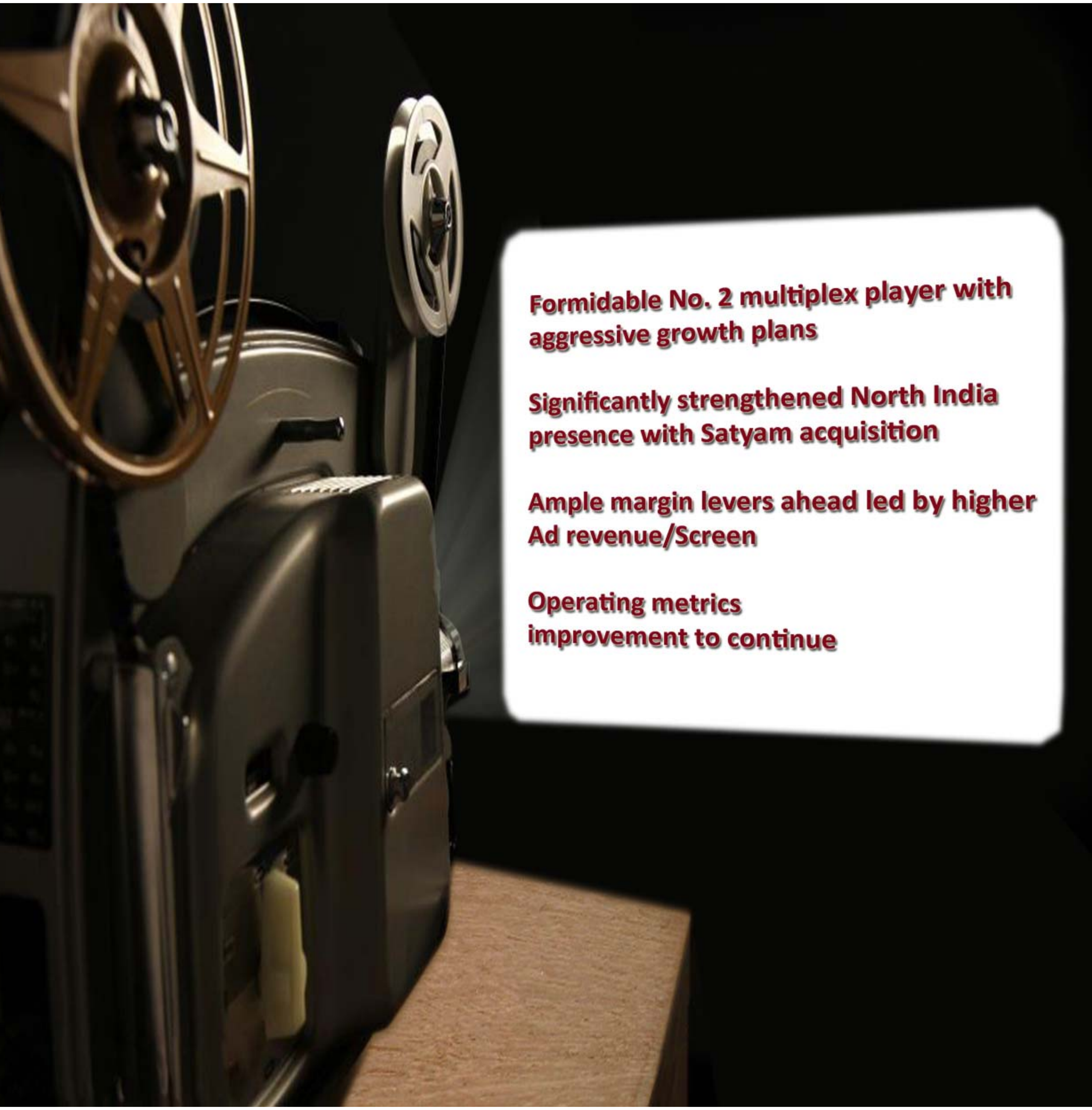
Initiating Coverage | 16 March 2015
Sector: Media

Inox Leisure



Growth show set to begin

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Inox Leisure: Growth show set to begin

Inox Leisure

BSE Sensex	S&P CNX
28,438	8,633

INOX LIVE THE MOVIE

Stock Info

Bloomberg	INOL IN
Equity Shares (m)	96.2
M.Cap. (INR b) / (USD b)	17.4/0.3
52-Week Range (INR)	197/104
1, 6, 12 Rel. Per (%)	0/-6/32
Avg Val (INRm)/Vol '000	54/338
Free float (%)	51.3

Financial Snapshot (INR Billion)

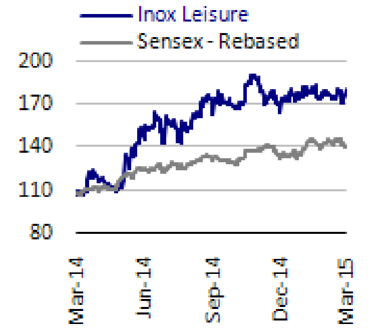
Y/E Mar	2015E	2016E	2017E
Sales	9.2	12.0	15.3
EBITDA	1.3	1.9	2.6
NP	0.2	0.6	1.1
EPS (INR)	1.7	7.0	12.0
EPS Gr. (%)	-56.7	319.8	71.9
BV/Sh. (INR)	71.0	77.6	89.0
RoE (%)	2.8	8.9	13.7
RoCE (%)	8.3	11.5	17.7
P/E (x)	108.5	25.8	15.0
P/BV (x)	2.5	2.3	2.0
EV/EBITDA (x)	14.4	10.0	7.0

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	48.7	48.7	48.7
DII	6.0	3.8	2.1
FII	14.0	8.9	0.0
Others	31.3	38.6	49.2

Note: FII Includes depository receipts

Stock Performance (1-year)



CMP: INR181 | **TP: INR240 (+33%)** | **Buy**

Growth show set to begin

Higher screen additions and ad revenue/screen to drive profitability

- **Indian cinema exhibition industry has 9,400 screens, of which 1,700 are in the multiplex format. The multiplex industry is highly concentrated, with top four players controlling 78% of the screens.**
- **Inox Leisure (INOL) is the second-largest player with 365 screens, while PVR leads with 462 screens. INOL has upped the ante for new screen additions, with ~55 annual additions planned, compared to 23 annual additions over last three years.**
- **Recent acquisition of Satyam Cineplexes has established INOL's strong presence in North India, which is a higher ATP market compared to other regions.**
- **INOL has significant room to improve its ad revenue/screen, which stood at INR1.7m/screen versus PVR's INR3.9m/screen in FY14. With concerted efforts, we expect ad revenue/screen to improve to INR4m/screen, thus driving profitability.**
- **We expect INOL to clock 29% revenue CAGR and 169% PAT CAGR over FY15E-17E driven by margin expansion and reduction in interest costs.**
- **The stock trades at a PE multiple of 25.8x and 15.0x FY16E and FY17E EPS respectively. We value INOL at a PE multiple of 20x FY17E EPS (implied EV/EBITDA multiple of 9x FY17E EV/EBITDA), arriving at a target price of INR240.**

Formidable No. 2 player, aggressive expansion plans

Of the total 9,400 screens in India, 1,700 are in multiplex format and the rest being single screens, which provides huge opportunity for multiplex players' growth. India's multiplex industry is highly concentrated with top four players -- PVR, INOL, Carnival and Cinepolis -- controlling 1,328 screens, 78% of the market. With 365 screens currently, INOL is the second-largest player with 22% share in multiplex screens, ~18% market share in Bollywood revenue and ~25-30% market share in Hollywood revenue respectively. INOL plans to up the ante for new screen additions, with a target to add ~55 screens/annum over the next two years, compared to the addition of ~23 screens/annum over the past three years. This will drive footfalls higher from 42m in FY15E to 59m in FY17E, marking a CAGR of 18.8%.

Satyam acquisition – right move to capture market share in North India

INOL traditionally was a strong player in East India (74% market share) and South India (39% market share). West and North regions were dominated by PVR with 43% and 52% market share respectively. With a view to expand its presence in North India (a higher ATP and SPH market), in July 2014, INOL acquired Satyam Cineplexes for a consideration of INR1.8b (EV of INR2.2b). We believe Satyam will drive the following synergies for INOL: 1) improvement in supply chain in F&B, 2) higher ad revenue growth and 3) lower overheads. The INR1.8b acquisition was initially funded by debt, post which the company has sold ~15m treasury shares amounting to INR2.6b to reduce debt on balance sheet. INOL has 5m treasury shares worth INR0.9b outstanding, which can be utilized to retire further debt (~INR1.8b outstanding for FY15E).

Key metrics – ATP and SPH set to improve

ATP is largely driven by content and location of a property. We believe that with the acquisition of Satyam, INOL has a better presence in North India, an higher ATP market, which will have a positive effect on overall ATP. As of FY14, PVR's ATP (INR168) was higher by 7% compared to INOL (INR156), primarily due to higher contribution from North and West India, higher content of 3D and higher share of Hollywood, which commands a higher ATP. However, with INOL's focus on expanding its presence in North, we believe these differences will reduce going forward thus driving 7% CAGR in ATP over FY15E-17E, from INR167 to INR189. Similarly, INOL has taken various initiatives to improve its F&B revenue like changing the menu based on the movie, larger menu spread and on-seat delivery. SPH is thus expected to improve at 15% CAGR from INR53 in FY15E to INR69 in FY17E.

Significant room to improve ad revenue/screen

INOL's ad revenue/screen has improved from INR1m/screen in FY11 to INR1.7m/screen in FY14. However, it is significantly lower than PVR's ad revenue/screen of INR3.9m. INOL has taken various initiatives to monetize its on-screen and off-screen ad revenue. It has started to hike the ad rates and focus on high value and long term deals. Company has started to monetize the lobby area, which resulted in 50% growth in ad revenue/screen in FY14, much higher than PVR. It now follows a flexi pricing model, whereby it charges higher for ads before the start of a movie and immediately after the interval, to increase its ad revenue/screen. We believe these measures will improve its ad revenue/screen from INR1.7m/screen in FY14 to INR4m/screen in FY17E.

GST – a possible game changer

High entertainment tax is a major impediment for exhibition industry's growth. The overall tax implication is as high as 40-50% in states like Maharashtra, Uttar Pradesh, Bihar and Karnataka. However, post GST, the peak rate is likely to be ~16%, leading to significant cost reduction. Also, input tax credit will be available for setoff against the output tax liability (service tax paid presently on rent, electricity, security, housekeeping etc is not available for setoff against output liability of entertainment tax or VAT). We believe that GST's implementation can drive 100-200bp margin expansion for INOL.

Valuation and view

We believe that INOL is rightly-placed to enter the next phase of growth. With Satyam's acquisition, company has improved its presence in North India. This will result in superior bargaining power with advertisers, leading to higher earnings growth. We expect INOL's revenue and PAT to post 29% and 169% CAGR over FY15E-17E. We believe that an improvement in operating metrics will lead to better return ratios, and RoCE and RoE are expected to improve from 8.3% to 17.7% and 2.8% to 13.7% respectively over FY15E-17E. Further, INOL owns six properties valued at INR5b which can be monetized in the form of sale and leaseback arrangements for acquisition purposes. The stock trades at a PE multiple of 25.8x and 15.0x FY16E and FY17E EPS respectively. We value INOL at a PE multiple of 20x FY17E EPS (implied EV/EBITDA multiple of 9x FY17E EV/EBITDA), arriving at a target price of INR240. We initiate coverage on the stock with a **Buy** rating.

