

MEDIA & ENTERTAINMENT

08 January 2021

Strong content slate to boost multiplex occupancy in FY22

We hosted Amit Sharma, MD – Miraj Entertainment (Miraj), on a call with select investors. Following are the key takeaways:

- Though cinema screens reopened in mid-October, footfalls were negligible till end-November due to weak content. Since the release of ‘Tenet’ and ‘Wonder Woman 1984’ in December, footfalls have gained traction. South Indian circuits have done relatively better due to good regional content.
- Miraj believes a lack of good content rather than virus fears is the key reason behind muted footfalls. Big-ticket films are unlikely to opt for theatrical release till 100% occupancy is restored in cinema halls.
- Management expects to revert to EBITDA breakeven in Apr’21. A strong movie slate in FY22 – at least 25 upcoming movies where management sees blockbuster potential (collection of Rs 1bn+) – should take occupancy back to pre-Covid levels by Jul’21.
- Advertising revenue may take longer than other revenue streams (exhibition, F&B) to normalise. If pre-Covid occupancy is achieved in Q2FY22, ad revenue should gather traction from Q3FY22 onwards.
- Miraj has entered into rent-sharing agreements with some mall developers. The revenue share varies depending on attractiveness of the property.
- The company has also taken several new initiatives to save costs such as installation of QR codes for F&B orders and manpower rationalisation. Management expects some of these initiatives to continue post FY21 as well.
- About 1,000-1,500 single-screen properties are estimated to have closed down following the pandemic, mainly in South India. Hence, some footfalls are likely to be diverted to multiplexes in these regions.
- The multiplex industry may see only 150-200 new screens in FY22 due to tight liquidity with exhibitors. Screen additions from FY23 on should total 300-350 a year, but are contingent upon the pace of mall development.
- Pre-Covid, Miraj had 25 screens in the fit-out stage which are likely to be completed in FY21. Rentals for new properties have declined 30-35%, which is a major positive for the industry.

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RECOMMENDATION SNAPSHOT

Ticker	Target	Rating
PVRL IN	1,160	REDUCE
INOL IN	315	BUY

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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