

20th September, 2022

To,
BSE Limited
P J Towers,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

Stock Code: 532706

Symbol: INOXLEISUR

Dear Sir / Madam,

Sub: Disclosure of Material Event/ Information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Revision in Rating(s).

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the link of the Credit Rating published by CRISIL on 19th September, 2022.

Link: [CRISIL Website](#)

As per the rating rationale, CRISIL Ratings has upgraded its rating on the long-term bank facilities of INOX Leisure Limited from 'CRISIL A+/Watch Positive' to 'CRISIL AA-/Watch Positive' and revised the Short Term Rating from 'CRISIL A1/ Watch Positive' to 'CRISIL A1+'.

The copy of the Rating published by CRISIL is enclosed herewith.

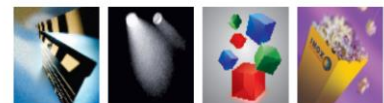
We request you to kindly take the same on record.

Thanking you.

Yours faithfully,
For INOX Leisure Limited

Vishav Sethi
Company Secretary & Compliance Officer

Encl.: as above



Rating Rationale

September 19, 2022 | Mumbai

INOX Leisure Limited

Ratings upgraded to 'CRISIL AA-/CRISIL A1+'; Long-term rating continues on 'Watch Positive'; Short-term rating removed from 'Watch Positive'

Rating Action

| | |
|----------------------------------|---|
| Total Bank Loan Facilities Rated | Rs.319.68 Crore |
| Long Term Rating | CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications') |
| Short Term Rating | CRISIL A1+ (Upgraded from 'CRISIL A1'; Removed from 'Rating Watch with Positive Implications') |

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of INOX Leisure Limited (INOX) to '**CRISIL AA-/CRISIL A1+**' from '**CRISIL A+/CRISIL A1**'. The long-term rating continues on '**Rating Watch with Positive Implications**' and short term rating removed from '**Rating Watch with Positive Implications**'.

The rating action follows the strong operating performance reported by the company during Q1FY23 and visibility of continued healthy operating performance in 2HFY23 (after a temporary blip seen over past 2 months because of weaker content and social media protests around some content). Strong content pipeline and festive season should support the healthy operating performance. This along with screen additions and sustained higher average ticket prices (ATP), spend per head (SPH) on food & beverages and recovery in advertisement income should aid revenue and operating profits in surpassing pre-pandemic levels during fiscal 2023. As a result, financial risk profile too is expected to see continued improvement, aided by strong cash accruals and maintenance of healthy liquidity.

The watch continuation factors in pending approvals for proposed merger of INOX and PVR Ltd. CRISIL Ratings believes that amalgamation of these entities would help the merged entity to lead the multiplex sector with a significant scale and market share. Moreover, expected revenue and cost synergies post-merger should benefit operating efficiencies in both operational as well as capital expenditure. As a result, the business as well as financial risk profiles of the merged entity is expected to improve significantly. CRISIL Ratings will continue to closely monitor the said transaction and will remove the ratings from watch and take a final rating action once the transaction is concluded.

The company's liquidity benefitted significantly from the various equity raises undertaken over the past two years. Cash and bank balance and other liquid investments stood at above Rs 210 crore as on August 31, 2022. Healthy cash accruals along with strong liquidity position should sufficiently cover minimal debt obligation and capital expenditure (capex) in fiscal 2023. Sustained improvement in revenue and operating margin, along with maintenance of healthy liquidity, will continue to be monitored.

The ratings continue to consider strong market position and established brand of INOX, improving operating efficiency, and healthy financial risk profile and liquidity. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of INOX and its subsidiary. This is because the companies, together referred to as INOX, are in related businesses, have common promoters and have operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position:** With 702 screens across 164 multiplexes in 73 cities as on date, INOX is the second-largest multiplex operator. Its strong market position is also reflected in its continued ability to increase ticket prices. ATP was Rs 229 in the first quarter of fiscal 2023, against Rs 200 in fiscal 2020. INOX is expected to continue to add 70-80 screens annually to improve its market position. In fact, after the proposed merger with PVR, market position of the merged entity may improve significantly as it would be operating more than 1550 screens.
- Improving operating efficiency:** After reporting operating losses in fiscal 2021 and fiscal 2022, INOX reported operating profit (ex-Ind AS-116 adjustment) of Rs 123 crore in the first quarter of fiscal 2023 (operating margins of 21.1%). This is

healthy when compared to operating margin of ~18% in fiscal 2020 and ~19% in fiscal 2019.

Moreover, key operating parameters such as ATP and SPH on food & beverages stood higher at Rs 229 and Rs 96 respectively, during the first quarter of fiscal 2023 as compared to Rs 200 and Rs 80 respectively, in fiscal 2020. Although the operating profits may be constrained during the second quarter of this fiscal due to weak content performance, however performance for the fiscal 2023 is expected to be better than pre-pandemic levels given the upcoming festive season, strong content pipeline and increase in overall operating screen portfolio. Sustenance of healthy operating performance during the rest of the year will remain a key monitorable.