Strengthening its leadership in exhibition business

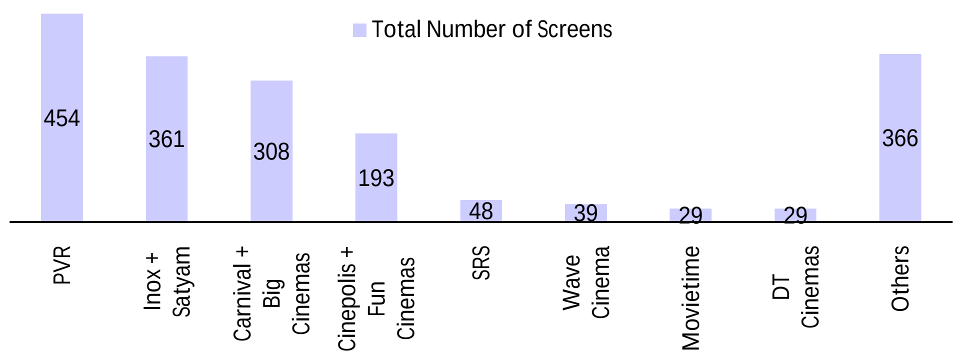
On an aggressive expansion path

- **India's cinema exhibition industry has 9,400 screens, of which 1,700 are in multiplex format. PVR is the leader with 462 screens followed by INOL with 365.**
- **Multiplex industry is highly concentrated with top four players controlling 1,328 screens (~78% of the market).**
- **INOL has Bollywood and Hollywood market share of 18% and ~25-30%, against PVR's Bollywood and Hollywood market share of ~20-22% and 30-35% respectively.**
- **Over the past three years, IONL added ~23 screens per annum, while PVR added ~51 screens per annum. However, going forward, IONL's management is confident of adding ~55 screens per annum which will reduce the screens gap with PVR.**

Second-largest player in exhibition business

Indian exhibition industry has a total of 9,400 screens, of which just 1,700 are in multiplex format. Of these, PVR is the leader with 462 screens followed by INOL with 365. INOL has Bollywood and Hollywood market share of 18% and ~25-30%, compared to PVR's Bollywood and Hollywood market share of ~20-22% and 30-35% respectively. Multiplex industry is highly concentrated with top four players controlling 1,328 screens (~78% of the market). With increased aggression, we believe INOL is well positioned to gain further market share in exhibition business.

Exhibit 1: Multiplex screens in India



Source: Company, MOSL

Exhibit 2: Comparison of key metrics as of 3QFY15

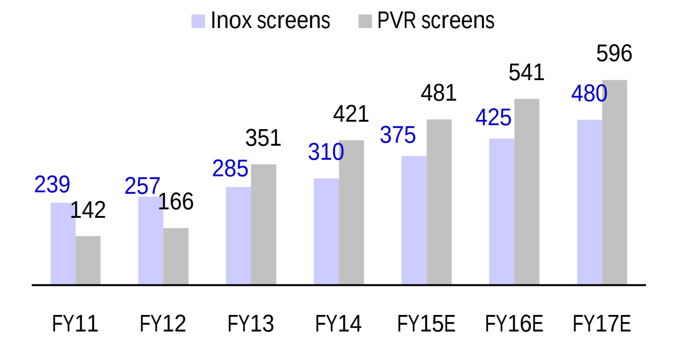
Particulars	PVR	INOL
Properties	104	94
Screens	462	365
Seats	109,762	97,039
Cities	44	51
Total Revenues (m) – FY14	**12,769**	**8,690**
EBITDA (m) – FY14	**2,064**	**1,219**
EBITDA Margin (%)	16	14
PAT (m) – FY14	**579**	**369**
Admits (m) – FY 14	60	39
ATP (INR) - FY14	168	156
SPH (INR) – FY14	54	49

Source: Company, MOSL

Aggressive screen additions to reduce gap with PVR

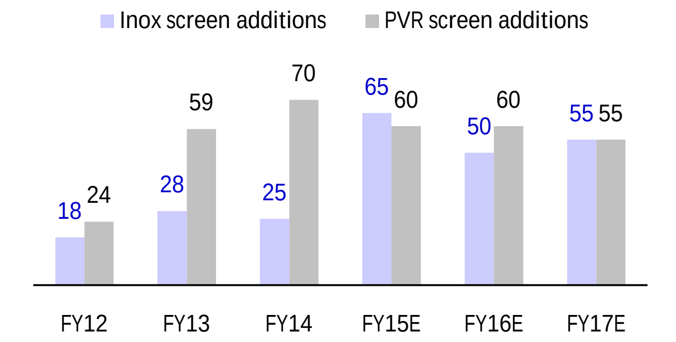
INOL has been aggressively adding screens to increase its presence across India. Over the past three years, company added ~23 screens per annum on an average, compared to its arch rival PVR which added ~51 screens per annum on an average. However, going forward, INOL's management is looking at increasing its aggression in screen additions with annual new screen addition target of ~55 screens as against 23-25 screens in the past. In 9MFY15, INOL added ~55 screens (38 screens through inorganic acquisition of Satyam and 17 screens through organic growth). We believe increased aggression in screen additions will take INOL to a level playing field with PVR and will drive better bargaining power with advertisers, thereby improving advertising income and profitability.

Exhibit 3: Total number of screens



Source: Company, MOSL

Exhibit 4: Screen additions during the year



Source: Company, MOSL

Operating metrics set to improve

Expect ATP and SPH to improve going forward

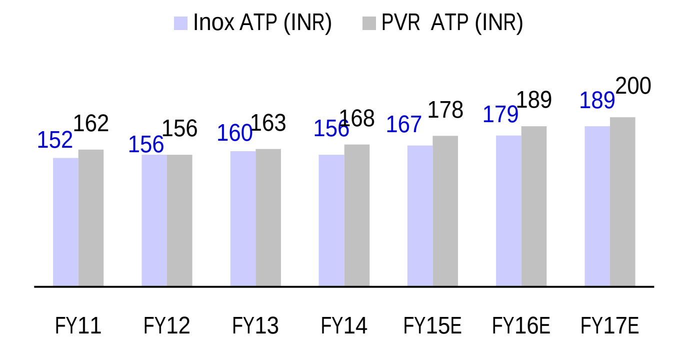
- **INOL's ATP is expected to post 7% CAGR over FY15E-17E driven by screen additions in North and West of India, higher contribution from 3D movies and better content.**
- **Company has taken various initiatives to improve its F&B revenue like changing the menu based on the movie, a larger menu spread and on-seat delivery.**
- **Ad revenue/screen is expected to improve at a faster pace than PVR, from INR1.7m in FY14 to INR4m in FY17E, largely due to better bargaining power with advertisers and better monetization of on-screen and off-screen advertising.**
- **Number of INR1b movies has risen from one in FY09 to as high as eight in FY15. We believe better content quality will drive an increase in movies in the INR1b movie club.**

Higher ATP and SPH to drive growth

ATP is largely driven by content and location of property. We believe that with the acquisition of Satyam, INOL has a better presence in North India which is a higher ATP market, which will have a positive effect on overall ATP. As of FY14, PVR's ATP (INR168) was higher by 7% compared to INOL (INR156), primarily due to higher contribution from North and West India, higher content of 3D and higher share of Hollywood, which commands a higher ATP. However, with INOL's focus on expanding its presence in North, we believe these differences will reduce going forward thus driving 7% CAGR in ATP over FY15E-17E from INR167 to INR189.

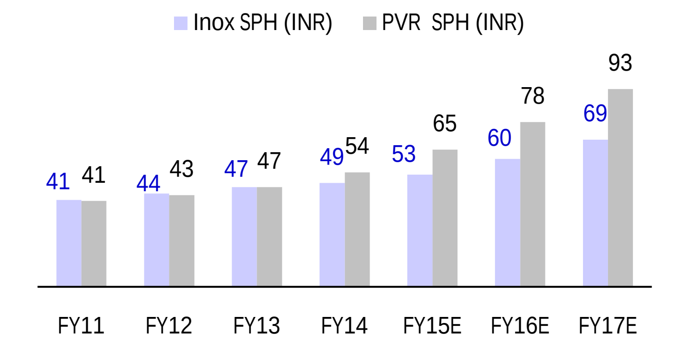
Similarly, INOL has taken various initiatives to improve its F&B revenue like changing the menu based on the movie, larger menu spread and on-seat delivery. F&B is ~73% gross margin business and its contribution to total revenue is expected to improve from 21% in FY15 to 23% in FY17E. SPH is expected to improve at a 15% CAGR from INR53 in FY15E to INR69 in FY17E.

