



India: Media

Defensive growth in tough times—Stay home, watch TV

Maintain Neutral stance; compressed multiples reflect macro risks

We believe the Indian entertainment and media (E&M) sector fundamentals are strong and long-term prospects driven by favorable demographics are intact; we forecast 24% revenue CAGR for our coverage group over the next three years. However, we believe the sector remains fragmented with pricing power concentrated with consolidated media buyers, making it difficult for most companies to withstand current macro headwinds.

Multiples for established broadcasters (ZEEL, Sun TV), have compressed 66% ytd reflecting a worsening macro growth and corporate profitability scenario; however, at historical trough valuations (on par with the Sensex for the first time since their listing), we believe the sector is reasonably valued and reflects higher growth potential for media services in India. Consequently, we maintain our neutral stance on the India E&M sector.

Established broadcasters, content producers best positioned

We believe established broadcasters and content producers are best placed in the existing value chain and the current macro context. We expect the TV segment to record revenue growth of ~20% over FY2008-FY2012E and highlight the rapid penetration of digital platforms (DTH/CAS) as a key positive for established companies such as Zee Entertainment Enterprises (ZEEL) and Sun TV. Although this digitization will lead to strong topline growth for DTH operators such as Dish TV, price-based competition will delay profitability further, in our view. We expect the radio, internet and OOH segments to grow faster than the overall E&M market (15%-27% CAGR over FY2008-FY2012E). But given their relatively small overall size (combined 4% of E&M market) and the high level of ownership restrictions, we believe opportunities in this segment will be limited.

Upgrade ZEEL, Sun TV to Buy, Dish Neutral; ENIL down to Neutral

We upgrade ZEEL (ZEE.BO) and Sun TV (SUTV.BO) to Buy from Neutral and Dish TV (DSTV.BO) to Neutral from Sell. We downgrade Entertainment Network India (ENIL.BO) to Neutral from Buy and maintain our Neutral rating on Television Eighteen (TVET.BO). We lower our 12-month TPs by 3%-57% for our coverage group to reflect increased competition and lower ad spend.

Risks

1) Slowdown in GDP growth resulting in reduced ad spend; 2) further fragmentation of the sector due to new entrants; and 3) regulatory risks.

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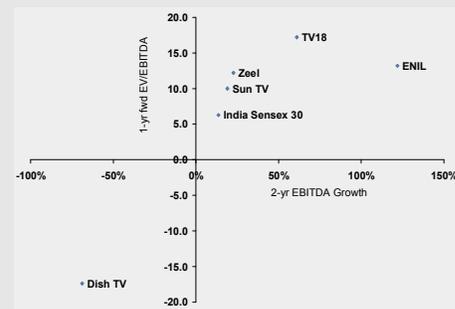
Indian media: Summary of ratings and TPs

	Rating	Price		Potential upside / downside	P/E (x)	
		Current (Rs)	12-month TP (Rs)		1-yr fwd	2-yr fwd
Zee Entertainment	Buy	162	235	45%	14.6	12.4
Sun TV Network	Buy	160	216	35%	17.4	13.4
Dish TV	Neutral	18	24	30%	NM	NM
ENIL	Neutral	187	285	53%	29.9	16.4
Television Eighteen	Neutral	116	162	39%	22.4	16.3
Media group average				40%	19.9	14.8
Global Peer Group Average						
Broadcasting					11.6	13.2
Satellite TV					14.5	9.3
Radio					11.7	9.8
Internet					18.7	15.3

Note: 1) TV18 includes valuation for its 53% stake in Infomedia and 18% in IBN18 Broadcast; 2) P/E multiples refer to March year-end for Indian companies and December for global peers.

Source: Datastream, Goldman Sachs Research estimates.

Valuation comparison



Source: Goldman Sachs Research estimates.

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The prices in the body of this report are based on the market close of October 10, 2008.

Exhibit 1: Stick with the leaders—Buy Zee Entertainment and Sun TV

Indian Media trades at higher multiples, but offers superior growth opportunities than global peers, in our view

	Ticker	Mkt. cap (\$mn)	Free float	Rating	Price		FY2010 Target P/E Multiple (x)	Potential upside / downside	P/E (x)			GS 2 year CAGR	
					Current (Rs)	12-month TP (Rs)			1-yr fwd	2-yr fwd	2-yr PEG (x)	Sales	EPS
Zee Entertainment	ZEE.BO	1454	59%	Buy	162	235	18	45%	14.6	12.4	0.7	18%	22%
Sun TV Network	SUTV.BO	1302	23%	Buy	160	216	18	35%	17.4	13.4	0.9	21%	20%
Dish TV	DSTV.BO	167	42%	Neutral	18	24	NM	30%	NM	NM	NM	76%	NM
ENIL	ENIL.BO	184	29%	Neutral	187	285	25	53%	29.9	16.4	NM	29%	NM
Television Eighteen	TVET.BO	287	49%	Neutral	116	162	18	39%	22.4	16.3	0.1	26%	290%
Media group average									19.9	14.8	0.7	34%	111%
Global Peer Group Average													
Broadcasting									11.6	13.2	NM	5%	NM
Satellite TV									14.5	9.3	0.8	10%	17%
Radio									11.7	9.8	0.1	6%	78%
Internet									18.7	15.3	0.6	27%	32%

Notes: 1) Our 12-month target price for Dish TV is based on DCF valuation; 2) TV18 target price includes valuation for its 53% stake in Infomedia and 18% in IBN18 Broadcast; 3) Share prices are as of October 10, 2008; 4) 1-yr fwd and 2-yr fwd refer to March 2009E and March 2010E for Indian companies, and December 2008 and December 2009 for global companies; and 5) For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Datastream, Goldman Sachs Research estimates.

Rapidly evolving dynamics—stick with leaders

The Indian Entertainment and Media (E&M) industry has, over the past three years, consistently outperformed the Indian economy (19% CAGR vs. 15% CAGR for Indian nominal GDP). We believe the sector's fundamentals are strong and long-term prospects are attractive, and forecast 24% revenue CAGR for our coverage group over the next three years. We expect the television segment (which accounts for 44% of the total E&M industry as of 2007) to record revenue growth ~20% over FY2008-FY2012E and highlight the rapid penetration of digital distribution platforms (DTH/CAS) as a key positive for established broadcasters and content creators alike.

Although our coverage group is currently trading near its four-year trough valuations (average one-year forward P/E of 19.9X) and stocks are down 50%-82% ytd, we take a neutral stance on the sector, given the uncertainty on the extent and length of the current slowdown in the economy and its subsequent effect on corporate profitability in India. Also, with the launch of many new channels (>35 ytd), we believe this sector is prone to rapid fragmentation of viewership, and consequently the revenue base of broadcasters.

Given this macro scenario and ongoing fragmentation of the viewership pie, we prefer companies with established franchises. We thus upgrade Zee Entertainment (ZEEL) and Sun TV to Buy (both from Neutral) and Dish TV to Neutral (from Sell); downgrade ENIL to Neutral (from Buy); and maintain our Neutral rating on TV18.

Five key factors for investors in the Indian media sector

1. Favorable demographics (income, spending) to drive ~20% growth in sector

Growth of the Indian E&M industry is directly related to the changing demographic profile of the country. We believe that the increase in the share of higher-income class households, leading to an increase in disposable income and thereby greater spending on entertainment and leisure, is a key driver for the industry.

2. Entry of new broadcasters resulting in fragmentation of viewer base—Balance sheet strength to control costs will be critical

The encouraging growth outlook for the E&M industry has attracted many new entrants into the TV broadcasting sector—the number of channels in India has more than doubled over the past five years (see Exhibit 42). This has led to a fragmentation of the viewership pie and the revenue base for the broadcasters leading to increasing spend in three critical areas—content, staff and distribution (carriage). As the sector goes through this transformation, we believe balance sheet strength to carry out these investments over the long-term will be critical.

3. Continued investments from DTH operators to stall profitability—Established broadcasters will benefit, in our view

Although digitization is likely to result in strong growth in the topline for DTH companies such as Dish TV, the race for market share leading to corresponding increase in Subscriber Acquisition Costs (SAC) implies that profitability for DTH operators would be delayed. On the other hand, despite the fragmentation in the viewership base, STAR and ZEEL have retained their positions (#1 and #2, respectively), indicating the tendency of viewers to stick once the pipeline is mature. Thus, in our view, the trend of rapid digitization is most beneficial to the established broadcasters such as ZEEL (higher subscription revenues).

4. New media such as radio, Internet and OOH offer attractive growth potential, but small size and high ownership cap restrict exposure

We expect the radio, Internet and OOH segments to grow faster than the overall E&M market, registering a growth rate of 15%-27% over the next four years (FY2008-FY2012E). But given their smaller overall size (combined 4% of the E&M market) and lower FII ownership limits (see Exhibit 47), we believe the opportunities to participate in this segment will be limited.

5. Valuations have compressed to 4-year lows; could earnings compress further?

Although our coverage group is currently trading close to its 4-year trough valuations (average one-year forward P/E of 19.9x, the stocks are down 50%-82% ytd), established broadcasters (ZEEL and Sun TV) still trade at a 1% premium to the Sensex P/E of 12.7X (down from 57% premium in January 2008). We take a Neutral stance on the sector as we believe that the consensus expectations have room for further downgrades (our numbers are below consensus for all coverage companies except ZEEL) as the macro slowdown and risk aversion cycle unfolds over the next few months.

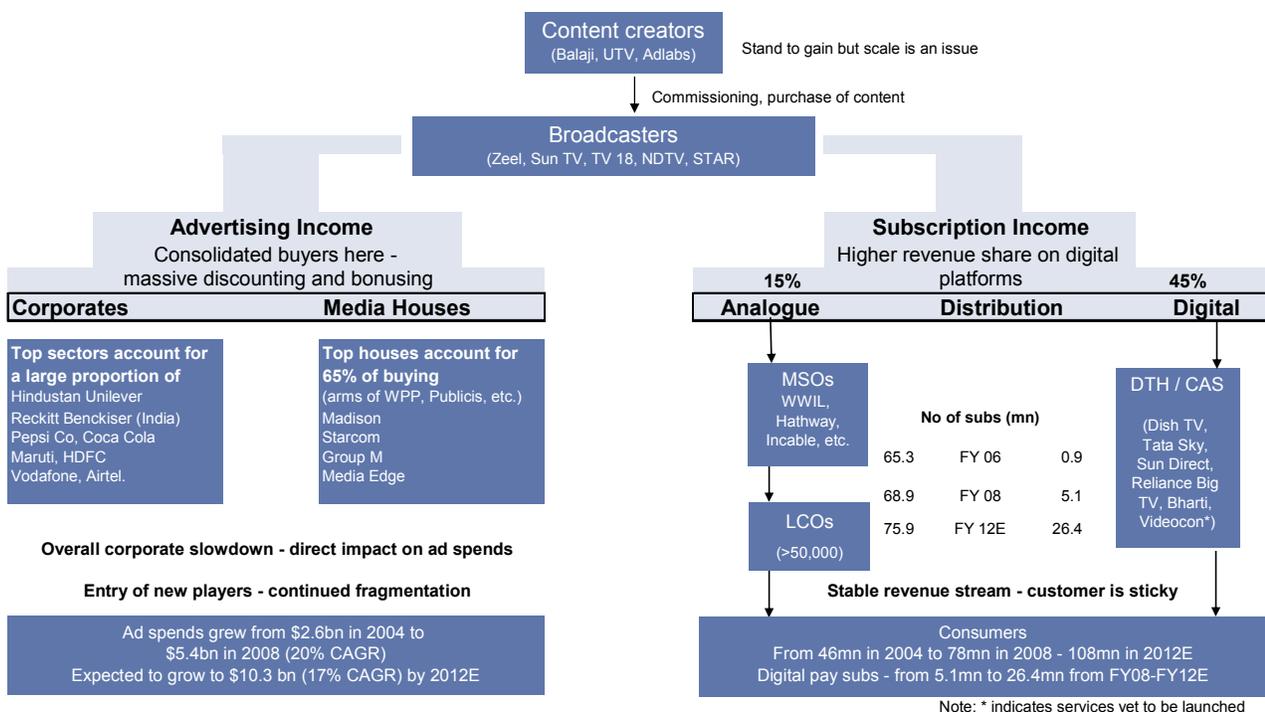
For details, please refer to the Industry section of this report which follows the individual company snapshots.

Established broadcasters, content creators best positioned

Advertising income constitutes a majority of total revenue for all major broadcasters in India, at present. Subscription income has become an increasingly important part of the revenue mix for established broadcasters (45% CAGR for ZEEL, Sun TV and TV18 over the past two years). **We believe that as penetration of digital platforms increases in the Indian households, established broadcasters earning subscription revenues stand to benefit the most (digital platforms have grown at 57% over the past two years, we expect them to grow at 45% for the next three years).** In addition, broadcasters also benefit from higher revenue contribution from subscribers shifting to digital platforms (broadcasters garner 45% of the overall subscription revenue from digital platforms, relative to the 15% they earn on analogue platforms).

Exhibit 2: Broadcasters and content creators are best placed in current value chain, in our view

Established companies in both segments stand to gain from digital



Source: NRS, Goldman Sachs Research estimates.

Advertising pie will continue to be fragmented and exposed to macro risk:

Advertising income for broadcasters is susceptible to the macro slowdown and rate squeezes (consolidated buyers in the form of companies and media houses here). Given current macro conditions and markets expectations, we believe broadcasters are pricing in about 15% advertising growth for the next two years. We believe considering India's secular growth environment and current underpenetration of media, this expectation is realistic with risk towards the upside if macro conditions improve.

Profitability in DTH only in the long term: Given the intensifying competition in this segment and focus of all the current operators on gaining market share irrespective of costs, we believe profitability for the DTH competitors is still some time away. The business case assumption for these companies seems to be that once seeded with their own platform, customers will provide cash flow over the long term and churn would be moderate. On these assumptions, we believe DTH companies with access to bigger balance sheets—and hence better ability to invest plus having the optionality to offer triple play

services over a longer period of time—are at an advantage, but the sector would still have to go through a period of consolidation before sustained profitability could emerge (five private operators already in the market with one more set to join by end-2008).

Is TRP the correct yardstick to value broadcasting companies?: Although TAM/TRPs are the most frequently available data points, we believe they are not representative of the performance/viewership of the sector. Currently, two private agencies—TAM and aMAP—are carrying out TV ratings on a commercial basis in India. Their operations are limited to a few large cities with population of over one lakh. Within big cities, too, their sample size is limited to a total of about 7,000 (TAM) and 6,000 (aMAP) metered homes.

Although statistically these samples are selected to represent a large proportion of Indian TV households (~80 mn C&S in total), we believe the variation in the actual vs measured viewership is bound to remain high. In the absence of any other easily available yardstick, these television ratings are thought to primarily guide broadcasters, media agencies and advertisers in determining their programme scheduling, ad spends and placement of advertisements.

We suggest investors use TRPs as guidelines only, and rely more on reported traction in advertising revenues by broadcasters (on quarterly basis) and measure variation in that vs strength of pipeline and content exhibited by respective firms over a period of time (indicating employee creativity strength, which is arguably the true measure to value a media company). The regulatory authority TRAI has also recognised these deficiencies in the current system, but correction of the anomaly would take some time, in our view.

Valuation

We derive our 12-month target prices for the Indian media stocks under our coverage group using target one-year forward P/E (except Dish TV—DCF basis). As a reality check, we have tested our conclusions against one-year forward EV/EBITDA and two-year PEG multiples as well as the longer duration DCF methodology. We believe that given the sector's rapidly changing dynamics and high sensitivity to near-term corporate growth, one-year forward P/E multiples are relatively the best way to value companies in this sector.

Exhibit 3: Valuation snapshot

	P/E (X)		EV/EBITDA (X)	
	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd
Zeel	14.6	12.4	9.8	8.5
Sun TV	17.4	13.4	7.9	6.7
Dish TV	NM	NM	-14.3	-99.0
TV18	22.4	16.3	12.2	8.9
ENIL	29.9	16.4	13.5	8.8
Broadcasting				
US average	10.7	11.0	6.3	6.3
Europe average	10.1	12.1	6.3	7.0
Global average	11.6	13.2	6.9	6.3
Satellite				
US average	11.6	9.0	4.3	3.8
Europe average	11.4	8.9	6.7	5.7
Global average	14.5	9.3	5.1	4.0
Radio				
US average	8.0	8.4	8.7	6.8
Global average	11.7	9.8	7.0	5.9
Internet				
US average	16.6	14.5	10.1	8.4
Global average	18.7	15.3	11.7	9.3

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 4: GS vs. consensus

Relatively below consensus

	EPS (Rs)		Sales (Rs mn)	
	1-yr fwd	2-yr fwd	2009E	2010E
Zeel	11.09	13.07	22,339	25,468
Sun TV	9.21	11.98	10,652	12,714
Dish TV	-9.59	-8.90	9,175	12,798
ENIL	6.24	11.37	5,567	6,882
TV18	5.18	7.14	5,043	6,305
	vs. consensus		vs. consensus	
Zeel	2%	-2%	-1%	-4%
Sun TV	-18%	-12%	-2%	-1%
Dish TV	-56%	-81%	16%	-2%
ENIL	-36%	-43%	-10%	-13%
TV18	-21%	-28%	-9%	-10%

Source: Bloomberg, Reuters, Goldman Sachs Research estimates.

Compared with global peers, Indian media companies are trading at a moderate premium, but offer the opportunity for higher growth as well, in our view. We value established broadcasters (Sun TV, ZEEL and TV18) at a 36% premium to their global peers on account of higher growth estimates for the next two years. We value ENIL at a 60% premium to global peers on a one-year forward P/E (see Exhibit 3).

Scenario analysis

Analysis of historical US data indicates that in severe bear markets, companies show a tendency to bottom out at about 50% of their long-term average multiples (Source: Robert Shiller's analysis, Department of Economics, Yale University). We think this can be used a rough yardstick for Indian stocks as well, which admittedly have a shorter trading history than their US peers. We note that currently the Indian market (as measured by the Sensex) is trading at a 37% discount to its long-term average one-year forward average P/E, while our Buy-rated stocks are currently trading at 44% (ZEEL) and 58% (Sun TV) discounts.

A bear-case scenario analysis on our key assumptions (see Exhibit 5) suggests that our Buy-rated stocks have potential EPS downside of 38% on average if the global market experiences a substantial slowdown (thereby causing Indian ad spend to decline by 20% each year over the next two years, in our view). This compares well with the average potential upside of 40% we currently see based on our 12-month target prices.

Exhibit 5: We expect EPS to come down by ~38% in Bear case for Buy rated stocks

Scenario Analysis						
	Bear Case Assumptions vs. Base Case Assumptins for next 2 years	FY2010 EPS (Rs)		FY2010 P/E (x)		Historical average P/E * (X)
		Bear Case	Base Case	Bear case	Base case	
Zee Entertainment	• Ad rate decline of 20% for next two years (vs. 15% growth in base case)	8.1	13.1	20	12.4	24.6
Sun TV Network	• EBIT margins lower by ~400bps vs. base case.	7.4	12.0	22	13.4	32.6
Television Eighteen	• No growth in cable subscription revenue.	2.9	7.1	40	16.3	85.2
ENIL	• Lowered ad rate growth for radio to 5% • Mumbai airport: ad rate growth of 80% for next 1-yr vs. 110% in base case • Delhi airport: ad rate growth of 10% and 15% vs. 40% and 20% in base case • EBIT margins lower by ~350bps vs. base case	7.6	11.4	25	16.4	14.1
Dish TV	• Subscriber adds lower by 20% vs base case • Content costs higher by 20%	-9.4	-8.9	NM	NM	NM

*Historical average is for the last 5 years or since trading history

Source: Goldman Sachs Research estimates.

