

April 7, 2022

Multiplexes on recovery path!

Media sector is expected to witness a different growth trajectory across segments. For broadcasters, muted ad spends by key category of FMCG/Consumers amid input price pressures, will impact ads for GECs while news segment will witness healthy growth led by state elections tailwinds and global news heavy quarter. For multiplexes, despite a complete washout for the first one and half months, strong box office collections of movies like *Kashmir Files*, *RRR*, *Gangubai Kathiawadi*, etc, will result in a relatively resilient performance.

Multiplexes: March box office rescues after washout first half

Q4 started on a dismal note with no major releases in the first half of the quarter. However, the box office staged a strong recovery from end of February with *Kashmir Files*, *RRR*, *Gangubai Kathiawadi*, etc, driving growth. **Inox Leisure is likely to report superior footfall growth as it had capitalised on the sleeper hit “Kashmir Files” through higher screen allocation from the beginning.**

In terms of Q4 performance, we expect footfalls at ~11.5 mn and ~14 mn for Inox and PVR, respectively, up ~22% QoQ, down ~3% QoQ, respectively. Ad revenues are expected to be much lower at 30-35% of pre-Covid levels. We expect spends per head (SPH) for multiplexes to remain healthy with Inox and PVR expected to report SPH of ₹ 88, ₹ 120, respectively. We estimate EBITDA loss (ex-Ind-AS) of ₹ 23 crore for PVR while we bake in EBITDA (ex-Ind-AS) of ₹ 30 crore for Inox (~9% margins). PVR EBITDA losses are likely owing to muted footfalls and higher cost structure. We also highlight with only marginal rental waivers during Q4, we expect both PVR and Inox to revert back to 90%+ rentals levels of pre-Covid during the quarter.

Broadcasters: News segment to report better performance...

Q4FY22 is expected to reflect a divergent performance among broadcasters with news segment doing well with state election tailwinds and global news heavy quarter while GECs ad growth may be modest owing to muted spends by FMCG companies amid inflationary pressures.

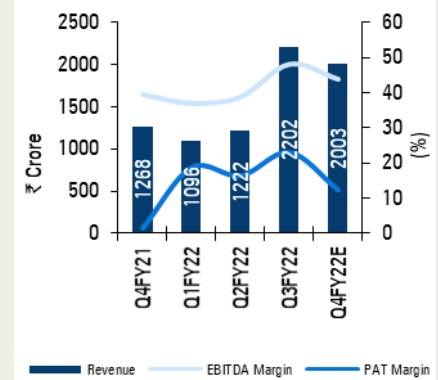
Sun TV's ad revenues are likely to witness growth of 8% YoY, with growth moderation largely owing to muted spends by FMCG companies, in a high input prices scenario. Subscription revenues are expected to be muted (up 1% YoY) amid NTO 2 implementation. We expect EBITDA margins (ex- IPL) at 69%, down 90 bps YoY, due to higher content cost.

For TV Today, we expect ~15% YoY growth in TV revenues driven by state elections tailwinds and 25% YoY growth in digital revenues. EBITDA margins at 30% are expected to be up 680 bps YoY, as base quarter had certain one-off production costs.

Exhibit 1: Estimates for Q4FY22E: (Media)							(₹ crore)		
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ
Inox Leisure	331.9	267	11.9	80.3	LP	-4.3	-77.7	NA	NA
PVR	525.4	189.6	-14.4	109.0	LP	-33.9	-142.1	NA	NA
Sun TV	894.9	14.4	-13.4	611.4	11.8	-15.3	409.9	-8.9	-10.4
TV Today	251.2	17.2	-2.6	75.4	51.6	-12.0	55.1	52.2	-10.4
Total	2,003.5	58.0	-9.0	876.1	75.3	-17.1	245.1	137.4	-51.7

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Research Analyst

Bhupendra Tiwary, CFA

bhupendra.tiwary@icicisecurities.com

Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	We bake in overall footfall of 11.5 mn, up 22% QoQ, and SPH of ₹ 88, with ad revenues still marginal (~30% of pre-Covid levels). Consequently, we expect overall revenues of ₹ 332 crore in Q4. We expect no cash burn with stable performance. EBITDA (ex-Ind AS) is expected at ₹ 30 crore, margins of ~9%. Key Monitorable: Content performance ahead
PVR	We bake in overall footfall of 14 mn, down 3% QoQ, and SPH of ₹ 120, with ad revenues still marginal (~30% of pre-Covid levels). Consequently, we expect overall revenues of ₹ 525 crore in Q4. With higher rentals QoQ and relatively muted footfall vis-a-vis Inox, we expect EBITDA (ex-Ind-AS) loss at ₹ 23 crore. Key Monitorable: Content performance ahead
Sun TV	We expect ad revenues to increase ~8% YoY. Subscription revenues are expected to be muted and up 1% YoY, as NTO 2 implementation overhang has restricted tariff increase. We bake in IPL revenues/EBITDA of ₹ 15 crore/₹ 5 crore and film revenues of ₹ 80 crore. We expect EBITDA margins (ex-IPL) at 69%, down 90 bps YoY, owing to higher content costs. Key Monitorable: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting revenue growth of ~15% YoY to ₹ 202.5 crore. Radio business is estimated to up 85% on a depressed base at ₹ 4.5 crore. The digital revenues are expected to maintain growth trajectory and grow 25% YoY at ₹ 44.1 crore. We expect EBITDA of ₹ 75.4 crore with EBITDA margin of 30% for the quarter down 680 bps YoY, as base quarter had certain one-off production costs. Key Monitorable TV broadcasting revenue growth, digital revenue growth

Source: Company, ICICI Direct Research

Exhibit 3: Media Coverage Universe

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Inox Leisure	514	680	Buy	6,293	-27.6	9.0	14.9	NM	57.3	31.6	-189.9	13.0	10.9	-76.0	17.0	22.8	-8.7	10.8	12.8
PVR	1,902	2,265	Buy	11,560	-97.2	28.3	43.7	NM	67.2	43.5	-273.6	12.7	10.8	-5.2	10.5	32.2	-48.1	12.4	16.2
Sun TV	499	625	Hold	19,649	42.5	42.6	47.0	11.7	11.7	10.6	6.5	5.8	4.9	28.6	25.8	25.5	21.2	19.2	19.0
TV Today	405	405	Hold	2,415	32.8	35.7	40.5	12.3	11.3	10.5	7.8	6.6	5.4	24.2	24.0	24.4	18.1	17.9	18.2

Source: Company, ICICI Direct Research, Reuters

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruvi Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.