Exhibit 5: ATP gap to reduce with PVR



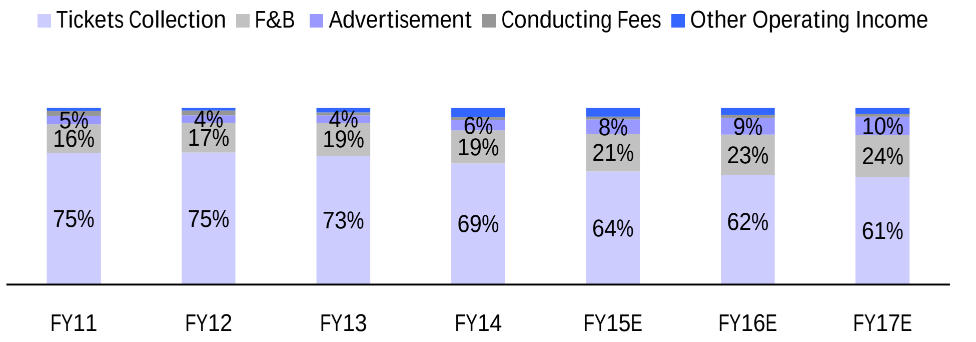
Source: Company, MOSL

Exhibit 6: INOL's SPH set to improve



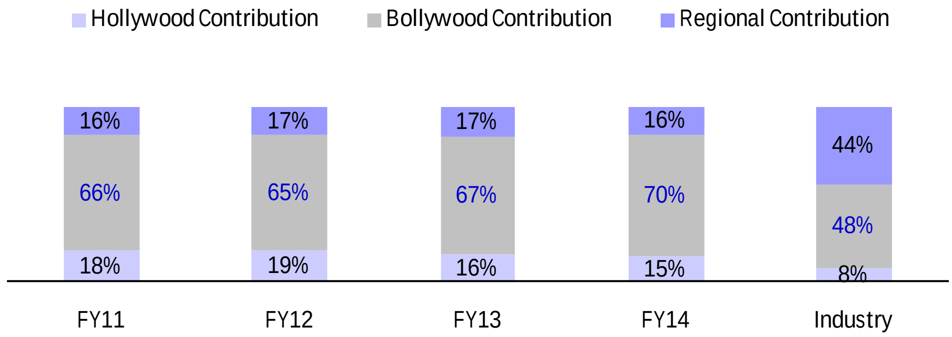
Source: Company, MOSL

Exhibit 7: F&B revenue contribution to increase



Source: Company, MOSL

Exhibit 8: Hollywood movie contribution higher compared to industry

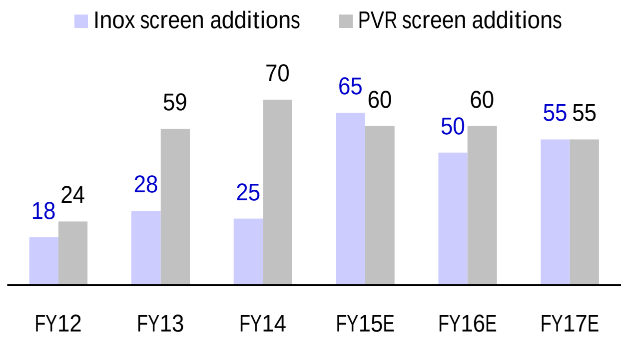


Source: Company, FICCI KPMG 2014, MOSL

Footfall growth to be driven by higher screen additions

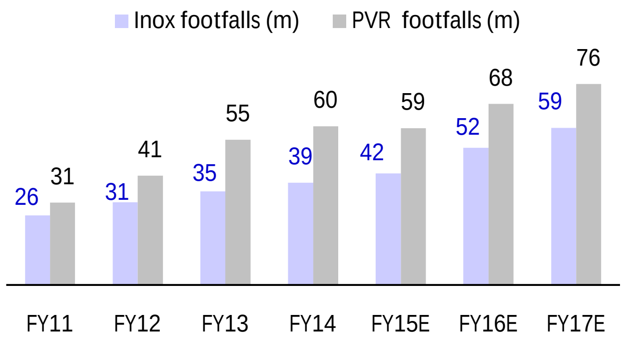
In FY15, INOL is expected to add 65 screens, against ~23 added on an average over the last three years. Going forward, company plans to add ~55 screens per annum, which drive footfall growth. We expect footfalls to grow at 18.8% CAGR from 42m in FY15E to 59m in FY17E.

Exhibit 9: Total number of screen additions



Source: Company, MOSL

Exhibit 10: Footfalls to post steady growth

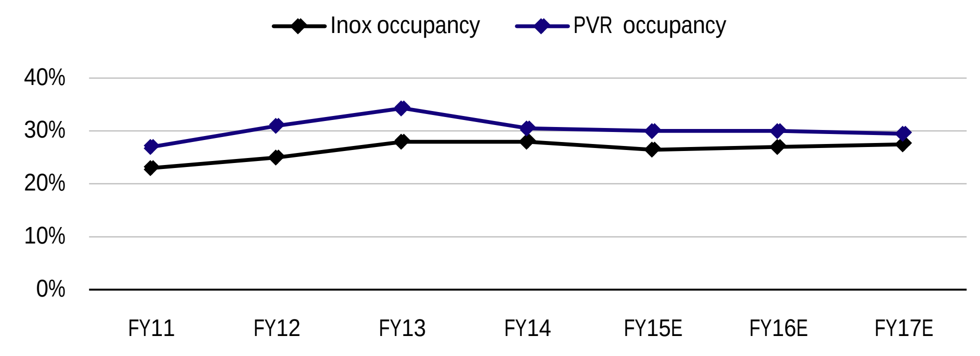


Source: Company, MOSL

Occupancy rate to improve marginally

Post the acquisition of Fame in 2011, INOL's occupancy rate has improved from 23% in FY11 to 28% in FY14 (27% in FY11 to 31% in FY14 for PVR). Company has been able to maintain a high occupancy rate despite higher screen additions. The gap difference in occupancy rate between INOL and PVR is expected to reduce as the former adds screens in premiere locations. With the length of movies reducing, the number of shows exhibited has increased to five per day, thereby improving the convenience for movie goers and also increasing the exhibitor's capacity. We expect the occupancy at INOL to improve marginally from 26.5% in FY15 to 27.5% in FY17E.

Exhibit 11: Gap in occupancy rate between two exhibitors reduces



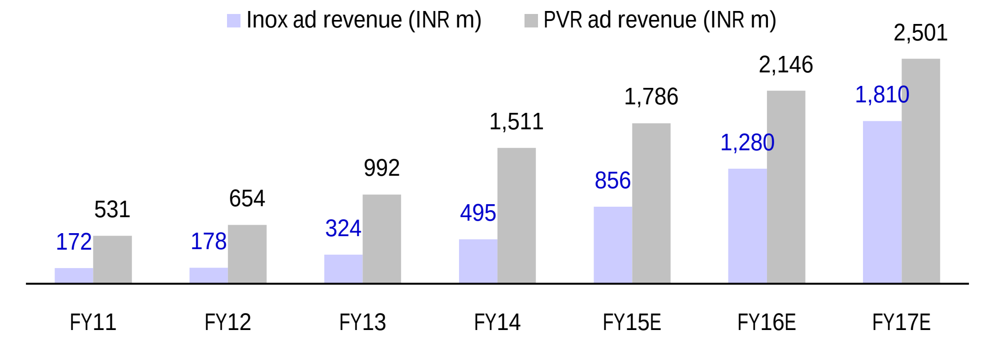
Source: Company, MOSL

Significant room to expand Ad revenue/screen

Ad revenue/screen for INOL has improved from INR1m/screen in FY11 to INR1.7m/screen in FY14. However, it is significantly lower than PVR's ad revenue/screen of INR3.9m. Post Satyam's acquisition, INOL's screen presence has improved to 365 (against 462 for PVR) across India, which will give it higher bargaining power with advertisers and thus drive higher ad revenue/screen. INOL derives ~70% of ad revenue from on-screen and balance 30% from off-screen, in line with PVR. Around 60% of PVR's contracts with advertisers are annual ones, compared to INOL's of 65-70%.

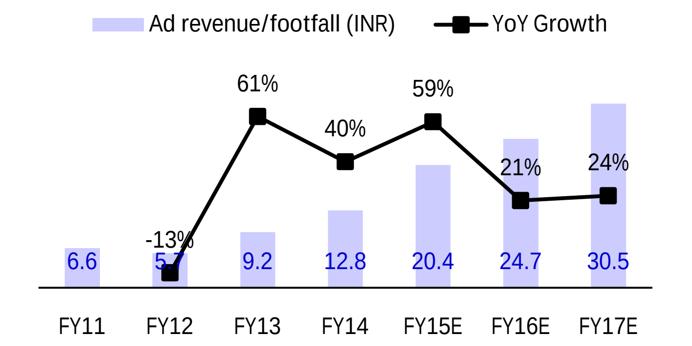
INOL has taken various initiatives to monetize its on-screen and off-screen ad revenue. INOL has started to hike ad rates and focus on high value and long term deals. It has also started to monetize the lobby area, which resulted in 50% growth in ad revenue/screen in FY14, much higher than PVR. It has focused on direct dealing with the government for national advertisements. It follows a flexi pricing model, whereby it charges higher for ads before the start of a movie and immediately after the interval, to increase its ad revenue/screen. We believe these measures will improve its ad revenue/screen from INR1.7m/screen in FY14 to INR4m/screen in FY17E.

Exhibit 12: Ad revenue comparison



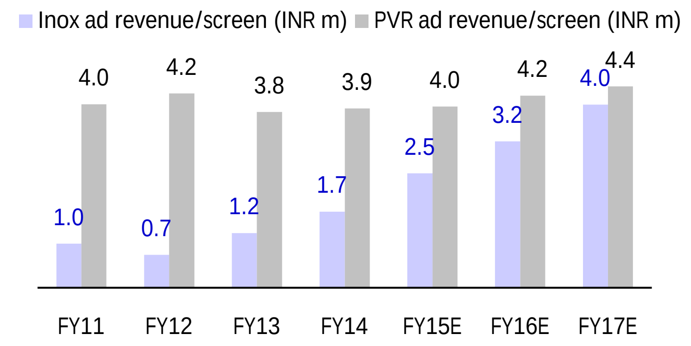
Source: Company, MOSL

Exhibit 13: Ad revenue/footfall trend



Source: Company, MOSL

Exhibit 14: Ad revenue per screen comparison

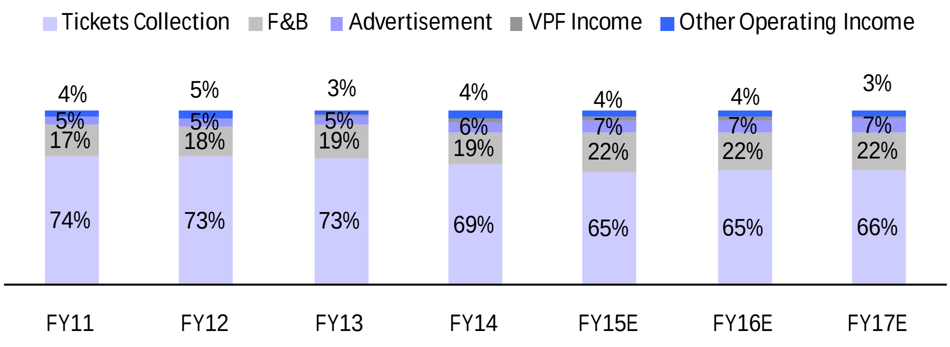


Source: Company, MOSL

Exhibit 15: Key advertisers

Source: Company, MOSL

Exhibit 16: Revenue mix

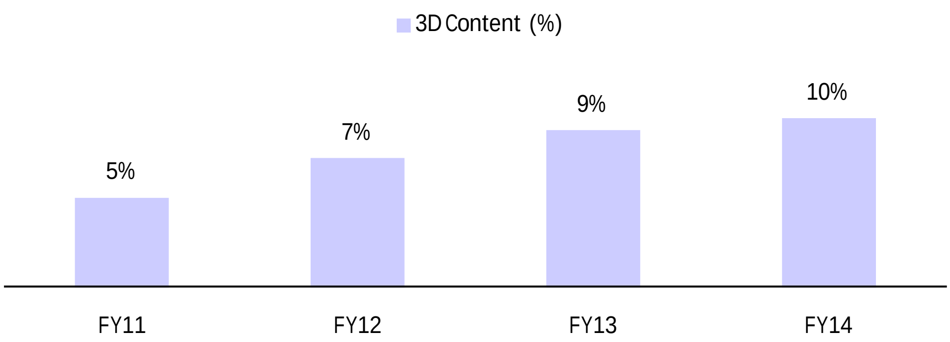


Source: Company, MOSL

Higher share from 3D content, Hollywood movies to drive ATP growth

INOL derives 15% of its total revenue from Hollywood movies, against 8% for the industry. Hollywood movies have a higher ATP, which drives overall ATP higher. Apart from Hollywood movies, another driver for ATP growth is 3D movies – which command 15-20% premium over regular movies due to higher content cost. Past few years have seen significant increase in 3D content due to better technology and higher demand for 3D movies by audience. Hence, more movies are being developed in 3D format. In FY11, INOL derived ~5% of its ticket revenue from 3D movies, which improved to 10% in FY14 (PVR contribution at 23%). We believe with the growth in 3D movies and higher contribution of Hollywood movies, overall ATP for INOL is expected to improve.