Moreover, post-merger, expected synergies should further benefit operating efficiency of the merged entity.

- **Strong financial risk profile:** Given a strong rebound in operating performance, the cash accruals should support the financial risk profile of the company. Company is net debt free. With operating profits estimated to be around Rs 350-380 crore for fiscal 2023, the debt protection metrics are expected to remain robust. While company has plans to add 70-80 screens during current fiscal which should entail capex of Rs 300-350 crore, the same is expected to be funded largely from internal accruals.

Moreover, INOX enjoys healthy financial flexibility as part of the INOX group. Furthermore, its financial risk profile is supported by its strong ability to raise funds from capital markets.

Weakness:

- **Exposure to risks inherent in the film exhibition business:** Fluctuations in profitability, inherent in the film exhibition business, will continue to affect operations, though the impact should be cushioned marginally by the large scale of operations and diversified revenue. Multiplex players, given their high fixed costs, should remain dependent on occupancy, which is driven by the success of films. Other forms of entertainment and new content distribution platforms, including over-the-top, will continue to expose the company to challenges of sustaining profitability and growth.

Liquidity: Strong

Liquidity was more than Rs 210 crore as on August 31, 2022. Company also had ~Rs 125 crore of unutilized bank limits as at August 2022. Moreover, cash accruals are expected to remain healthy at over Rs 300-330 crore for fiscal 2023. This should remain sufficient to service minimal debt repayment obligation as well as the capex plans of the company during the fiscal.

Rating Sensitivity factors

Upward factors

- Successful completion of the proposed merger with PVR Ltd.
- Significant improvement in market position while sustaining the financial risk profile
- Strong revenue growth, resulting in operating margin (ex-Ind AS-116 adjustment) sustaining above 23-24%

Downward factors

- Weakening of the capital structure, with net debt to EBITDA ratio rising above 1.5 times
- Impact on revenues as well as profitability due to other forms of entertainment and new content distribution platforms, including over-the-top

About the Company

Incorporated in 1999, INOX operates multiplexes. The company set up its first multiplex in Pune, Maharashtra, in May 2002. It acquired a majority stake in FAME and became the second-largest multiplex operator in India. FAME was merged with INOX effective April 1, 2012. In August 2014, INOX acquired a North India-based multiplex chain, Satyam, which had 38 screens.

Net profit was Rs 57 crore on operating revenue of Rs 582 crore for the three months ended June 30, 2022, as compared to net loss of Rs 122 crore on operating revenue of Rs 22 crore in the corresponding period of the previous fiscal.

Key Financial Indicators

| As on/for the period ended March 31 | Unit | 2022 | 2021 |
|-------------------------------------|----------|-------|--------|
| Operating revenue | Rs crore | 684 | 106 |
| Profit After Tax (PAT) | Rs crore | -239 | -338 |
| PAT Margin | % | -34.9 | -318.9 |
| Adjusted debt/adjusted network | Times | 0.13 | 0.17 |
| Interest coverage | Times | NM | NM |

NM: not meaningful

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

| ISIN | Name of instrument | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs crore) | Complexity level | Rating assigned with outlook |
|------|---------------------|-------------------|-----------------|---------------|-----------------------|------------------|------------------------------|
| NA | Overdraft Facility# | NA | NA | NA | 25.00 | NA | CRISIL A1+ |

| | | | | | | | |
|----|---------------------------------------|----|----|---------|-------|----|---------------------------|
| NA | Bank Guarantee | NA | NA | NA | 27.0 | NA | CRISIL AA-/Watch Positive |
| NA | Bank Guarantee** | NA | NA | NA | 23.85 | NA | CRISIL AA-/Watch Positive |
| NA | Short Term Loan* | NA | NA | NA | 22.0 | NA | CRISIL A1+ |
| NA | Overdraft Facility@ | NA | NA | NA | 70.0 | NA | CRISIL A1+ |
| NA | Overdraft Facility^ | NA | NA | NA | 30.0 | NA | CRISIL A1+ |
| NA | Overdraft Facility | NA | NA | NA | 2.0 | NA | CRISIL A1+ |
| NA | Long Term Loan | NA | NA | Dec-24 | 40.3 | NA | CRISIL AA-/Watch Positive |
| NA | Term Loan | NA | NA | May-27 | 26.0 | NA | CRISIL AA-/Watch Positive |
| NA | Term Loan | NA | NA | Jun- 27 | 13.0 | NA | CRISIL AA-/Watch Positive |
| NA | Proposed Long Term Bank Loan Facility | NA | NA | NA | 40.53 | NA | CRISIL AA-/Watch Positive |

*Letter of credit of Rs 20 crore as a sub-limit and overdraft of Rs 22 crore as a sublimit

#Letter of credit of Rs 10 crore as a sublimit and Working Capital Demand Loan for Rs 25 crore as a sublimit

@short-term line of credit of Rs 16 crore as a sublimit, bank guarantee and letter of credit aggregating to Rs 32 crore is a sublimit

