

Jul-Sep'24 Earnings Preview

October 8, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Imagicaaworld Ent.	BUY	80	116
Nazara Technologies	BUY	953	1,185
PVR Inox	HOLD	1,606	1,474
Zee Ent. Enterprises	HOLD	127	143

Source: PL

Top Picks

Imagicaaworld Entertainment

Monsoon hits parks, but multiplexes find shelter

Media: Given the high base of 2QFY24, industry-wide BO collections declined 19.7% YoY to ~Rs26.3bn. Nonetheless, there is a sharp recovery in BO fortunes when compared to the last 2 quarters, led by *Stree 2* coupled with strong performance from regional movies like *GOAT*, *Devara (Part 1)*, *Indian 2* and *Raayan*. Accordingly, we expect PVR-Inox to report footfalls of 38.7mn and pre-IND AS EBITDA margin of 10.6%. On the broadcasting side, ZEEL's performance is likely to be impacted by continued weakness in the advertising environment. However, given the ongoing cost rationalization efforts on content, technology, marketing and manpower, we expect EBITDA margin to remain at 1QFY25 levels.

Entertainment: While headwinds in Kiddopia, Real Money Gaming & Ad-Tech businesses continue to persist, consolidation of Freaks 4U and Fusebox is likely to drive the growth trajectory for Nazara. Further, the recent fund raise of Rs9bn has laid the foundation for more inorganic opportunities in the near term. For Imagicaa, we expect subdued performance as this is a non-seasonal quarter given occupancy in amusement & water parks is typically lowest during monsoons. Accordingly, we expect footfalls of 0.23mn (up 50% YoY led by consolidation of parks at Lonavala & Shirdi) and a break-even at operating level. Imagicaa remains our preferred pick in the media & entertainment universe with a TP of Rs116.

Multiplex: Industry-wide NBOCs (including regional movies) decreased 19.7% YoY to ~Rs26.3bn. Movies like *Stree 2*, *The Greatest of All Time (GOAT)*, *Devara (Part 1)*, and *Deadpool & Wolverine* surpassed the Rs1bn mark during the quarter. Given the high base of 2QFY24 (best ever quarter post COVID), we expect PVR-Inox to report 20.0% YoY decline in footfalls to 38.7mn, with a pre-IND AS EBITDA margin of 10.6%. With a strong content pipeline for 3QFY25E, including major releases like *Pushpa 2* and *Singham Again*, we expect the BO buoyancy to continue. We retain 'HOLD' on the stock with a TP of Rs1,474 (12x FY26E EBITDA; no change in target multiple).

Broadcasting: We expect ZEEL to report 16.8% YoY decline in top-line to Rs20.3bn driven by continued headwinds in advertising revenue and fall in movie production income. Ad revenue is expected to decline 6.4% YoY, partially offset by 9.3% growth in subscription revenue. We expect EBITDA margin of 12.5% given the ongoing cost rationalization exercise. Due to slower-than-expected recovery in the ad environment, we have cut our EPS estimates by 8.4%/8.7% for FY25E/FY26E. We maintain 'HOLD' rating on ZEEL with a revised TP of Rs143 (12x FY26E EPS; no change in target multiple).

Entertainment: Despite the ongoing headwinds in Kiddopia, Real Money Gaming and Ad-Tech, Nazara's top-line is expected to increase by 6.6% YoY to Rs3,169mn in 2QFY25E due to consolidation of Freaks 4U and Fusebox. We anticipate an improvement in EBITDA margin by 50bps YoY to 9.9%. We maintain 'BUY' rating on the stock with an SOTP-based TP of Rs1,185.

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Imagicaa is expected to report a subdued quarter as 2Q is typically a seasonally weak period for theme parks due to monsoons. However, we anticipate top-line growth of 19.6% YoY to Rs425mn, driven by the consolidation of parks at Lonavala and Shirdi. We expect footfalls to increase by 50% YoY to 0.23mn with a break-even at operating level. We maintain 'BUY' with a TP of Rs116 valuing the parks/hotels business at 23x/21x FY27E EBITDA (no change in target multiple).

Exhibit 2: Q2FY25 Result Preview (Rs mn)