Exhibit 17: 3D movie revenue as a % of total ticket revenue

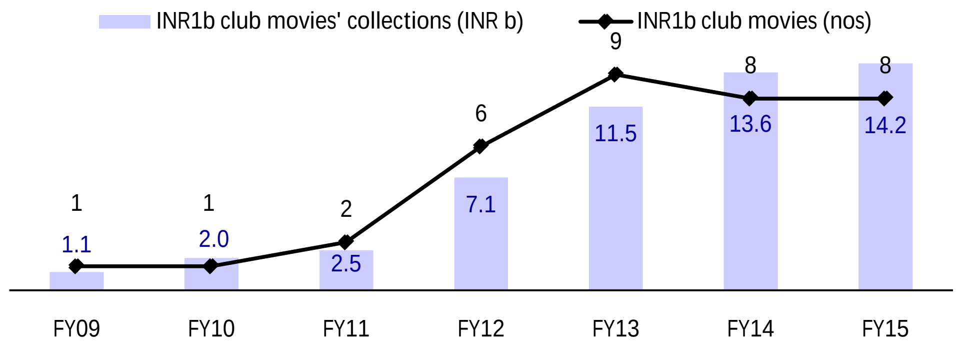


Source: Company, MOSL

Improved content, wider screen releases result in higher INR1b club movies

In 2008, *Ghajini* became the first movie to cross INR1b collection at the box office, setting a new benchmark for Bollywood. Post 2008, INR1b club movies have increased significantly due to better content and wider releases. Number of INR1b movies has risen from one in FY09 to as high as eight in FY15. Digitization enables wider spread of releases, which results in increased number of screens per movie over the period. For example, *Dabaang* was released in ~1,600 screens in 2010, while *Kick* was released in ~3,400 screens. Since majority of the box office collection happens in the opening week, wider screen releases attract higher footfalls. We believe that going forward as content quality improves, the number of INR1b club movies will grow significantly.

Exhibit 18: Bollywood's INR1b club



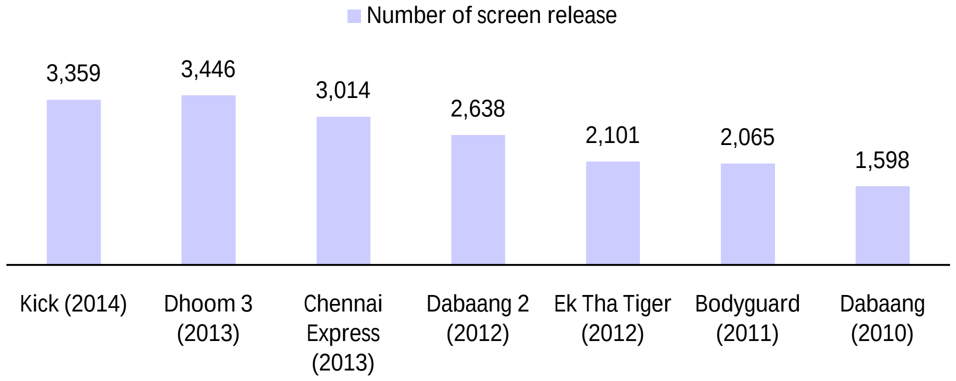
Source: Company, MOSL

Exhibit 19: INR1b club movies

Sr no	Movie	Release date	Lead stars	Total Collecti (INR b)
1	PK	19-Dec-14	Aamir Khan, Anushka Sharma, Sushant Singh Rajput	3.40
2	Happy New Year	24-Oct-14	Shah Rukh Khan, Deepika Padukone, Abhishek Bachchan, Sonu Sood, Boman Irani,	2.03
3	Bang Bang	2-Oct-14	Hrithik Roshan, Katrina Kaif	1.81
4	Singham Returns	15-Aug-14	Ajay Devgn, Kareena Kapoor	1.41
5	Kick	25-Jul-14	Salman Khan, Jacqueline Fernandez	2.33
6	Ek Villain	27-Jun-14	Sidharth Malhotra, Riteish Deshmukh, Shraddha Kapoor	1.06
7	Holiday	6-Jun-14	Akshay Kumar, Sonakshi Sinha	1.13
8	2 States	18-Apr-14	Arjun Kapoor, Alia Bhatt	1.04
9	Jai Ho	24-Jan-14	Salman Khan, Daisy Shah	1.11
10	Dhoom 3	20-Dec-13	Aamir Khan, Abhishek Bachchan, Uday Chopra, Katrina Kaif, Jackie Shroff	2.80
11	Ramleela	15-Nov-13	Ranveer Singh, Deepika Padukone	1.10
12	Krrish 3	1-Nov-13	Hrithik Roshan, Priyanka Chopra, Kangana Ranaut, Vivek Oberoi	2.41
13	Grand Masti	13-Sep-13	Vivek Oberoi, Riteish Deshmukh, Aftab Shivdasani, Kainaat Arora, Bruna Abdalah, Maryam Zakaria, Manjari Fadnis, Sonalee Kulkarni, Karishma Tanna	1.03
14	Chennai Express	8-Aug-13	Shah Rukh Khan, Deepika Padukone	2.27
15	Bhaag Milkha	12-Jul-13	Farhan Akhtar, Sonam Kapoor	1.04
16	Yeh Jawaani Hai Deewani	31-May-13	Ranbir Kapoor, Deepika Padukone	1.90
17	Race 2	25-Jan-13	Saif Ali Khan, Deepika Padukone, John Abraham	1.02
18	Dabangg 2	21-Dec-12	Salman Khan, Sonakshi Sinha	1.59
19	Jab Tak Hai Jaan	13-Nov-12	Shah Rukh Khan, Katrina Kaif, Anushka Sharma	1.21
20	Son Of Sardaar	13-Nov-12	Ajay Devgn, Sonakshi Sinha, Sanjay Dutt	1.05
21	Barfi!	14-Sep-12	Ranbir Kapoor, Priyanka Chopra, Ileana D'Cruz	1.20
22	Ek Tha Tiger	15-Aug-12	Salman Khan, Katrina Kaif	1.98
23	Bol Bachchan	6-Jul-12	Ajay Devgn, Abhishek Bachchan, Asin, Prachi Desai	1.02
24	Rowdy Rathore	1-Jun-12	Akshay Kumar, Sonakshi Sinha	1.31
25	Housefull 2	5-Apr-12	Akshay Kumar, Asin, Zarine Khan, John Abraham, Jacqueline Fernandez, Shreyas	1.14
26	Agneepath	26-Jan-12	Hrithik Roshan, Priyanka Chopra, Sanjay Dutt	1.23
27	Don 2	23-Dec-11	Shah Rukh Khan, Priyanka Chopra	1.06
28	Ra.One	26-Oct-11	Shah Rukh Khan, Kareena Kapoor, Arjun Rampal	1.15
29	Bodyguard	31-Aug-11	Salman Khan, Kareena Kapoor	1.42
30	Singham	25-Jul-11	Ajay Devgn, Kajal Aggarwal, Prakash Raj	1.00
31	Ready	3-Jun-11	Salman Khan, Asin	1.20
32	Golmaal 3	5-Nov-10	Ajay Devgn, Kareena Kapoor, Arshad Warsi, Tusshar Kapoor, Shreyas Talpade, Kunal	1.07
33	Dabangg	10-Sep-10	Salman Khan, Sonakshi Sinha	1.45
34	3 Idiots	25-Dec-09	Aamir Khan, Kareena Kapoor, Sharman Joshi, R. Madhavan	2.02
35	Ghajini	25-Dec-08	Aamir Khan, Asin	1.14

Source: Company, MOSL

Exhibit 20: Number of screen releases increased significantly over the years



Source: Company, MOSL

GST – a possible game changer

High entertainment tax is a major impediment for exhibition industry's growth. The overall tax implication is as high as 40-50% in states like Maharashtra, Uttar Pradesh, Bihar and Karnataka. However, post GST, the peak rate is likely to be ~16%, leading to significant cost reduction. Also, input tax credit will be available for setoff against the output tax liability (service tax paid presently on rent, electricity, security, housekeeping etc is not available for setoff against output liability of entertainment tax or VAT). We believe that GST's implementation will result in 100-200bp margin expansion for INOL.

Acquisition of Satyam – a strategic move

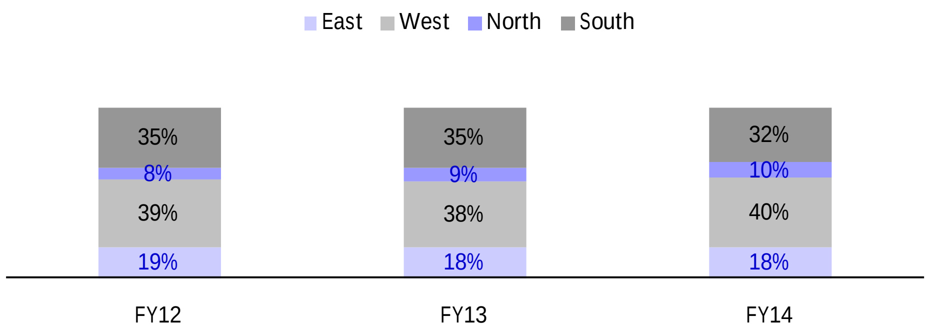
Makes INOL a stronger pan India player

- **In July 2014, INOL acquired 100% equity stake in Satyam Cineplexes for a consideration of INR1.8b.**
- **Satyam has 38 screens spread across Amritsar, Mysore, Rohtak, Aurangabad, Jodhpur, Indore and New Delhi.**
- **Post acquisition, INOL's screen presence has improved to 79 in North (PVR has 138 screens) and 130 screens in West (PVR has 207).**
- **In our view, increased presence in North and West regions of India will improve ATP, SPH and ad revenue/screen for INOL.**

Satyam's acquisition improves presence in North

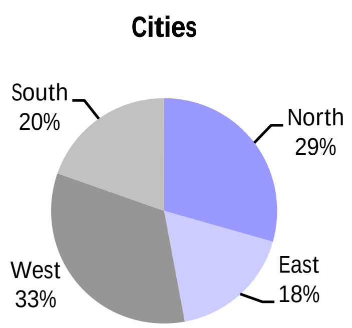
In July 2014, INOL acquired Satyam Cineplexes for a consideration of INR1.8b (EV of INR2.2b). Satyam has a total of 38 screens operating in Amritsar, Mysore, Rohtak, Aurangabad, Jodhpur, Indore and New Delhi. Thus, INOL has improved its presence significantly in North India, which is a higher ATP region. Post acquisition, INOL has 79 screens (PVR 138) in North and 130 screens (PVR 207) in West region. We believe a stronger presence in West and North regions mainly drove PVR's ATP, SPH and ad revenue/screen higher, compared to INOL. However, with Satyam's acquisition, INOL increased its pan India presence, and the gap versus PVR is expected to reduce over the long term.

