

Media

Early festivities

We expect Q2FY10 results for the I-Sec Media universe to report healthy ad growth, in spite of the quarter being seasonally weak. We expect ad revenue growth to be led by a turnaround in the consumer sentiment and early festive season starting from September (versus October last year). Our channel checks with media planners and advertisers suggest strong revival in the ad environment and build-up in advertising frenzy, prior to the festive season. Print companies are expected to see improvement in EBITDA margin led by savings in raw material costs as newsprint prices remained low. General entertainment channel (GEC) players are likely to show QoQ ad revenue improvement due to low base effect owing to high ad-budget allocation to sports events in Q1FY10. We expect positive earnings surprise from Jagran Prakashan and Sun TV Network and negative earnings surprise from Zee Entertainment Enterprises (ZEEL) and Balaji Telefilms (BTL). We prefer companies with higher exposure to regional advertising and better cost control such as Jagran, Sun and ZNL; we are negative on Entertainment Network India (ENIL) and BTL.

- ▶ **Ad revival to drive sequential improvement in revenue growth.** YoY revenue growth for the I-Sec Media universe is expected to rise to 3.1% in Q2FY10E versus a flat YoY growth in Q1FY10, led by improving ad revenue growth in general and continuing DTH revenue growth for broadcasting players. Regional players will likely continue to excel, with Jagran outperforming HT Media and Sun & ZNL outperforming ZEEL.
- ▶ **Newsprint prices continue to decline.** Newsprint prices were down another 26.4% QoQ and have dropped ~40% from their highs in '08. This coupled with rupee appreciation will lead to significant cost savings for print companies. While Jagran witnessed the impact in Q1FY10, HT Media will begin to feel it from Q2FY10.
- ▶ **Positive earnings surprise driven by strong ad growth** for Jagran & Sun; we expect negative earnings surprise for ZEEL (owing to higher costs) & BTL (owing to lower realisations).
- ▶ **Key factors to watch for:** i) indications of recovery in ad revenues, ii) decline in newsprint costs for print companies and iii) rise in DTH revenues for ZEEL and Sun.

Quarterly summary

(Rs mn)

Company	Sales			EBITDA			PAT		
	JAS-09*	% Chg		JAS -09*	% Chg		JAS -09*	% Chg	
		(YoY)	(QoQ)		(YoY)	(QoQ)		(YoY)	(QoQ)
Balaji Telefilms	470	(54.5)	18.1	54	(76.5)	63.4	51	(71.8)	(43.1)
Entertainment Network	961	(12.6)	10.3	(5)	NM	NM	(159)	NM	NM
HT Media	3,497	4.6	4.4	738	85.1	6.8	385	136.6	18.9
IBN18	601	30.9	6.0	6	NM	(75.1)	(87)	NM	NM
Jagran Prakashan	2,357	13.0	1.7	722	90.0	2.4	426	87.6	(14.0)
NDTV	1,433	19.2	9.5	(616)	NM	NM	(739)	NM	NM
Sun TV Network	3,016	26.8	4.9	2,337	32.6	4.5	1,253	15.6	4.6
TV Today Network	656	(2.0)	(7.7)	151	24.2	(22.5)	120	57.2	(28.3)
Zee Entertainment	5,411	(5.3)	13.7	1,322	(11.1)	13.0	1,023	(12.0)	0.4
Zee News	1,461	14.4	6.3	273	29.0	10.0	136	18.8	14.3

