Values that bind

Institutional Equity Research

Event Update

Key data	**18 March 2008**
Sensex	14,809
Nifty	4,503

Media Sector

FICCI-PWC has come out with strong revenue projections for the media sector for CY08-12. FICCI-PWC expects the media sector to grow at a CAGR of 18% over CY08-12. This is in line with growth seen in the past five years. The projected growth rate for the print sector has increased marginally from a CAGR of 13% to 14%, while the growth rate for the TV sector remains unchanged. Radio and online advertising will be the key drivers and will grow faster than the overall industry average. However, the growth rates for radio and online advertising have been reduced compared to last year's projections largely due to the base effect. We continue to remain bullish on the revenue estimates of all the media segments. Our current top picks in the media sector are Zee Entertainment, Entertainment Network and Prime Focus.

All segments to grow strongly

FICCI-PWC expects the media sector to grow at a CAGR of 18% over CY08-12. This is in line with the growth seen in the past five years. The media sector rose by 17% YoY in CY07, and saw a CAGR of 19% in CY02-06. The TV segment will remain the largest segment and will grow at a CAGR of 22% over CY08-12, up from Rs 226 bn in CY07. The print media is expected to grow at a CAGR of 14% over CY08-12 up from Rs 149 bn in CY07. The gap in the growth rates between TV and print is largely due to higher growth in subscription revenues for TV. The radio industry is expected to grow at a CAGR of 24% over CY08-12, up from Rs 6.2 bn in CY07. Online advertising is expected to grow at a 32% CAGR over CY08-12, up Rs 2.7 bn in CY07. Out-of-home advertising will grow at a modest rate of 14% CAGR over CY08-12. However, radio and internet rates have been reduced compared to the estimates from last year largely due to the base effect. Radio numbers have been lower than PWC's earlier estimates by 8%.

We remain bullish on the revenues of all the media segments

The ad industry will show a strong growth of 15-18% in the next four years as ad revenues are a leveraged play on GDP growth. The growth of local educational institutions, independent retailers and malls, coaching centers, display retail shops and builders will continue to fuel print media and radio's growth. With CAS/DTH set to become compulsory in 55 additional cities, the increasing addressability will drive TV subscription revenues. In the outdoor segment, the shift from unorganized players to organized players will continue. The organized players will benefit from new opportunities created by the infrastructure boom at airports, SEZs and metro stations. The job market is strong and the shift in market share from print classifieds to job portals will continue.

Valuation and recommendation

At current valuations, our top picks are Zee Entertainment, Entertainment Network and Prime Focus. We remain bullish on revenues from the print sector, but would prefer to be cautious due to the sharp run up and volatility in newsprint prices.

Abneesh Roy
abneesh.roy@religare.in
+91 22 6655 0176

Gaurang Kakkad
gGaurang.kakkad@religare.in
+91 22 66550156

FICCI-PWC has come out with strong revenue projections for the media sector for CY08-12

FICCI expects the media sector to grow at a CAGR of 18% over CY08-12 (no change from last year's projected growth rate). This is in line with the growth seen in the past five years. The media sector rose by 17% YoY in CY07, and at a CAGR of 19% in CY02-06. These are headline numbers and further details will be available once the full report is officially released on March 25, 2008 in the FICCI-PWC Media Conference.

All segments to grow strongly

The television segment will remain the largest segment and will grow at a CAGR of 22% over CY08-12, up from Rs 226 bn in CY07.

The print media is expected to grow at a CAGR of 14% over CY08-12, up from Rs 149 bn in CY07. The growth rate for the print sector has increased marginally from 13% CAGR to 14%, while the growth rate for TV remains unchanged.

The gap in the growth rates between TV and print is largely due to higher growth in subscription revenues for TV.

The radio industry is expected to grow at a CAGR of 24% over CY08-12, up from Rs 6.2 bn in CY07. The growth rates for radio have been reduced due to the base effect and lower-than-expected numbers in CY07.

Online advertising is expected to grow at a CAGR of 32% over CY08-12, up from Rs 2.7 bn in CY07. The growth rates for online advertising have been reduced largely due to the base effect.

The growth rates for the outdoor segment have been reduced from 17% to 14%.

In CY07, the overall industry has grown faster than PWC's earlier estimates largely because of higher growth in TV and Print.

FICCI-PWC projections – Analysis

Media Segments	2007-Estimate (Rs bn)	CY07-Actual (Rs bn)	Diff. (Rs bn)	CAGR CY07-12	CAGR CY06-11	Remarks on projected growth rate
Television	219.9	226.0	6.10	22	22	no change
Print	144.0	149.0	5.00	14	13	increased
Filmed Entertainment	96.8	96.0	(0.80)	16	13	reduced due to lower numbers in CY07
Radio	6.5	6.2	(0.30)	24	28	reduced, due to base effect and lower numbers in CY07
Outdoor advertising	12.5	12.5	-	14	17	reduced
Animation, Gaming & VFX	N.A	13.0	N.A	40	N.A	-
Music	7.4	7.3	(0.10)	2	4	reduced due to lower numbers in CY07
Internet Advertising	2.7	2.7	-	32	43	reduced due to base effect
Total	**500.8**	**513.0**	**12.20**	**18**	**18**	**no change**

Source: FICCI-PWC, Religare Institutional Equity Research

Valuation and recommendation

At current valuations, our top picks are Zee Entertainment, Entertainment Network and Prime Focus. We remain bullish on revenues from the print sector, but would prefer to be cautious due to the sharp run up and volatility in newsprint prices.

Valuation summary

Media Sector	Price	Rating	Mkt Cap	EPS (Rs)			P/E (x)		
	(Rs)		(Rs bn)	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Prime Focus	650	Accumulate	8.3	27.1	39.3	58.0	24.0	16.5	11.2
HT Media*	154	Accumulate	36.0	5.9	9.0	11.2	26.1	17.1	13.7
Jagran Prakashan*	98	Accumulate	29.5	3.6	5.6	6.8	27.4	17.6	14.3
ENIL	375	Accumulate	17.9	2.4	15.4	26.3	157.9	24.3	14.3
Zee Entertainment	236	Buy	102.3	8.5	10.8	15.2	27.8	21.9	15.6
Info Edge	792	Accumulate	21.6	18.7	25.9	38.0	42.4	30.6	20.8
TV 18	363	Accumulate	41.1	3.8	8.8	13.0	96.3	41.2	27.9

Source: Religare Institutional Equity Research; *-Under review

Rating definition

Buy	:	> 15% returns relative to Sensex	**Accumulate**	:	+5 to +15% returns relative to Sensex
Sell	:	> (-)15% returns relative to Sensex	**Reduce**	:	(-) 5 to (-) 15% returns relative to Sensex
Hold	:	Upto + / (-) 5% returns relative to Sensex			

Religare Securities Ltd. Taj Building, 210, D.N. Road, Mumbai - 400001

For inquiries contact:
Email: institutionalsales@religare.in
Phone: 6655 0000