Exhibit 21: Region-wise revenue contribution



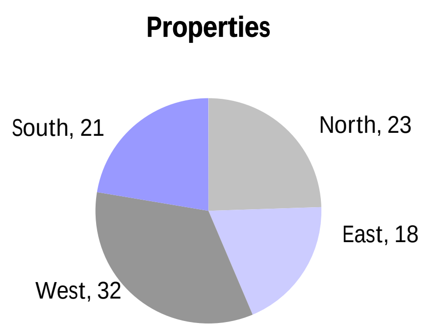
Source: Company, MOSL

Exhibit 22: City-wise contribution (3QFY15)



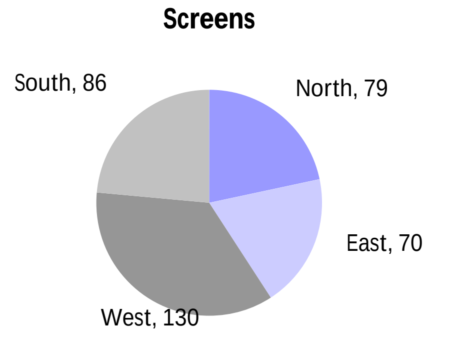
Source: Company, MOSL

Exhibit 23: Geographical contribution of properties (3QFY15)



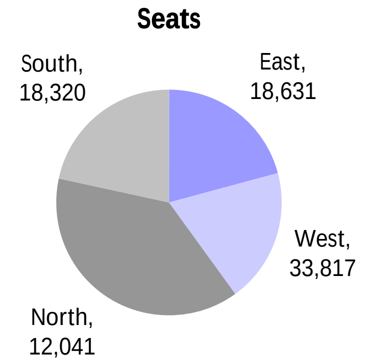
Source: Company, MOSL

Exhibit 24: Screen presence geography-wise (3QFY15)



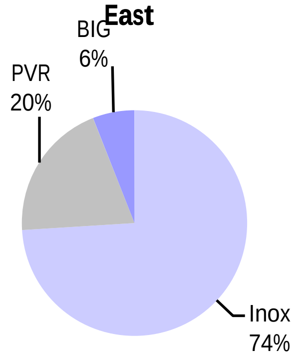
Source: Company, MOSL

Exhibit 25: Seats presence geography-wise (3QFY15)



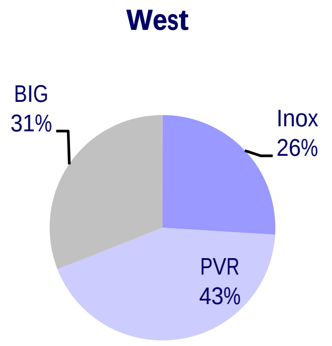
Source: Company, MOSL

Exhibit 26: Dominates East with 74% market share (FY14)



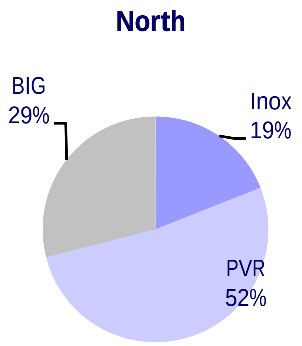
Source: Company, MOSL

Exhibit 27: Market share distribution in West (FY14)



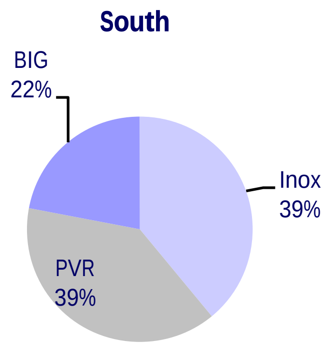
Source: Company, MOSL

Exhibit 28: Market share distribution in North (FY14)



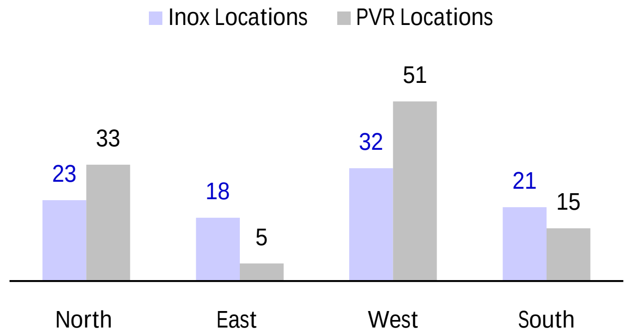
Source: Company, MOSL

Exhibit 29: Market share distribution in South (FY14)



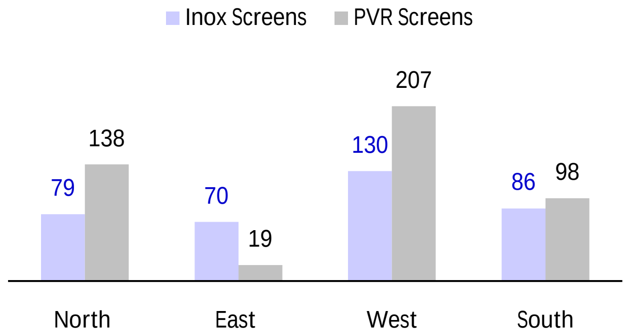
Source: Company, MOSL

Exhibit 30: Properties distribution comparison (3QFY15)



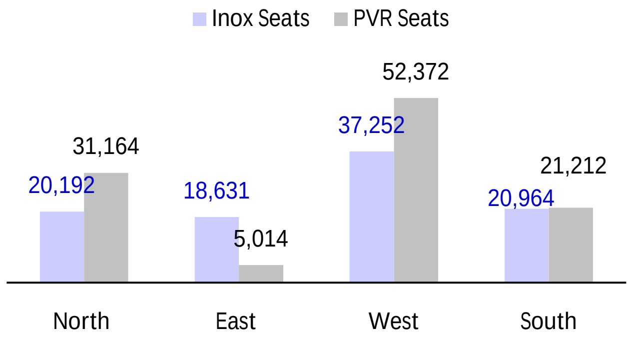
Source: Company, MOSL

Exhibit 31: Screen distribution comparison (3QFY15)



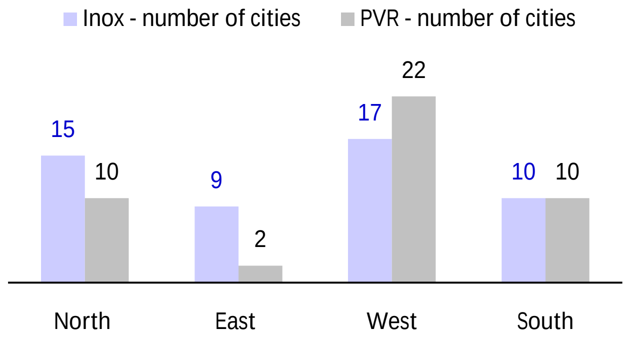
Source: Company, MOSL

Exhibit 32: Seats distribution comparison (3QFY15)



Source: Company, MOSL

Exhibit 33: Presence across cities (3QFY15)



Source: Company, MOSL

Valuation and view

Growth show set to begin

- **With recent Satyam acquisition, INOL has improved its presence in North India. This will result in superior bargaining power with advertisers, leading to higher earnings.**
- **We expect INOL's revenue and PAT to post 29% and 169% CAGR over FY15E-17E.**
- **We believe that an improvement in operating metrics will lead to better return ratios, and RoCE and RoE are expected to improve from 8.3% to 17.7% and 2.8% to 13.7% respectively over FY15E-17E.**
- **The stock trades at a PE multiple of 25.8x and 15.0x FY16 and FY17 EPS respectively. We value the stock at a PE multiple of 20x FY17 EPS (implied EV/EBITDA multiple of 9x FY17 EV/EBITDA) arriving at a target price of INR240. Initiate coverage with Buy.**

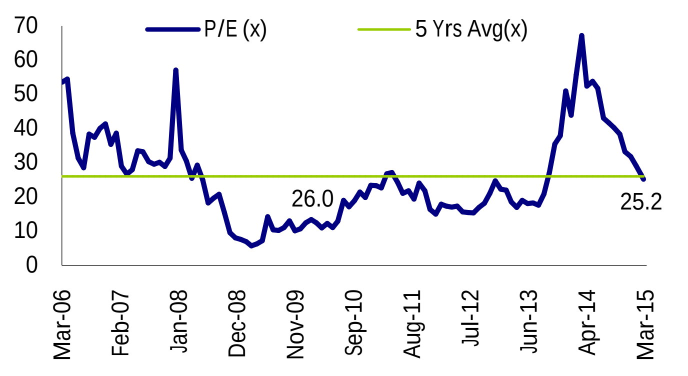
We value INOL at 20x FY17 EPS of INR12 (implied 9x FY17E EV/EBITDA (10% discount to PVRL target multiple of 10x) with a target price of INR240 justified by:

- Leadership in film exhibition business in India, being the No. 2 player with a Bollywood market share of ~18% and Hollywood market share of ~25-30%.
- Aggressive screen additions pipeline with addition of ~55 screens per annum.
- Strong improvement in ATP and SPH (7% and 15% CAGR respectively) led by higher contribution from North and West regions.
- Higher ad revenue growth (45% CAGR over FY15-17) led by better monetization.
- GST rollout which can result in 100-200bp margin expansion.
- Opportunity for acquisition without leveraging balance sheet, through sale and leaseback arrangements of owned properties which result in cash flow of INR5b.

We believe the following factors pose risks to our assumptions:

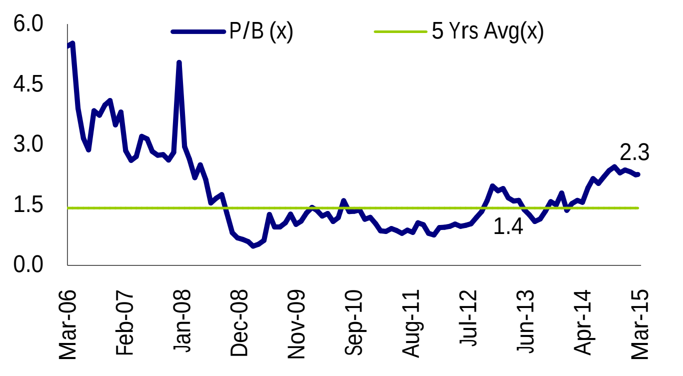
- Weaker content which can impact footfall growth.
- Escalating rental costs which can put pressure on margins.

