

Jul-Sep'22 Earnings Preview

October 6, 2022

Exhibit 1: PL Universe – Media & Ent

Companies	Rating	CMP (Rs)	TP (Rs)
Ent. Network (India)	HOLD	167	190
Inox Leisure	BUY	514	646
Nazara Technologies	BUY	740	1,031
PVR	BUY	1,786	2,153
Music Broadcast	HOLD	24	24
Zee Ent. Enterprises	BUY	280	302

Source: PL

Exhibit 2: PL Universe - Education

Companies	Rating	CMP (Rs)	TP (Rs)
Navneet Education	BUY	130	170
S Chand and Company	BUY	187	234

Source: PL

Exhibit 3: PL Universe – Travel & Tourism

Companies	Rating	CMP (Rs)	TP (Rs)
IRCTC	HOLD	731	635
Safari Industries (India)	BUY	1,852	2,062
V.I.P. Industries	BUY	699	1,020

Source: PL

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Flop show for multiplexes; luggage to shine

Media: Given subpar performance from Bollywood genre, we expect sequential decline of ~30-37% in footfalls for multiplexes. As costs have reverted to pre-COVID base and content performance was sub-par, we expect PVR and Inox to just manage pre-IND AS EBITDA break-even with losses at bottom-line level. On the broadcasting side, ad-environment continues to remain soft and we expect ZEEL to report 8.0% YoY decline in domestic ad-revenue with EBITDA margin of 13.6%, due to continued investment in content.

Luggage: As far as luggage sector is concerned, demand environment continues to remain robust and VIP and Safari are likely to report top-line growth of 20.1% and 48.6% respectively over pre-COVID base. RM inflation has also subsided but full benefit is likely to be seen with a lag and we expect VIP and Safari to report GM of 50.3% and 38.5% respectively.

Top picks: We prefer Safari, Navneet and Nazara amongst our mid-cap coverage universe. We also like VIP amid emergence of new twin levers (Caprese and exports) which is likely to result in sales/PAT CAGR of 15%/26% over FY23-25E.

Multiplex: NBOC's for Bollywood and Hollywood genre stood at only ~Rs7.0bn in 2QFY23 as against Rs11.3bn in the previous quarter as there were only 2 movies that crossed the Rs1bn barrier during the quarter. Due to dearth of content we expect footfalls of PVR to decline 30% sequentially at 17.6mn (~40% lower than pre-COVID base) with pre Ind-AS EBITDA loss of Rs86.7mn. For Inox, we expect footfalls of 11.5mn (~39% lower than pre-COVID base) with a pre Ind-AS EBITDA loss of Rs50.3mn. Consequent to the current quarter performance, we have reduced our EBITDA estimates for PVR/Inox by 12.3%/12.6% respectively in FY23E.

While 2QFY23 has turned out to be dud, content pipeline for 3QFY23 is strong with movies like Ram Setu, Thank God, Black Panther and Avatar scheduled for release. So far, the opening week of 3QFY23 has been decent as Vikram Vedha has clocked Rs422mn, while PS-1 has crossed Rs1bn. **We thus maintain our positive bias on multiplexes and retain BUY on PVR (merged entity TP of Rs2,153) and Inox (implied TP of Rs646 based on swap ratio of 3:10).**

Broadcasting: During 1HCY22, TV-ad volumes were up by 47% as compared to 1HCY20 (lower base) but increased only 3% YoY on account of third wave and softer ad-environment. We expect similar trends in 2QFY23 with a possible pick up expected in 2HFY23, as festival season kicks in. We expect ZEEL to report a meagre 3.4% sequential growth in domestic ad-revenues.

Similarly, subscription business is also expected to remain under pressure amid pricing embargo, given pending implementation of NTO 2.0. Overall, we expect revenue to decline 2.4% YoY with 13.6% EBITDA margin. **We maintain our 'BUY'**

rating on ZEEL with a TP of Rs302 (22x Sep-24E EPS) after incorporating the merged entity financials.