Key risks

- **GDP slowdown:** Direct correlation with ad spends by corporates.
- **Entry of new broadcasters:** Leading to further fragmentation and competition for viewership.
- **Small-cap risk:** Most of the India media stocks under our coverage can be classified as small/mid cap stocks and are subject to higher liquidity risk. Our analysis suggests that the ADTV (average daily trading volume) overestimates actual liquidity by 60%-80% because mid-cap volumes are highly irregular and ADTV uses historical price averages.

ZEEL (ZEE.BO; Buy; TP: Rs235, 45% potential upside)

Strength in broadcasting drives growth, digitization is key

Investment thesis

- We upgrade ZEEL to Buy from Neutral as we believe the current price factors in the possibility of pressure on advertising growth in a competitive market (while ignoring the strength of the pipeline), but not the higher quality of revenue contribution from digitization (conversion to DTH/CAS platforms).
- We believe strong growth in uptake of digital platforms (CAS /DTH) will boost subscription growth for established broadcasters such as ZEEL (domestic subs revenue CAGR of 30% through FY2008-FY2012E).
- Through recent TRP ratings resurgence, ZEEL has increased ad revenues by 32% yoy in FY2008 vs. the industry average of 22%. We expect moderate rate hikes and increase in original programming to drive a modest 18% ad rev revenue growth during FY2008-FY2011E.

Valuation

- Our revised 12-month target price of Rs235 (from Rs243) is based on P/E valuation (18X 2010E EPS) and implies 45% potential upside. The global average for broadcasters is 13.2X, and we believe that, given the underpenetration of media in India, Indian broadcasters have better growth prospects and should trade at a higher multiple, hence we assign a 36% premium.
- ZEEL currently trades at 14.6X FY2009E EPS and 12.4X FY2010E EPS. This is at a premium of 26% over global peers, but at a 10% discount to Indian peers for FY2009E. We believe ZEEL's broad presence across genres and continued dominance in the broadcasting segment makes it attractive at these valuations.

Catalysts

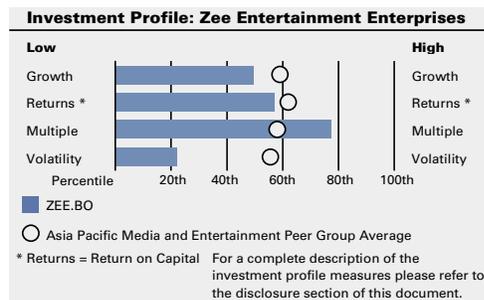
- Strong pipeline of content over the upcoming festive season—the company plans to increase original programming from the current 34 hrs/week to 40 hrs/week by March 2009.
- Strong growth in the subscriber base with entry of new DTH competitors and separation of feed for DTH viewers, thereby enabling separate ad pricing, would be a key catalyst over the medium-term, in our view.

Risks

- Slowdown in ad spend due to macro slowdown, 2) loss of market share to new entrants, and 3) sluggish uptake of the digital platform leading to continued revenue leakages to cable operators.

Company background

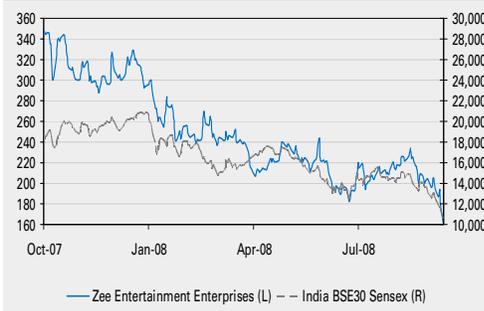
ZEEL is one of India's leading private broadcasters and operates a total of 16 channels across genres. Over the years, ZEEL has been one of the leading companies in broadcasting (No. 2 in the Hindi general entertainment category (GEC) since 2005, above 20% market share across three other genres).



Key data	Current
Price (Rs)	162.30
12 month price target (Rs)	235.00
Market cap (Rs mn / US\$ mn)	70,439.3 / 1,453.7
Foreign ownership (%)	26.0

	3/08	3/09E	3/10E	3/11E
EPS (Rs) New	8.81	11.09	13.07	14.81
EPS revision (%)	(10.1)	0.5	(1.6)	(9.9)
EPS growth (%)	60.9	25.9	17.9	13.3
EPS (dil) (Rs) New	8.81	11.09	13.07	14.81
P/E (X)	18.4	14.6	12.4	11.0
P/B (X)	2.5	2.2	1.9	1.7
EV/EBITDA (X)	24.0	9.8	8.1	6.8
Dividend yield (%)	1.4	1.7	2.1	2.5
ROE (%)	14.0	15.8	16.4	16.4

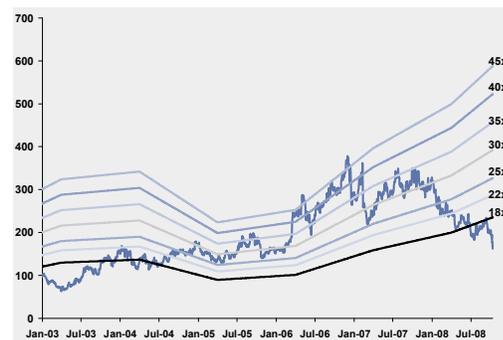
Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(17.3)	(32.0)	(52.1)
Rel. to Bombay SE Sensitive Index	9.5	1.4	(15.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/10/2008 close.

ZEEL one-year fwd P/E bands—Trading at historical P/E lows



Source : Datastream, Goldman Sachs Research estimates.

We believe the market is currently mispricing two key factors for ZEEL:

1. Fortunes are not decided by the flagship channel only—strength across genres results in a stable revenue stream

ZEEL is India's dominant TV broadcaster. With a bouquet of 16 channels, ZEEL is present across all genres and commands significant market share in most of them (see Exhibit 6). With its widespread presence and existing broadcasting strength, we believe that ZEEL is well positioned to gain from the secular growth trends of strong advertising and increasing media penetration in India.

Exhibit 6: ZEEL offers a total of 16 channels across genres

Significant market share (FY2008) across genres supports growth

Genre	GEC	Movie Channel	Music	English Channels	Sports	Religious
	Zee TV - # 2 Zee Next Zee Smile	Zee Cinema - #1 Zee Premier Zee Action Zee Classic	ETC Music - #1,B2B ETC Punjabi Zee Music	Zee Café - #1 Zee Studio Zee Trendz	Ten Sports - #1 Zee Sports	Zee Jagran - #2
Mkt Share	31%	46%	24%	34%	35%	24%

Source: Company data.

2. Rapid growth in digitization acts as catalyst for subscription revenue growth; established subscriber franchise outside India shows execution strength:

We believe that as digitalization gains momentum and consumers convert from analogue cable to the digital platform (DTH + CAS), established broadcasters such as ZEEL will draw strength from the rise in subscription revenues. Broadcasters typically earn 10%-15% of revenue collected from subscribers in the analogue distribution mode, rising to 45% revenue share in the digital mode (see Exhibit 2). We estimate total digital subscribers in India to grow from about 5.1 mn in FY2008 to 26.4 mn in FY2012E (see Exhibit 2).

We believe the company would continue to see strong domestic subscription growth (~41% of revenues, domestic subscription to grow at 30% CAGR over the next three years) based on the market transition to digital platforms. The company expects revenue contribution from digital platforms to double yoy to Rs1.2 bn in FY2009.

We also see steady improvement by its flagship channel Zee TV in its share among the top 50 programs in the Hindi GEC segment that accounts for the most profitable content on television. Zee TV has consistently maintained its position with ~20 programs figuring in the top fifty, while STAR's share has been on a downtrend with competitor 'Colors' executing well in the first few weeks of launch. We will continue to monitor performance of Colors which should potentially impact profitability and revenue share for both Zee TV and STAR Plus.

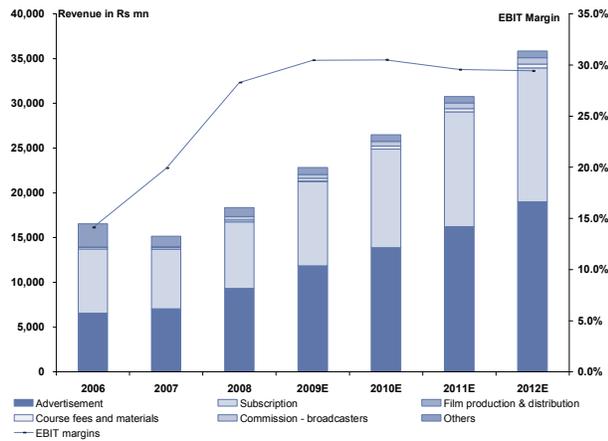
Exhibit 7: Latest share in top 50 programs

Zee maintaining a consistent share of ~20 programs in the top-50

Week beginning	6-Jul-08	12-Jul-08	20-Jul-08	27-Jul-08	3-Aug-08	10-Aug-08	17-Aug-08	24-Aug-08	31-Aug-08	7-Sep-08	14-Sep-08	21-Sep-08
Zee TV	19	19	21	20	21	19	23	22	13	15	17	16
Star Plus	30	30	28	30	28	26	25	23	19	18	18	20
Colors	-	-	-	-	-	1	-	5	6	8	9	10
Sony	-	1	1	-	1	3	-	-	3	5	6	5
NDTV Imagine	1	-	-	-	-	1	1	-	2	3	3	2

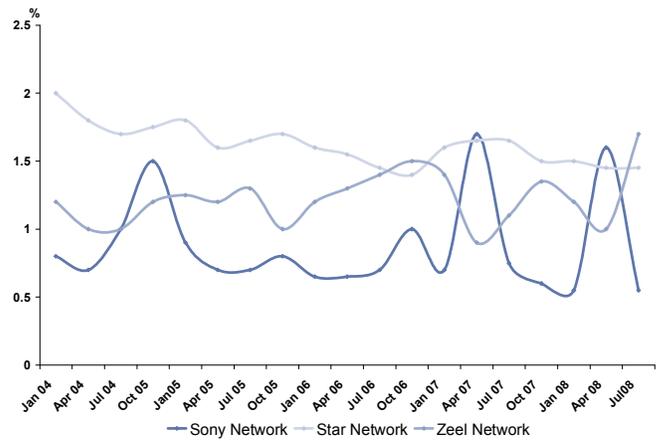
Source: TAM Media Research.

Exhibit 8: Growth from subscription and ad revenues
Bolstered by existing broadcasting strength and digitization



Source: Company data, Goldman Sachs Research estimates.

Exhibit 9: ZEEL closing in on STAR in network share
Not completely dependent on flagship channel



Source: TAM Media Research, Goldman Sachs Research estimates.

Exhibit 10: Shareholder Structure

Shareholder structure	Sept-07	Dec-07	Mar-08	Jun-08
Promoters	41.5%	41.5%	41.5%	41.5%
- Domestic promoter	21.7%	21.7%	21.7%	21.7%
- Foreign promoter	19.9%	19.9%	19.9%	19.9%
Public Institutions excl. FIIs	16.5%	18.8%	21.2%	21.0%
FIIs	31.0%	29.5%	27.4%	26.0%
Others	11.1%	10.2%	9.9%	11.5%
Total	100.0%	100.0%	100.0%	100.0%

Source: Bombay Stock Exchange (BSE)..

Exhibit 11: Valuation snapshot – Global broadcasting companies

Companies	Currency Symbol	Price 10-Oct-2008	Rating	Market cap (US\$mn)	P/E (x)		EV/EBITDA (x)		EV/FCF (x)		EV/Revenues (x)		EPS CAGR 2 - yr	ROE (%) 2009E	EBITDA margins (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India TV channel operators																
Sun TV	Rs	160	Buy	1,302	17.4	13.4	7.9	6.7	14.1	11.8	5.3	4.4	20%	21%	67%	67%
Zee Entertainment	Rs	162	Buy	1,454	14.6	12.4	9.8	8.5	17.0	14.2	3.1	2.7	22%	15%	32%	32%
TV 18	Rs	116	Neutral	287	22.4	16.3	12.2	8.9	-45.0	21.2	3.7	2.9	26% [^]	11%	30%	33%
Zee News	Rs	32	NC	184	13.9	9.9	8.0	5.9	NA	NA	1.6	1.3	45%	23%	20%	21%
New Delhi Television	Rs	136	NC	203	NA	19.7	65.2	13.1	NA	NA	2.2	1.8	NM	6%	3%	14%
UTV Software	Rs	658	NC	536	32.2	21.7	24.4	13.0	NA	NA	3.3	2.1	10%	5%	13%	16%
TV Today Network	Rs	51	NC	71	6.0	4.9	NA	NA	NA	NA	NA	NA	18%	15%	27%	28%
IBN 18	Rs	88	NC	292	NA	440.0	120.2	32.7	NA	NA	5.8	4.4	NM	-10%	5%	13%
Weighted Average					16.3	43.0	21.0	10.1	6.9	9.7	3.8	3.1	16.9%	13.6%	36.2%	37.9%
					-10%											
US TV channel operators																
CBS Corp.	\$	8	Sell	5,462	4.8	5.1	4.0	4.3	7.0	6.8	0.8	0.8	-4%	5%	20%	19%
The Walt Disney Company	\$	23	Buy	44,698	10.1	10.2	7.4	7.5	14.8	14.8	1.9	1.9	1%	14%	26%	25%
Time Warner Cable Inc.	\$	20	Not Rated	19,128	15.9	16.9	5.0	4.6	19.3	27.9	1.8	1.7	0%	5%	36%	37%
Viacom Inc.	\$	17	Buy	10,397	6.7	6.7	5.2	5.2	12.5	11.5	1.2	1.2	-6%	21%	23%	23%
Weighted Average					10.7	11.0	6.3	6.3	15.0	17.0	1.7	1.7	-0.6%	11.8%	27.5%	27.2%
Europe TV channel operators																
ITV	£	38	Neutral	2,482	12.0	17.7	9.7	10.7	39.5	340.7	1.2	1.3	NA	0%	12%	12%
Mediaset	€	4	Neutral	6,054	9.3	10.7	5.9	6.8	12.0	10.6	1.6	1.6	-10%	16%	27%	24%
TF1	€	10	Sell	2,953	14.4	12.6	7.4	6.7	21.3	38.8	0.9	0.9	NA	8%	12%	13%
Telecinco	€	6	Neutral	1,919	4.9	7.0	2.5	3.5	3.5	6.3	1.0	1.1	NA	45%	40%	33%
Antena3	€	4	Sell*	1,160	7.4	14.5	4.4	7.5	8.5	118.3	1.1	1.3	NA	37%	25%	17%
Weighted Average					10.1	12.1	6.3	7.0	17.1	80.6	1.3	1.3	-4.3%	17.1%	22.8%	20.4%
Japanese TV channel operators																
Tokyo Broadcasting System	¥	1,662	Not Rated	3,166	28.7	27.2	9.7	9.3	19.8	22.4	1.1	1.1	-22%	3%	11%	11%
Fuji Television Network	¥	108,300	Neutral	2,500	13.9	12.8	4.4	4.1	14.2	10.9	0.4	0.4	NA	4%	9%	10%
Nippon Television Network	¥	8,050	Neutral	2,047	21.9	17.8	4.4	3.9	10.5	8.9	0.4	0.3	NA	2%	8%	9%
TV Asahi Corp	¥	124,800	Sell	1,259	34.9	40.5	4.1	4.1	10.9	10.0	0.2	0.2	NA	1%	5%	5%
TV Tokyo Corp	¥	3,520	RS	676	NA	42.4	13.3	13.3	NA	NA	0.6	0.6	27%	3%	4%	4%
Weighted Average					22.2	24.3	6.7	6.4	13.8	13.4	0.6	0.6	-5.3%	3.0%	8.6%	9.1%
Asia TV channel operators																
TVB	HK\$	26	Neutral	1,479	9.8	8.6	5.9	5.2	-206.5	6.8	2.3	2.2	3%	20%	38%	42%
OnMedia	W	2,060	Neutral	186	8.2	8.4	5.4	5.6	7.5	25.4	2.1	2.2	-12%	6%	39%	39%
BEC	Bt	17	NC	957	12.1	11.0	5.7	5.3	NA	NA	3.4	3.1	15%	40%	59%	59%
ABS	P	14	NC	233	8.7	7.8	3.6	3.4	NA	NA	0.8	0.7	5%	8%	21%	21%
SCMP	HK\$	3	NC	516	16.1	15.4	9.6	9.1	NA	NA	3.2	3.3	-31%	13%	34%	36%
Phoenix	HK\$	1	Sell	497	11.0	10.6	9.7	8.8	-21.8	10.4	2.6	2.5	20%	22%	26%	28%
Weighted Average					11.2	10.3	6.7	6.1	-81.4	5.1	2.6	2.5	3.0%	23.0%	40.2%	42.2%
Eastern European TV channel operators																
CTC Media	\$	9	Buy	1,369	7.8	7.1	3.9	3.5	6.1	5.4	1.7	1.5	NA	23%	43%	42%
ProSiebenSat.1	€	3	Neutral	949	3.2	3.9	5.9	6.6	41.8	37.5	1.3	1.4	NA	12%	21%	21%
Modern Times Group	Skr	172	NC	1,834	6.5	5.7	4.1	4.2	NA	NA	0.9	0.8	22%	37%	22%	20%
Central European Media Enterprises	\$	32	Neutral	1,350	7.3	7.1	5.3	5.2	31.0	143.1	2.0	1.8	NA	16%	37%	34%
TVN S.A.	PLN	15	Neutral	1,996	13.6	11.4	8.7	7.9	39.9	31.1	3.2	2.9	NA	37%	37%	37%
Weighted Average					8.4	7.5	5.7	5.6	22.6	39.8	1.9	1.7	5.3%	27.6%	32.5%	31.0%
Australia TV channel operators																
Ten	AUD	1	NC	1,095	11.6	13.9	8.3	8.7	NA	NA	1.8	1.8	-21%	15%	22%	20%
Seven	AUD	6	NC	997	13.1	12.4	9.7	8.4	NA	NA	4.9	4.4	-2%	5%	51%	53%
Weighted Average					12.3	13.2	9.0	8.6	0.0	0.0	3.3	3.1	-11.9%	10.1%	35.8%	35.9%

^TV18 Sales CAGR FY2008-FY2010E

*This stock is on our regional Conviction List

"NC" signifies "Not Covered"

"RS" signifies "Rating Suspended".