* JAS: July-September '09; NM – Not meaningful

Source: I-Sec Research

Top picks

Jagran Prakashan

Sun TV Network

Zee News

Vikash Mantri, CFA

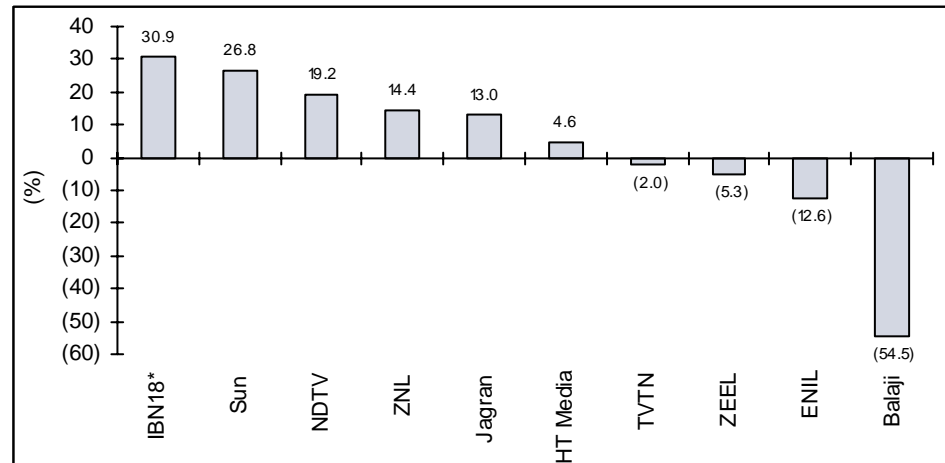
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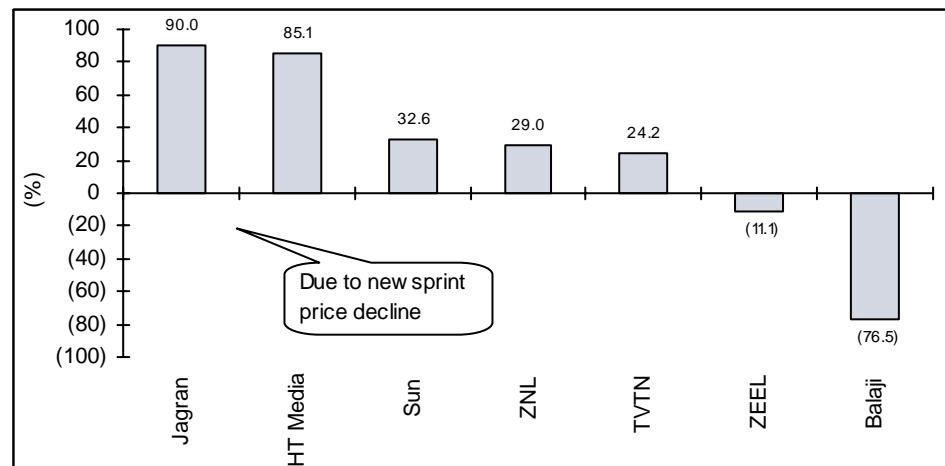
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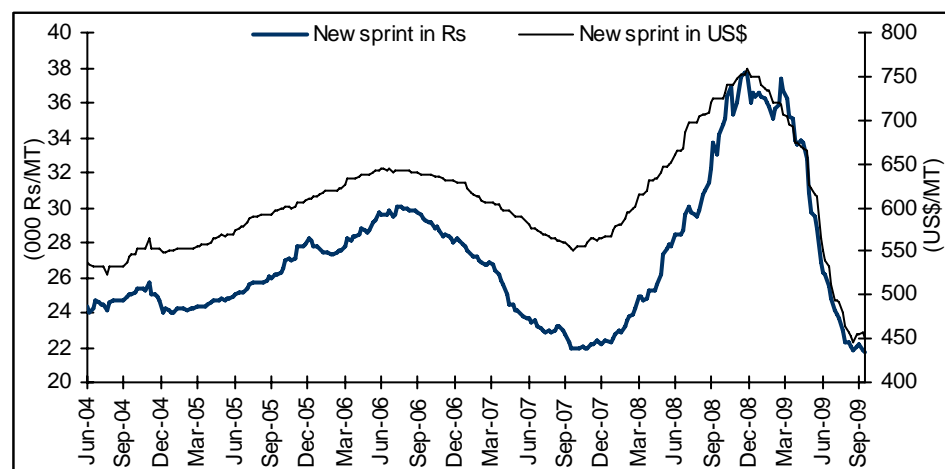
Chart 1: I-Sec Media universe – YoY revenue growth