Exhibit 34: Price to earnings (one year forward)



Source: MOSL, Bloomberg

Exhibit 35: Price to book (One year forward)



Source: MOSL, Bloomberg

Exhibit 36: Comparative valuations

Company	P/E (x)			P/B (x)			EV/EBITDA (x)		
	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
INOL	108.5	25.8	15.0	2.5	2.3	2.0	14.4	10	7.0
PVRL	77.4	35.6	24.0	6.6	5.7	4.8	14.2	10.7	8.2
Regal Entertainment Group	18.8	18.2	17.3	NM	NM	NM	9.2	9.0	8.5
Major Cineplex Group PCL	20.3	17.5	15.5	4.0	3.8	3.6	11.7	10.0	9.3
Cineworld Group PLC	18.4	16.7	15.8	4.7	4.3	4.0	10.4	9.6	8.9
Average	**48.7**	**22.8**	**17.5**	**4.4**	**4.0**	**3.6**	**12.0**	**9.9**	**8.4**

Source: MOSL

Industry overview

Indians romance with movies and cine stars – an age old tradition

Indian M&E industry on a growth trajectory

The size of India's M&E (Media and Entertainment) industry expanded from INR820b in CY11 to INR918b in CY13, registering an overall growth of 11.9%. Given the impetus provided by digitization, continued growth of regional media, elections coverage in India, strength in the film sector and fast growing new media businesses, the industry was estimated to grow 13% in CY14 to INR1.03t. The Government's recent policy measures should pave the way for a gradual recovery of Indian economy, and thus the Indian M&E industry should post a healthy CAGR of 14.2% to reach INR1.8t by CY18. The film industry recorded a double digit growth in CY13, albeit slower that CY12, with multiple movies scoring big in box office collections. Around 90-95% movie screens are digitized in the country, with a shift in focus to tier 2 and 3 cities. The global M&E market has witnessed signs of steady growth over the past three to five years and is expected to cross USD2t in CY18, at a CAGR of 6% from CY13 to CY18.

Exhibit 37: Industry size and projection

Overall industry size (INR b)	2009	2010	2011	2012	2013	Gr. in 2013 over 2012	2014E	2015E	2016E	2017E	2018E	CAGR (2013-18)
TV	257.0	297.0	329.0	370.1	417.2	12.7%	478.9	567.4	672.4	771.9	885.0	16.2%
Print	175.2	192.9	208.8	224.1	243.1	8.5%	264.0	287.0	313.0	343.0	374.0	9.0%
Films	89.3	83.3	92.9	112.4	125.3	11.5%	138.0	158.3	181.3	200.0	219.8	11.9%
Radio	8.3	10.0	11.5	12.7	14.6	15.0%	16.6	19.0	23.0	27.8	33.6	18.1%
Music	7.8	8.6	9.0	10.6	9.6	-9.9%	10.1	11.3	13.2	15.1	17.8	13.2%
OOH	13.7	16.5	17.8	18.2	19.3	5.9%	21.2	23.1	25.2	27.5	30.0	9.2%
Animation and VFX	20.1	23.7	31.0	35.3	39.7	12.5%	45.0	51.7	60.0	70.2	82.9	15.9%
Gaming	8.0	10.0	13.0	15.3	19.2	25.5%	23.5	28.0	32.3	36.1	40.6	16.2%
Digital Advertising	8.0	10.0	15.4	21.7	30.1	38.7%	41.2	55.1	69.7	88.1	102.2	27.7%
Total	**587.4**	**652.0**	**728.4**	**820.4**	**918.1**	**11.9%**	**1,038.5**	**1,200.9**	**1,390.1**	**1,579.7**	**1,785.9**	**14.2%**

Source: FICCI-KPMG 2014, MOSL

Domestic theatricals contribute ~75% of total film industry's revenue

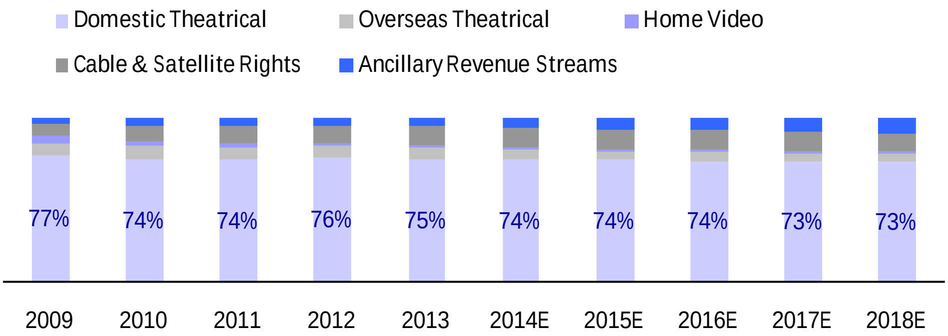
Growth of differentiated content, wider releases and aggressive promotions led to significant growth of Indian film industry. Of the total industry size of ~INR125b in CY13, domestic theatricals alone contributed INR93b (75%). Factors such as rapid urbanization, penetration of multiplex in tier 2 and 3 cities, increasing sophistication in production and marketing of films and audience's receptivity to differentiated content together will assist the industry to post 11.9% CAGR to reach INR219b by CY18E. Domestic theatricals revenue is expected to clock 11.4% CAGR to reach INR160b by CY18E.

Exhibit 38: Film industry's performance

Revenue (INR b)	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2012-13 (YoY gr.)	CAGR 2013-18
Domestic Theatrical	68.5	62	68.8	85.1	93.4	102.2	116.9	133.3	146.3	160.2	9.80%	11.40%
Overseas Theatrical	6.8	6.6	6.9	7.6	8.3	9.4	10.3	11.4	12	12.7	9.40%	8.90%
Home Video	4.3	2.3	2	1.7	1.4	1.2	1	0.9	0.8	0.7	-18.00%	-13.00%
Cable & Satellite Rights	6.3	8.3	10.5	12.6	15.1	16.1	18.4	20.9	23	25.2	20.20%	10.70%
Ancillary Revenue Streams	3.5	4.1	4.7	5.4	7	9.1	11.7	14.7	17.8	21	29.30%	24.70%
Total	**89.4**	**83.3**	**92.9**	**112.4**	**125.2**	**138**	**158.3**	**181.2**	**199.9**	**219.8**	**11.50%**	**11.90%**

Source: FICCI-KPMG 2014, MOSL

Exhibit 39: Domestic theatricals contribute maximum in films revenue

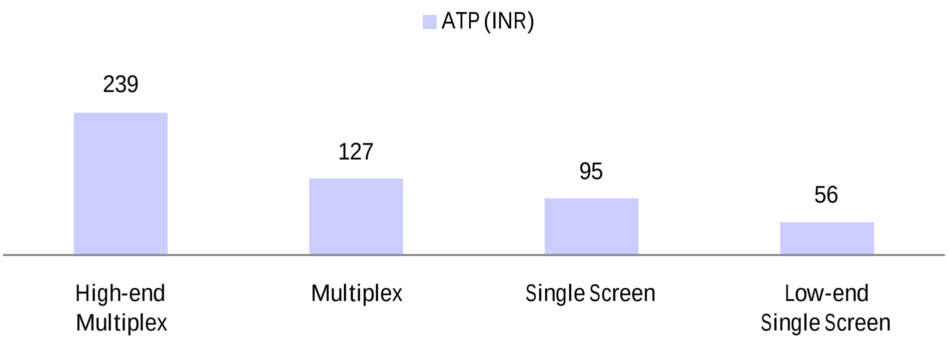


Source: Company, MOSL

Industry ATP, occupancy rate on the rise

Consolidation in the industry led to significant improvement in the bargaining power of most exhibitors. Another round of consolidation is expected in the next five years. Improvement in occupancy rate and ATP led to significant growth in the domestic industry. Occupancy levels for major multiplex players increased from ~23-27% in CY11 to more than 30% in CY13. Theatres have adopted differential pricing policy for weekdays and weekends, thus optimizing footfalls across the week. Multiplexes have also seen an increase in ATP. Ticket prices rose from INR150-160 in CY11 to INR168-175 in CY13, marking a CAGR of 5.8%. The gap between high-end multiplexes and regular multiplexes is more than the gap between regular multiplexes and regular single screens. 3D movies continue to be priced at a premium of 15-20% over regular movies.

Exhibit 40: ATP across types of screens

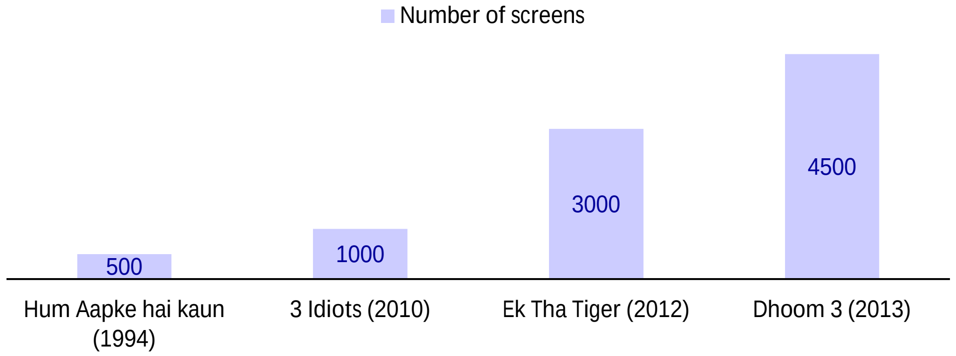


Source: Company, MOSL

Significant increase in screens over the years

Theatricals continue to be the main source of revenue for the industry, contributing INR93.4b to the INR125.3b film revenue. Growth in digital technology has led to cost efficiency and curbs on piracy to a great extent. Presently, 80-100% of films are distributed digitally, compared to 50% two years ago. Wider reach and coordinated release of movies has been a key revenue driver for the industry. Digital prints cost one-fifth compared to analogs. Swift distribution across the country at a lesser price resulted in more screens in which a movie can be released simultaneously.

Exhibit 41: Increase in screens over the years

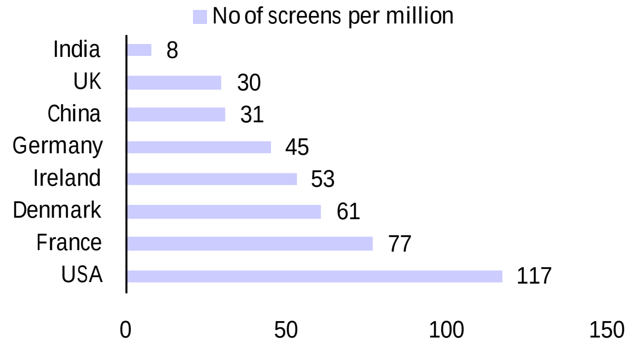


Source: Company, MOSL

Huge growth opportunity

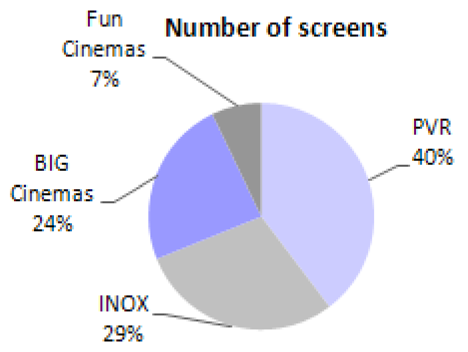
India has a population of ~1.2b, growing at 1.3% per year. Demographics are favorable, with 35% of the population in the working age. Watching movies in a theater is the prime entertainment option for people in India, the world's largest film entertainment market (1,000 movie releases and over 3b movie-goers annually). India has a total of 9,100 screens, of which just 1,400 are multiplexes. The average ticket price is ~USD1 for a single screen and USD2.6 for a multiplex. The multiplex segment is highly organized and largely dominated by five key players (1,028 screens YTD). Bollywood (Hindi) movies account for ~45% of the film industry revenue, followed by Tamil (18%) and Telugu (16%). Hollywood movies contribute ~8% of the Indian film industry revenue. While the industry is likely to see further consolidation, it needs at least 30,000 screens. Given the low screen density in India (8 per million), compared with Indonesia (141 per million), US (125 per million), China (31 per million) and Brazil (10 per million), the growth opportunity is huge.