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 12: Zee Entertainment Enterprises – Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Total revenue	18,353.6	22,338.6	25,468.1	28,949.1	Cash & equivalents	1,652.0	4,568.1	8,251.4	12,631.1
Cost of goods sold	(8,050.0)	(9,040.6)	(10,240.7)	(11,886.6)	Accounts receivable	5,907.2	7,189.8	8,197.0	9,317.4
SG&A	(5,113.0)	(6,478.2)	(7,385.7)	(8,395.2)	Inventory	31.9	35.9	40.6	47.1
R&D	--	--	--	--	Other current assets	13,917.2	13,917.2	13,917.2	13,917.2
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	21,508.3	25,711.0	30,406.2	35,912.9
EBITDA	5,422.9	7,092.0	8,151.9	9,020.0	Net PP&E	2,634.3	2,972.2	3,322.4	3,436.2
Depreciation & amortization	(232.3)	(272.2)	(310.3)	(352.7)	Net intangibles	12,971.1	12,961.0	12,949.6	12,936.6
EBIT	5,190.6	6,819.8	7,841.6	8,667.3	Total investments	2,758.6	2,758.6	2,758.6	2,758.6
Interest income	996.0	99.1	274.1	495.1	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(297.8)	(270.6)	(270.6)	(270.6)	Total assets	39,872.3	44,402.7	49,436.7	55,044.2
Income/(loss) from uncons. subs.	5.1	0.0	0.0	0.0	Accounts payable	3,327.4	4,049.9	4,617.2	5,248.3
Others	(76.0)	50.0	50.0	50.0	Short-term debt	1,854.3	1,854.3	1,854.3	1,854.3
Pretax profits	5,817.9	6,698.4	7,895.1	8,941.8	Other current liabilities	824.4	824.4	824.4	824.4
Income tax	(1,626.6)	(1,872.8)	(2,207.4)	(2,500.0)	Total current liabilities	6,006.1	6,728.6	7,295.9	7,927.0
Minorities	(332.9)	0.0	0.0	0.0	Long-term debt	2,011.3	2,011.3	2,011.3	2,011.3
Net income pre-preferred dividends	3,858.4	4,825.6	5,687.7	6,441.7	Other long-term liabilities	2,126.9	2,126.9	2,126.9	2,126.9
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	4,138.2	4,138.2	4,138.2	4,138.2
Net income (pre-exceptionals)	3,858.4	4,825.6	5,687.7	6,441.7	Total liabilities	10,144.3	10,866.8	11,434.1	12,065.2
Post-tax exceptionals	(25.8)	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	3,832.6	4,825.6	5,687.7	6,441.7	Total common equity	28,610.8	32,418.8	36,885.4	41,861.9
EPS (basic, pre-except) (Rs)	8.90	11.13	13.12	14.86	Minority interest	1,117.1	1,117.1	1,117.1	1,117.1
EPS (basic, post-except) (Rs)	8.84	11.13	13.12	14.86	Total liabilities & equity	39,872.3	44,402.7	49,436.7	55,044.2
EPS (diluted, post-except) (Rs)	8.81	11.09	13.07	14.81	BVPS (Rs)	65.99	74.77	85.07	96.55
DPS (Rs)	2.35	2.82	3.38	4.06					
Dividend payout ratio (%)	26.5	25.3	25.8	27.3					
Free cash flow yield (%)	1.9	5.7	7.0	8.2					
Growth & margins (%)	3/08	3/09E	3/10E	3/11E	Ratios	3/08	3/09E	3/10E	3/11E
Sales growth	27.0	21.7	14.0	13.7	ROE (%)	14.0	15.8	16.4	16.4
EBITDA growth	69.6	30.8	14.9	10.6	ROA (%)	10.2	11.5	12.1	12.3
EBIT growth	72.7	31.4	15.0	10.5	ROACE (%)	12.1	15.3	17.1	18.5
Net income growth	61.4	25.9	17.9	13.3	Inventory days	1.3	1.4	1.4	1.3
EPS growth	57.7	25.9	17.9	13.3	Receivables days	111.8	107.0	110.3	110.4
Gross margin	56.1	59.5	59.8	58.9	Payable days	148.8	148.9	154.5	151.5
EBITDA margin	29.5	31.7	32.0	31.2	Net debt/equity (%)	7.4	(2.1)	(11.5)	(20.4)
EBIT margin	28.3	30.5	30.8	29.9	Interest cover - EBIT (X)	NM	39.8	NM	NM
Cash flow statement (Rs mn)	3/08	3/09E	3/10E	3/11E	Valuation	3/08	3/09E	3/10E	3/11E
Net income pre-preferred dividends	3,858.4	4,825.6	5,687.7	6,441.7	P/E (analyst) (X)	18.4	14.6	12.4	11.0
D&A add-back	232.3	272.2	310.3	352.7	P/B (X)	2.5	2.2	1.9	1.7
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	24.0	9.8	8.1	6.8
Net (inc)/dec working capital	(1,621.7)	(564.1)	(444.6)	(495.8)	Dividend yield (%)	1.4	1.7	2.1	2.5
Other operating cash flow	541.8	171.5	(3.5)	(224.5)					
Cash flow from operations	3,010.9	4,705.1	5,549.9	6,074.1					
Capital expenditures	(1,018.9)	(600.0)	(649.0)	(453.6)					
Acquisitions	(16,608.0)	0.0	0.0	0.0					
Divestitures	15,097.2	0.0	0.0	0.0					
Others	862.0	99.1	274.1	495.1					
Cash flow from investments	(1,667.8)	(500.9)	(374.9)	41.5					
Dividends paid (common & pref)	(749.8)	(1,017.6)	(1,221.1)	(1,465.3)					
Inc/(dec) in debt	639.9	0.0	0.0	0.0					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	(535.9)	(270.6)	(270.6)	(270.6)					
Cash flow from financing	(645.8)	(1,288.2)	(1,491.7)	(1,735.9)					
Total cash flow	697.3	2,916.1	3,683.3	4,379.8					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

Sun TV (SUTV.BO; Buy; TP: Rs216, 35% potential upside)

Defensive business model; risk of rising competition now priced in

Investment thesis

- We upgrade Sun TV to Buy from Neutral based on: 1) high and sustainable return on equity levels (defensive business model), 2) strong cash flow generation (US\$344 mn operating cash flow over FY2009E-FY2010E), and 3) three-year trough valuations (lowest absolute price since listing), which we think now largely price in the risk of ad spend slowdown and increased competition.
- Sun TV follows a unique business model of selling slots to independent producers on advertising revenue-share basis, which offers it competitive advantage over peers via high cash generation through upfront payment and low capital requirement (avg RoE above 23% over past two years). This has consistently enabled Sun TV to maintain higher EBITDA margins than peers (average 69% over the past two years).
- We believe this strong position should enable Sun TV to maintain stable margins for the next two years (EBIT ~52%) while growing strongly through a combination of stronger subscriptions (DTH platforms driving 20% CAGR over next two years) and moderate ad revenue growth through TV and radio.

Valuation

- Our revised 12-month target price of Rs216 (from Rs347) is based on P/E valuation (18X FY2010E EPS), implying 35% potential upside.
- Sun TV currently trades at 17.4X FY2009E EPS and 13.4X FY2010E EPS. This is at a premium of 50% over global peers and 7% over Indian peers for FY2009E. We believe the stock is now trading at reasonable multiples (down 61% ytd) but has moved ahead of its consensus numbers (we expect consensus to cut numbers post Q2).

Catalysts

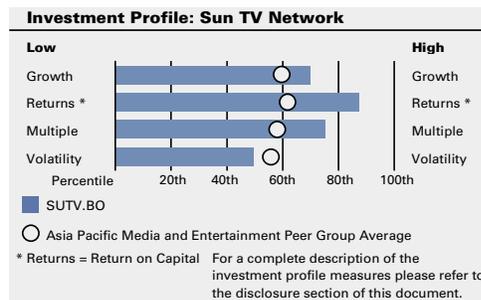
- Successful expansion in the GEC segment towards a pan-India presence in the next six months.
- Acceleration in subscriber uptake for its DTH feed as new operators start operations in South India over the next three months.

Risks

1) Slowdown in ad spend due to macro slowdown, 2) sluggish uptake of digital platforms, 3) loss of market share due to rising competition in both radio and TV, and 4) political issues affecting the distribution network for the channel.

Company background

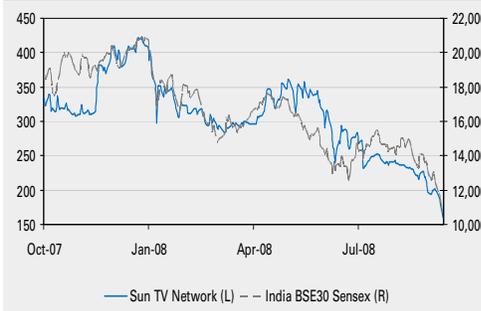
Sun TV is one of the largest television broadcasters (20 channels across four South Indian languages) and radio station operator (44 licenses) in India.



Key data	Current
Price (Rs)	160.15
12 month price target (Rs)	216.00
Market cap (Rs mn / US\$ mn)	63,106.8 / 1,302.4
Foreign ownership (%)	7.2

	3/08	3/09E	3/10E	3/11E
EPS (Rs) New	8.29	9.21	11.98	14.53
EPS revision (%)	(8.5)	(20.5)	(14.6)	(17.4)
EPS growth (%)	31.8	11.1	30.1	21.2
EPS (dil) (Rs) New	8.29	9.21	11.98	14.53
P/E (X)	19.3	17.4	13.4	11.0
P/B (X)	4.4	3.7	3.1	2.6
EV/EBITDA (X)	22.9	7.9	6.2	4.7
Dividend yield (%)	1.8	2.0	2.2	2.4
ROE (%)	23.7	23.1	25.3	25.3

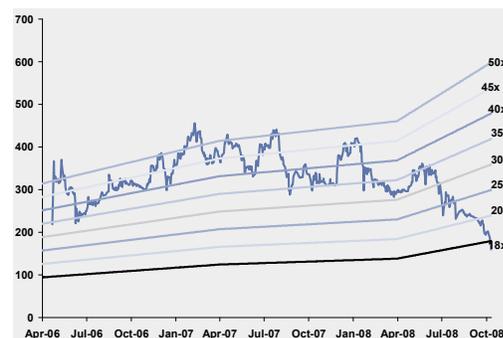
Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(43.9)	(45.7)	(51.1)
Rel. to Bombay SE Sensitive Index	(25.7)	(19.1)	(13.3)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/10/2008 close.

Sun TV one-year fwd P/E bands—Trading at historical P/E lows



Source: Datastream, Goldman Sachs Research estimates.

We believe Sun TV is a unique competitor among broadcasters and derives competitive advantage from:

- Radio segment exposure—supportive licensing and ad rate changes.
- Lean business model—enabling high cash flow and return on capital.

Successful foray into radio space: Sun TV is one of the largest regional broadcasters of TV channels and radio stations with a dominant presence in South India. It operates a total of 20 TV channels and has 44 radio licenses (41 operational). It enjoys virtual monopoly in Tamil Nadu with ~58% market share and is among the key players with 33% market share in Andhra Pradesh and 28% in Karnataka. The company also launched 14 new radio stations in Q1FY2009 in pan-India locations. Since the stations are newly launched, we believe the radio segment is likely to suffer losses for FY2009.

Digitization to support growth via subscription revenue: We believe that as digitalization gains momentum with consumers converting from analogue cable to the digital platform (DTH + CAS), established broadcasters such as Sun TV will draw strength from rise in subscription revenues (revenue share of c.45% for broadcasters vs. c.15% in analogue). We expect subscription revenues to grow at a CAGR of 20% over the next two years.

Lean business model helps in sustaining margins

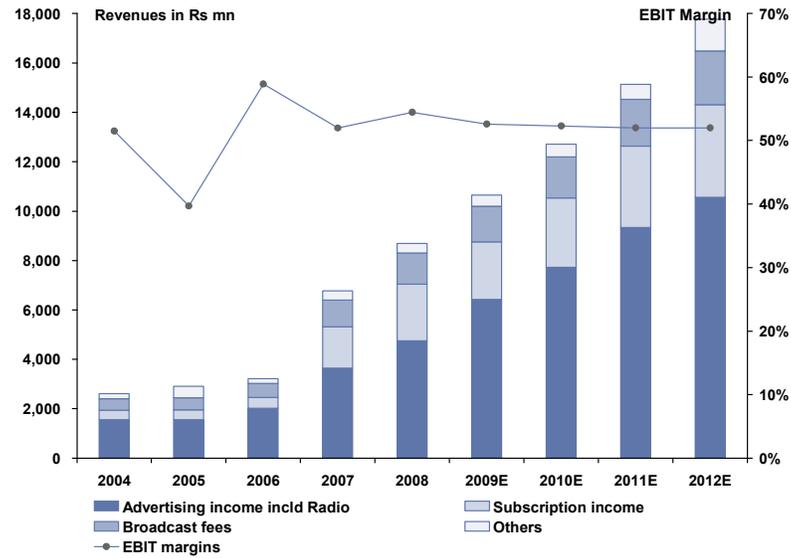
The primary factor that differentiates Sun TV from its peers is its defensive business model. Unlike other players that incur high content costs, Sun TV sells slots to independent producers on advertising revenue-share basis. This has resulted in high cash generation through upfront payments and low capital requirement, enabling Sun TV to maintain average RoE of over 23% and higher EBITDA margins of ~69% over the past two years. Given the increase in competition in its home market, we expect the company to maintain lower but stable EBIT margins of ~52% over the next two years.

Having established itself as the largest TV and radio broadcaster in South India, the company has recently forayed into the North and has plans of expansion there. This move, we feel is much riskier than its base business due to the intense competition prevailing in the Hindi heartland. We have not ascribed any value to these plans yet. Furthermore, the company also has plans to foray into film production. We have not factored in any revenue from film production either into our valuations.

Trading at its lowest absolute price since listing three years back, we believe Sun TV's current valuations (17.4X one-year forward P/E) prices in the risk of increased competition and distribution uncertainties, and consequently upgrade it to Buy.

Exhibit 13: High growth to continue, slight compression in margins

Defensive and unique business model helps sustain margins



Source: Company data, Goldman Sachs Research estimates.

Exhibit 14: Shareholder structure

Shareholder structure	Sept-07	Dec-07	Mar-08	Jun-08
Promoters	80.0%	77.0%	77.0%	77.0%
- Domestic promoter	80.0%	77.0%	77.0%	77.0%
- Foreign promoter	0.0%	0.0%	0.0%	0.0%
Public Institutions excl. FIIs	0.7%	1.0%	1.0%	1.4%
FIIs	4.8%	7.5%	7.4%	7.2%
Others	14.5%	14.5%	14.6%	14.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: Bombay Stock Exchange (BSE).

Exhibit 15: Valuation snapshot – Global broadcasting companies

Companies	Currency Symbol	Price 10-Oct-2008	Rating	Market cap (US\$mn)	P/E (x)		EV/EBITDA (x)		EV/FCF (x)		EV/Revenues (x)		EPS CAGR 2 - yr	ROE (%) 2009E	EBITDA margins (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India TV channel operators																
Sun TV	Rs	160	Buy	1,302	17.4	13.4	7.9	6.7	14.1	11.8	5.3	4.4	20%	21%	67%	67%
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CBS Corp.	\$	8	Sell	5,462	4.8	5.1	4.0	4.3	7.0	6.8	0.8	0.8	-4%	5%	20%	19%
The Walt Disney Company	\$	23	Buy	44,698	10.1	10.2	7.4	7.5	14.8	14.8	1.9	1.9	1%	14%	26%	25%
Time Warner Cable Inc.	\$	20	Not Rated	19,128	15.9	16.9	5.0	4.6	19.3	27.9	1.8	1.7	0%	5%	36%	37%
Viacom Inc.	\$	17	Buy	10,397	6.7	6.7	5.2	5.2	12.5	11.5	1.2	1.2	-6%	21%	23%	23%
Weighted Average					10.7	11.0	6.3	6.3	15.0	17.0	1.7	1.7	-0.6%	11.8%	27.5%	27.2%
Europe TV channel operators																
ITV	£	38	Neutral	2,482	12.0	17.7	9.7	10.7	39.5	340.7	1.2	1.3	NA	0%	12%	12%
Mediaset	€	4	Neutral	6,054	9.3	10.7	5.9	6.8	12.0	10.6	1.6	1.6	-10%	16%	27%	24%
TF1	€	10	Sell	2,953	14.4	12.6	7.4	6.7	21.3	38.8	0.9	0.9	NA	8%	12%	13%
Telecinco	€	6	Neutral	1,919	4.9	7.0	2.5	3.5	3.5	6.3	1.0	1.1	NA	45%	40%	33%
Antena3	€	4	Sell*	1,160	7.4	14.5	4.4	7.5	8.5	118.3	1.1	1.3	NA	37%	25%	17%
Weighted Average					10.1	12.1	6.3	7.0	17.1	80.6	1.3	1.3	-4.3%	17.1%	22.8%	20.4%
Japanese TV channel operators																
Tokyo Broadcasting System	¥	1,662	Not Rated	3,166	28.7	27.2	9.7	9.3	19.8	22.4	1.1	1.1	-22%	3%	11%	11%
Fuji Television Network	¥	108,300	Neutral	2,500	13.9	12.8	4.4	4.1	14.2	10.9	0.4	0.4	NA	4%	9%	10%
Nippon Television Network	¥	8,050	Neutral	2,047	21.9	17.8	4.4	3.9	10.5	8.9	0.4	0.3	NA	2%	8%	9%
TV Asahi Corp	¥	124,800	Sell	1,259	34.9	40.5	4.1	4.1	10.9	10.0	0.2	0.2	NA	1%	5%	5%
TV Tokyo Corp	¥	3,520	RS	676	NA	42.4	13.3	13.3	NA	NA	0.6	0.6	27%	3%	4%	4%
Weighted Average					22.2	24.3	6.7	6.4	13.8	13.4	0.6	0.6	-5.3%	3.0%	8.6%	9.1%
Asia TV channel operators																
TVB	HK\$	26	Neutral	1,479	9.8	8.6	5.9	5.2	-206.5	6.8	2.3	2.2	3%	20%	38%	42%
OnMedia	W	2,060	Neutral	186	8.2	8.4	5.4	5.6	7.5	25.4	2.1	2.2	-12%	6%	39%	39%
BEC	Bt	17	NC	957	12.1	11.0	5.7	5.3	NA	NA	3.4	3.1	15%	40%	59%	59%
ABS	P	14	NC	233	8.7	7.8	3.6	3.4	NA	NA	0.8	0.7	5%	8%	21%	21%
SCMP	HK\$	3	NC	516	16.1	15.4	9.6	9.1	NA	NA	3.2	3.3	-31%	13%	34%	36%
Phoenix	HK\$	1	Sell	497	11.0	10.6	9.7	8.8	-21.8	10.4	2.6	2.5	20%	22%	26%	28%
Weighted Average					11.2	10.3	6.7	6.1	-81.4	5.1	2.6	2.5	3.0%	23.0%	40.2%	42.2%
Eastern European TV channel operators																
CTC Media	\$	9	Buy	1,369	7.8	7.1	3.9	3.5	6.1	5.4	1.7	1.5	NA	23%	43%	42%
ProSiebenSat.1	€	3	Neutral	949	3.2	3.9	5.9	6.6	41.8	37.5	1.3	1.4	NA	12%	21%	21%
Modern Times Group	Skr	172	NC	1,834	6.5	5.7	4.1	4.2	NA	NA	0.9	0.8	22%	37%	22%	20%
Central European Media Enterprises	\$	32	Neutral	1,350	7.3	7.1	5.3	5.2	31.0	143.1	2.0	1.8	NA	16%	37%	34%
TVN S.A.	PLN	15	Neutral	1,996	13.6	11.4	8.7	7.9	39.9	31.1	3.2	2.9	NA	37%	37%	37%
Weighted Average					8.4	7.5	5.7	5.6	22.6	39.8	1.9	1.7	5.3%	27.6%	32.5%	31.0%
Australia TV channel operators																
Ten	AUD	1	NC	1,095	11.6	13.9	8.3	8.7	NA	NA	1.8	1.8	-21%	15%	22%	20%
Seven	AUD	6	NC	997	13.1	12.4	9.7	8.4	NA	NA	4.9	4.4	-2%	5%	51%	53%
Weighted Average					12.3	13.2	9.0	8.6	0.0	0.0	3.3	3.1	-11.9%	10.1%	35.8%	35.9%