* News business only; *Pro forma* for IBN7 consolidation

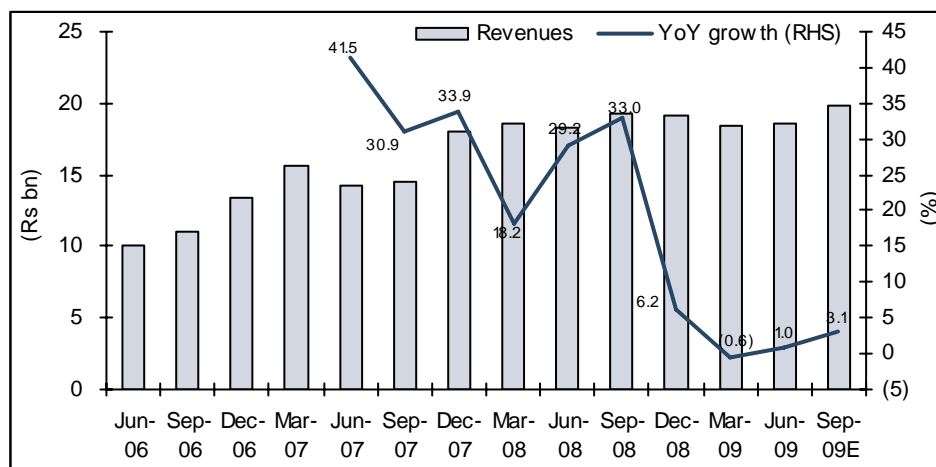
Source: Company data, I-Sec Research

Chart 2: I-Sec Media universe – YoY EBITDA growth

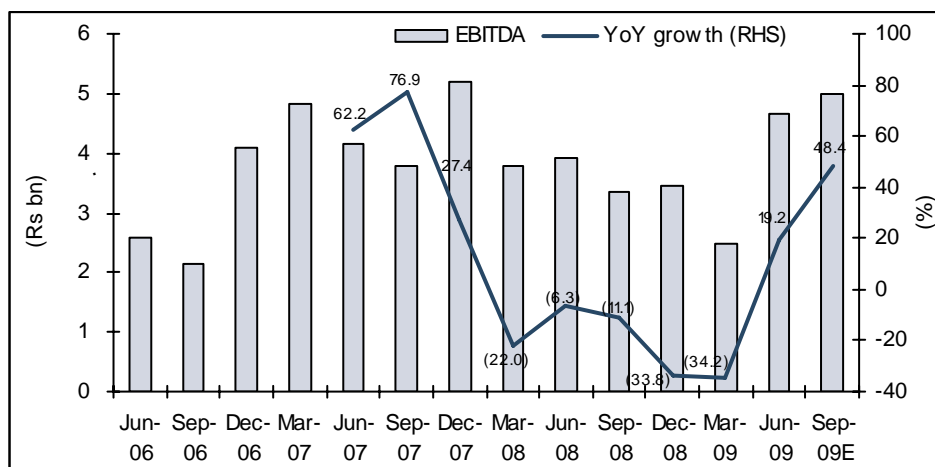
Source: Company data, I-Sec Research

Chart 3: International newsprint prices down 26.4% QoQ

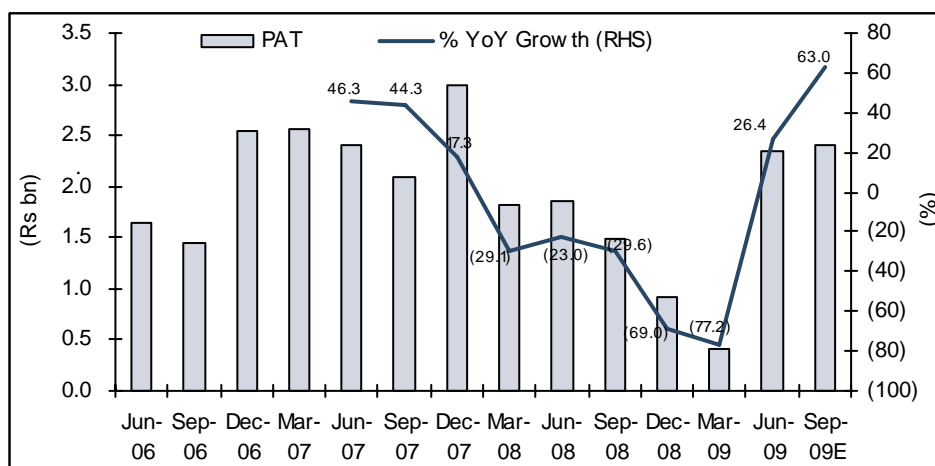
Source: Bloomberg, I-Sec Research

Chart 4: I-Sec Media universe – YoY revenue growth to increase to 3.1%

Source: Company data, I-Sec Research

Chart 5: I-Sec Media universe – EBITDA to rebound YoY led by cost control

Source: Company data, I-Sec Research

Chart 6: I-Sec Media universe – Q2FY10 PAT to increase 63% YoY

Source: Company data, I-Sec Research

Top Buys – Sun, Jagran and NDTV to contribute maximum to EBITDA growth

BTL (Sell) and ZEEL (Hold) – Key laggards on profitability in the sector

Balaji Telefilms (Sell)

