

January 7, 2021

Recovery to be seen!

The media sector, as a whole, saw more positives compared to H1FY21 during the festive quarter. Broadcasters, in a relatively better position compared to peers, are expected to maintain subscription growth while ad volumes are also in a recovery mode. However, ad realisations continued to be a concern. While reopening of cinemas was permitted from October 15 onwards, lack of new and big budget movies coupled with prevailing Covid-19 situation garnered a lukewarm response from the audience.

Multiplexes reopen; awaiting crowd pullers

Cinema halls were allowed to reopen from October 15 onwards post seven months of shutdown. While this was an encouraging development, footfalls remained weak except for a few Hollywood and regional releases. Expectations of big budget Hindi movies in December, however, did not materialise. Subsequently, PVR and Inox Leisure saw minimal occupancy in mid-single digits. Additionally, employee and other expenses, thereby cash burn, increased during the quarter as screens opened. We estimate EBITDA (ex-Ind-AS) loss of ₹ 120.2 crore for PVR and EBITDA (ex-Ind-AS) loss of ₹ 75.6 crore for Inox. This will translate to net losses for both companies with Inox being relatively better due to lower debt.

Ad scenario improves for broadcasters; digital growth key

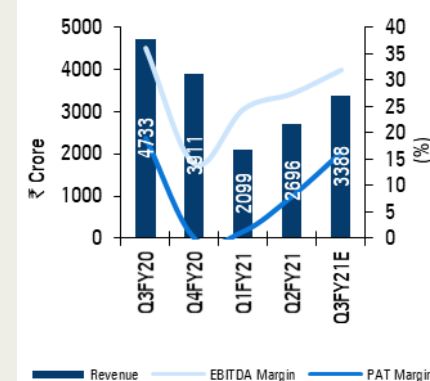
Original programming of GECs coupled with festive boost led to recovery in ad volumes sequentially. However, ad realisations were under pressure given macroeconomic scenario has not yet fully normalised. Consequently, revenues are likely to remain muted during the quarter. We expect Zee to witness ad growth given recovery in GEC market share and festivities. Sun TV ad revenue is estimated to de-grow on account of lower viewership and slower pickup in ad volume. Again, the saving grace for broadcasters will be continued growth in subscription revenue, led by digital platforms.

Zee ad revenue is expected to witness ~2% YoY growth. The reported subscription growth is expected at ~12% YoY, also aided by realignment of music revenues. The like-to-like subscription growth is expected at ~5% YoY. We expect EBITDA margins to fall 110 bps YoY to 26.5% owing to increase in operational cost. Sun TV is expected to report ad revenue decline of 4% YoY while subscription revenues are expected to grow ~8% YoY. We expect EBITDA margin (ex-IPL) at 68.7%, down 250 bps YoY due to higher content and other costs. We expect news viewership to remain firm given news-heavy events like a state election and farmers' protest. TV Today is likely to report ~5% YoY TV broadcasting revenue growth. Digital revenues are expected to continue growth trajectory with 15% YoY growth. EBITDA is expected to grow ~4% YoY to ₹ 63 crore while EBITDA margin is expected to be at 28% (up 70 bps YoY).

| Exhibit 1: Estimates for Q3FY21E: (Media) (₹ crore) | | | | | | | | | |
|---|----------------|--------------|-------------|----------------|--------------|-------------|--------------|--------------|------------|
| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
| | Q3FY21E | YoY | QoQ | Q3FY21E | YoY | QoQ | Q3FY21E | YoY | QoQ |
| Inox Leisure | 12.1 | -97.6 | NM | -62.9 | PL | NA | -89.9 | PL | NA |
| PVR | 54.5 | -94.0 | 34.8 | -96.5 | PL | NA | -193.3 | PL | NA |
| Sun TV | 1,004.8 | 23.3 | 32.9 | 625.1 | 7.7 | 24.5 | 415.8 | 11.4 | 20.2 |
| TV Today | 225.5 | 1.4 | 27.6 | 63.0 | 3.8 | 53.2 | 39.7 | 5.7 | 43.0 |
| Zee Ent. | 2,091.2 | 2.1 | 21.4 | 554.2 | -2.1 | 76.7 | 380.4 | 8.9 | 304.3 |
| Total | 3,388.1 | -25.0 | 25.7 | 1,082.9 | -35.7 | 46.2 | 552.6 | -33.6 | 156 |

Source: Company, ICICI Direct Research * Zee Ent. Q4 numbers are yet to be announced

Topline & Profitability (Coverage Universe)



Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Amogh Deshpande
amogh.deshpande@icicisecurities.com