^ TV18 Sales CAGR FY08-10E

*This stock is on our regional Conviction List

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 16: Sun TV Network - Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Total revenue	8,699.2	10,652.0	12,714.0	15,128.4	Cash & equivalents	4,297.1	7,441.4	11,494.3	16,640.0
Cost of goods sold	(2,005.3)	(2,619.0)	(3,126.0)	(3,719.7)	Accounts receivable	2,532.0	2,807.3	3,350.7	3,987.0
SG&A	(1,957.7)	(2,429.1)	(2,937.5)	(3,540.7)	Inventory	2.7	3.5	4.1	4.9
R&D	--	--	--	--	Other current assets	1,922.8	1,922.8	1,922.8	1,922.8
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	8,754.6	12,174.9	16,772.0	22,554.7
EBITDA	5,975.1	7,120.8	8,461.1	10,022.6	Net PP&E	5,048.1	5,299.4	5,502.5	5,649.3
Depreciation & amortization	(1,238.9)	(1,517.0)	(1,810.7)	(2,154.5)	Net intangibles	2,620.0	1,564.7	305.2	(1,193.5)
EBIT	4,736.2	5,603.8	6,650.5	7,868.1	Total investments	1,889.2	1,889.2	1,889.2	1,889.2
Interest income	472.5	343.8	595.3	919.5	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(159.1)	(55.6)	(55.6)	(55.6)	Total assets	18,311.9	20,928.2	24,468.9	28,899.7
Income/(loss) from uncons. subs.	11.3	0.0	0.0	0.0	Accounts payable	306.3	444.9	531.1	631.9
Others	83.6	75.0	75.0	75.0	Short-term debt	0.0	0.0	0.0	0.0
Pretax profits	5,144.5	5,967.0	7,265.2	8,807.0	Other current liabilities	1,042.3	1,042.3	1,042.3	1,042.3
Income tax	(2,014.6)	(2,336.7)	(2,542.8)	(3,082.5)	Total current liabilities	1,348.6	1,487.2	1,573.4	1,674.2
Minorities	0.0	0.0	0.0	0.0	Long-term debt	694.8	694.8	694.8	694.8
Net income pre-preferred dividends	3,129.9	3,630.3	4,722.4	5,724.6	Other long-term liabilities	1,178.5	1,178.5	1,178.5	1,178.5
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	1,873.3	1,873.3	1,873.3	1,873.3
Net income (pre-exceptionals)	3,129.9	3,630.3	4,722.4	5,724.6	Total liabilities	3,221.9	3,360.5	3,446.7	3,547.5
Post-tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	3,129.9	3,630.3	4,722.4	5,724.6	Total common equity	14,485.7	16,963.4	20,417.9	24,747.8
EPS (basic, pre-except) (Rs)	7.94	9.21	11.98	14.53	Minority interest	604.3	604.3	604.3	604.3
EPS (basic, post-except) (Rs)	8.29	9.21	11.98	14.53	Total liabilities & equity	18,311.9	20,928.2	24,468.9	28,899.7
EPS (diluted, post-except) (Rs)	8.29	9.21	11.98	14.53	BVPS (Rs)	36.76	43.05	51.81	62.80
DPS (Rs)	2.92	3.22	3.54	3.89					
Dividend payout ratio (%)	35.3	34.9	29.5	26.8					
Free cash flow yield (%)	1.3	6.6	8.1	9.9					
Growth & margins (%)	3/08	3/09E	3/10E	3/11E	Ratios	3/08	3/09E	3/10E	3/11E
Sales growth	28.3	22.4	19.4	19.0	ROE (%)	23.7	23.1	25.3	25.3
EBITDA growth	26.0	19.2	18.8	18.5	ROA (%)	19.1	18.5	20.8	21.5
EBIT growth	34.4	18.3	18.7	18.3	ROACE (%)	33.0	31.0	41.5	52.6
Net income growth	26.7	16.0	30.1	21.2	Inventory days	0.4	0.4	0.4	0.4
EPS growth	31.8	11.1	30.1	21.2	Receivables days	97.0	91.5	88.4	88.5
Gross margin	76.9	75.4	75.4	75.4	Payable days	58.3	52.3	57.0	57.1
EBITDA margin	68.7	66.8	66.5	66.2	Net debt/equity (%)	(23.9)	(38.4)	(51.4)	(62.9)
EBIT margin	54.4	52.6	52.3	52.0	Interest cover - EBIT (X)	NM	NM	NM	NM
Cash flow statement (Rs mn)	3/08	3/09E	3/10E	3/11E	Valuation	3/08	3/09E	3/10E	3/11E
Net income pre-preferred dividends	3,129.9	3,630.3	4,722.4	5,724.6	P/E (analyst) (X)	19.3	17.4	13.4	11.0
D&A add-back	1,238.9	1,517.0	1,810.7	2,154.5	P/B (X)	4.4	3.7	3.1	2.6
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	22.9	7.9	6.2	4.7
Net (inc)/dec working capital	(918.3)	(137.4)	(458.0)	(536.2)	Dividend yield (%)	1.8	2.0	2.2	2.4
Other operating cash flow	(35.5)	(288.2)	(539.7)	(864.0)					
Cash flow from operations	3,415.0	4,721.8	5,535.4	6,478.9					
Capital expenditures	(1,817.8)	(713.0)	(754.3)	(802.6)					
Acquisitions	(8,844.2)	0.0	0.0	0.0					
Divestitures	4,405.8	0.0	0.0	0.0					
Others	522.8	343.8	595.3	919.5					
Cash flow from investments	(5,733.4)	(369.3)	(159.0)	117.0					
Dividends paid (common & pref)	(460.8)	(1,152.6)	(1,267.9)	(1,394.6)					
Inc/(dec) in debt	(164.9)	0.0	0.0	0.0					
Common stock issuance (repurchase)	762.1	0.0	0.0	0.0					
Other financing cash flows	(14.4)	(55.6)	(55.6)	(55.6)					
Cash flow from financing	122.0	(1,208.2)	(1,323.4)	(1,450.2)					
Total cash flow	(2,196.4)	3,144.3	4,052.9	5,145.6					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

Dish TV (DSTV.BO; Neutral, TP: Rs24, 30% potential upside)

Attractive DTH market, but tough competition delays breakeven

Investment thesis

- We upgrade Dish TV to Neutral from Sell as we believe the company's market share is under significant threat from new entrants. However, after a 82% drop ytd, a majority of the risk now seems to have been priced in. The stock has fallen 71% since we added it to our Sell list on February 21, 2008, vs. the BSE30 Sensex down 41%. Over the past 12 months, the stock has fallen 74% vs. the Sensex down 44%.
- We expect the DTH market to expand to 26mn by FY2012E from 5mn currently. Consequently, we expect Dish TV's revenues to grow at a CAGR of 45% over the next four years (see Exhibit 19).
- With Bharti already launching its services in the past week and Videocon planning to launch its DTH services by end-2008, competition in the Indian DTH segment is intensifying. We expect the Subscriber Acquisition Costs (SAC) to steadily trend upwards. Also, we expect Dish TV's share of the Indian DTH market to slip to 27% by FY2012E, from 55% as of end-FY2008 (see Exhibit 18).
- Dish TV's current strategy seems to be to seed the market with its set-top boxes with the expectation that the customer would be sticky and even a higher SAC could be recovered over a period of time. Given no differentiation in content, competition is driven primarily by reach and pricing (see Exhibit 20).
- Given this scenario, we expect DTH operators with bigger balance sheets to have a long-term advantage. We expect Dish's EBITDA breakeven to shift towards the end of FY2010E.

Valuation

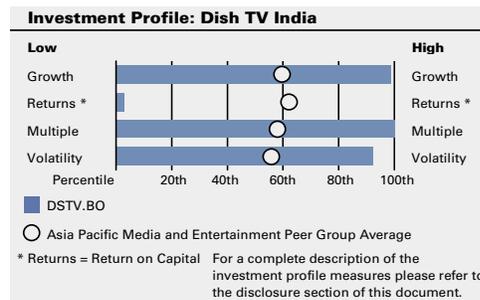
- Our revised 12-month target price of Rs24 (from Rs31) is derived using DCF methodology (long-term WACC of 12.1%, terminal growth rate 5%) and implies 30% potential upside.
- Dish TV currently trades at a one-year forward EV/sales of 2.2X, at a premium to the average of 1.9X seen for pay-TV companies globally (see Exhibit 22).

Catalysts

- Delay in completing the proposed Rs12 bn rights issue— operationally negative, but company could be a potential takeover candidate if no other source of funding is secured, in our view.
- Negative: Aggressive marketing by DTH operators could hike SACs further.
- Negative: Higher-than-expected churn rates (12%-13% annually).

Risks

- Completion of the outstanding rights issue would enable access to funds for expansion, and 2) escalation of competition to price war.



Key data	Current
Price (Rs)	18.40
12 month price target (Rs)	24.00
Market cap (Rs mn / US\$ mn)	8,109.3 / 167.4
Foreign ownership (%)	12.7

	3/08	3/09E	3/10E	3/11E
EPS (Rs) New	(9.67)	(9.59)	(8.90)	(7.93)
EPS revision (%)	0.0	(101.4)	(88.8)	(80.5)
EPS growth (%)	(72.5)	0.9	7.2	10.9
EPS (dil) (Rs) New	(9.67)	(9.59)	(8.90)	(7.93)
P/E (X)	NM	NM	NM	NM
P/B (X)	NM	NM	NM	NM
EV/EBITDA (X)	NM	NM	NM	31.7
Dividend yield (%)	--	--	--	--
ROE (%)	157.5	60.7	35.5	23.7



Share price performance (%)	3 month	6 month	12 month
Absolute	(45.0)	(62.8)	(73.7)
Rel. to Bombay SE Sensitive Index	(27.2)	(44.6)	(53.4)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/10/2008 close.

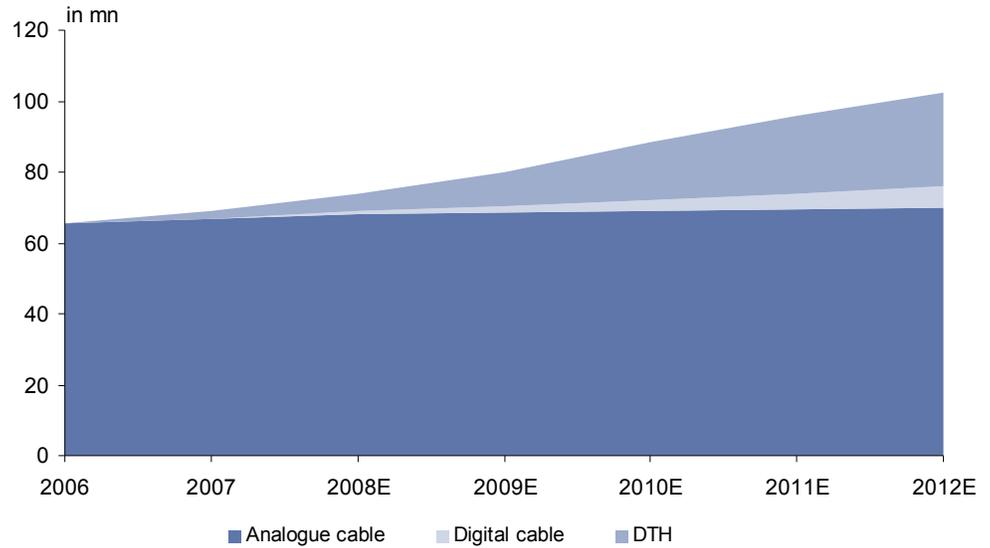
Shareholder structure

Shareholder structure	Sep-07	Dec-07	Mar-08	Jun-08
Promoters	57.9%	57.9%	57.9%	57.9%
- Domestic promoter	45.7%	45.7%	45.7%	45.7%
- Foreign promoter	12.3%	12.3%	12.3%	12.3%
Public Institutions excld. Fils	8.0%	7.1%	7.0%	6.1%
Fils	19.1%	15.3%	14.9%	12.7%
Others	15.0%	19.7%	20.1%	23.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: Bombay Stock Exchange (BSE).

Exhibit 17: Subscriber mix in India

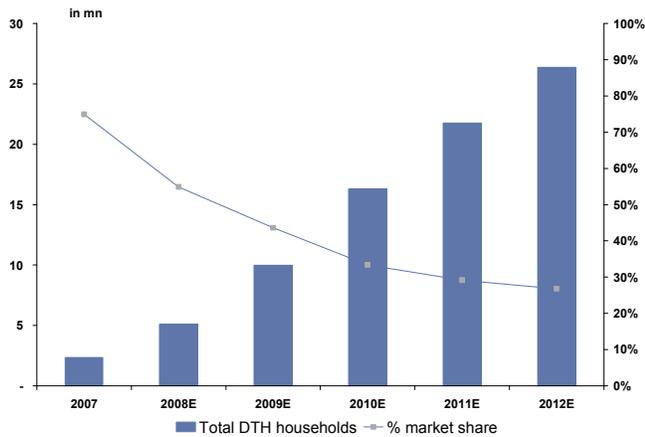
We expect substantial growth in DTH subscribers



Source: Company data, Goldman Sachs Research estimates.

Exhibit 18: We expect Dish TV's market share to fall to 27% by FY2012E from 55% as of end-FY2008

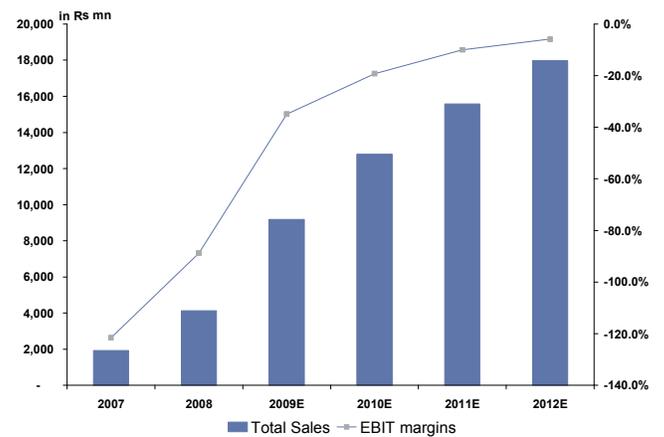
Total number of DTH households to expand to 26mn by 2012E



Source: Company data, Goldman Sachs Research estimates.

Exhibit 19: We expect Dish TV's sales to grow at a CAGR of 45% over FY2008-FY2012E

FY2011E sales and EBIT margin profile for Dish TV



Source: Company data, Goldman Sachs Research estimates.

Exhibit 20: Pricing, service quality and choice of bouquet to be the differentiator, in our view

	Big TV							TATA SKY	Dish TV			Bharti Airtel		Sun Direct	
	Choice		Smart		Smart		Max	Jumbo	Package 1	Package 2	Package 3	North	South	North	South
Bouquet offered	1490	1490	1490	1490	1490	1490	1490	1499	4290	3990	2990			Subs charge: 999	Subs charge: 999
Initial deposit	1000	1000	1500	1500	2500	2500	3500	1000	-	-	-			1000	1000
Installation charge	2490	2490	2990	2990	3990	3990	4990	2499	4290	3990	2990	2499	1499	1999	1999
Total upfront cost to subscriber															
No. of channels	146	133	146	133	146	133	158	Varies with the monthly pack chosen	Maxi Plus pack (Maxi + CNBC pack)	Maxi (127)	Maxi (127)	upto 175 varies with monthly package	Varies with monthly package	-	-
Free subscription period (in months)	3	6	6	12	12	18	12	12	12	12	6	6	-	Validity: 10 months	Validity :12 months
STB included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes but only with Sun Direct	Yes but only with Sun Direct
Channels included															
Hindi Gec	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
Kids	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
English GEC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
Movies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
News	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
Sports	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No (offered as add-on pack)	Yes	Yes	Yes	NA	NA	Yes	Yes
Regional channels	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	Yes	Yes
Guaranteed with all offers	3 months free subscription to exclusive Big Cinema Monthly Subscription							-	Movies worth the package cost					-	-
Additional info	Base package does not include very popular channels. Such channels are mostly part of add-on packages.														

All figures in Rs

Source: Company data.

