

MEDIA

Hits 'n' Misses: Share gains amidst demonetisation blues

India Equity Research | Media

We anticipate demonetisation to take some toll on net box office collections despite decent momentum riding *Dangal*, *MS Dhoni* and *Shivaay*. *Dear Zindagi*, *Kahaani 2* and *Befikre*, which failed to cross INR1bn collections. Further, Hollywood movies like *Inferno* and *Jack Reacher* performed moderately. Moreover, high base effect (*Dilwale*, *Bajirao Mastani*, *Prem Ratan Dhan Payo* had reported INR1bn plus collections) is likely to overshadow the quarter's performance. We reiterate our conviction that screen additions position PVR and Inox favourably to capture higher share of box office pie. Though the anti-profiteering clause will affect EBITDA margin, we expect ~300bps boost due to input/output tax set off.

Q3FY17: Demonetisation to dent footfalls and ad revenues

We estimate PVR's like-to-like footfalls to dip ~2-3% YoY in Q3FY17 due to demonetisation. Further, the high base effect (*Dilwale* and *Prem Ratan Dhan Payo* in Q3FY16) will also overshadow performance. Hollywood movies too were muted—*Inferno*, *Jack Reacher*, *Fantastic Beasts* and *Doctor Strange* failed to evince interest. This is likely to take a toll on multiplexes. Moreover, FMCG, auto and consumer durables sectors have cut ads due to demand squeeze led by liquidity crunch. Hence, we estimate 10% YoY growth in PVR's ad revenues, lower than ~28% YoY growth seen in previous Q3 performance.

PVR: Ticket price and spends per head under stress

To tackle demonetisation, PVR had waived off convenience fee on online bookings. Though PVR generally takes 4-5% YoY ATP hike, we estimate it to be flattish in Q3FY17. Moreover, higher discounts on F&B (30% discount on online booking of F&B) will affect spends per head (SPH). However, we estimate the multiplex industry to continue to report decent growth in Q3FY17 on account of higher share of net box office collection due to: 1) addition of screens in past 12 months; and ii) screening of some films only in multiplexes (single screens do not have online transaction/credit card facilities). Other key developments: (a) launch of Vakao by PVR—a new platform where a show can be scheduled only if a minimum threshold of tickets is sold; (b) PVR to add 10 4DX screens and drive-in theatre to its kitty in the next 24 months; and (c) India gained 5 index points to 133 (128 in Q2CY16) in Nielsen's Consumer Confidence Index driven by good monsoon, controlled inflation and positive economic outlook.

Outlook: Q4FY17 line up seems better than past

Generally, Q4 is the worst quarter for multiplexes as footfalls get affected due to school exams. Hence, star-led movies are not released during the quarter. However, Q4FY17 will see a number of star-led movies like *Raees* (Shah Rukh Khan), *Kaabil* (Hrithik Roshan), *Jolly LLB 2* (Akshay Kumar) and *Sarkar 3* (Amitabh Bachchan), which are anticipated to do well. It is pertinent to note that the base is also strong with releases like *Airlift*, *Neerja* and *Kapoor & Sons*.

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Table 1: Hindi movies released in Q3FY16

Hindi Movies (INR mn)	Day 1	Day 2	Day 3	Total Collection
Diwale	210	201	240	1,453
Bajirao Mastani	128	155	185	1,842
Hate Story 3	97	81	91	517
Tamasha	109	132	141	612
Prem Ratan Dhan Payo	404	311	301	2,055
Shaandaar	76	68	61	428
Pyaar Ka Punchnama 2	68	76	84	621
Jazbaa	42	55	55	250
Talvar	30	27	33	299
Singh is Bling	207	145	193	875
Total				8,952

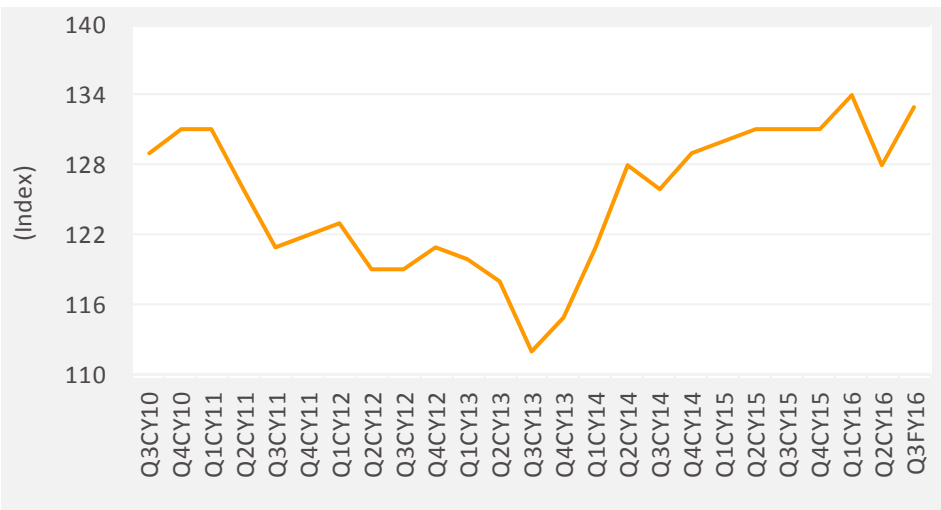
Table 2: Hindi movies released in Q3FY17