^Bank guarantee and letter of credit aggregating to Rs 15 crore as a sublimit

**Bank guarantee of Rs 23.85 crore has a sublimit of Rs 16.44 crore issued to M/s Shouri Properties Pvt Ltd (subsidiary of INOX Leisure Limited)

Annexure - List of Entities Consolidated

| Names of Entities Consolidated | Extent of Consolidation | Rationale for Consolidation |
|--------------------------------|-------------------------|------------------------------------|
| Shouri Properties Pvt Ltd | Full | Operational and financial linkages |

Annexure - Rating History for last 3 Years

| | Current | | | 2022 (History) | | 2021 | | 2020 | | 2019 | | Start of 2019 |
|---------------------------|---------|--------------------|--|----------------|---|----------|--------------------------------|----------|---|----------|--------------------------------|-------------------|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | LT/ST | 268.83 | CRISIL A1+ / CRISIL AA-/Watch Positive | 01-04-22 | CRISIL A1/Watch Positive / CRISIL A+/Watch Positive | 24-09-21 | CRISIL A+/Negative / CRISIL A1 | 06-10-20 | CRISIL AA-/Negative / CRISIL A1+ | 14-05-19 | CRISIL A1+ / CRISIL AA-/Stable | CRISIL AA-/Stable |
| | | | -- | 22-03-22 | CRISIL A+/Stable / CRISIL A1 | 16-04-21 | CRISIL A+/Negative / CRISIL A1 | 14-09-20 | CRISIL AA-/Watch Negative / CRISIL A1+/Watch Negative | | -- | -- |
| | | | -- | | -- | | -- | 23-03-20 | CRISIL AA-/Watch Negative / CRISIL A1+/Watch Negative | | -- | -- |
| Non-Fund Based Facilities | LT | 50.85 | CRISIL AA-/Watch Positive | 01-04-22 | CRISIL A+/Watch Positive | 24-09-21 | CRISIL A1 | 06-10-20 | CRISIL A1+ | 14-05-19 | CRISIL A1+ | CRISIL A1+ |
| | | | -- | 22-03-22 | CRISIL A1 | 16-04-21 | CRISIL A1 | 14-09-20 | CRISIL A1+/Watch Negative | | -- | -- |
| | | | -- | | -- | | -- | 23-03-20 | CRISIL A1+/Watch Negative | | -- | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|---------------------------------------|-------------------|-------------------------|---------------------------|
| Bank Guarantee | 27 | YES Bank Limited | CRISIL AA-/Watch Positive |
| Bank Guarantee** | 23.85 | Axis Bank Limited | CRISIL AA-/Watch Positive |
| Long Term Loan | 40.3 | HDFC Bank Limited | CRISIL AA-/Watch Positive |
| Overdraft Facility^ | 30 | IDFC FIRST Bank Limited | CRISIL A1+ |
| Overdraft Facility# | 25 | Axis Bank Limited | CRISIL A1+ |
| Overdraft Facility@ | 70 | ICICI Bank Limited | CRISIL A1+ |
| Overdraft Facility | 2 | HDFC Bank Limited | CRISIL A1+ |
| Proposed Long Term Bank Loan Facility | 40.53 | Not Applicable | CRISIL AA-/Watch Positive |
| Short Term Loan* | 22 | YES Bank Limited | CRISIL A1+ |
| Term Loan | 26 | Axis Bank Limited | CRISIL AA-/Watch Positive |
| Term Loan | 13 | HDFC Bank Limited | CRISIL AA-/Watch Positive |

This Annexure has been updated on 19-Sep-2022 in line with the lender-wise facility details as on 11-Dec-2021 received from the rated entity

*Letter of credit of Rs 20 crore as a sub-limit and overdraft of Rs 22 crore as a sublimit

#Letter of credit of Rs 10 crore as a sublimit and Working Capital Demand Loan for Rs 25 crore as a sublimit

@short-term line of credit of Rs 16 crore as a sublimit, bank guarantee and letter of credit aggregating to Rs 32 crore is a sublimit

[^]Bank guarantee and letter of credit aggregating to Rs 15 crore as a sublimit

^{**}Bank guarantee of Rs 23.85 crore has a sublimit of Rs 16.44 crore issued to M/s Shouri Properties Pvt Ltd (subsidiary of INOX Leisure Limited)

Criteria Details

| |
|--|
| Links to related criteria |
| CRISILs Approach to Financial Ratios |
| Rating criteria for manufacturing and service sector companies |
| CRISILs Bank Loan Ratings - process, scale and default recognition |
| CRISILs Criteria for Consolidation |

| Media Relations | Analytical Contacts | Customer Service Helpdesk |
|---|--|--|
| <p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p> | <p>Manish Kumar Gupta Senior Director CRISIL Ratings Limited B: +91 124 672 2000 manish.gupta@crisil.com</p> <p>Naveen Vaidyanathan Director CRISIL Ratings Limited D: +91 44 4226 3492 naveen.vaidyanathan@crisil.com</p> <p>ROUNAK AGARWAL Manager CRISIL Ratings Limited B: +91 22 3342 3000 ROUNAK.AGARWAL@crisil.com</p> | <p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p> |

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or

agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>