Exhibit 21: DCF valuation for Dish TV

Discounted Cash Flow/Share	FY 2006	FY 2007	FY 2008	FY 2009E	FY 2010E	FY 2011E	FY 2012E	Terminal
Rs mn except per share								
Sales	249	1,916	4,122	9,175	12,798	15,570	17,973	39,638
Growth		669.1%	115.1%	122.6%	39.5%	21.7%	15.4%	
Adjusted EBIT (post-leasing)	17	(2,329)	(3,570)	(3,111)	(2,366)	(1,471)	(1,051)	5,946
Margin	6.6%	-121.6%	-86.6%	-33.9%	-18.5%	-9.5%	-5.8%	15.0%
Tax on adjusted EBIT	0	(0)	(6)	0	0	0	0	(1,784)
Rate	0.0%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	30.0%
NOPAT	17	(2,329)	(3,576)	(3,111)	(2,366)	(1,471)	(1,051)	4,162
Margin	6.6%	-121.6%	-86.7%	-33.9%	-18.5%	-9.5%	-5.8%	10.5%
Depreciation	0	624	1,480	1,704	2,164	2,388	2,337	793
Changes in working capital	286	3,782	2,389	65	45	40	34	0
Property, Plant & Equipment, Net	(1,061)	(3,619)	(2,897)	(5,000)	(4,500)	(2,108)	(2,202)	(1,982)
Others	39	105	8	50	50	50	50	0
Unlevered Free Cash Flow	(720)	(1,438)	(2,596)	(6,292)	(4,607)	(1,102)	(833)	2,973
WACC	12.1%	12.1%	12.1%	14.3%	14.3%	14.3%	12.1%	
discount factor			-	-	1.00	0.87	0.78	
Present value of FCF			0	0	(4,607)	(964)	(650)	
Cumulative present value of CFs			0	0	(4,607)	(5,571)	(6,222)	

Present value of forecast period FCF	(6,222)
Present value of second stage FCF	10,202
Present value of terminal value	18,395
Enterprise value	22,375
Plus net cash (end 09E)	(12,180)
Pension liabilities	(22)
Associates/minorities	0
Equity value	10,172
Shares outstanding	428
Value per share	24
Plus dividend not yet paid	
Value cum dividend	24

		WACC					
		24	11.1%	11.6%	12.1%	12.6%	13.1%
Terminal growth	2.5%	17.5	14.5	11.8	9.4	7.2	
	3.0%	20.0	16.6	13.7	11.1	8.7	
	3.5%	22.7	19.0	15.8	12.9	10.3	
	4.0%	25.9	21.7	18.1	14.9	12.1	
	4.5%	29.5	24.8	20.7	17.2	14.1	
	5.0%	33.7	28.3	24	19.8	16.3	
	5.5%	38.7	32.5	27.2	22.7	18.8	
	6.0%	44.6	37.3	31.2	26.1	21.7	
	6.5%	51.8	43.1	36.0	30.0	25.0	
		Long term					Next 2 years
WACC (%)		12.12%					14.32%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 22: Valuation snapshot – Global pay TV and satellite TV operators

Companies	Currency symbol	Price 10-Oct-2008	Rating	Market Cap (US\$ mn)	P/E (X)		EV/EBITDA (X)		EV/FCF (X)		EV/revenues (X)		EPS CAGR 2-yr	ROE (%)	EBITDA margin (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India Satellite TV																
Dish TV	Rs	18	Neutral	167	NM	NM	-14.3	-99.0	-3.2	-4.4	2.2	1.6	-4%	47%	-15%	-2%
US Satellite TV																
DirecTV	\$	20	Neutral	21,746	13.3	10.1	4.6	4.0	NA	NA	1.2	1.1	26%	26%	26%	27%
EchoStar	\$	14	NC	6,170	5.5	5.1	3.3	3.1	NA	NA	0.9	0.9	26%	-85%	28%	28%
Weighted Average					11.6	9.0	4.3	3.8	0.0	0.0	1.1	1.0	26%	1%	26%	28%
European Satellite TV																
BSkyB	£	381	NC	11,924	11.7	9.2	7.2	6.3	NA	NA	1.6	1.5	NM	36%	22%	23%
Premiere	€	3	Neutral	368	NA	NA	-9.6	-15.0	-3.7	-4.9	0.7	0.7	NA	-29%	-7%	-5%
Weighted Average					11.4	8.9	6.7	5.7	-0.1	-0.1	1.5	1.4	0%	34%	21%	22%
Asian Satellite TV																
Sky Perfect	¥	30,850	Buy	1,143	10.1	13.8	4.1	4.1	61.3	13.0	1.1	1.0	NA	5%	26%	25%
ASTRO	RM	3	NC	1,441	102.8	17.1	8.4	6.6	NA	NA	1.8	1.6	NM	2%	22%	25%
Weighted Average					61.8	15.7	6.5	5.5	27.1	5.8	1.5	1.4	0%	3%	24%	25%
US Cable TV																
Cablevision	\$	16	Neutral	4,506	23.6	16.2	6.7	6.0	26.3	25.6	2.1	1.9	226%	-4%	32%	32%
Comcast	\$	15	Buy*	47,278	16.3	12.5	6.1	5.7	27.1	24.3	2.4	2.2	29%	7%	39%	39%
Weighted Average					17.0	12.8	6.2	5.7	27.0	24.4	2.3	2.2	46%	6%	38%	38%
Asian Cable TV																
i-Cable	HK\$	1	NC	147	12.1	10.0	NA	NA	NA	NA	0.3	0.3	-20%	NA	NA	NA
Jupiter Telecommunications	¥	65,000	Buy	4,566	15.6	13.1	6.8	5.8	14.1	11.3	2.4	2.1	NA	10%	35%	37%
Weighted Average					15.5	13.0	6.6	5.7	13.7	11.0	2.3	2.1	-1%	9%	34%	36%
India Cable TV																
Wire & Wireless	Rs	12	NC	61	NA	NA	NM	18.3	NA	NA	1.4	0.7	-41%	-230%	-2%	4%
Australia																
Sky Network	NZD	4	NC	1,034	13.5	11.4	6.1	5.4	NA	NA	2.5	2.3	17%	9%	41%	42%
AUN	AUD	1	NC	1,032	29.3	19.9	9.9	8.5	NA	NA	3.2	2.9	-9%	-16%	32%	34%
Weighted Average					21.4	15.7	8.0	6.9	NA	NA	2.9	2.6	4%	-3%	37%	38%

* This stock is on our regional Conviction List

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 23: Share price performance vs. peer group

Price as on close of October 10, 2008

Company	Ticker	Primary analyst	Price currency	Price as of 10/10/08	Price performance since 02/21/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Media and Entertainment Peer Group								
Dish TV India	DSTV.BO	Ishan Sethi	Rs	18.40	-70.7%	-45.0%	-62.8%	-73.7%
104 Corporation	3130.TW	Leah Hao	NT\$	69.70	-39.9%	-40.4%	-37.8%	-46.6%
51job, Inc.	JOBS	Leah Hao	\$	8.54	-54.1%	-48.4%	-49.7%	-59.0%
Alibaba.com	1688.HK	James Mitchell, CFA	HK\$	5.03	-75.0%	-46.3%	-64.7%	NA
Asia Satellite Telecommunications	1135.HK	Helen Zhu	HK\$	10.28	-29.1%	-7.2%	-30.3%	-42.9%
Cinemax India	CIMA.BO	Ishan Sethi	Rs	70.20	-33.1%	-27.0%	-32.8%	-45.9%
CJ CGV	079160.KS	Mina Kim	W	14,500.00	-1.7%	-11.3%	1.4%	-19.0%
Clear Media	0100.HK	Leah Hao	HK\$	3.30	-48.4%	-40.0%	-52.8%	-61.2%
Ctrip.com International	CTRP	Leah Hao	\$	33.02	-37.5%	-19.7%	-39.8%	-36.8%
Daum Communications	035720.KQ	Han Joon Kim	W	29,750.00	-62.3%	-52.3%	-58.6%	-61.7%
Entertainment Network India	ENIL.BO	Ishan Sethi	Rs	186.70	-58.7%	-43.5%	-53.3%	-60.8%
Fame India	FAME.BO	Ishan Sethi	Rs	17.35	-73.7%	-60.8%	-72.0%	-70.5%
Focus Media	FMCN	James Mitchell, CFA	\$	18.98	-61.1%	-19.4%	-39.8%	-68.4%
Genting International	GNTG.SI	David Ng, CFA	S\$	0.39	-38.4%	-31.3%	-35.8%	-45.8%
Gmarket	GMKT	James Mitchell, CFA	\$	20.05	-13.6%	-4.6%	2.2%	-22.6%
Imagi International Holdings	0585.HK	Leah Hao	HK\$	0.30	-82.4%	-51.6%	-79.7%	-84.5%
Inox Leisure	INOL.BO	Ishan Sethi	Rs	45.50	-64.2%	-39.5%	-58.0%	-61.0%
Megastudy	072870.KQ	Mina Kim	W	140,000.00	-55.3%	-45.8%	-57.4%	-51.7%
NCsoft	036570.KS	Han Joon Kim	W	35,400.00	-10.9%	-22.2%	-16.4%	-51.7%
Netease	NTESE	Leah Hao	\$	18.68	-10.5%	-12.2%	-3.0%	7.0%
New Oriental Education & Technology (EDU)	EDU	James Mitchell, CFA	\$	52.91	-9.3%	-14.6%	-23.6%	-22.2%
NHN	035420.KQ	Han Joon Kim	W	117,800.00	-43.7%	-32.5%	-49.9%	-51.5%
ON Media	045710.KS	Mina Kim	W	2,060.00	-56.7%	-33.5%	-49.6%	-70.6%
Phoenix Satellite Television	8002.HK	Leah Hao	HK\$	0.78	-43.9%	-29.1%	-24.3%	-58.3%
PVR	PVRL.BO	Ishan Sethi	Rs	105.70	-61.3%	-40.8%	-45.5%	-44.8%
Pyramid Saimira Theatre	PYSA.BO	Ishan Sethi	Rs	61.10	-81.9%	-61.9%	-80.7%	-80.3%
Resorts World Bhd	RWBW.KL	David Ng, CFA	RM	2.50	-34.2%	-3.5%	-27.7%	-34.6%
Shanda Interactive Entertainment	SNDA	Leah Hao	\$	24.30	-16.9%	8.1%	-14.1%	-37.8%
SINA Corporation	SINA	Leah Hao	\$	30.69	-25.2%	-25.7%	-17.1%	-40.9%
SK Communications	066270.KQ	Han Joon Kim	W	8,070.00	-60.0%	-34.9%	-50.2%	-77.2%
Sohu.com	SOHU	Leah Hao	\$	48.36	1.8%	-32.3%	-4.5%	9.6%
Star Cruises	0678.HK	David Ng, CFA	HK\$	0.60	-69.1%	-62.0%	-61.3%	-81.4%
Star Cruises	SARC.SI	David Ng, CFA	\$	0.09	-63.3%	-52.6%	-55.0%	-80.0%
Sun TV Network	SUTV.BO	Ishan Sethi	Rs	160.15	-48.6%	-43.9%	-45.7%	-51.1%
Television Broadcasts	0511.HK	Leah Hao	HK\$	26.20	-39.1%	-38.1%	-38.4%	-49.0%
Television Eighteen India	TVET.BO	Ishan Sethi	Rs	116.20	-72.3%	-45.4%	-65.7%	-76.3%
Tencent Holdings	0700.HK	James Mitchell, CFA	HK\$	45.10	-7.0%	-30.8%	-3.8%	-20.8%
The9 Limited	NCTY	Leah Hao	\$	14.60	-18.8%	-42.7%	-22.4%	-58.4%
Zee Entertainment Enterprises	ZEE.BO	Ishan Sethi	Rs	162.30	-33.8%	-17.3%	-32.0%	-52.1%
India BSE30 Sensex				10,528	-40.6%	-24.4%	-32.9%	-43.6%

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database.

Exhibit 24: Dish TV – Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Total revenue	4,122.4	9,175.3	12,798.0	15,569.6	Cash & equivalents	511.5	4,264.8	2,253.2	3,266.5
Cost of goods sold	(4,863.5)	(8,432.2)	(11,108.8)	(12,691.2)	Accounts receivable	403.2	897.4	1,251.7	1,522.7
SG&A	(2,919.1)	(3,944.3)	(4,145.9)	(4,439.9)	Inventory	58.3	101.1	133.2	152.2
R&D	--	--	--	--	Other current assets	1,876.1	1,876.1	1,876.1	1,876.1
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	2,849.0	7,139.4	5,514.1	6,817.5
EBITDA	(2,089.8)	(1,407.1)	(202.5)	916.3	Net PP&E	9,100.4	12,448.8	14,837.2	14,610.0
Depreciation & amortization	(1,570.3)	(1,794.0)	(2,254.2)	(2,477.9)	Net intangibles	498.8	356.3	213.8	71.3
EBIT	(3,660.1)	(3,201.2)	(2,456.7)	(1,561.6)	Total investments	0.0	0.0	0.0	0.0
Interest income	2.5	30.7	255.9	135.2	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(513.2)	(985.1)	(1,660.1)	(2,020.1)	Total assets	12,448.2	19,944.5	20,565.1	21,498.8
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	491.0	1,092.9	1,524.4	1,854.5
Others	36.8	50.0	50.0	50.0	Short-term debt	800.0	800.0	800.0	800.0
Pretax profits	(4,134.0)	(4,105.6)	(3,810.9)	(3,396.4)	Other current liabilities	11,174.1	11,174.1	11,174.1	11,174.1
Income tax	(7.3)	--	--	--	Total current liabilities	12,465.1	13,066.9	13,498.4	13,828.6
Minorities	0.0	0.0	0.0	0.0	Long-term debt	4,645.2	15,645.2	19,645.2	23,645.2
Net income pre-preferred dividends	(4,141.3)	(4,105.6)	(3,810.9)	(3,396.4)	Other long-term liabilities	48.5	48.5	48.5	48.5
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	4,693.7	15,693.7	19,693.7	23,693.7
Net income (pre-exceptionals)	(4,141.3)	(4,105.6)	(3,810.9)	(3,396.4)	Total liabilities	17,158.8	28,760.6	33,192.1	37,522.2
Post-tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	(4,141.3)	(4,105.6)	(3,810.9)	(3,396.4)	Total common equity	(4,710.5)	(8,816.1)	(12,627.0)	(16,023.4)
EPS (basic, pre-except) (Rs)	(9.67)	(9.59)	(8.90)	(7.93)	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, post-except) (Rs)	(9.67)	(9.59)	(8.90)	(7.93)	Total liabilities & equity	12,448.2	19,944.5	20,565.1	21,498.8
EPS (diluted, post-except) (Rs)	(9.67)	(9.59)	(8.90)	(7.93)	BVPS (Rs)	(11.00)	(20.59)	(29.49)	(37.42)
DPS (Rs)	--	--	--	--					
Dividend payout ratio (%)	0.0	0.0	0.0	0.0					
Free cash flow yield (%)	(8.7)	(92.0)	(76.3)	(37.9)					
Growth & margins (%)	3/08	3/09E	3/10E	3/11E	Ratios	3/08	3/09E	3/10E	3/11E
Sales growth	115.1	122.6	39.5	21.7	ROE (%)	157.5	60.7	35.5	23.7
EBITDA growth	(22.9)	32.7	85.6	552.4	ROA (%)	(36.2)	(25.3)	(18.8)	(16.1)
EBIT growth	(57.5)	12.5	23.3	36.4	ROACE (%)	(491.6)	(175.7)	(53.9)	(28.2)
Net income growth	(72.5)	0.9	7.2	10.9	Inventory days	2.6	3.5	3.8	4.1
EPS growth	(72.5)	0.9	7.2	10.9	Receivables days	36.4	25.9	30.6	32.5
Gross margin	(18.0)	8.1	13.2	18.5	Payable days	169.4	34.3	43.0	48.6
EBITDA margin	(50.7)	(15.3)	(1.6)	5.9	Net debt/equity (%)	(104.7)	(138.2)	(144.1)	(132.2)
EBIT margin	(88.8)	(34.9)	(19.2)	(10.0)	Interest cover - EBIT (X)	NM	NM	NM	NM
Cash flow statement (Rs mn)	3/08	3/09E	3/10E	3/11E	Valuation	3/08	3/09E	3/10E	3/11E
Net income pre-preferred dividends	(4,141.3)	(4,105.6)	(3,810.9)	(3,396.4)	P/E (analyst) (X)	NM	NM	NM	NM
D&A add-back	1,570.3	1,794.0	2,254.2	2,477.9	P/B (X)	NM	NM	NM	NM
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	NM	NM	NM	31.7
Net (inc)/dec working capital	2,389.2	64.9	45.1	40.1	Dividend yield (%)	--	--	--	--
Other operating cash flow	459.6	954.4	1,404.2	1,884.9					
Cash flow from operations	277.8	(1,292.3)	(107.4)	1,006.4					
Capital expenditures	(2,897.1)	(5,000.0)	(4,500.0)	(2,108.3)					
Acquisitions	(652.7)	0.0	0.0	0.0					
Divestitures	656.7	0.0	0.0	0.0					
Others	9.6	30.7	255.9	135.2					
Cash flow from investments	(2,883.4)	(4,969.3)	(4,244.1)	(1,973.1)					
Dividends paid (common & pref)	0.0	0.0	0.0	0.0					
Inc/(dec) in debt	3,377.0	11,000.0	4,000.0	4,000.0					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	(387.7)	(985.1)	(1,660.1)	(2,020.1)					
Cash flow from financing	2,989.3	10,014.9	2,339.9	1,979.9					
Total cash flow	383.7	3,753.4	(2,011.6)	1,013.3					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

ENIL (ENIL.BO; Neutral; TP Rs285, 53% potential upside)

Exposure to high-growth segments, ownership caps restrictive

Investment thesis

- We downgrade ENIL to Neutral from Buy as we believe ENIL’s premium valuation reflects exposure to the high-growth radio and OOH segments, balancing execution risk and increasing competition in these segments. The stock has fallen 59% since we added it to our Buy list on February 21, 2008, vs. the BSE30 Sensex down 41%. Over the past 12 months, the stock has fallen 61% vs. the Sensex down 44%.
- We expect the average utilization rates for ENIL’s radio properties to improve to 55% in FY2010E from 46% at the end of FY2008, mainly through newer stations. This, plus moderate ad rate hikes, should enable the radio business (54% of ENIL’s FY2008 sales) to grow revenues at a CAGR of 20% over FY2008-FY2010E and EBITDA margins to 26% in FY2010E from 22% in FY2008.
- The OOH industry is heavily fragmented with most companies lacking scale and funding to bid for large contracts. Though ENIL enjoys the advantages of a national presence and strong brand equity, we believe execution delays will negatively impact growth in the airport OOH business (58% of FY2008 OOH sales).

Valuation

- Our revised 12-month target price of Rs285 (from Rs633) is based on P/E valuation (25X FY2010E EPS), implying 53% potential upside. Global peers trade at an average of 9.8X for radio and 9.5X for OOH. Given ENIL’s more robust growth profile and dominance in both these segments, we believe it should trade at a higher multiple, hence we assign a 155% premium.
- ENIL is currently trading at a 29.9X FY2009E EPS and 16.4X FY2010E EPS. Although this is at a considerable premium to global peers (25.8X and 9.6X, respectively), we believe ENIL’s strong position in the fragmented Indian market justifies this relative premium.

Catalysts

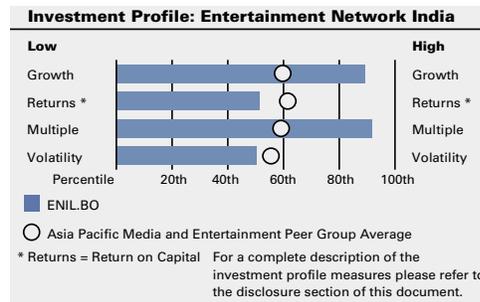
1) Regulatory catalysts: Higher FDI/FII ownership limits, phase III/TRAI recommendations over the next few months, 2) newly launched radio stations turning profitable in less than 6 months, and 3) new contract announcements in OOH.

Risks

1) Slowdown in ad spend, 2) FII ownership caps, 3) rising competition, lack of clarity on renewal of radio licenses expiring in 2011 and 2013, and 4) Site delays and high license fees for OOH contracts.

Company background

ENIL has India’s dominant national radio network with a presence in 32 cities and is a leading player in OOH and events segments, having secured the Mumbai and Delhi airport contracts. ENIL holds licenses to operate in 13 of India’s most populous cities (population >2 mn).