Travel & tourism: Samsonite India's revenue was 21.8% higher than pre-COVID base in July 2022, indicating strong recovery momentum witnessed in 1QFY23 is likely to sustain for VIP & Safari. We expect VIP/Safari to report revenues of Rs5bn (~20% higher than pre-pandemic base) and Rs2.5bn (~49% higher than pre-pandemic base) respectively. On the other hand, we expect GM to sustain at 50.3%/38.5% for VIP/Safari, (similar to 1QFY23) as benefit of RM prices decline will accrue with a lag of one quarter. **We maintain our positive stance on luggage space and retain BUY on VIP/Safari with a TP of Rs 1,020/Rs2,062 (45x/38x Sep-24 EPS) respectively.**

Excluding the last 10-days of September, non-suburban PRS traffic stood at 174mn. Assuming that in 3rd bucket of September, passenger traffic settles down at 21mn (similar to bucket-2), collective passenger traffic for the quarter would stand at ~196mn. Given 1.7-1.8x passengers travel per e-ticket, we expect online bookings of ~109mn in 2QFY23. Overall, we expect IRCTC's revenues to increase 112% YoY to Rs8,569mn with an EBITDA margin of 37.5%. **We retain 'HOLD' on IRCTC with a DCF based TP of Rs635.**

Gaming: We expect Nazara's top-line to increase 75% YoY on account of growth in ESports as offline events gained traction coupled with consolidation impact of Datawrkz and OpenPlay. However, sequentially the top-line is expected to remain flat. Headwinds in Kiddopia have subsided, as price hike was taken during last quarter. We expect EBITDA/PAT margin of 13.1%/5.2% respectively. **We retain 'BUY' on Nazara with a DCF based TP of Rs1,031.**

Radio: While ad-volumes are expected to sustain momentum, yields will continue to remain under pressure. We expect radio revenues to increase marginally on a sequential basis for both ENIL and MBL. However, as non-FCT business is seasonal in nature and there were limited on-ground events in previous year we expect top-line of ENIL to grow 50% YoY. EBITDA margin of ENIL/MBL is expected to be at 15.7%/14.0% respectively. **We maintain 'HOLD' on ENIL/MBL with TP of Rs190/Rs24 respectively.**

Education: Navneet's top-line is expected to grow 36.7% YoY to Rs3,132mn (27% higher than pre-COVID base) on account of publishing revenue spillover from 1Q coupled with strong growth in stationary exports. For S Chand, we expect revenue decline of 22.5% YoY amid spillover of higher education book sales into 3Q due to delayed re-opening of institutions. **We maintain 'BUY' on S Chand/Navneet with a TP of Rs234/Rs170 (roll forward to Sep-24E EPS) respectively.**