Exhibit 42: Number of screens per million is lowest in India



Source: Company, MOSL

Exhibit 43: PVR and INOL control ~70% of the multiplex market

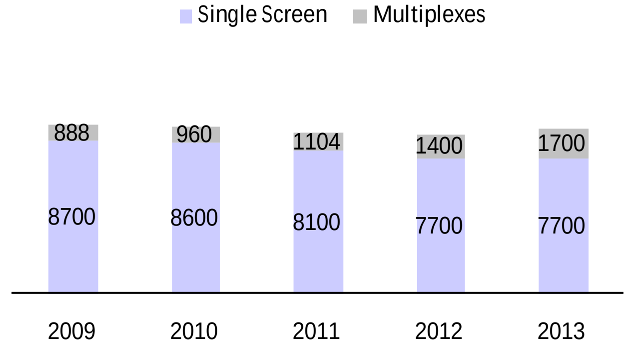


Source: Company, MOSL

Single screens face challenging times

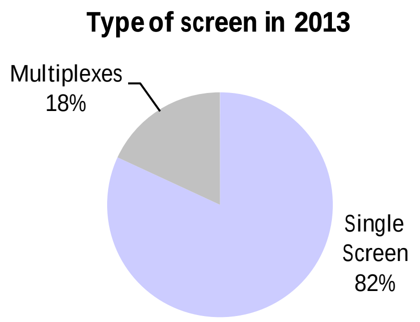
Single screens are facing challenging times with ~97 being shut down in CY12. The year also saw single screen theatres making efforts to reinvent themselves. They are focusing on upgrading their existing infrastructure to provide enhanced movie watching/going experience. Several players have invested in (a) improving picture quality, (b) surround sound systems, (c) air conditioning, (d) creating/improving parking spaces and (e) improving the quality of food and beverages. Some players have introduced online ticketing to enhance consumer convenience and curb black marketing.

Exhibit 44: Multiplexes presence increases



Source: Company, MOSL

Exhibit 45: Single screens still share the larger pie

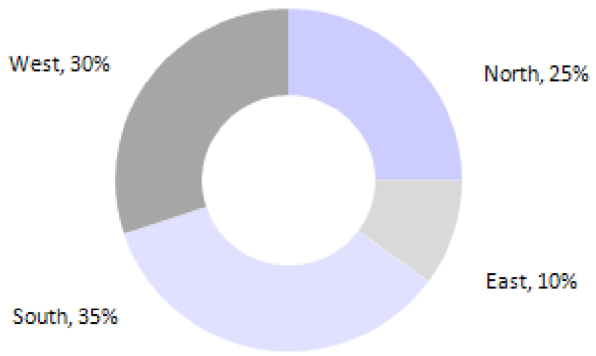


Source: Company, MOSL

Hollywood movies popularity on the rise

Until a few years ago, Hollywood was considered an urban phenomenon and the movies were released for English speaking audience. However, over the past few years, the trend has changed significantly. New Hollywood movies are getting wide acknowledgement from various audiences. *Iron Man 3* was released across more than 1,000 screens (in four languages), in comparison to historical average of 250-300 screens. Though the share of Hollywood is small in the overall domestic theatricals market, players are not complaining as movies continue to draw footfalls. During the year, *Oblivion* had an occupancy of 25-35%, *The Great Gatsby* in 3D had 30-40%, while for the best performing movies such as *Gravity* and *The Conjuring*, occupancy level rose to 50-60%.

Exhibit 46: Revenue split of regional market for Hollywood films



Source: Company, MOSL

Exhibit 47: Top Hollywood films released in India in CY13

Titles	Release Date	Genre	Screens	Total GBO* (INR m)
Iron Man 3	26-Apr-13	Action/Sci-Fi/Thriller	1054	667
Fast & Furious 6	24-May-13	Action/Crime/Thriller	828	573
Man of Steel	14-Jun-13	Action/Adventure/Fantasy	706	370
Gravity	11-Oct-13	Drama/Sci-Fi/Thriller	195	363
The Wolverine	26-Jul-13	Action/Adventure/Fantasy	710	281
G.I.Joe: Retaliation	29-Mar-13	Action/Adventure/Sci-Fi	528	230
Thor 2: The Dark World	8-Nov-13	Action/Adventure/Fantasy	600	227
The Conjuring	2-Aug-13	Horror/Thriller	128	222
World War Z	21-Jun-13	Action/Drama/Horror	570	177
A Good Day to Die Hard	22-Feb-13	Action/Crime/Thriller	678	124

Source: Company, MOSL

Megaplexes – next game changer event for industry

In CY97, PVR revolutionized the film industry by introducing multiplexes. Peers like INOL, Fun Cinemas, Big Cinemas and Cinepolis followed suit later on. The next big factor for the industry is introduction of megaplexes. Certain players are developing megaplexes with 11-15 screens capable of showing 60-80 screenings per day. The megaplexes would be built at an average cost of ~INR20-25m per screen and would have capacity of 2,000-2,500 seats. Megaplexes are apt for a country like India where it would give freedom to tap and grow regional markets such as Telugu, Tamil, Marathi, Gujarati, Bhojpuri and other regional movies and give them space on the larger screens along with Hindi and English movies.

Tier 2 and 3 consumers - next big focus area

With the focus shifting to tier 2 and 3 markets, exhibitors are constantly exploring ideas to target consumers. Various innovative schemes are being launched to tap tier 2 and 3 markets. For instance, BIG Cinemas developed an exclusive offer for its customers in tier 2 and 3 markets by offering '3+1 Free' for tickets booked from its portal. Movie exhibitors see these cities as potential growth drivers. Though Delhi and Mumbai contribute 55-60% of revenue of a big budget film, multiplex expansion in these regions is rapidly saturating. With lower real estate prices in smaller towns and the leeway to launch no-frills cinema, exhibitors are able to lower the cost per screen significantly. Knowing the demographics of these cities, ticket prices are lower compared to metros. For instance, while a regular INOL ticket is priced at INR600 in Mumbai, it is priced at INR50 in Raipur.

Cinematograph Bill, 2013 – a key legislative change

The present Cinematograph Act was enacted in 1952. Since then, Indian cinema and society has gone through multiple and radical changes. The key objective of the Cinematograph Bill, 2013 is to make appropriate amendments to the Cinematograph Act, 1952, keeping in mind the changing perspectives of audiences and artists. The Justice Mukul Mudgal Committee was formed to bring reforms to the current bill. Experts are elected from various fields such as law, film and public administration. The bill handled one of the most-awaited films of a veteran cine star Kamal Hasan, *Vishwaroopam*, which faced a ban from the Tamil Nadu government, despite the film getting a Central Board of Film's certification. The ban also triggered a huge loss of revenue due to suspension of screening. The bill is expected to be passed in the near future, unless further amendments are needed.

Key positives of the Cinematograph Bill, 2013 are listed below:

- Appropriate advisory panel representation
- Single board film certification
- Expanded classification of films
- Improved litigation process
- Stronger penalties for piracy

Increasing acceptance of 3D exhibition

Indian audiences are getting acquainted with 3D technology but Indian film makers are yet to master the art of making 3D movies matching the quality of Hollywood. High quality content can be achieved only by shooting the film completely in 3D. However, this is expensive and forces film makers to convert 2D content to 3D. India has also emerged as an outsourcing base for 3D related conversion of Hollywood films, and ample talent is being developed in the country for 2D to 3D conversion. 3D movies continue to be priced at a premium of 15-20% over regular movies.

Multiplex chains experiment with pricing models to maximize revenue…

Business in the first week of release has increased, driven by wider releases. The first week and weekend contribute 60-80% of a film's total collection. Even within the first week, the trend is getting skewed towards the weekend. Hence, multiplex chains are experimenting with pricing models to maximize revenue. By adopting a differential pricing strategy for weekdays and weekends, they are able to maximize footfalls across the week.

…but states regulate ticket pricing

In many states, governments regulate the ticket pricing. In Tamil Nadu, single screen theaters are allowed to charge a maximum of INR50 per ticket and multiplexes are allowed to charge a maximum of INR120 per ticket, depending on the facilities provided by them. In Andhra Pradesh, a proposal to hike cinema ticket rates from INR10 to INR25 for single screens and from INR60 to INR75 for multiplexes is currently on hold. Industry expects state governments will relax regulations that limit the number of shows and cap ticket pricing, and allow exhibitors to fix admission rates according to demand. Flexible pricing will also help to reduce black marketing of tickets as theater owners will have the freedom to revise rates based on audience inflow.

High taxation restrains sector's growth

High entertainment tax acts as a major impediment to exhibition industry's growth. The overall tax implication is as high as 40-50% in states like Maharashtra and Uttar Pradesh. To save on entertainment tax, theater owners declare occupancy rates at the lowest possible level. Industry estimates indicate that theaters under-report 25-30% of ticket sales.

Company description

Inox Leisure Ltd is the diversified venture of the INOX Group into entertainment. INOL's aim is to be the leader in cinema exhibition industry in every aspect -- from the quality and choice of cinema, to the varied services offered and eventually the highest market share.

Since the launch of its multiplex in Goa in CY04, INOL is the venue for the prestigious International Film Festival of India (IFFI) every year. From its inception in CY99, INOL has been active in exploring acquisitions and/or expansion opportunities on a continuous basis, with a view to consolidate its position in the multiplex industry. In CY07, Calcutta Cinema Private Ltd (CCPL), a multiplex cinema theatre company based in West Bengal, was merged with INOL.

In May CY13, Fame India Ltd, another multiplex cinema theatre company having a nation-wide presence, was merged with it. INOL operates 79 multiplexes and 310 screens in 43 cities, making it a truly pan-Indian multiplex chain. INOL will continue its expansion into cities like Jammu, Mangalore among others.

INOL's cinemas have state-of-the-art facilities in terms of modern projection and acoustic systems, interiors of international standards, stadium-styled high back seating with cup holder arm rests, high levels of hygiene, varied theatre food, a selection of Hindi, English and regional movies, computerized ticketing and pertinently high service standards.

Key management

Mr Pavan Jain, Chairman

Mr Pavan Jain, Chairman of the INOX Group, is a chemical engineer from IIT, New Delhi and an industrialist with over 38 years of experience. With over 22 years of experience as the Managing Director of INOX Air Products Ltd, Mr Jain has steered the company's growth from a single plant business to one of the leading domestic players in industrial gases business. In addition, Mr Jain has been instrumental in diversifying the INOX Group into various industries such as Refrigerant Gases, Chemicals, Cryogenic Engineering, Entertainment and Renewable Energy.