Key data		Current
Price (Rs)		186.70
12 month price target (Rs)		285.00
Market cap (Rs mn / US\$ mn)		8,898.5 / 183.6
Foreign ownership (%)		19.6

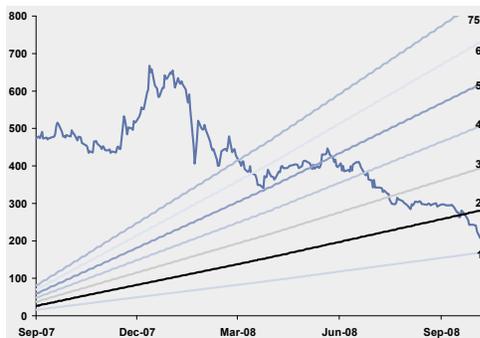
	3/08	3/09E	3/10E	3/11E
EPS (Rs) New	(2.69)	6.24	11.37	16.30
EPS revision (%)	NM	(40.5)	(43.2)	(41.9)
EPS growth (%)	(150.9)	332.0	82.1	43.4
EPS (dil) (Rs) New	(2.69)	6.24	11.37	16.30
P/E (X)	NM	29.9	16.4	11.5
P/B (X)	2.7	2.5	2.1	1.8
EV/EBITDA (X)	96.6	13.5	8.8	6.1
Dividend yield (%)	--	--	--	--
ROE (%)	(4.7)	8.6	14.0	17.1



Share price performance (%)	3 month	6 month	12 month
Absolute	(43.5)	(53.3)	(60.8)
Rel. to Bombay SE Sensitive Index	(25.3)	(30.4)	(30.6)

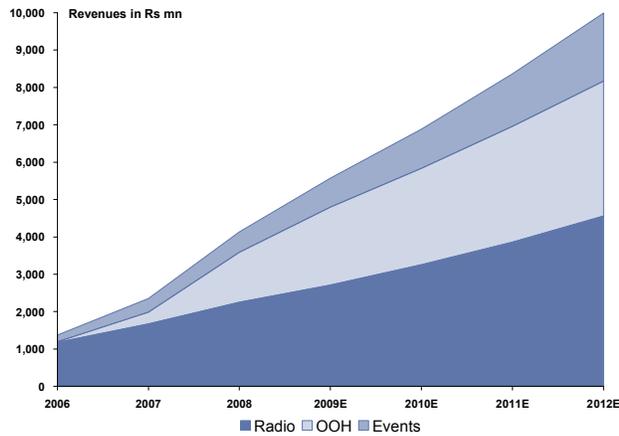
Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/10/2008 close.

ENIL one-year fwd P/E bands—Trading at historical P/E lows



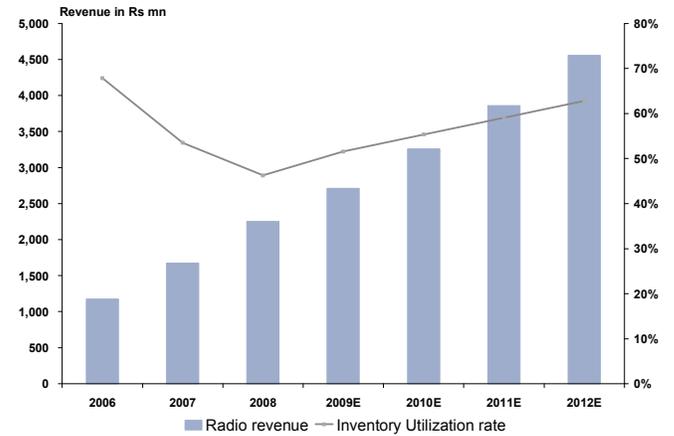
Source: Datastream, Goldman Sachs Research estimates.

Exhibit 25: We expect ENIL's revenues to grow at a CAGR of 29% over FY2008-FY2010E



Source: Company data, Goldman Sachs Research estimates.

Exhibit 26: Capitalizing on newly launched stations in the radio segment
Better inventory utilization as new stations stabilize to drive revenue growth



Source: Company data, Goldman Sachs Research estimates.

Exhibit 27: Valuation snapshot—Global radio and OOH advertisement companies

Companies	Currency symbol	Price 10-Oct-2008	Rating	Market Cap (US\$ mn)	P/E (x)		EV/EBITDA (x)		EV/FCF (x)		EV/revenues (x)		EPS CAGR 2 - yr	ROE(%) 2009E	EBITDA margin (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India radio/outdoor																
Entertainment Network India	Rs	187	Neutral	184	29.9	16.4	13.5	8.8	-73.6	69.9	2.5	2.0	29% [^]	8%	19%	23%
Sun TV	Rs	160	Buy	1,302	17.4	13.4	7.9	6.7	14.1	11.8	5.3	4.4	20%	21%	67%	67%
Adiabs Films	Rs	219	NC	241	9.9	NA	7.8	5.8	NA	NA	2.0	1.6	68%	12%	26%	28%
HT Media	Rs	87	NC	488	15.5	11.6	9.4	7.0	NA	NA	1.5	1.3	32%	15%	16%	19%
Weighted Average					17.2	11.8	8.7	6.8	2.2	12.7	3.9	3.2	26%	17.9%	47%	48%
US radio																
RadioShack Corp.	\$	15	Buy	1,969	8.3	8.5	3.5	3.7	6.7	7.3	0.4	0.4	5%	26%	11%	11%
Cox Radio Inc.	\$	8	Neutral	737	10.3	11.0	7.4	8.0	11.3	13.5	2.3	2.3	496%	6%	31%	29%
Citadel Broadcasting	\$	0	NC	95	0.9	0.9	8.3	8.6	NA	NA	2.5	2.6	NM	-15%	31%	30%
Cumulus Media	\$	2	NC	89	4.5	6.2	8.2	8.6	NA	NA	2.4	2.4	NM	5%	29%	28%
Radio One Inc	\$	0	NC	32	NA	NA	8.4	8.6	NA	NA	2.4	2.5	NM	1%	29%	29%
Entercom Comm	\$	2	Neutral	91	NA	2.0	7.0	7.2	11.1	12.1	2.2	2.2	NM	8%	31%	30%
Westwood One	\$	0	NC	32	1.3	NA	5.2	4.3	NA	NA	0.9	0.9	5%	nmf	17%	20%
Weighted Average					8.0	8.4	4.9	5.2	7.4	8.3	1.1	1.1	123%	18.1%	18%	17%
Australia radio																
Austereo	AUD	1	NC	353	9.3	8.9	7.2	6.9	NA	NA	2.4	2.4	1%	7%	34%	34%
US outdoor																
Lamar	\$	22	Neutral	2,077	114.6	NM	9.4	10.1	35.9	37.5	4.0	4.1	NM	2%	43%	41%
Clear Channel Outdoor	\$	6	Neutral	2,046	7.2	10.4	4.7	4.7	11.7	10.6	1.2	1.1	-10%	11%	25%	24%
European outdoor																
JCDecaux	€	13	Sell	3,836	14.1	16.0	6.8	7.0	53.7	30.9	1.6	1.6	NA	10%	24%	23%
Asian outdoor																
Clear Media	HK\$	3	Neutral	213	9.1	8.3	3.8	3.4	-19.5	7.4	1.4	1.2	22%	8%	36%	36%
Focus Media	\$	19	Buy	2,309	28.2	10.4	4.9	4.6	8.4	7.7	2.2	1.7	21%	11%	45%	37%
Weighted Average					26.6	10.2	4.8	4.5	6.0	7.7	2.1	1.6	21%	10.8%	44%	37%
US events																
Live Nation	\$	12	Buy	946	NA	NA	8.5	6.9	-15.7	17.9	0.3	0.3	-90%	-4%	4%	5%

[^] ENIL Sales CAGR FY2008-2010E

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 28: Shareholder structure

Shareholder structure	Sept-08	Dec-07	Mar-08	Jun-08
Promoters	71.2%	71.2%	71.2%	71.2%
- Times Innovative Media	64.1%	64.1%	64.1%	64.1%
- Bennett, Coleman & Company	7.1%	7.1%	7.1%	7.1%
- Foreign promoter	0.0%	0.0%	0.0%	0.0%
Public Institutions excl. FIIIs	2.1%	2.2%	2.9%	2.9%
FIIIs	19.6%	19.6%	19.6%	19.6%
Others	7.1%	7.0%	6.4%	6.4%
Total	100.0%	100.0%	100.0%	100.0%

Source: Bombay Stock Exchange (BSE).

Exhibit 29: Share price performance vs peer group

Prices as of close on October 10, 2008

Company	Ticker	Primary analyst	Price currency	Price as of 10/10/08	Price performance since 02/21/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Media and Entertainment Peer Group								
Entertainment Network India	ENIL.BO	Ishan Sethi	Rs	186.70	-58.7%	-43.5%	-53.3%	-60.8%
104 Corporation	3130.TW	Leah Hao	NT\$	69.70	-39.9%	-40.4%	-37.8%	-46.6%
51job, Inc.	JOBS	Leah Hao	\$	8.54	-54.1%	-48.4%	-49.7%	-59.0%
Alibaba.com	1688.HK	James Mitchell, CFA	HK\$	5.03	-75.0%	-46.3%	-64.7%	NA
Asia Satellite Telecommunications	1135.HK	Helen Zhu	HK\$	10.28	-29.1%	-7.2%	-30.3%	-42.9%
Cinemax India	CIMA.BO	Ishan Sethi	Rs	70.20	-33.1%	-27.0%	-32.8%	-45.9%
CJ CGV	079160.KS	Mina Kim	W	14,500.00	-1.7%	-11.3%	1.4%	-19.0%
Clear Media	0100.HK	Leah Hao	HK\$	3.30	-48.4%	-40.0%	-52.8%	-61.2%
Ctrip.com International	CTRP	Leah Hao	\$	33.02	-37.5%	-19.7%	-39.8%	-36.8%
Daum Communications	035720.KQ	Han Joon Kim	W	29,750.00	-62.3%	-52.3%	-58.6%	-61.7%
Dish TV India	DSTV.BO	Ishan Sethi	Rs	18.40	-70.7%	-45.0%	-62.8%	-73.7%
Fame India	FAME.BO	Ishan Sethi	Rs	17.35	-73.7%	-60.8%	-72.0%	-70.5%
Focus Media	FMCN	James Mitchell, CFA	\$	18.98	-61.1%	-19.4%	-39.8%	-68.4%
Genting International	GNTG.SI	David Ng, CFA	S\$	0.39	-38.4%	-31.3%	-35.8%	-45.8%
Gmarket	GMKT	James Mitchell, CFA	\$	20.05	-13.6%	-4.6%	2.2%	-22.6%
Imagi International Holdings	0585.HK	Leah Hao	HK\$	0.30	-82.4%	-51.6%	-79.7%	-84.5%
Inox Leisure	INOL.BO	Ishan Sethi	Rs	45.50	-64.2%	-39.5%	-58.0%	-61.0%
Megastudy	072870.KQ	Mina Kim	W	140,000.00	-55.3%	-45.8%	-57.4%	-51.7%
NCsoft	036570.KS	Han Joon Kim	W	35,400.00	-10.9%	-22.2%	-16.4%	-51.7%
Netease	NTESE	Leah Hao	\$	18.68	-10.5%	-12.2%	-3.0%	7.0%
New Oriental Education & Technology (EDU)	EDU	James Mitchell, CFA	\$	52.91	-9.3%	-14.6%	-23.6%	-22.2%
NHN	035420.KQ	Han Joon Kim	W	117,800.00	-43.7%	-32.5%	-49.9%	-51.5%
ON Media	045710.KS	Mina Kim	W	2,060.00	-56.7%	-33.5%	-49.6%	-70.6%
Phoenix Satellite Television	8002.HK	Leah Hao	HK\$	0.78	-43.9%	-29.1%	-24.3%	-58.3%
PVR	PVRL.BO	Ishan Sethi	Rs	105.70	-61.3%	-40.8%	-45.5%	-44.8%
Pyramid Saimira Theatre	PYSA.BO	Ishan Sethi	Rs	61.10	-81.9%	-61.9%	-80.7%	-80.3%
Resorts World Bhd	RWBW.KL	David Ng, CFA	RM	2.50	-34.2%	-3.5%	-27.7%	-34.6%
Shanda Interactive Entertainment	SNDA	Leah Hao	\$	24.30	-16.9%	8.1%	-14.1%	-37.8%
SINA Corporation	SINA	Leah Hao	\$	30.69	-25.2%	-25.7%	-17.1%	-40.9%
SK Communications	066270.KQ	Han Joon Kim	W	8,070.00	-60.0%	-34.9%	-50.2%	-77.2%
Sohu.com	SOHU	Leah Hao	\$	48.36	1.8%	-32.3%	-4.5%	9.6%
Star Cruises	0678.HK	David Ng, CFA	HK\$	0.60	-69.1%	-62.0%	-61.3%	-81.4%
Star Cruises	SARC.SI	David Ng, CFA	\$	0.09	-63.3%	-52.6%	-55.0%	-80.0%
Sun TV Network	SUTV.BO	Ishan Sethi	Rs	160.15	-48.6%	-43.9%	-45.7%	-51.1%
Television Broadcasts	0511.HK	Leah Hao	HK\$	26.20	-39.1%	-38.1%	-38.4%	-49.0%
Television Eighteen India	TVET.BO	Ishan Sethi	Rs	116.20	-72.3%	-45.4%	-65.7%	-76.3%
Tencent Holdings	0700.HK	James Mitchell, CFA	HK\$	45.10	-7.0%	-30.8%	-3.8%	-20.8%
The9 Limited	NCTY	Leah Hao	\$	14.60	-18.8%	-42.7%	-22.4%	-58.4%
Zee Entertainment Enterprises	ZEE.BO	Ishan Sethi	Rs	162.30	-33.8%	-17.3%	-32.0%	-52.1%
India BSE30 Sensex				10,528	-40.6%	-24.4%	-32.9%	-43.6%

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database.

Exhibit 30: Entertainment Network India – Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Total revenue	4,134.7	5,567.3	6,881.6	8,363.6	Cash & equivalents	147.0	252.2	329.1	1,416.2
Cost of goods sold	(2,364.4)	(2,898.2)	(3,357.3)	(3,931.2)	Accounts receivable	1,335.2	1,797.8	2,222.2	2,700.8
SG&A	(1,812.0)	(2,048.0)	(2,422.4)	(2,888.9)	Inventory	0.0	0.0	0.0	0.0
R&D	--	--	--	--	Other current assets	2,818.9	2,818.9	2,818.9	2,818.9
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	4,301.1	4,868.9	5,370.3	6,935.9
EBITDA	321.2	1,033.2	1,580.8	2,091.6	Net PP&E	1,395.7	2,053.9	2,717.7	2,690.6
Depreciation & amortization	(362.8)	(412.1)	(478.8)	(548.2)	Net intangibles	1,786.5	1,583.2	1,347.0	1,076.7
EBIT	(41.6)	621.1	1,101.9	1,543.4	Total investments	91.1	91.1	91.1	91.1
Interest income	94.0	10.3	17.7	23.0	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(268.0)	(116.0)	(140.0)	(140.0)	Total assets	7,574.4	8,597.1	9,526.1	10,794.4
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	655.0	882.0	1,090.2	1,324.9
Others	33.7	50.0	50.0	50.0	Short-term debt	1,152.5	1,152.5	1,152.5	1,152.5
Pretax profits	(181.9)	565.5	1,029.6	1,476.5	Other current liabilities	223.8	223.8	223.8	223.8
Income tax	5.6	(169.6)	(308.9)	(442.9)	Total current liabilities	2,031.4	2,258.3	2,466.5	2,701.3
Minorities	5.4	0.0	0.0	0.0	Long-term debt	780.0	1,180.0	1,180.0	1,180.0
Net income pre-preferred dividends	(170.9)	395.8	720.7	1,033.5	Other long-term liabilities	31.3	31.3	31.3	31.3
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	811.3	1,211.3	1,211.3	1,211.3
Net income (pre-exceptionals)	(170.9)	395.8	720.7	1,033.5	Total liabilities	2,842.7	3,469.6	3,677.8	3,912.6
Post-tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	(170.9)	395.8	720.7	1,033.5	Total common equity	4,406.9	4,802.8	5,523.5	6,557.0
EPS (basic, pre-except) (Rs)	(2.70)	6.24	11.37	16.30	Minority interest	324.7	324.7	324.7	324.7
EPS (basic, post-except) (Rs)	(2.70)	6.24	11.37	16.30	Total liabilities & equity	7,574.4	8,597.1	9,526.1	10,794.4
EPS (diluted, post-except) (Rs)	(2.69)	6.24	11.37	16.30	BVPS (Rs)	69.51	75.75	87.12	103.42
DPS (Rs)	--	--	--	--					
Dividend payout ratio (%)	0.0	0.0	0.0	0.0					
Free cash flow yield (%)	(9.5)	(2.2)	1.0	9.5					
Growth & margins (%)	3/08	3/09E	3/10E	3/11E	Ratios	3/08	3/09E	3/10E	3/11E
Sales growth	75.9	34.6	23.6	21.5	ROE (%)	(4.7)	8.6	14.0	17.1
EBITDA growth	(24.9)	221.7	53.0	32.3	ROA (%)	(2.8)	4.9	8.0	10.2
EBIT growth	(117.3)	NM	77.4	40.1	ROACE (%)	(0.1)	6.8	10.7	14.3
Net income growth	(168.0)	331.6	82.1	43.4	Inventory days	NM	NM	NM	NM
EPS growth	(151.0)	331.2	82.1	43.4	Receivables days	91.1	102.7	106.6	107.4
Gross margin	42.8	47.9	51.2	53.0	Payable days	87.9	96.8	107.2	112.1
EBITDA margin	7.8	18.6	23.0	25.0	Net debt/equity (%)	37.7	40.6	34.3	13.3
EBIT margin	(1.0)	11.2	16.0	18.5	Interest cover - EBIT (X)	NM	5.9	9.0	13.2
Cash flow statement (Rs mn)	3/08	3/09E	3/10E	3/11E	Valuation	3/08	3/09E	3/10E	3/11E
Net income pre-preferred dividends	(170.9)	395.8	720.7	1,033.5	P/E (analyst) (X)	NM	29.9	16.4	11.5
D&A add-back	362.8	412.1	478.8	548.2	P/B (X)	2.7	2.5	2.1	1.8
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	96.6	13.5	8.8	6.1
Net (inc)/dec working capital	(329.7)	(235.7)	(216.2)	(243.8)	Dividend yield (%)	--	--	--	--
Other operating cash flow	(1,944.7)	105.7	122.3	116.9					
Cash flow from operations	(2,082.5)	677.9	1,105.7	1,454.9					
Capital expenditures	(519.9)	(867.0)	(906.4)	(250.9)					
Acquisitions	(3,467.9)	0.0	0.0	0.0					
Divestitures	3,492.1	0.0	0.0	0.0					
Others	0.0	10.3	17.7	23.0					
Cash flow from investments	(495.7)	(856.7)	(888.8)	(227.9)					
Dividends paid (common & pref)	0.0	0.0	0.0	0.0					
Inc/(dec) in debt	794.5	400.0	0.0	0.0					
Common stock issuance (repurchase)	1,991.3	0.0	0.0	0.0					
Other financing cash flows	(186.5)	(116.0)	(140.0)	(140.0)					
Cash flow from financing	2,599.3	284.1	(140.0)	(140.0)					
Total cash flow	21.1	105.2	76.9	1,087.1					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

TV18 (TVET.BO; Neutral; TP: Rs162, 39% potential upside)

Market leader in a tough segment—after 78% share price fall ytd, valuation fair

Investment thesis

- We reiterate our Neutral rating on TV18 as we believe a potential prolonged capital market weakness would lead to loss of ad revenue and slower-than-expected sales for the company. However, we believe that current valuations are now pricing in this slowdown (share price down 78% ytd).
- Being a leading business news provider, TV18 is largely exposed to business and capital market-related audience (many retail HNIs). In a conducive market environment, this gives it an edge to attract advertisers; however in tough market conditions, we feel it will have the reverse effect on both viewership and ad rates. In addition, we feel the overall ad spend slowdown will impact ad revenues negatively. We estimate the news operation revenues to grow 20% over FY2008-FY2010E with internet and newswire properties contributing ~40% of incremental growth.