Exhibit 4: Q2FY23 Result Preview – Media & Entertainment

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
Entertainment Network (India)	Sales	1,035	688	50.4	953	8.6	We expect 50% YoY growth in top-line as there were limited number of on-ground events in the previous year due to COVID while radio revenue is expected to remain flat amid sustained pressure on yields. We expect ENIL to report EBITDA margin of 15.7% in 2QFY23.
	EBITDA	162	89	82.2	52	211.2	
	Margin (%)	15.7	13.0		5.5		
	PBT	-34	-111	NA	-134	NA	
	Adj. PAT	-26	-79	NA	-114	NA	
Inox Leisure	Sales	3,630	474	665.2	5,823	(37.7)	Due to dearth of strong content and only 2 films crossing Rs1bn mark we expect footfalls to be 11.5mn, ~39%/~37% lower than pre-COVID base/sequential basis respectively. Given weak footfalls, we expect pre IND-AS EBITDA losses of Rs50mn while ATP and SPH are expected to remain steady.
	EBITDA	858	156	449.1	2,105	(59.2)	
	Margin (%)	23.6	32.9		36.1		
	PBT	-505	-1,167	NA	764	NA	
	Adj. PAT	-378	-877	NA	571	NA	
Nazara Technologies	Sales	2,268	1,296	75.0	2,231	1.7	Headwinds in Kiddopia have subsided due to price hike undertaken in the previous quarter and we expect subscriber losses to be arrested. Top-line is expected to grow 75% YoY due to consolidation impact of OpenPlay and DataWrkz. We expect EBITDA margin of 13.1% during the quarter.
	EBITDA	297	195	52.4	301	(1.3)	
	Margin (%)	13.1	15.0		13.5		
	PBT	226	147	53.5	227	(0.6)	
	Adj. PAT	118	101	17.3	115	3.0	
PVR	Sales	6,841	1,203	468.6	9,814	(30.3)	Revenue is expected to increase 469% YoY to Rs6,841mn on a lower base. Due to dearth of strong content and only 2 films crossing Rs1bn mark, we expect footfalls to be 17.6mn, ~40%/~30% lower than pre-COVID base/sequential basis respectively. Given weak footfalls, we expect pre IND-AS EBITDA losses of Rs86.7mn.
	EBITDA	1,504	-681	NA	3,416	(56.0)	
	Margin (%)	22.0	NA		34.8		
	PBT	-1,128	-1,855	NA	851	NA	
	Adj. PAT	-734	-1,531	NA	534	NA	
Music Broadcast	Sales	462	420	10.0	441	4.8	Top-line is expected to be rise marginally on sequential basis despite strong momentum in volumes as, yield recovery is still lagging. We expect EBITDA margin of 14.0% in comparison to 10.9%/9.6% reported in 2QFY22/1QFY23 respectively.
	EBITDA	65	46	41.8	43	52.2	
	Margin (%)	14.0	10.9		9.6		
	PBT	16	5	226.0	0	11,063.2	
	Adj. PAT	12	3	314.1	0	12,007.6	
Zee Entertainment Enterprises	Sales	19,305	19,788	(2.4)	18,457	4.6	We expect domestic ad-revenues to decline by 8.0% YoY as FMCG ad-spends have been soft due to RM cost inflation, however, recovery is expected from 3Q. Even domestic subscription business is expected to remain flattish due to pricing embargo amid pending implementation of NTO 2.0. On the other hand, EBITDA margin is expected to remain under pressure and settle at ~13.6% due to continued investment in content.
	EBITDA	2,625	4,122	(36.3)	2,358	11.4	
	Margin (%)	13.6	20.8		12.8		
	PBT	2,311	3,730	(38.0)	1,837	25.8	
	Adj. PAT	1,571	2,890	(45.6)	1,216	29.2	

Source: Company, PL

Exhibit 5: Q2FY23 Result Preview – Education

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
Navneet Education	Sales	3,132	2,291	36.7	6,828	(54.1)	We expect Navneet's publishing top-line to be 25% higher than pre-COVID base of 2QFY20, as there was spillover from the previous quarter led by delayed opening of regional medium schools and ongoing migration of students from government schools. Further, export revenue is expected to be strong amid deferrals from previous quarters and strong order book. We expect EBITDA margin of 18.0% during the quarter.
	EBITDA	564	318	77.1	2,069	(72.7)	
	Margin (%)	18.0	13.9		30.3		
	PBT	522	307	69.9	2,016	(74.1)	
	Adj. PAT	391	226	73.6	1,497	(73.9)	
S Chand and Company	Sales	402	518	-22.5	1,073	(62.6)	For S Chand, we expect top-line to decline 22.5% YoY as sale of some higher education books is deferred to next quarter due to delay in opening of educational institutions. Consequently, we expect EBITDA loss of Rs422mn while additional income of Rs150mn from sale of Textbook is expected to mask net losses.
	EBITDA	-422	-264	NA	119	NA	
	Margin (%)	NA	NA		11.1		
	PBT	-377	-373	NA	112	NA	
	Adj. PAT	-282	-404	NA	-29	NA	

