

Oct-Dec'23 Earnings Preview

January 8, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Nazara Technologies	HOLD	849	835
PVR Inox	ACCUMULATE	1,649	1,923
Zee Ent. Enterprises	BUY	284	330

Source: PL

A quarter of mixed bag

Media: After a blockbuster 2QFY24, industry wide BO collections declined 22% QoQ to ~Rs25.6bn in 3QFY24E. BO collections were weaker on sequential basis due to 1) high base 2) paucity of content in first 45 days and 3) cricket world cup. Accordingly, we expect PVR-Inox to report modest performance with footfalls of 36mn (~24.5% occupancy) and pre-IND AS EBITDA margin of 11.1%. On broadcasting side, ZEEL's performance is likely to be impacted by continued weakness in ad-environment exacerbated by cricket world cup (shift of ad-spends from GEC towards sports). We expect domestic ad-revenues to decline 2.3% YoY to Rs9.9bn with an EBITDA margin of 10.1%.

Entertainment: Levy of GST on full bet value, persistent headwinds in Kiddopia & Ad-Tech business coupled with modest performance from Nodwin is likely to slow down the growth trajectory for Nazara. However, we expect EBITDA margin to improve to 14.6% due to better cost control. Post recent fund raise, Nazara has cash balance of Rs13.3bn and we believe capital allocation decisions from hereon will be key to re-rating.

Top pick: Despite the delay in merger, ZEEL remains our preferred pick in the media & entertainment space as we expect positive outcome from ongoing negotiations.

Multiplex: Industry wide BO collections stood at ~Rs25.6bn aided by 5 movies viz; LEO, Tiger-3, Animal, Dunki and Salaar that crossed Rs1bn mark during the quarter. In addition, there were movies like Fukrey-3 (NBOC of Rs959mn; released on 28th Sep and hence spill-over happened in 3QFY24), Bhagvanth Kesari (Rs847mn), 12th Fail (Rs538mn) and Sam Bahadur (Rs924mn) that have done well in this quarter.

However, there was paucity of content in first 45 days and accordingly we expect PVR-Inox to report footfalls of 36mn with pre-IND AS EBITDA margin of 11.1%. Given modest performance in 3QFY24; we cut our EBITDA estimates by 4.4% for FY24E and downgrade the stock to ACCUMULATE with a revised TP of Rs1,923 (14x Sep-25 EBITDA).

Broadcasting: We expect ZEEL to report 1.9% YoY fall in top-line to Rs20.7bn, with EBITDA margin of 10.1%. Weak ad-environment and high-base of subscription business (one-time catch up revenue in base quarter) is likely to restrict revenue growth. Though we cut our EPS estimates by ~3-4% over FY24E-FY26E amid slower than expected recovery in ad-revenues we maintain our 'BUY' rating on ZEEL with a revised TP of Rs330 (earlier Rs314) as we roll forward our valuation to Sep-25E.

Entertainment: Though we expect Nazara's top-line to decline 1.1% YoY to Rs3,114mn due to growth challenges in Kiddopia, Ad-Tech and Real Money Gaming business we expect EBITDA margin to improve to 14.6% amid better cost control. We increase our EPS estimate by 2% in FY24E amid improvement in margin but cut our estimates by 5%/3% in FY25E/FY26E. Retain HOLD on the stock with a TP of Rs835.

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Exhibit 2: Q3FY24 Result Preview (Rs mn)