Valuation

- Our revised 12-month target price of Rs162 (from Rs381) is based on P/E valuation (18X FY2010E EPS) and implies 39% potential upside.
- TV18 currently trades at 22.4X FY2009E EPS and 16.3X FY2010E EPS. This is at a premium of 20% and 6% over global internet peers, respectively. Given TV18's strong brand franchise and better long-term growth prospects (implied PEG of 0.1X on a two-year EPS), we believe there is justification for the stock to trade at a relative premium.

Catalysts

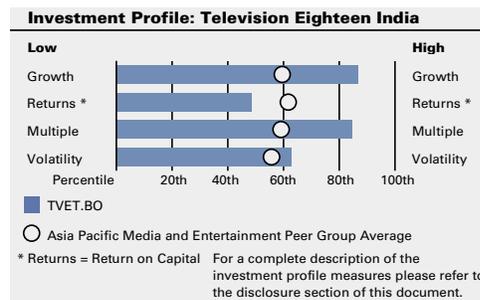
- Revival in the capital markets would bring business advertisers (ad spend on IPOs, MFs, etc.) back to the channel.
- Potential listing of the internet business in the near-term.
- Successful launch of business daily with Jagran Prakashan over the medium term.

Risks

- Viewership and subscription fee loss due to market downturn,
- slower-than-expected GDP growth,
- new entrants into the business news segment, and
- sluggish uptake of digital platforms.

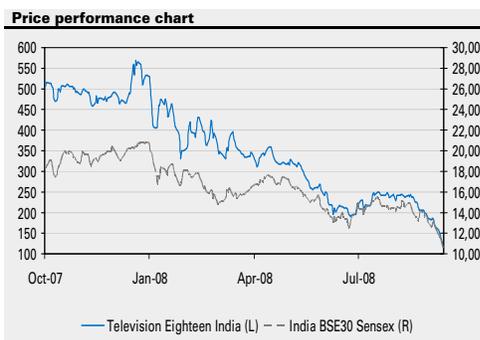
Company background

TV18 is India's leading business news broadcaster (>55% market share) and an emerging leader in the internet and newswire services segment. Furthermore, the management has a healthy track record of developing brand franchise and monetizing properties.



Key data	Current
Price (Rs)	116.20
12 month price target (Rs)	162.00
Market cap (Rs mn / US\$ mn)	13,918.1 / 287.2
Foreign ownership (%)	18.2

	3/08	3/09E	3/10E	3/11E
EPS (Rs) New	0.47	5.18	7.14	9.54
EPS revision (%)	(82.0)	(39.8)	(44.8)	(42.3)
EPS growth (%)	(84.1)	1,003.2	37.7	33.6
EPS (dil) (Rs) New	0.47	5.18	7.14	9.54
P/E (X)	NM	22.4	16.3	12.2
P/B (X)	2.5	2.5	2.4	2.2
EV/EBITDA (X)	65.9	12.2	8.9	6.9
Dividend yield (%)	1.7	1.7	1.7	1.7
ROE (%)	1.3	11.4	14.8	18.9



Share price performance (%)	3 month	6 month	12 month
Absolute	(45.4)	(65.7)	(76.3)
Rel. to Bombay SE Sensitive Index	(27.8)	(48.9)	(58.0)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/10/2008 close.

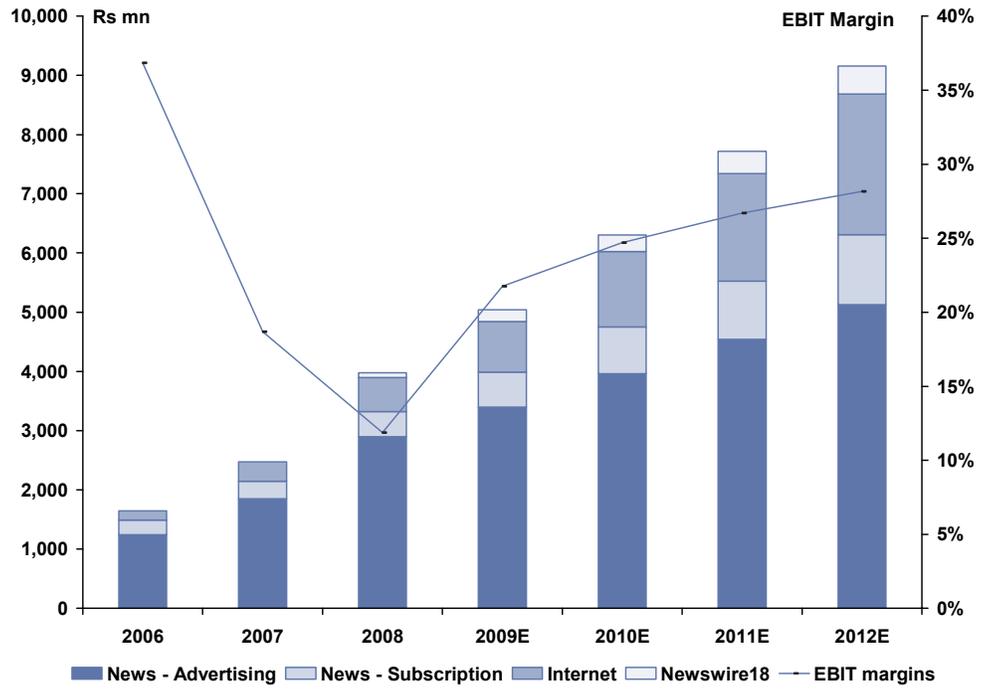
TV18 one-year fwd P/E bands—Trading at historical P/E lows



Source: Datastream, Goldman Sachs Research estimates.

Exhibit 31: Slowing capital market activity to impact growth

Ad revenues continue to grow, but at a slower pace



Source: Company data, Goldman Sachs Research estimates.

Exhibit 32: Valuation snapshot – Global internet companies

Companies	Currency symbol	Price 10-Oct-2008	Rating	Market Cap (US\$ mn)	P/E (X)		EV/EBITDA (X)		EV/FCF (X)		EV/revenues (X)		EPS CAGR 2-yr	ROE (%)	EBITDA margin (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India Internet																
TV 18	Rs	116	Neutral	287	22.4	16.3	12.2	8.9	-45.0	21.2	3.7	2.9	26% [^]	11%	30%	33%
IOL Netcom	Rs	54.20	NC	35	NA	6.1	0.0	NA	NA	NA	NA	NA	0%	NA	NA	NA
Info Edge	Rs	436	NC	283	17.8	13.3	10.9	7.9	NA	NA	3.5	2.6	27%	22%	32%	33%
Rediff (US\$)	\$	3	NC	82	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	17%	22%
Sify (US\$)	Rs	1	NC	63	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Average					15.3	11.5	8.8	6.4	-17.2	8.1	2.7	2.1	10%	12%	26%	27%
US Internet																
Google	\$	332	Buy	105,584	17.1	14.8	11.1	9.2	19.6	16.1	5.6	4.6	17%	18%	50%	50%
Yahoo!	\$	15	Neutral	17,197	13.8	12.5	4.2	3.5	4.6	9.2	1.0	0.9	5%	7%	25%	27%
Weighted Average					16.6	14.5	10.1	8.4	17.5	15.2	5.0	4.1	16%	17%	47%	47%
Asia Internet																
Yahoo Japan	¥	26,320	Neutral	15,962	19.5	16.6	9.1	7.8	17.0	14.6	4.8	4.3	24%	25%	53%	54%
Daum	W	29,750	Neutral	282	11.8	10.4	4.5	3.8	4.5	9.6	1.1	1.0	14%	34%	25%	26%
NCsoft	W	35,400	Neutral	516	21.5	15.4	6.7	5.9	-35.0	30.5	1.4	1.2	5%	9%	21%	21%
NHN	W	117,800	Neutral	4,311	14.9	12.1	10.0	8.2	15.7	12.8	4.4	3.6	28%	55%	44%	44%
Sina Corp	\$	31	Buy	1,689	18.5	14.8	13.0	9.0	19.3	12.3	3.4	2.7	36%	17%	26%	30%
Sohu.com	\$	48	Neutral	1,776	12.4	10.4	8.8	6.4	26.0	15.7	3.9	3.1	119%	42%	44%	49%
Netease	\$	19	Neutral	2,306	12.3	11.6	7.2	7.8	11.5	10.5	4.7	4.3	1%	30%	65%	54%
Shanda	\$	24	Neutral	1,742	10.2	8.3	5.9	5.2	6.4	6.0	2.6	2.2	-3%	25%	44%	43%
Baidu	\$	214	Neutral	7,436	46.5	29.3	34.0	19.5	49.5	27.9	15.4	9.0	62%	32%	45%	46%
Tencent	HK\$	45	Buy	10,345	26.5	17.3	19.2	13.2	24.8	17.1	9.8	7.1	57%	36%	51%	54%
KongZhong	\$	3	NC	96	46.6	23.1	NM	NM	NA	NA	-0.4	-0.3	21%	NA	0%	2%
Weighted Average					24.0	17.5	15.3	10.7	22.9	16.7	7.3	5.3	39%	32%	49%	50%
US Online Jobs																
Monster Worldwide	\$	13	Neutral	1,626	10.1	11.8	4.9	5.3	11.2	7.8	1.0	1.0	-1%	18%	21%	19%
51job	\$	9	Sell	240	18.2	15.5	4.1	3.7	6.0	5.0	0.8	0.7	-6%	13%	19%	19%
Weighted Average					11.2	12.3	4.8	5.1	10.5	7.4	1.0	1.0	-2%	17%	21%	19%
Asia Online Jobs																
104 Corporation	NT\$	70	Buy	73	8.3	7.1	3.2	2.8	4.3	3.7	0.7	0.7	16%	26%	22%	23%
Australia Online Jobs																
Seek Ltd	AUD	5	NC	1,066	15.4	12.9	14.1	12.2	NA	NA	5.5	4.9	15%	54%	54%	54%
US Online Travel																
Expedia	\$	12	Neutral	3,571	8.6	7.9	3.9	3.6	5.2	5.2	0.9	0.9	17%	7%	24%	24%
Priceline.com	\$	59	Buy	2,306	10.5	8.7	0.0	0.0	NA	NA	1.2	1.1	28%	29%	19%	21%
Weighted Average					9.3	8.2	2.3	2.2	3.2	3.2	1.0	0.9	21%	16%	22%	23%
Asia Online Travel																
Ctrip	\$	33	Buy	2,175	32.5	22.4	25.1	18.1	18.1	17.4	8.6	6.0	23%	32%	34%	33%
US Online Shopping																
Amazon.com	\$	56	Buy*	23,963	29.2	23.0	18.6	14.4	13.7	11.6	1.1	0.9	31%	23%	6%	6%
eBay	\$	17	Neutral	22,170	9.6	8.9	6.2	5.7	7.8	7.5	2.1	1.9	140%	17%	33%	33%
Weighted Average					19.8	16.2	12.6	10.2	10.8	9.6	1.6	1.4	83%	20%	19%	19%
Asian Online Shopping																
Rakuten	¥	49,000	Not Rated	6,425	30.7	22.3	18.4	15.3	8.3	25.9	3.8	3.4	-12%	10%	20%	22%
CJ Home Shopping	W	50,500	Buy	425	9.5	8.8	6.9	6.9	32.3	12.0	0.5	0.5	41%	12%	7%	7%
GS Home Shopping	W	48,000	Neutral	241	5.8	5.6	2.7	2.6	7.0	4.9	0.1	0.1	8%	15%	5%	5%
Shinsegae	W	454,000	Sell*	6,548	15.2	14.1	11.5	10.2	-20.1	-41.1	1.1	1.0	10%	15%	10%	10%
Lotte Shopping	W	206,500	Neutral	4,587	7.9	7.7	6.0	5.3	-33.4	-27.4	0.6	0.6	6%	9%	11%	11%
Gmarket	\$	20	Buy	1,015	23.1	15.6	13.8	12.6	9.3	13.6	3.2	3.3	42%	38%	23%	26%
Weighted Average					18.8	15.2	12.4	10.7	-10.7	-10.8	2.0	1.8	4%	13%	14%	15%

*These stocks are on our regional Conviction List

^ TV18 sales CAGR FY2008-10E

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 33: Valuation snapshot – Global broadcasters

Companies	Currency Symbol	Price 10-Oct-2008	Rating	Market cap (US\$mn)	P/E (x)		EV/EBITDA (x)		EV/FCF (x)		EV/Revenues (x)		EPS CAGR 2 - yr	ROE (%) 2009E	EBITDA margins (%)	
					1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd			1-yr fwd	2-yr fwd
India TV channel operators																
Sun TV	Rs	160	Buy	1,302	17.4	13.4	7.9	6.7	14.1	11.8	5.3	4.4	20%	21%	67%	67%
Zee Entertainment	Rs	162	Buy	1,454	14.6	12.4	9.8	8.5	17.0	14.2	3.1	2.7	22%	15%	32%	32%
TV 18	Rs	116	Neutral	287	22.4	16.3	12.2	8.9	-45.0	21.2	3.7	2.9	26%	11%	30%	33%
Zee News	Rs	32	NC	184	13.9	9.9	8.0	5.9	NA	NA	1.6	1.3	45%	23%	20%	21%
New Delhi Television	Rs	136	NC	203	NA	19.7	65.2	13.1	NA	NA	2.2	1.8	NM	6%	3%	14%
UTV Software	Rs	658	NC	536	32.2	21.7	24.4	13.0	NA	NA	3.3	2.1	10%	5%	13%	16%
TV Today Network	Rs	51	NC	71	6.0	4.9	NA	NA	NA	NA	NA	NA	18%	15%	27%	28%
IBN 18	Rs	88	NC	292	NA	440.0	120.2	32.7	NA	NA	5.8	4.4	NM	-10%	5%	13%
Weighted Average					16.3	43.0	21.0	10.1	6.9	9.7	3.8	3.1	16.9%	13.6%	36.2%	37.9%
US TV channel operators																
CBS Corp.	\$	8	Sell	5,462	4.8	5.1	4.0	4.3	7.0	6.8	0.8	0.8	-4%	5%	20%	19%
The Walt Disney Company	\$	23	Buy	44,698	10.1	10.2	7.4	7.5	14.8	14.8	1.9	1.9	1%	14%	26%	25%
Time Warner Cable Inc.	\$	20	Not Rated	19,128	15.9	16.9	5.0	4.6	19.3	27.9	1.8	1.7	0%	5%	36%	37%
Viacom Inc.	\$	17	Buy	10,397	6.7	6.7	5.2	5.2	12.5	11.5	1.2	1.2	-6%	21%	23%	23%
Weighted Average					10.7	11.0	6.3	6.3	15.0	17.0	1.7	1.7	-0.6%	11.8%	27.5%	27.2%
Europe TV channel operators																
ITV	£	38	Neutral	2,482	12.0	17.7	9.7	10.7	39.5	340.7	1.2	1.3	NA	0%	12%	12%
Mediaset	€	4	Neutral	6,054	9.3	10.7	5.9	6.8	12.0	10.6	1.6	1.6	-10%	16%	27%	24%
TF1	€	10	Sell	2,953	14.4	12.6	7.4	6.7	21.3	38.8	0.9	0.9	NA	8%	12%	13%
Telecinco	€	6	Neutral	1,919	4.9	7.0	2.5	3.5	3.5	6.3	1.0	1.1	NA	45%	40%	33%
Antena3	€	4	Sell*	1,160	7.4	14.5	4.4	7.5	8.5	118.3	1.1	1.3	NA	37%	25%	17%
Weighted Average					10.1	12.1	6.3	7.0	17.1	80.6	1.3	1.3	-4.3%	17.1%	22.8%	20.4%
Japanese TV channel operators																
Tokyo Broadcasting System	¥	1,662	Not Rated	3,166	28.7	27.2	9.7	9.3	19.8	22.4	1.1	1.1	-22%	3%	11%	11%
Fuji Television Network	¥	108,300	Neutral	2,500	13.9	12.8	4.4	4.1	14.2	10.9	0.4	0.4	NA	4%	9%	10%
Nippon Television Network	¥	8,050	Neutral	2,047	21.9	17.8	4.4	3.9	10.5	8.9	0.4	0.3	NA	2%	8%	9%
TV Asahi Corp	¥	124,800	Sell	1,259	34.9	40.5	4.1	4.1	10.9	10.0	0.2	0.2	NA	1%	5%	5%
TV Tokyo Corp	¥	3,520	RS	676	NA	42.4	13.3	13.3	NA	NA	0.6	0.6	27%	3%	4%	4%
Weighted Average					22.2	24.3	6.7	6.4	13.8	13.4	0.6	0.6	-5.3%	3.0%	8.6%	9.1%
Asia TV channel operators																
TVB	HK\$	26	Neutral	1,479	9.8	8.6	5.9	5.2	-206.5	6.8	2.3	2.2	3%	20%	38%	42%
OnMedia	W	2,060	Neutral	186	8.2	8.4	5.4	5.6	7.5	25.4	2.1	2.2	-12%	6%	39%	39%
BEC	Bt	17	NC	957	12.1	11.0	5.7	5.3	NA	NA	3.4	3.1	15%	40%	59%	59%
ABS	P	14	NC	233	8.7	7.8	3.6	3.4	NA	NA	0.8	0.7	5%	8%	21%	21%
SCMP	HK\$	3	NC	516	16.1	15.4	9.6	9.1	NA	NA	3.2	3.3	-31%	13%	34%	36%
Phoenix	HK\$	1	Sell	497	11.0	10.6	9.7	8.8	-21.8	10.4	2.6	2.5	20%	22%	26%	28%
Weighted Average					11.2	10.3	6.7	6.1	-81.4	5.1	2.6	2.5	3.0%	23.0%	40.2%	42.2%
Eastern European TV channel operators																
CTC Media	\$	9	Buy	1,369	7.8	7.1	3.9	3.5	6.1	5.4	1.7	1.5	NA	23%	43%	42%
ProSiebenSat.1	€	3	Neutral	949	3.2	3.9	5.9	6.6	41.8	37.5	1.3	1.4	NA	12%	21%	21%
Modern Times Group	Skr	172	NC	1,834	6.5	5.7	4.1	4.2	NA	NA	0.9	0.8	22%	37%	22%	20%
Central European Media Enterprises	\$	32	Neutral	1,350	7.3	7.1	5.3	5.2	31.0	143.1	2.0	1.8	NA	16%	37%	34%
TVN S.A.	PLN	15	Neutral	1,996	13.6	11.4	8.7	7.9	39.9	31.1	3.2	2.9	NA	37%	37%	37%
Weighted Average					8.4	7.5	5.7	5.6	22.6	39.8	1.9	1.7	5.3%	27.6%	32.5%	31.0%
Australia TV channel operators																
Ten	AUD	1	NC	1,095	11.6	13.9	8.3	8.7	NA	NA	1.8	1.8	-21%	15%	22%	20%
Seven	AUD	6	NC	997	13.1	12.4	9.7	8.4	NA	NA	4.9	4.4	-2%	5%	51%	53%
Weighted Average					12.3	13.2	9.0	8.6	0.0	0.0	3.3	3.1	-11.9%	10.1%	35.8%	35.9%

*This stock is on our regional Conviction List

^ TV18 Sales CAGR FY2008-10E

For important disclosures, please go to <http://www.gs.com/research/hedge.html>

Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 34: Shareholder structure

Shareholder structure	Sep-07	Dec-07	Mar-08	Jun-08
Promoters	51.4%	51.2%	51.2%	51.0%
- Domestic promoter	51.4%	51.2%	51.2%	51.0%
- Foreign promoter	0.0%	0.0%	0.0%	0.0%
MF's / Banks / FIs/ Insurance	13.8%	13.8%	13.3%	13.5%
Fills	17.4%	17.13%	18.2%	18.2%
Others	17.5%	17.91%	17.3%	17.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: Bombay Stock Exchange (BSE).