(QoQ chg: 36.9%; YTD chg: 0.9%)

Quarterly estimates (Standalone)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	470	1,033	(54.5)	18.1	398	917	(56.6)
EBITDA	54	230	(76.5)	63.4	33	319	(89.6)
PBT	76	260	(70.8)	(28.4)	106	326	(67.4)
PAT	51	181	(71.8)	(43.1)	90	223	(59.7)

* April-June

Source: Company data, I-Sec Research

- **BTL's Q2FY10E revenues are expected to increase 18.1% QoQ** owing to increase in commissioned programming hours, driven by addition of *Pavitra Rishta* on Zee TV and increase in per week programming hours for *Koi Aane Ko Hai* on Colors to three from two.
- **Our estimate for Hindi programming hours is 198 hours** vis-à-vis 156 hours in Q1FY10 and for sponsored programming hours 130 hours.
- **EBITDA is likely to decline 76.5% YoY**, but improve 63.4% QoQ to Rs54mn and EBITDA margin is expected to increase 320bps QoQ to 11.5%. We expect PAT to decline 43.1% QoQ to Rs51mn on account of lower other income QoQ; other income included one-time gains in Q1FY10.

ENIL (Sell)

(QoQ chg: 18.2%; YTD chg: 25.1%)

Quarterly estimates (Standalone)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	550	616	(10.6)	10.0	500	571	(12.3)
EBITDA	120	85	41.2	32.7	90	103	(12.4)
PBT	13	(42)	NM	NM	(15)	(8)	NM
PAT	13	(33)	NM	NM	(15)	1	NM

* April-June

Source: Company data, I-Sec Research

Quarterly estimates (Consolidated)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	961	1,099	(12.6)	10.3	871	1,070	(18.6)
EBITDA	(5)	(60)	NM	NM	(66)	29	NM
PBT	(171)	(233)	NM	NM	(228)	(100)	NM
PAT	(159)	(182)	NM	NM	(194)	(80)	NM

* April-June

Source: Company data, I-Sec Research

- **We expect Q2FY10E radio revenues to be Rs550mn**, down 10.6% YoY but up 10% QoQ. Consolidated revenues are expected to grow 10.3% QoQ, but decline 12.6% YoY to Rs961mn.
- **On a standalone basis, we expect EBITDA of Rs120mn**, with EBITDA margin improving 380bps QoQ to 21.8%.
- **ENIL had undertaken cost-cutting plans** in Q2FY09, which were expected to result in Rs25-30mn cost savings per month in the OOH and events businesses. On a consolidated basis, we expect lower EBITDA losses of Rs5mn in Q2FY10E vis-à-vis Rs66.4mn EBITDA loss in Q1FY10.

HT Media (Hold)

(QoQ chg: 38.4%; YTD chg: 68.1%)

Quarterly estimates (Standalone#)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTDFY10*	YTDFY09*	YoY (%)
Revenues	3,497	3,342	4.6	4.4	3,351	3,272	2.4
EBITDA	738	399	85.1	6.8	691	688	0.5
PBT	567	248	128.0	10.0	515	565	(8.9)
PAT	385	163	136.6	18.9	324	377	(14.1)

Including radio business; * April-June

Source: Company data, I-Sec Research

- **We estimate HT Media's Q2FY10E revenues to grow 4.6% YoY**, with ad revenues up 3% YoY as the ad environment shows signs of revival. We expect subscription revenues to rise 18% YoY and believe radio business will grow 12% QoQ.
- **We expect EBITDA margin to improve 50bps QoQ to 21.1%**. Raw material costs are expected to dip 5% QoQ as the company begins to realise the impact of fall in newsprint prices, but marketing costs are expected to be significantly higher QoQ on account of the relaunch of the English edition.
- **We estimate 18.9% QoQ increase in Q2FY10E PAT to Rs385mn**. We do not expect any write-offs for the 'ad for equity' business in Q2FY10.

