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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

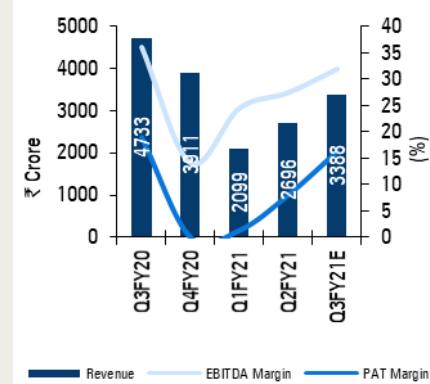
Cinema halls were allowed to reopen from October 15 onwards post seven months of shutdown. While this was an encouraging development, footfalls remained weak except for a few Hollywood and regional releases. Expectations of big budget Hindi movies in December, however, did not materialise. Subsequently, 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).

Topline & Profitability (Coverage Universe)



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Company	(₹ crore)								
	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



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

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