Source: Company, PL

Exhibit 6: Q2FY23 Result Preview – Travel and Tourism

Company Name		Q2FY23E	Q2FY22	YoY gr. (%)	Q1FY23	QoQ gr. (%)	Remark
IRCTC	Sales	8,569	4,049	111.6	8,526	0.5	We expect 112% YoY revenue growth due to base effect and continued traction in non-convenience income & catering business. Online booking is expected to be at ~109mn tickets for the quarter. Overall, we expect EBITDA margin of 37.5% in comparison to 52.2% in 2QFY22 due to falling contribution of high margin ticketing business.
	EBITDA	3,211	2,115	51.8	3,209	0.0	
	Margin (%)	37.5	52.2		37.6		
	PBT	3,297	2,137	54.3	3,293	0.1	
	Adj. PAT	2,472	1,586	55.9	2,455	0.7	
Safari Industries (India)	Sales	2,546	1,886	35.0	2,932	(13.2)	Safari's top-line is expected to be 49% higher than pre-COVID base as demand momentum continues to remain strong. However, we expect GM of 38.5% (38.4% in 1QFY23 and 37.6% in 2QFY22) despite falling RM prices as full benefit will be evident with a lag of one quarter. We expect EBITDA margin of 12.0% for the quarter.
	EBITDA	306	181	69.2	417	(26.7)	
	Margin (%)	12.0	9.6		14.2		
	PBT	242	139	73.7	354	(31.7)	
	Adj. PAT	181	106	70.8	266	(31.8)	
VIP Industries	Sales	4,951	3,301	50.0	5,906	(16.2)	VIP's top-line is expected to be 20% higher than pre-COVID base as demand momentum continues to remain strong. However, we expect GM of 50.3% (49.9% in 1QFY23 and 47.1% in 2QFY22) despite falling RM prices as full benefit will be evident with a lag of one quarter. We expect EBITDA margin of 16.8% for the quarter.
	EBITDA	832	418	98.9	1,026	(18.9)	
	Margin (%)	16.8	12.7		17.4		
	PBT	658	246	168.1	851	(22.6)	
	Adj. PAT	507	185	173.5	541	(6.3)	

Source: Company, PL



Exhibit 7: Valuation Summary - Media

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Ent. Network (India)	S HOLD	167	190	7.9	3,059	4,449	4,914	5,266	427	952	1,169	1,317	-275	123	250	329	-5.8	2.6	5.2	6.9	-3.6	1.6	3.1	4.0	-28.9	64.7	31.8	24.1
Inox Leisure	C BUY	514	646	62.8	6,839	20,229	25,213	29,498	2,167	6,441	8,518	10,162	-2,394	563	1,954	3,162	-19.6	4.6	16.0	25.9	-34.6	7.6	21.2	25.8	-26.2	111.5	32.1	19.9
Nazara Technologies	C BUY	740	1,031	48.6	6,217	9,917	13,179	15,898	946	1,359	1,805	2,128	284	645	892	1,036	8.7	9.8	13.6	15.8	3.3	6.0	7.7	8.2	84.6	75.3	54.4	46.9
PVR	C BUY	1,786	2,153	108.5	13,310	38,108	47,523	53,950	1,057	12,193	16,208	18,382	-4,882	840	3,288	4,538	-80.1	13.8	53.9	74.5	-35.8	5.8	18.7	20.7	-22.3	129.5	33.1	24.0
Music Broadcast	S HOLD	24	24	8.5	1,684	2,047	2,463	2,767	110	583	771	913	-57	267	370	464	-0.2	0.8	1.1	1.3	-0.9	4.2	5.5	6.5	-148.3	31.6	22.9	18.2
Zee Ent. Enterprises	C BUY	280	302	268.9	81,893	81,009	89,139	98,747	17,221	14,177	18,808	22,909	10,928	8,697	12,292	15,915	11.4	9.1	12.8	16.6	10.4	7.8	10.2	12.2	24.6	30.9	21.9	16.9

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 8: Change in Estimates - Media

	Rating		Target Price			Sales						PAT						EPS					
	C	P	C	P	% Chng.	FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Ent. Network (India)	HOLD	HOLD	190	184	3.1%	4,449	4,373	1.7%	4,914	4,914	0.0%	123	284	-56.9%	250	434	-42.5%	2.6	6.0	-56.9%	5.2	9.1	-42.5%
Inox Leisure	BUY	BUY	646	699	-7.6%	20,229	22,140	-8.6%	25,213	26,563	-5.1%	563	1,271	-55.7%	1,954	2,334	-16.3%	4.6	10.4	-55.7%	16.0	19.1	-16.3%
Nazara Technologies	BUY	BUY	1,031	1,031	0.0%	9,917	9,917	0.0%	13,179	13,179	0.0%	645	644	0.0%	892	892	0.0%	9.8	9.8	0.0%	13.6	13.6	0.0%
PVR	BUY	BUY	2,153	2,330	-7.6%	38,108	41,703	-8.6%	47,523	49,192	-3.4%	840	1,757	-52.2%	3,288	3,435	-4.3%	13.8	28.8	-52.2%	53.9	56.4	-4.3%
Music Broadcast	HOLD	HOLD	24	24	-0.4%	2,047	2,201	-7.0%	2,463	2,463	0.0%	267	340	-21.4%	370	417	-11.3%	0.8	1.0	-21.4%	1.1	1.2	-11.3%
Zee Ent. Enterprises	BUY	BUY	302	308	-2.1%	81,009	81,009	0.0%	89,139	89,139	0.0%	8,697	9,303	-6.5%	12,292	12,292	0.0%	9.1	9.7	-6.5%	12.8	12.8	0.0%