Company Name		Q2FY25E	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	Remark
Imagicaaworld Entertainment	Sales	425	355	19.6	1,806	(76.5)	In a seasonally weak quarter impacted by monsoons, we expect revenue to increase 19.6% YoY to Rs425mn. We anticipate footfalls of ~0.23mn, while blended ARPU is expected to decline 5% YoY to Rs1,476. Imagicaa is expected to break even at the EBITDA level with a net loss of Rs145mn in 2QFY25E.
	EBITDA	10	39	(75.6)	1,071	(99.1)	
	Margin (%)	2.3	11.1	-883 bps	59.3	-5702 bps	
	PBT	(193)	(171)	NA	913	NA	
	Adj. PAT	(145)	(130)	NA	691	NA	
Nazara Technologies	Sales	3,169	2,972	6.6	2,501	26.7	Nazara's top-line is expected to increase by 6.6% YoY to Rs3,169mn led by consolidation of Freaks 4U and Fusebox. We anticipate an improvement in EBITDA margin by 50bps YoY to 9.9%. PAT is expected to increase 17.9% YoY to Rs214mn due to higher other income.
	EBITDA	313	279	12.4	249	25.8	
	Margin (%)	9.9	9.4	51 bps	10.0	-7 bps	
	PBT	313	212	47.6	347	(9.7)	
	Adj. PAT	214	181	17.9	226	(5.5)	
PVR Inox	Sales	15,723	19,999	(21.4)	11,907	32.1	We expect PVR-Inox to report revenues of Rs15.7bn with footfalls of 38.7mn (down 20.0% YoY) in 2QFY25E. Movies like Stree 2, The Greatest of All Time (GOAT), Devara (Part 1), Deadpool & Wolverine have crossed Rs1bn mark during the quarter. We expect ATP/SPH of Rs258/Rs137 with an occupancy of 25.0%. For 2QFY25E, we expect PVR-Inox to report pre-IND AS EBITDA margin of 10.6%.
	EBITDA	4,573	7,068	(35.3)	2,515	81.8	
	Margin (%)	29.1	35.3	-626 bps	21.1	796 bps	
	PBT	(207)	2,217	NA	(2,381)	NA	
	Adj. PAT	(155)	1,663	NA	(1,787)	NA	
Zee Entertainment Enterprises	Sales	20,291	24,378	(16.8)	21,305	(4.8)	We expect ZEEL to report 16.8% YoY decline in top-line to Rs20.3bn driven by continued headwinds in advertising revenue and fall in movie production income. Ad-revenue is expected to decline 6.4% YoY partially offset by 9.3% growth in subscription revenue. We expect EBITDA margin to be at 12.5% while adjusted PAT is expected to decline 44.9% YoY to Rs1,377mn.
	EBITDA	2,536	3,328	(23.8)	2,717	(6.6)	
	Margin (%)	12.5	13.6	-115 bps	12.8	-25 bps	
	PBT	1,912	3,039	(37.1)	2,084	(8.2)	
	Adj. PAT	1,377	2,497	(44.9)	1,554	(11.4)	

Source: Company, PL

Exhibit 3: Valuation Summary

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)			
						FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Imagicaaworld Entertainment	C	BUY	80	116	43.2	2,600	4,601	5,153	5,953	963	2,089	2,370	2,840	318	842	948	1,242	0.7	1.6	1.7	2.3	6.2	8.9	8.3	9.9	120.8	51.4	45.6	34.8
Nazara Technologies	C	BUY	953	1,185	85.0	11,383	15,104	18,486	21,201	1,279	2,131	2,810	3,591	713	1,435	1,784	2,129	9.3	16.1	20.0	23.9	4.6	5.4	5.2	5.9	102.3	59.3	47.7	39.9
PVR Inox	C	HOLD	1,606	1,474	157.2	61,071	66,978	74,594	82,928	18,101	21,325	24,633	27,879	-320	1,631	3,850	5,834	-3.3	16.6	39.2	59.5	-0.4	2.2	4.9	6.9	-492.4	96.6	40.9	27.0
Zee Entertainment Enterprises	C	HOLD	127	143	121.8	86,372	90,074	98,149	1,06,980	9,071	14,232	17,765	21,075	4,738	8,644	11,451	13,963	4.9	9.0	11.9	14.5	4.4	7.7	9.6	10.8	25.7	14.1	10.6	8.7

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Imagicaaworld Entertainment	BUY	BUY	116	116	0.0%	4,601	4,601	0.0%	5,153	5,153	0.0%	842	842	0.0%	948	948	0.0%	1.6	1.6	0.0%	1.7	1.7	0.0%
Nazara Technologies	BUY	BUY	1,185	1,185	0.0%	15,104	15,104	0.0%	18,486	18,486	0.0%	1,435	1,435	0.0%	1,784	1,784	0.0%	16.1	16.1	0.0%	20.0	20.0	0.0%
PVR-Inox	HOLD	HOLD	1,474	1,474	0.0%	66,978	66,972	0.0%	74,594	74,594	0.0%	1,631	1,633	-0.1%	3,850	3,850	0.0%	16.6	16.6	-0.1%	39.2	39.2	0.0%
Zee Ent. Enterprises	HOLD	HOLD	143	157	-8.7%	90,074	91,970	-2.1%	98,149	1,00,239	-2.1%	8,644	9,435	-8.4%	11,451	12,546	-8.7%	9.0	9.8	-8.4%	11.9	13.1	-8.7%

Source: Company, PL

Acc=Accumulate / C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	887	836
2	Imagicaaworld Entertainment	BUY	116	79
3	Indian Railway Catering and Tourism Corporation	Reduce	822	925
4	InterGlobe Aviation	Accumulate	4,958	4,493
5	Lemon Tree Hotels	BUY	159	126
6	Navneet Education	Hold	164	143
7	Nazara Technologies	BUY	1,185	982
8	PVR Inox	Hold	1,474	1,430
9	S Chand and Company	BUY	312	211
10	Safari Industries (India)	BUY	2,476	2,237
11	V.I.P. Industries	Hold	454	451
12	Zee Entertainment Enterprises	Hold	157	149

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

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