Hindi Movies (INR mn)	Day 1	Day 2	Day 3	Total Collection
Dangal*	298	348	424	2,705
Befikre	104	116	124	555
Kahaani 2	43	58	69	318
Dear Zindagi	88	113	125	667
Force 2	61	65	75	357
Rock On 2	20	24	26	NA
Ae Dil Hai Mushkil	133	131	92	1,125
Shivaay	102	101	83	1,003
Mirzya	22	21	22	104
MS Dhoni: The Untold Story	213	206	241	1,330
Total				8,164

Source: boxofficecollection, Edelweiss research

* Dangal is still performing in theatres

Chart 1: Nielsen Consumer Confidence Index - India



Source: Industry, Edelweiss research

Fig. 1: Kaabil slated to release on January 26, 2016



Fig. 2: Raees will release on January 26, 2016



Source: Industry, Edelweiss research

Table 3: Movies line up in Q4FY17

Release Date	Movie Title	Language	Cast
January			
06-Jan-17	TI SADDHYA KAY KARTE	MARATHI	Ankush Chaudhari, Tejashri Pradhan
06-Jan-17	PASSENGERS (3D)	ENGLISH	Jennifer Lawrence, Chris Pratt
06-Jan-17	A MONSTER CALLS	ENGLISH	Felicity Jones, Liam Neeson
06-Jan-17	COFFEE WITH D	HINDI	Sunil Grover, Zakir Hussain
11-Jan-17	KHAIDHI NUMBER 150	TELUGU	Chiranjeevi, Kajal Aggarwal, Tarun Arora, Vennela
13-Jan-17	OK JAANU	HINDI	Shraddha Kapoor, Aditya Roy Kapoor
14-Jan-17	XXX: THE RETURN OF XANDER CAGE	ENGLISH	Deepika Padukone, Vin Diesel
20-Jan-17	WHY HIM?	ENGLISH	Bryan Cranston, James Franco, Zoey Deutch
25-Jan-17	KAABIL	HINDI	Hrithik Roshan
25-Jan-17	RAEES	HINDI	Shahrukh Khan
February			
03-Feb-17	THE GREAT WALL	ENGLISH	Matt Damon
03-Feb-17	RINGS	ENGLISH	Laura Wiggins, Johnny Galecki, Aimee Teegarden
10-Feb-17	JOLLY LLB 2	HINDI	Akshay Kumar
17-Feb-17	A CURE FOR WELLNESS	ENGLISH	Mia Goth, Jason Isaacs
17-Feb-17	PATIENT ZERO	ENGLISH	Natalie Dormer, Matt Smith, Stanley Tucci
17-Feb-17	RENEGADES	ENGLISH	J K Simmons
24-Feb-17	JOHN WICK 2	ENGLISH	Ruby Rose, Keanu Reeves
24-Feb-17	HIDDEN FIGURES	ENGLISH	Taraji P. Henson, Octavia Spencer, Janelle Monáe
24-Feb-17	RANGOON	HINDI	Kangana Ranaut, Shahid Kapoor, Saif Ali Khan
March			
03-Mar-17	WOLVERINE 2 (3D) (IMAX)	ENGLISH	Hugh Jackman, Patrick Stewart
10-Mar-17	BADRINATH KI DULHANIA	HINDI	Alia Bhatt, Varun Dhawan
17-Mar-17	SARKAAR 3	HINDI	Amitabh Bachchan
24-Mar-17	PHILLAURI	HINDI	Anushka Sharma, Suraj Sharma, Diljit Dosanjh
31-Mar-17	THE ZOOKEEPER's WIFE	ENGLISH	Jessica Chastain

Source: Industry, Edelweiss research

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DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enter

Recent Research

Date	Company	Title	Price (INR)	Recos
21-Dec-16	Media	Amazon Prime Video: Queering Netflix India's pitch?; <i>Sector Update</i>		
15-Dec-16	Jagran Prakashan	Radio energised; print tad sluggish; <i>Result Update</i>	168	Buy
14-Dec-16	Den Networks	Subscriptions spurt; <i>Result Update</i>	72	Hold

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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