

Sensex	19,976
Nifty	5,932

Media Sector

Positive

Strong growth continues

This quarter has been very good for the Media sector. There has been a high growth in revenues and spectacular growth in earnings for most companies (except for some companies which are in investment mode). For the overall sector (based on 'Religare Media Universe' of 10 companies), the performance was:

- Net Sales rose by 30% YoY.
- EBIDTA rose by 103% YoY.
- EBIDTA margins expanded by 910bps to 25.3% YoY.
- Net Profit rose by 83% YoY.
- Net Profit Margins expanded by 462bps to 15.8% YoY.

The summary of the performance of the media companies in Q1FY08 is given below:

- **Net Sales** rose by 383% YoY for Prime Focus (on a consolidated basis), 84% YoY for UTV to only 12% for HT Media. Revenues for Prime Focus (on a consolidated basis) saw a sharp increase due to the acquisition of VTR. Revenues for Prime Focus (on a standalone basis) rose by 92% YoY. HT Media was hit due to a slowdown in ad revenues from the auto and property segments.

Figure 1: Net Sales Growth % YoY

Media Sector	Net Sales Growth % YoY - Q2FY08
Prime Focus-consolidated	383
Prime Focus-standalone	92
UTV	84
TV 18	66
Info Edge	66
Zee News	46
ENIL – standalone	29
Jagran Prakashan	23
TV Today	22
Zee Entertainment	14
HT	12
Total	30

Source: Religare Institutional Equity Research

- **EBIDTA** rose by 1225% YoY for Zee News (due to a small base), by 506% YoY for Zee Entertainment (better program ratings led to higher ad revenues and lower ad spend) to a disappointing (-19)% for TV18. TV18 was hit due to losses in Newswire (a new business segment for TV18) and Web18 (continues to be in investment mode).

Figure 2: EBIDTA Growth % YoY

Media Sector	EBIDTA Growth % YoY - Q2FY08
Zee News	1225
Zee Entertainment	506
UTV	198
Info Edge	175
Prime Focus-consolidated	174
Prime Focus-standalone	107
Jagran Prakashan	36
TV Today	25
HT	2
ENIL – standalone	-2
TV 18	-19
Total	103

Source: Religare Institutional Equity Research

- **EBIDTA margins** were highest for Prime Focus-Standalone at 61.6% to only 13.3% for Zee News.

Figure 3: EBIDTA Margins (%)

Media Sector	EBIDTA Margin % - Q2FY08
Prime Focus-standalone	61.6
Zee Entertainment	33.2
Prime Focus-consolidated	32.4
Info Edge	30.8
TV Today	26.3
UTV	24.7
Jagran Prakashan	21.9
TV 18	21.6
HT	17.3
ENIL – standalone	15.6
Zee News	13.3
Total	25.3

Source: Religare Institutional Equity Research

- **EBIDTA margin** expansion was highest for Zee Entertainment at 2693 bps to only (-2466) bps for Prime Focus on a consolidated basis and (-2277) bps for TV18. Prime Focus-Consolidated was hit due to lower margins in VTR; TV18 was hit due to losses in Newswire and Web18.

Figure 4: EBIDTA margin expansion (bps)

Media Sector Company	EBIDTA Margin %		
	Q2FY08	Q2FY07	EBIDTA margin expansion (bps)
Zee Entertainment	33.2	6.2	2693
Info Edge	30.8	18.6	1219
Zee News	13.3	1.5	1182
UTV	24.7	15.2	948
Prime Focus-standalone	61.6	57.0	461
Jagran Prakashan	21.9	19.9	198
TV Today	26.3	25.6	68
HT	17.3	19.0	-175
ENIL – standalone	15.6	20.7	-508
TV 18	21.6	44.3	-2277
Prime Focus-consolidated	32.4	57.0	-2466
Total	25.3	16.2	910

Source: Religare Institutional Equity Research

- **Net Profit** rose by 331% YoY for Info Edge, 263% YoY for Zee Entertainment to a disappointing (-87)% for ENIL-standalone. ENIL-standalone was hit due to higher depreciation and launch expenses of 7 new stations.