Source: Company, PL

C=Current / P=Previous

Exhibit 9: Valuation Summary - Education

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCAp (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Navneet Education	C BUY	130	170	29.4	11,143	16,220	18,428	20,855	1,626	2,860	3,466	4,009	560	1,835	2,205	2,554	2.5	8.1	9.7	11.3	5.8	17.1	17.9	18.1	52.5	16.0	13.3	11.5
S Chand & Company	C BUY	187	234	6.5	4,809	6,019	6,664	7,193	614	978	1,266	1,374	123	342	616	693	3.5	9.8	17.6	19.8	1.5	4.0	6.7	7.0	53.4	19.1	10.6	9.4

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 10: Change in Estimates - Education

	Rating		Target Price			Sales						PAT						EPS					
						FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Navneet Education	BUY	BUY	170	163	4.6%	16,220	16,220	0.0%	18,428	18,428	0.0%	1,835	1,835	0.0%	2,205	2,205	0.0%	8.1	8.1	0.0%	9.7	9.7	0.0%
S Chand & Company	BUY	BUY	234	185	26.6%	6,019	6,019	0.0%	6,664	6,664	0.0%	342	343	-0.1%	616	616	0.0%	9.8	9.8	-0.1%	17.6	17.6	0.0%

Source: Company, PL

C=Current / P=Previous

Exhibit 11: Valuation Summary – Travel & Tourism

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCAp (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
IRCTC	S HOLD	731	635	585.0	18,795	33,667	36,759	39,398	8,795	11,960	13,094	14,204	6,665	9,258	10,124	10,967	8.3	11.6	12.7	13.7	39.9	41.9	35.1	30.3	87.8	63.2	57.8	53.3
Safari Industries (India)	C BUY	1,852	2,062	43.9	7,057	9,802	11,993	14,316	552	1,215	1,775	2,319	316	724	1,102	1,471	14.1	30.5	46.5	62.1	10.9	21.6	26.1	27.0	131.0	60.6	39.9	29.9
V.I.P. Industries	C BUY	699	1,020	98.9	12,895	20,226	23,356	26,827	1,444	3,620	4,554	5,553	669	2,102	2,841	3,574	4.7	14.9	20.1	25.3	12.4	32.4	33.1	31.4	147.7	47.0	34.8	27.7

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 12: Change in Estimates – Travel & Tourism

	Rating		Target Price			Sales						PAT						EPS					
						FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
IRCTC	HOLD	HOLD	635	635	0.0%	33,667	33,667	0.0%	36,759	36,759	0.0%	9,258	9,258	0.0%	10,124	10,124	0.0%	11.6	11.6	0.0%	12.7	12.7	0.0%
Safari Industries (India)	BUY	BUY	2,062	1,766	16.7%	9,802	9,802	0.0%	11,993	11,993	0.0%	724	724	0.0%	1,102	1,102	0.0%	30.5	30.5	0.0%	46.5	46.5	0.0%
V.I.P. Industries	BUY	BUY	1,020	1,020	0.0%	20,226	20,226	0.0%	23,356	23,356	0.0%	2,102	2,102	0.0%	2,841	2,841	0.0%	14.9	14.9	0.0%	20.1	20.1	0.0%

Source: Company, PL

C=Current / P=Previous



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	184	180
2	Indian Railway Catering and Tourism Corporation	Hold	635	670
3	Inox Leisure	BUY	699	603
4	Music Broadcast	Hold	24	23
5	Navneet Education	BUY	163	117
6	Nazara Technologies	BUY	1,031	670
7	PVR	BUY	2,330	1,915
8	S Chand and Company	BUY	185	137
9	Safari Industries (India)	BUY	1,766	1,360
10	V.I.P. Industries	BUY	1,020	649
11	Zee Entertainment Enterprises	BUY	308	242

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Shweta Shekhawat- MBA Finance & MCom 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.

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