IBN18 (Sell)

(QoQ chg: 8.2%; YTD chg: -4.6%)

Quarterly estimates – Pro forma numbers#

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTDFY10*	YTDFY09*	YoY (%)
Revenues	601	459	30.9	6.0	567	418	35.6
EBITDA	6	(142)	NM	(75.1)	24	(134)	NM
PBT	(82)	(211)	NM	NM	(67)	(203)	NM
PAT	(87)	(217)	NM	NM	(72)	(206)	NM

Includes CNN IBN, IBN7 and IBN Lokmat but does not include Viacom18; * April-June

Source: Company data, I-Sec Research

- **We expect IBN18 (news business) to report revenues of Rs601mn**, up 30.9% YoY and 6% QoQ. We expect EBITDA growth to continue, but it will likely decline to Rs6mn in Q2FY10E versus Rs24mn in Q1FY10. We expect PAT loss of Rs87mn in Q2FY10E.
- **Viacom18 is likely to post revenues of Rs1.64bn**, up 12% QoQ and EBITDA losses of Rs254mn in Q2FY10E. We expect strong traction in ad revenue from *Colors* to be supported by revenues from *MTV*. *Colors'* average GRP share has remained constant QoQ at ~22%, but its average prime-time GRP share has slightly declined QoQ to 22.9% from 24.4%, mostly due to *Zee TV* and *Sony*. Costs are likely to be higher QoQ on account of big-ticket programme, *Khatroan ke Khiladi Level 2* during the quarter.
- **We expect IBN18's Q2FY10E revenues to be Rs1,334mn** and EBITDA losses of Rs85.4mn on a consolidated basis, including 50% of Viacom18.

Jagran Prakashan (Buy)

(QoQ chg: 42.3%; YTD chg: 72.6%)

Quarterly estimates

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	2,357	2,086	13.0	1.7	2,319	2,065	12.3
EBITDA	722	380	90.0	2.4	705	496	42.0
PBT	635	335	89.9	(12.3)	724	466	55.5
PAT	426	227	87.6	(14.0)	495	316	56.4

* April-June

Source: Company data, I-Sec Research

- **We expect Jagran to register revenue growth** of 13% YoY and 1.7%, driven by 15% YoY ad revenue growth on account of revival in the ad environment. Q2 is seasonally a weak quarter due to the inauspicious *Shraddh* month of the Indian calendar.
- **EBITDA is expected to grow** 90% YoY to Rs722mn, driven by 20% YoY decline in raw material costs owing to lower newsprint costs. EBITDA margin is likely to improve 20bps QoQ to 30.6%.
- **We estimate PAT of Rs426mn**, an increase of 87.5% YoY, but decline of 14% QoQ, on account of lower other income QoQ.

NDTV (Buy)

(QoQ chg: 30.0%; YTD chg: 25.8%)

Quarterly estimates (Standalone)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	849	739	14.9	6.0	801	697	14.9
EBITDA	17	(102)	NM	(78.9)	80	(101)	NM
PBT	(84)	(173)	NM	NM	(17)	70	NM
PAT	(89)	(130)	NM	NM	(24)	21	NM

* April-June

Source: Company data, I-Sec Research

Quarterly estimates (Consolidated)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	1,433	1,203	19.2	9.5	1,309	1,194	9.6
EBITDA	(616)	(1,035)	NM	NM	(577)	(919)	NM
PBT	(879)	(1,163)	NM	NM	(832)	(1,049)	NM
PAT	(739)	(1,194)	NM	NM	(834)	5,266	NM

* April-June

Source: Company data, I-Sec Research

- **NDTV's Q2FY10E standalone (news business) revenues are expected to rise** 6% QoQ, but expect EBITDA to decline to Rs17mn from Rs80.5mn in Q1FY10.
- **On a consolidated basis, NDTV's revenues are expected to grow** 9.5% QoQ and 19.2% YoY to Rs1.43bn, driven by 15% QoQ revenue growth in entertainment business revenues.
- **Cost-cutting exercises undertaken in H2FY09**, which started showing results in Q1FY10, are expected to lead to consolidated lower EBITDA losses of Rs616mn compared with Rs1.03bn losses in Q2FY09.