Figure 5: Net Profit Growth % YoY

Media Sector	Net Profit Growth % YoY - Q2FY08
Info Edge	331
Zee Entertainment	263
UTV	221
Zee News	189
Prime Focus-consolidated	75
Prime Focus-standalone	68
TV Today	64
Jagran Prakashan	26
HT	19
TV 18	-67
ENIL – standalone	-87
Total	83

Source: Religare Institutional Equity Research

- **Net Profit Margins** were at 38.4% for Prime Focus-standalone to a disappointing 1.2% for ENIL.

Figure 6: Net Profit Margins (%)

Media Sector	Net Profit % - Q2FY08
Prime Focus-standalone	38.4
Info Edge	28.7
Zee Entertainment	23.3
UTV	18.2
Prime Focus-consolidated	15.9
Jagran Prakashan	12.4
TV Today	11.6
HT	11.4
Zee News	6.9
TV 18	6.0
ENIL – standalone	1.2
Total	15.8

Source: Religare Institutional Equity Research

- **Net Profit margin** expansion was highest for Info Edge at 1767 bps, Zee Entertainment at 1601 bps to a contraction of (-2796) bps for Prime Focus on a consolidated basis and (-2455) bps for TV18. Prime Focus was hit due to lower margins in VTR; TV18 was hit due to losses in Newswire and Web18.

Figure 7: Net Profit Margins expansion (bps)

Company	Q2FY08	Q2FY07	Net Profit margin expansion (bps)
Info Edge	28.7	11.0	1,767
Zee Entertainment	23.3	7.3	1,601
UTV	18.2	10.4	775
Zee News	6.9	3.5	341
TV Today	11.6	8.7	298
HT	11.4	10.7	63
Jagran Prakashan	12.4	12.2	23
Prime Focus-standalone	38.4	43.9	-552
ENIL – standalone	1.2	12.2	-1,096
TV 18	6.0	30.6	-2,455
Prime Focus-consolidated	15.9	43.9	-2,796
Total	15.8	11.2	462

Source: Religare Institutional Equity Research

So based on all the above parameters, the 4 best performers in Q2FY08 were:

- Prime Focus
- Zee Entertainment
- Info Edge
- UTV

Conclusion: We were positively surprised by Zee Entertainment, Info Edge and TV18 and a negatively surprised by ENIL in the Q2FY08 results. We have upgraded our numbers for Info Edge and Jagran Prakashan and downgraded our numbers for ENIL and Prime Focus. Our outlook on the media sector remains positive given that media is a leveraged play on the economic growth. At current valuations our **top picks** in the sector are **Zee Entertainment** and **Jagran Prakashan**.

Valuations Summary

Figure 8: Valuation summary

Media	Price (Rs)	Rating	Mkt Cap (Rs bn)	Sales		EBITDA		Net Profit		EPS (Rs)		FY08E		FY09E	
				Q2FY08 (Rs mn)	YoY (%)	Q2FY08 (Rs mn)	YoY (%)	Q2FY08 (Rs mn)	YoY (%)	Q2FY08 (Rs mn)	YoY (%)	EPS	P/E	EPS	P/E
Prime Focus	1,202	Accumulate	13	584	385	189	175	95	80	7.0	80	32.5	37.0	49.8	24.1
HT Media	203	Accumulate	48	2,810	11	485	2	319	19	1.4	19	5.7	35.5	8.9	22.8
Jagran Prakashan	644	Accumulate	39	1,772	23	388	36	220	25	3.6	25	20.4	31.5	27.9	23.1
ENIL	442	Accumulate	22	858	24	(70)	-139	-172	-124	-3.6	-124	3.3	133.9	15.0	29.5
Zee Entertainment	313	Buy	136	3,986	14	1322	507	930	264	2.15	264	8.9	35.2	11.0	28.4
Info Edge	1254	Accumulate	34	526	66	162	176	151	328	5.5	328	20.5	61.3	29.2	43.0
TV18	505	Accumulate	57	881	66	190	-19	55	-72	1	-72	6.2	81.6	10.6	47.6

Source: Religare Institutional Equity Research

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