Exhibit 2: Company Specific view - Media

| Company | Remarks |
|-------------------|---|
| Inox Leisure | Cinemas reopened from October 15 in a staggered manner post seven months of shutdown. However, lack of new releases and prevailing Covid-19 situation resulted in a weak response. We expect marginal revenues of ₹ 12.1 crore following a low to mid-single digit occupancy during the quarter. Increase in employee and other expenses due to reopening will lead to a sharp rise in losses at the operating level. EBITDA (ex-Ind-AS) loss is expected at ₹ 75.6 crore. Key Monitorable: Movie pipeline, occupancy trend, commentary on capital raising and expenses |
| PVR | PVR reopened theatres from October 15 onwards post receiving permit from central and state governments. However, 50% limit to occupancy and lack of new releases led to marginal footfalls with single digit occupancy. Subsequently, we estimate overall revenues at ₹ 54.5 crore. Ad revenues were also yet to recover. We incorporate higher costs on sequential basis post reopening, EBITDA (ex-Ind-AS) loss is estimated at ₹ 120.2 crore. Key Monitorable: New releases pipeline, commentary on possible fund raising and debt position |
| Sun TV | We expect ad revenues to decline 4% YoY given ad volumes as well as prices are yet to fully recover in Tamil market. However, subscription revenues are expected to maintain growth momentum and grow ~8% YoY. Net revenues are expected to increase 23% YoY owing to IPL revenues. Ex-IPL revenues are expected at ₹ 830 crore, growth of ~2% YoY. We also build in IPL related expenses and normalised cost of sales for the quarter. We expect EBITDA margins (ex-IPL) margins to decline 250 bps YoY to 68.7%. Key Monitorable: Commentary on ad recovery, Tamil market viewership, SunNXT traction |
| TV Today Network | Although accurate viewership metric for news segment was absent, we believe events such as a state election and farmers' agitation have supported news viewership. TV Today is expected to report TV broadcasting revenue growth of ~5% YoY to ₹ 188 crore. Radio business is estimated to decline 30% YoY while digital revenues are expected to maintain growth trajectory and grow 15% YoY. We expect the company to report ~4% YoY EBITDA growth to ₹ 63 crore and estimate EBITDA margin of 28% for the quarter (up 70 bps YoY). Key Monitorable: TV broadcasting revenue growth and effect of absence of currency data, digital revenue growth |
| Zee Entertainment | Zee's ad revenue is expected to witness 2% YoY growth as ad volume witnessed recovery during festive season. The reported subscription growth is expected at ~12% YoY, also aided by realignment of music revenues. The like to like subscription growth is expected at ~5% YoY. We expect EBITDA margins to fall 110 bps YoY to 26.5% owing to increase in operational cost. Key Monitorable: Commentary on ad outlook, Zee5 performance, viewership trend |

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 (%) | | |
|------------------|---------|--------|--------|--------------|---------|--------|-------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|---------|-------|-------|
| | | | | | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E |
| Inox Leisure | 326 | 250 | Hold | 3,677 | 1.5 | -23.2 | 6.7 | 223.2 | NM | 48.8 | 10.3 | 105.7 | 9.4 | 10.0 | -6.1 | 10.4 | 2.4 | -43.9 | 11.7 |
| PVR | 1,442 | 1,210 | Hold | 7,956 | 5.3 | -134.7 | 21.6 | 271.2 | NM | 66.8 | 11.8 | -80.7 | 10.7 | 8.5 | -9.0 | 10.0 | 1.8 | -71.7 | 10.4 |
| Sun TV | 504 | 480 | Hold | 19,862 | 35.1 | 36.2 | 39.9 | 14.3 | 13.9 | 12.6 | 7.6 | 7.8 | 6.2 | 31.2 | 29.2 | 28.9 | 24.2 | 22.1 | 21.9 |
| TV Today | 227 | 240 | Hold | 1,354 | 23.4 | 21.6 | 30.0 | 9.7 | 10.5 | 7.6 | 5.6 | 5.7 | 4.3 | 24.7 | 22.2 | 24.7 | 16.0 | 14.4 | 18.4 |
| ZEE Ent. | 219 | 195 | Hold | 21,033 | 5.5 | 9.0 | 17.7 | 39.9 | 24.4 | 12.3 | 12.3 | 11.3 | 7.6 | 13.9 | 13.8 | 20.8 | 16.7 | 10.1 | 15.2 |

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, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA, Amogh Deshpande, PGDM, 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 generally prohibits its analysts, persons reporting to analysts and their relatives 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, 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 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 are engaged in various financial service businesses, they might have financial interests or beneficial ownership in 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