Sun TV Network (Buy)

(QoQ chg: 41.6%; YTD chg: 69.1%)

Quarterly estimates (Standalone)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTDFY10*	YTDFY09*	YoY (%)
Revenues	3,016	2,379	26.8	4.9	2,877	2,236	28.7
EBITDA	2,337	1,763	32.6	4.5	2,236	1,683	32.9
PBT	1,909	1,650	15.7	4.8	1,822	1,568	16.2
PAT	1,253	1,083	15.6	4.6	1,198	1,025	16.8

* April-June

Source: Company data, I-Sec Research

- **We expect Sun to post revenue growth** of 26.8% YoY, driven by 72% YoY subscription revenue growth owing to continuing DTH revenue push. Ad revenue growth is expected to be muted at 10% YoY.
- **DTH revenues are expected to grow 10% QoQ and 72% YoY** to Rs804mn on account of low base effect in Q2FY09.
- **EBITDA is likely to grow 32.6% YoY**, while EBIT margin is expected to decline slightly 20bps QoQ to 58.4%. We expect Q2FY10E PAT to grow 15.6% YoY to Rs1.25bn.

TV Today Network (Hold)

(QoQ chg: 11.9%; YTD chg: 17.8%)

Quarterly estimates

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTDFY10*	YTDFY09*	YoY (%)
Revenues	656	669	(2.0)	(7.7)	710	641	10.8
EBITDA	151	122	24.2	(22.5)	195	130	49.5
PBT	179	118	51.5	(25.7)	240	134	78.9
PAT	120	76	57.2	(28.3)	167	92	81.6

* April-June

Source: Company data, I-Sec Research

- **We expect TVTN's Q2FY10E revenues to decline 2% YoY and 7.7% QoQ** since TVTN benefitted from elections and the Indian Premiere League (IPL) in Q1FY10.
- **EBITDA margin is likely to decline** to 23.1% from a high of 27.4% in Q1FY10.
- **We expect PAT to increase 57.2% YoY**, but decrease 28.3% QoQ to Rs120mn.

Zee Entertainment Enterprises (Hold)

(QoQ chg: 44.7%; YTD chg: 72.0%)

Quarterly estimates

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	5,411	5,716	(5.3)	13.7	4,759	5,420	(12.2)
EBITDA	1,322	1,488	(11.1)	13.0	1,170	1,442	(18.8)
PBT	1,489	1,480	0.6	12.0	1,329	1,450	(8.4)
PAT	1,023	1,162	(12.0)	0.4	1,019	1,027	(0.8)

* April-June

Source: Company data, I-Sec Research

- **We expect ZEEL's Q2FY10E revenues to increase 13.7% QoQ**, but decline 5.3% YoY on account of ad revenues falling 15% YoY. On a QoQ basis, ad revenues are expected to improve 22.4% owing to ad revenues being diverted from Hindi GECs in Q1FY10 due to elections and the IPL. We expect subscription revenue to grow 15% YoY, driven by DTH revenues.
- **The flagship channel Zee TV continued to consolidate its GRP share** in Q2FY10, garnering 20% average GRP share and remaining the leader in prime time GRPs, with 23.6% GRP share. Zee TV continued to have the least number of weekly programming hours at 22 among the top-3 Hindi GECs compared with 28 for *Colors* and 34 for *STAR Plus*.
- **We expect EBITDA of Rs1.32bn**, with EBITDA margin declining slightly 20bps QoQ to 24.4%. We expect costs to increase 14% QoQ owing to higher programming costs and high level of cost rationalisation in Q1FY10 being unsustainable. We expect PAT to decline 12% YoY to Rs1bn.

Zee News (Buy)

(QoQ chg: 17.0%; YTD chg: 26.9%)

Quarterly estimates (Consolidated)

(Rs mn, year ending March 31)

	Q2FY10E	Q2FY09	YoY (%)	QoQ (%)	YTD FY10*	YTD FY09*	YoY (%)
Revenues	1,461	1,277	14.4	6.3	1,374	1,128	21.9
EBITDA	273	212	29.0	10.0	248	173	43.5
PBT	214	180	19.1	18.3	181	152	19.5
PAT	136	115	18.8	14.3	119	93	27.9

* April-June

Source: Company data, I-Sec Research

- **ZNL's Q2FY10 revenues are expected to rise 14.4% YoY** to Rs1.46bn, driven by 12% YoY ad revenue growth and 25.5% YoY subscription revenue growth.
- **Increase in competition** for *Zee Bangla* from *Star Jalsha* and for *Zee Kannada* from *Suvarna TV* is likely to impact growth in established business and new business respectively.
- **EBITDA margin is likely to improve 70bps QoQ** to 18.7%. We expect Q2FY10E PAT to increase 18.8% YoY and 14.3% QoQ to Rs136mn, partly on account of lower interest charges QoQ.

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)

BUY: +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

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