Company Name		Q3FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Nazara Technologies	Sales	3,115	3,148	(1.1)	2,972	4.8	Headwinds in Kiddopia, Ad-Tech and Real Money gaming continue to persist. However, we expect revenue from Esports business to increase 22.8% YoY. Overall, we expect revenues to decline 1.1% YoY but EBITDA margin is likely to improve to 14.6% due to better cost control.
	EBITDA	455	305	49.1	279	63.1	
	Margin (%)	14.6	9.7	491 bps	9.4	522 bps	
	PBT	420	261	61.1	212	98.0	
	Adj. PAT	269	165	63.1	181	48.3	
PVR-Inox*	Sales	15,529	9,407	65.1	19,999	(22.4)	We expect PVR-Inox to report revenues of Rs15.5bn backed by 5 movies that crossed the Rs1bn barrier in 3QFY24. We expect ATP/SPH of Rs268/134 with an occupancy of 24.5%. We expect pre IND-AS EBITDA/PAT margin of 11%/1.9% respectively.
	EBITDA	4,508	2,888	56.1	7,068	(36.2)	
	Margin (%)	29.0	30.7	-167 bps	35.3	-631 bps	
	PBT	-60	261	NA	2,217	NA	
	Adj. PAT	-45	161	NA	1,663	NA	
Zee Entertainment Enterprises	Sales	20,697	21,088	(1.9)	24,378	(15.1)	We expect domestic ad-revenue to decline 2.3% YoY due to continued weakness in ad-environment while subscription revenue is expected to decline by 2.0% YoY due to base effect. Overall, we expect EBTDA margin of 10.1% while adjusted PAT is expected to decline 59.9% YoY to Rs884mn.
	EBITDA	2,090	3,660	(42.9)	3,328	(37.2)	
	Margin (%)	10.1	17.4	-726 bps	13.6	-355 bps	
	PBT	1,263	2,900	(56.5)	3,039	(58.5)	
	Adj. PAT	884	2,202	(59.9)	2,497	(64.6)	

Source: Company, PL

*YoY figures are not comparable due to consolidation with Inox



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)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Nazara Technologies	C HOLD	849	835	62.2	10,910	12,428	14,534	16,822	1,097	1,711	2,029	2,637	414	957	975	1,293	6.2	13.0	13.3	17.6	3.9	6.8	5.6	6.9	135.8	65.0	63.8	48.2
PVR Inox	C Acc	1,649	1,923	161.5	37,507	64,898	74,560	84,557	10,477	20,658	24,650	27,775	-3,243	1,984	4,687	6,731	-33.1	20.2	47.8	68.6	-4.6	2.6	5.9	7.8	-49.8	81.6	34.5	24.0
Zee Ent. Enterprises	C BUY	284	330	272.6	80,879	85,770	94,993	1,04,268	11,011	10,035	16,909	20,332	5,811	5,634	10,682	13,439	6.0	5.9	11.1	14.0	5.4	5.2	9.4	10.9	46.9	48.4	25.5	20.3

Source: Company, PL Acc=Accumulate / S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Nazara Technologies*	HOLD	HOLD	835	840	-0.6%	12,428	12,889	-3.6%	14,534	15,079	-3.6%	957	936	2.3%	975	1,029	-5.2%	13.0	12.8	2.3%	13.3	14.0	-5.2%
PVR-Inox	Acc	BUY	1,923	1,984	-3.0%	64,898	65,510	-0.9%	74,560	75,276	-1.0%	1,984	2,693	-26.4%	4,687	4,935	-5.0%	20.2	27.5	-26.4%	47.8	50.3	-5.0%
Zee Ent. Enterprises	BUY	BUY	330	314	5.1%	85,770	87,781	-2.3%	94,993	96,200	-1.3%	5,634	5,845	-3.6%	10,682	11,030	-3.2%	5.9	6.1	-3.6%	11.1	11.5	-3.2%

Source: Company, PL Acc=Accumulate / C=Current / P=Previous *EPS for Nazara is after accounting for dilution impact.



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	753	680
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	749	902
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	3,053	2,996
6	Lemon Tree Hotels	BUY	141	130
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	195	140
9	Nazara Technologies	Hold	840	820
10	PVR Inox	BUY	1,984	1,745
11	S Chand and Company	BUY	338	248
12	Safari Industries (India)	BUY	2,375	1,932
13	V.I.P. Industries	Hold	674	588
14	Zee Entertainment Enterprises	BUY	314	263

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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