Mr Vivek Jain, Director

Mr Vivek Jain has over 34 years of business experience. He graduated in economics from St. Stephens, New Delhi and did his post graduation in business administration from IIM, Ahmedabad, where he specialized in finance. He is currently the Managing Director of Gujarat Fluorochemicals Ltd and has grown the company to be the country's largest manufacturer and exporter of Refrigerant Gases.

Mr Deepak Asher, Director

A commerce and law graduate, Mr Deepak Asher is also a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Cost and Works Accountants of India. He has more than 25 years of experience in the fields of corporate finance and business strategy. Mr Asher is the President of the Multiplex Association of India and a member of the FICCI Entertainment Committee. In 2002, he won the Theatre World Newsmaker of the Year Award for his contribution to the multiplex sector.

Mr Alok Tandon, Chief Executive Officer

As the CEO of Inox Leisure Ltd, Mr Tandon is at the helm of INOL's expansion plans and concentrates on strengthening the INOL brand on a national scale, making it the first choice in the business of cinema exhibition in India. An engineer by qualification, he has been with INOL since its inception and has more than 25 years of varied work experience in companies such as Hoechst, ITC Welcome Group and the Oberoi Group.

Key risks

Timely execution, given aggressive roll-out plan

INOL plans to take up space in various upcoming malls. Thus, any delays in the construction of these malls will impact the execution of its rollout plan.

Quality of content

Good quality content is the key driver of footfalls in multiplexes. While the quality of content is improving, in any particular year, if the content released is commercially unsuccessful, it could impact the revenue of multiplexes.

Escalating rental costs

Rental costs have seen an upward trend for most multiplexes. The escalation in rents is leading to pressure on margins and impacts profitability.

Continued price controls by state governments

Several states still control cinema ticket prices. While free pricing prevails in West India, in some parts of North India, approvals are needed to price tickets in a particular band. In South India, especially Andhra Pradesh and Tamil Nadu, there are strict restrictions on pricing. In Chennai, for instance, ticket prices are capped at INR120 and 10% of a show's tickets have to be issued at INR10.

High entertainment tax on cinema tickets

High entertainment tax is a major impediment to exhibition industry's growth. The overall tax implication is as high as 40-50% in states like Maharashtra, Uttar Pradesh etc. Though post GST, the peak rate is likely to be ~16%, leading to significant cost reduction; the visibility on GST implementation is still limited.

Key assumptions

Exhibit 48: Key assumptions

Particulars	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Operating metrics							
Number of properties	63	68	74	79	108	121	135
Number of screens	239	257	285	310	375	425	480
Occupancy rate (%)	23%	25%	28%	28%	27%	27%	28%
Total footfalls (m)	26	31	35	39	42	52	59
Average ticket price (INR)	152	156	160	156	167	179	189
Average Spend Per Head (INR)	41	44	47	49	65	78	93
Avg revenue per screen (INR m)	11.6	12.2	19.6	19.2	18.0	19.7	21.9
Growth rates %							
Ticket Revenues	47%	13%	78%	7%	13%	25%	25%
Food and beverages	45%	18%	100%	15%	37%	40%	32%
Advertising income	38%	3%	82%	53%	73%	49%	41%
Total	**46%**	**13%**	**83%**	**14%**	**21%**	**29%**	**28%**
Revenues contribution % of sales							
Ticket Revenues	74%	75%	75%	73%	64%	62%	61%
Food and beverages	16%	16%	17%	19%	21%	23%	24%
Advertising income	5%	5%	4%	4%	8%	9%	10%
Others	4%	4%	4%	4%	7%	6%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company, MOSL

Financials and valuations

Standalone - Income Statement (INR Million)

Y/E Mar	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Gross Operating Revenue	2,536	3,703	4,187	7,653	8,688	10,503	13,558	17,303
Less: Entertainment Tax	317	492	521	1,020	1,061	1,279	1,593	1,999
Net Operations Revenue	**2,220**	**3,211**	**3,667**	**6,632**	**7,628**	**9,224**	**11,965**	**15,303**
Change (%)	12.4	44.7	14.2	80.9	15.0	20.9	29.7	27.9
EBITDA	**364**	**612**	**540**	**980**	**1,220**	**1,326**	**1,878**	**2,567**
Margin (%)	16.4	19.1	14.7	14.8	16.0	14.4	15.7	16.8
Depreciation	154	188	202	431	507	795	963	1,059
EBIT	**209**	**424**	**339**	**549**	**713**	**531**	**915**	**1,508**
Int. and Finance Charges	48	126	167	267	276	426	168	116
Other Income	19	25	51	36	89	89	103	118
PBT bef. EO Exp.	**181**	**322**	**223**	**319**	**526**	**195**	**849**	**1,510**
EO Expense/(Income)	0	56	-97	-25	-4	0	0	0
PBT after EO Exp.	**181**	**378**	**126**	**294**	**522**	**195**	**849**	**1,510**
Current Tax	4	3	19	73	99	43	212	415
Deferred Tax	-84	19	4	36	54	0	0	0
Tax Rate (%)	-43.8	6.0	18.3	37.2	29.2	22.0	25.0	27.5
Reported PAT	**261**	**356**	**103**	**184**	**369**	**152**	**637**	**1,095**
Adjusted PAT	**261**	**303**	**182**	**200**	**372**	**152**	**637**	**1,095**
Change (%)	7.1	16.2	-39.8	9.8	86.0	-59.2	319.8	71.9
Margin (%)	11.7	9.4	5.0	3.0	4.9	1.6	5.3	7.2

Standalone - Balance Sheet (INR Million)

Y/E Mar	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	619	619	619	616	962	962	962	962
Adjustments to equity	-4	-4	-3	346	0	0	0	0
Total Reserves	2,494	2,565	2,667	2,285	2,948	5,862	6,499	7,594
Net Worth	**3,109**	**3,180**	**3,283**	**3,246**	**3,909**	**6,824**	**7,461**	**8,556**
Deferred Liabilities	156	174	194	228	290	290	290	290
Total Loans	1,863	2,115	2,307	2,810	2,422	1,835	1,535	785
Capital Employed	**5,128**	**5,469**	**5,784**	**6,283**	**6,621**	**8,949**	**9,286**	**9,631**
Gross Block	3,802	4,164	4,279	7,607	8,437	11,437	12,637	13,837
Less: Accum. Deprn.	667	766	948	2,080	2,576	3,371	4,334	5,392
Net Fixed Assets	**3,135**	**3,398**	**3,331**	**5,528**	**5,861**	**8,066**	**8,303**	**8,444**
Capital WIP	219	91	241	423	485	587	705	900
Total Investments	**827**	**854**	**1,793**	**11**	**37**	**37**	**37**	**37**
Curr. Assets, Loans&Adv.	**1,385**	**1,591**	**1,073**	**2,173**	**2,197**	**2,640**	**3,241**	**4,003**
Inventory	20	26	31	55	86	115	149	190
Account Receivables	90	127	142	367	334	432	520	664
Cash and Bank Balance	576	169	71	233	166	159	155	128
Loans and Advances	700	1,269	828	1,519	1,612	1,934	2,417	3,022
Curr. Liability & Prov.	**438**	**464**	**654**	**1,851**	**1,960**	**2,381**	**3,001**	**3,754**
Account Payables	350	271	417	929	1,161	1,395	1,783	2,249
Other Current Liabilities	60	161	137	625	547	684	855	1,069
Provisions	27	33	100	298	252	302	363	435
Net Current Assets	**947**	**1,126**	**419**	**322**	**237**	**258**	**240**	**249**
Appl. of Funds	**5,128**	**5,469**	**5,784**	**6,283**	**6,621**	**8,949**	**9,286**	**9,631**

E: MOSL Estimates; * Adjusted for treasury stocks

Financials and valuations

Ratios

Y/E Mar	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Basic (INR)								
EPS	**4.2**	**5.7**	**1.7**	**3.0**	**3.8**	**1.7**	**7.0**	**12.0**
Cash EPS	6.7	7.9	6.2	10.2	9.1	9.8	16.6	22.4
BV/Share	50.2	51.4	53.0	52.7	40.7	71.0	77.6	89.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	42.9	31.4	108.7	60.3	47.0	108.5	25.8	15.0
Cash P/E	26.9	22.8	29.1	17.6	19.7	18.3	10.9	8.1
P/BV	3.6	3.5	3.4	3.4	4.4	2.5	2.3	2.0
EV/Sales	8.4	6.0	5.3	3.0	2.6	2.1	1.6	1.2
EV/EBITDA	51.3	31.5	36.3	20.3	16.1	14.4	10.0	7.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-0.2	-6.5	11.2	-2.3	2.7	-19.2	3.8	7.5
Return Ratios (%)								
RoE	8.7	9.6	5.6	6.1	10.4	2.8	8.9	13.7
RoCE	5.5	8.7	7.2	10.1	13.0	8.3	11.5	17.7
Working Capital Ratios								
Asset Turnover (x)	0.4	0.6	0.6	1.1	1.2	1.0	1.3	1.6
Inventory (Days)	3.2	3.0	3.1	3.0	4.1	4.6	4.5	4.5
Debtor (Days)	13	13	12	17	14	15	14	14
Creditor (Days)	58	31	42	51	56	55	54	54
Working Capital T/O(Days)	61	109	35	5	3	4	3	3
Leverage Ratio (x)								
Debt/Equity	0.6	0.7	0.7	0.9	0.6	0.3	0.2	0.1

Standalone - Cash Flow Statement (INR Million)

Y/E Mar	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
NP / (Loss) Before Tax & EO Items	181	92	126	294	522	195	849	1,510
Depreciation	154	188	202	431	507	795	963	1,059
Interest & Finance Charges	34	111	135	254	266	336	66	-2
Direct Taxes Paid	-39	18	-58	-30	-93	-43	-212	-415
(Inc)/Dec in WC	102	-567	578	-284	83	-28	14	-36
CF from Operations	**432**	**-157**	**983**	**664**	**1,285**	**1,255**	**1,680**	**2,115**
Others	-3	5	-5	49	-30	0	0	0
CF from Operating incl EO	**430**	**-152**	**978**	**713**	**1,255**	**1,255**	**1,680**	**2,115**
(inc)/dec in FA	-439	-252	-284	-855	-997	-3,101	-1,318	-1,395
(Pur)/Sale of Investments	-822	-26	3	193	269	0	0	0
Others	22	-101	-790	-11	56	89	103	118
CF from Investments	**-1,239**	**-379**	**-1,071**	**-673**	**-672**	**-3,012**	**-1,215**	**-1,276**
Issue of Shares	0	1	0	0	0	0	0	0
(Inc)/Dec in Debt	1,414	252	193	202	-134	-587	-300	-750
Interest Paid	-53	-127	-198	-265	-240	-426	-168	-116
Others	0	25	17	126	-254	2,763	0	0
CF from Fin. Activity	**1,361**	**150**	**12**	**62**	**-628**	**1,750**	**-468**	**-866**
Inc/Dec of Cash	**552**	**-382**	**-81**	**99**	**-45**	**-7**	**-4**	**-27**
Add: Beginning Balance	23	576	194	113	211	166	159	155
Closing Balance	**576**	**194**	**113**	**211**	**166**	**159**	**155**	**128**

E: MOSL Estimates

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