

## MEDIA & ENTERTAINMENT

31 August 2020

### Unlock 4.0: Cinema shutdown extended to September

**Cinema exhibitors stymied again:** After nearly six months of shutdown, movie halls in India were denied permission to reopen in September under the new Unlock 4.0 guidelines issued by the Ministry of Home Affairs (MHA) on 29 August. This contrasts with widespread expectations of reopening among the exhibitor fraternity. The MHA guidelines, however, allow open air theatres to function after 21 September.

**Multiplex leaders have adequate liquidity:** PVR (PVRL) has recently completed its Rs 3bn rights issue, whereas Inox Leisure (INOL) has raised Rs 1bn through sale of treasury shares. These funds should suffice to sustain operations for the next few months, even if the lockdown extends beyond September. Our estimates bake in screen reopening in October.

**Smaller players face existential threat:** Unlike large cinema exhibitors, single screens and smaller, regional multiplex operators with limited access to external capital are already falling prey to the extended lockdown. Per a [media article](#), 10-12% of screens in the country have downed shutters permanently, including prominent single-screen theaters such as Central Plaza in Mumbai and AVM Rajeswari and Maharani in Chennai. This corroborates our view that the lockdown could hasten consolidation in favour of large multiplexes.

**New content witnessing strong response globally:** ‘Tenet’, the first big-ticket release in the pandemic era, made a strong start grossing US\$ 53mn since its release on 26 August in 41 countries. This is impressive considering that it is yet to open in key markets of the US and China. New Chinese movie ‘The Eight Hundred’ grossed a robust US\$ 277mn within 10 days of release, underscoring the sturdy recovery in China’s box office – the first major market to reach pre-Covid levels in just 4-5 weeks since reopening.

Strong consumer response to new content suggests large screens retain their appeal amidst a digital boom. Further, Tenet’s release in India may help attract patrons to theatres when screens reopen, at a time when Bollywood content appears to be depleted.

**Reiterate preference for INOL:** We continue to prefer INOL over PVRL due to its better balance sheet, lower fixed cost burden and improvement in operating parameters, as highlighted in our recent [sector initiation report](#). Delay in screen opening may, however, weigh on these stocks in the near term.

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#### RECOMMENDATION SNAPSHOT

| Ticker  | Target | Rating |
|---------|--------|--------|
| INOL IN | 330    | BUY    |
| PVRL IN | 1,220  | ADD    |

Target in Rupees



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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