Exhibit 35: Television Eighteen – Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Total revenue	3,976.9	5,043.0	6,304.9	7,715.1	Cash & equivalents	1,728.8	782.0	724.7	708.6
Cost of goods sold	(539.3)	(651.3)	(802.2)	(971.6)	Accounts receivable	1,984.4	3,336.5	4,171.4	5,104.4
SG&A	(2,965.2)	(3,294.3)	(3,945.5)	(4,683.3)	Inventory	5.5	18.4	22.6	27.4
R&D	--	--	--	--	Other current assets	1,248.5	1,248.5	1,248.5	1,248.5
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	4,967.1	5,385.3	6,167.2	7,088.9
EBITDA	804.7	1,518.7	2,084.1	2,705.0	Net PP&E	1,522.8	1,501.4	1,474.6	1,441.8
Depreciation & amortization	(332.3)	(421.4)	(526.8)	(644.7)	Net intangibles	1,355.9	1,255.9	1,131.0	978.0
EBIT	472.4	1,097.4	1,557.2	2,060.3	Total investments	7,153.6	7,153.6	7,153.6	7,153.6
Interest income	311.7	121.0	54.7	50.7	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(556.5)	(382.7)	(382.7)	(382.7)	Total assets	14,999.4	15,296.3	15,926.4	16,662.4
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	1,476.5	1,397.3	1,747.0	2,137.8
Others	42.5	25.0	25.0	25.0	Short-term debt	3,517.7	3,517.7	3,517.7	3,517.7
Pretax profits	270.0	860.6	1,254.2	1,753.3	Other current liabilities	2,126.9	2,126.9	2,126.9	2,126.9
Income tax	(209.8)	(212.5)	(365.5)	(570.3)	Total current liabilities	7,121.0	7,041.9	7,391.6	7,782.3
Minorities	17.7	(27.6)	(33.9)	(41.2)	Long-term debt	1,949.9	1,949.9	1,949.9	1,949.9
Net income pre-preferred dividends	77.9	620.6	854.8	1,141.7	Other long-term liabilities	193.8	193.8	193.8	193.8
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	2,143.8	2,143.8	2,143.8	2,143.8
Net income (pre-exceptionals)	77.9	620.6	854.8	1,141.7	Total liabilities	9,264.8	9,185.7	9,535.3	9,926.1
Post-tax exceptionals	(22.2)	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	55.7	620.6	854.8	1,141.7	Total common equity	5,285.7	5,634.1	5,880.8	6,184.8
EPS (basic, pre-except) (Rs)	0.68	5.18	7.14	9.54	Minority interest	448.9	476.4	510.3	551.5
EPS (basic, post-except) (Rs)	0.48	5.18	7.14	9.54	Total liabilities & equity	14,999.4	15,296.3	15,926.4	16,662.4
EPS (diluted, post-except) (Rs)	0.47	5.18	7.14	9.54	BVPS (Rs)	46.04	47.07	49.13	51.67
DPS (Rs)	2.00	2.00	2.00	2.00					
Dividend payout ratio (%)	416.7	38.6	28.0	21.0					
Free cash flow yield (%)	0.3	(4.4)	4.6	6.7					
Growth & margins (%)	3/08	3/09E	3/10E	3/11E	Ratios	3/08	3/09E	3/10E	3/11E
Sales growth	60.9	26.8	25.0	22.4	ROE (%)	1.3	11.4	14.8	18.9
EBITDA growth	7.5	88.7	37.2	29.8	ROA (%)	0.5	4.1	5.5	7.0
EBIT growth	(15.7)	132.3	41.9	32.3	ROACE (%)	1.6	8.3	10.2	12.4
Net income growth	(82.7)	NM	37.7	33.6	Inventory days	4.8	6.7	9.3	9.4
EPS growth	(83.9)	980.2	37.7	33.6	Receivables days	166.1	192.6	217.3	219.4
Gross margin	86.4	87.1	87.3	87.4	Payable days	713.0	805.2	715.3	729.7
EBITDA margin	20.2	30.1	33.1	35.1	Net debt/equity (%)	65.2	76.7	74.2	70.6
EBIT margin	11.9	21.8	24.7	26.7	Interest cover - EBIT (X)	1.9	4.2	4.7	6.2
Cash flow statement (Rs mn)	3/08	3/09E	3/10E	3/11E	Valuation	3/08	3/09E	3/10E	3/11E
Net income pre-preferred dividends	77.9	620.6	854.8	1,141.7	P/E (analyst) (X)	NM	22.4	16.3	12.2
D&A add-back	332.3	421.4	526.8	644.7	P/B (X)	2.5	2.5	2.4	2.2
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	65.9	12.2	8.9	6.9
Net (inc)/dec working capital	220.8	(1,444.1)	(489.5)	(547.0)	Dividend yield (%)	1.7	1.7	1.7	1.7
Other operating cash flow	392.8	289.3	361.9	373.2					
Cash flow from operations	1,023.8	(112.8)	1,254.0	1,612.6					
Capital expenditures	(798.6)	(300.0)	(375.1)	(459.0)					
Acquisitions	(6,418.0)	0.0	0.0	0.0					
Divestitures	44.6	0.0	0.0	0.0					
Others	105.4	121.0	54.7	50.7					
Cash flow from investments	(7,066.6)	(179.0)	(320.3)	(408.2)					
Dividends paid (common & pref)	36.0	(272.2)	(608.2)	(837.7)					
Inc/(dec) in debt	2,270.3	0.0	0.0	0.0					
Common stock issuance (repurchase)	4,057.9	0.0	0.0	0.0					
Other financing cash flows	(464.7)	(382.7)	(382.7)	(382.7)					
Cash flow from financing	5,899.5	(655.0)	(991.0)	(1,220.5)					
Total cash flow	(143.3)	(946.8)	(57.3)	(16.1)					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Defensive growth in tough times—Stay home, watch TV

We believe there are five key points for investors in the sector:

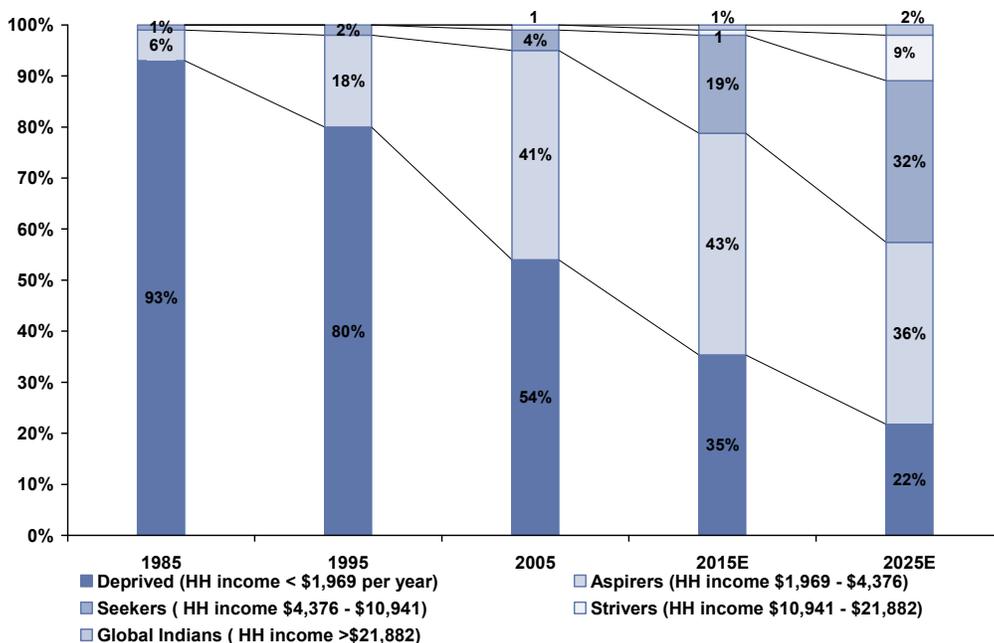
- Favorable demographic and economic factors support strong growth for the E&M industry
- Continued channel launches and entry of new broadcasters is resulting in rapid fragmentation of the viewer base and consequently the broadcasters’ revenue pie
- Rapid digitization beneficial for established broadcasters, profitability for DTH operators is some time away
- New media segments such as radio, Internet and OOH are difficult to take exposure in due to smaller size and stringent regulations
- At four-year trough valuations, impact of near-term slowdown seems to be priced in

Favorable demographic and economic factors support strong growth for the E&M industry

India’s GDP has grown at a rate of more than 8% for the past three years. This coupled with growing urbanization, a higher share of youth in the total population (<35 years of age, 66% of population), and a rising proportion of working population has led to greater disposable income and thereby an increased propensity to spend on entertainment and leisure. This has created the necessary support for the growth of the Indian entertainment and media sector, in our view.

Exhibit 36: Increase in disposable income and spending power driving E&M industry growth

Percentage share of the different income class households in India



Source: McKinseyGlobal Institute Report.

India is an underpenetrated and underadvertised country—source of opportunity

Most media forms in India have penetration levels that are well below global averages (see Exhibit 37). Only half the households in India own a TV set, while the same ratio stands at 92% for China. However, the Indian film industry is one of the biggest globally in terms of number of films released and patrons—indicating a strong appetite for good content. We expect this demand to translate into better penetration levels across media forms and we believe the companies under our coverage universe stand to directly benefit from this.

According to PWC-FICCI data, India has one of the lowest ad spend as a percentage of GDP. Ad spend in India grew to US\$5.4 bn in 2008 from US\$1.5 bn in 2000, at an 18% CAGR. As it is closely linked to corporate profitability, we expect a CAGR of 18.5% over FY2007-FY2012E (vs. 20% over FY2004-FY2007) and expect it to continue to beat the GS forecast growth rate (13.1%) of nominal GDP over the same period. By 2012E, we expect revenues from advertising to contribute 62% to total revenues for companies under our coverage universe vs. 60% in FY2008.

Continued channel launches and entry of new broadcasters is resulting in rapid fragmentation of viewer base and consequently broadcasters’ revenue pie

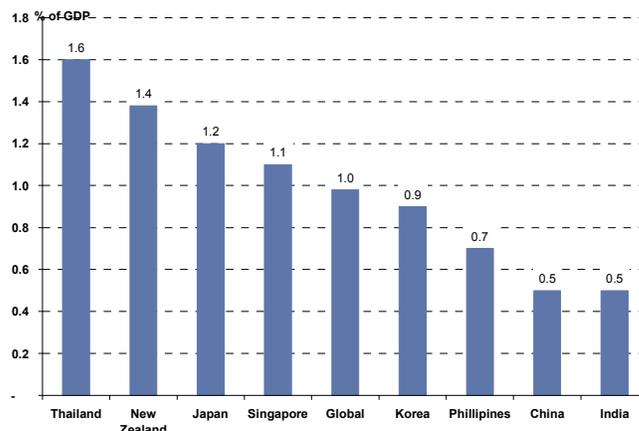
With 12 channels operating in the segment, the Hindi GEC genre has the highest percentage share of viewership on Indian television. However, with the launch of three channels, ytd, (9X by INX Media, NDTV Imagine and Colors by Viacom18) in this segment, the viewership pie and hence the revenue base of broadcasters is getting fragmented. As seen in Exhibit 43, STAR TV and Zee TV have experienced a dip in market share in the weeks in which each of these new channels were launched, but have won back some of the lost share in the subsequent weeks. STAR and Zee have retained their respective #1 and #2 positions—indicating that viewers have a tendency to stick to channels, once the pipeline is mature. Hence, the key to success of the newer channels, in our view, lies in their ability to develop a strong pipeline of content to maintain the interest levels of viewers. Colors, which launched in August 2008, has garnered strong GRPs with high cost, high visibility content—though it remains to be seen how successful the channel will be in sustaining this strategy.

Exhibit 37: Penetration of TV and C&S is low in India

	India	US	China
TV penetration	51.0%	98.2%	92.0%
Cable and satellite penetration	33.0%	85.8%	37.0%
Broadband Internet penetrator	0.1%	39.3%	4.0%
Internet users	60mn	215mn	162mn
Literacy rate	71.2%	99.0%	90.9%
Films produced	1013	739	na
Tickets sold	3.6bn	2.6bn	na
Worldwide revenues (US\$)	1.3bn	51bn	na
Annual growth rate	12.6%	5.6%	na

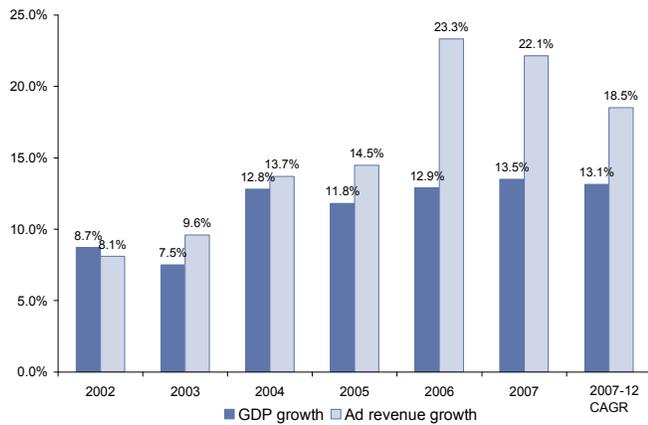
Source: PWC–FICCI, Goldman Sachs Research estimates.

Exhibit 38: Advertising spend as a % of GDP is one of the lowest in India (2008E)



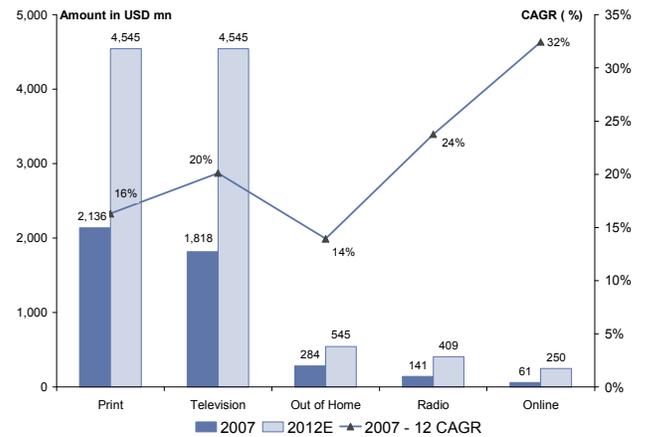
Source: Motion Pictures Association of America, PWC–FICCI, Internet World stats, Goldman Sachs Research estimates.

Exhibit 39: Ad spend to grow at a CAGR of 18.5% over FY2007-FY2012E vs. 13.1% for India's nominal GDP



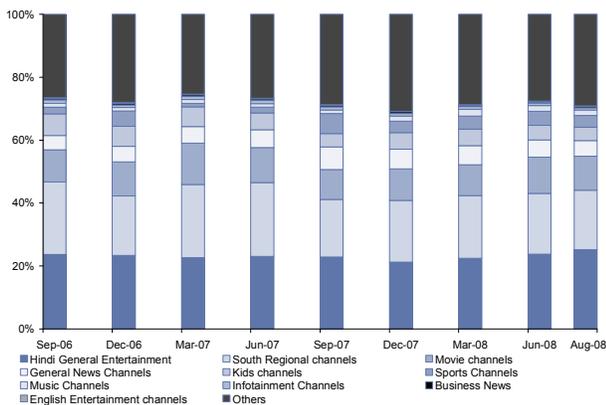
Source: Tam Adex, PWC FICCI report – 2008, Goldman Sachs Research estimates.

Exhibit 40: Print and TV are the biggest segments; radio and online are the fastest growing



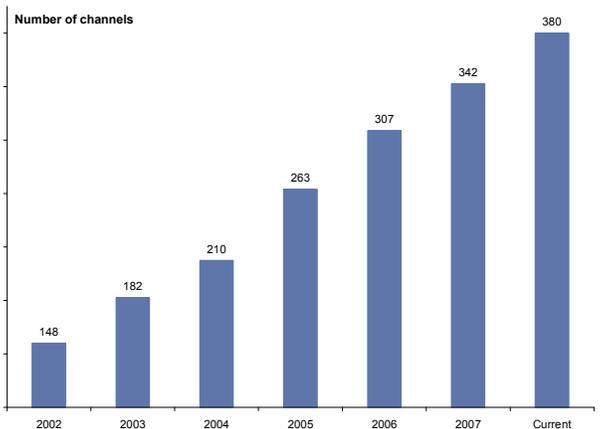
Source: Tam Adex, PWC FICCI report – 2008, Goldman Sachs Research estimates.

Exhibit 41: Hindi GEC remains the biggest TV genre; news and movies growing the fastest...



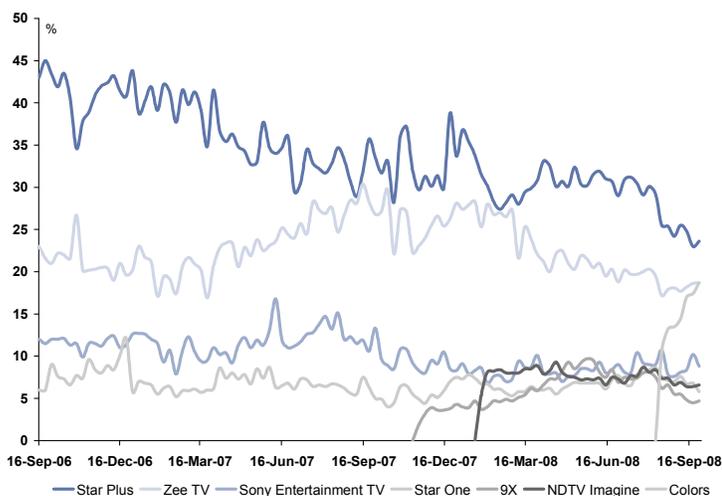
Source : TAM.

Exhibit 42: ..leading to new channel launches across segments



Source: TAM.

Exhibit 43: Consequently, the viewership pie appears fragmented



Source: TAM.

Food and beverages and personal care have consistently contributed more than 10% each to the total corporate spending on advertisements on TV. However, as we move beyond the top two, the mix gets increasingly fragmented and newer sectors have emerged over time—providing diversification to the broadcasters’ advertising revenue streams. Corporate profitability is the most important determinant in ensuring a steady advertising revenue stream for the broadcasters. Hence, given the uncertainty over the extent and length of the current global slowdown and its subsequent effect on corporate profitability in India, we believe this evolving advertiser mix would be able to provide only a partial shield against macro headwinds.

Exhibit 44: New sectors have grown over time, providing diversification to broadcasters’ advertising revenue streams

Percentage share of top five sectors by advertising spend on TV

	1H2008	1H2007	1H2006
Food & Beverages	14%	15%	14%
Personal Care	9%	10%	11%
Telecom/Internet Service providers	7%	3%	*
Services	6%	7%	*
Banking/Finance/Investment	5%	*	5%
Hair Care	*	5%	5%
Auto	*	*	5%

Source: TAM Adex.

Rapid digitization beneficial for established broadcasters; profitability for DTH operators is some time away

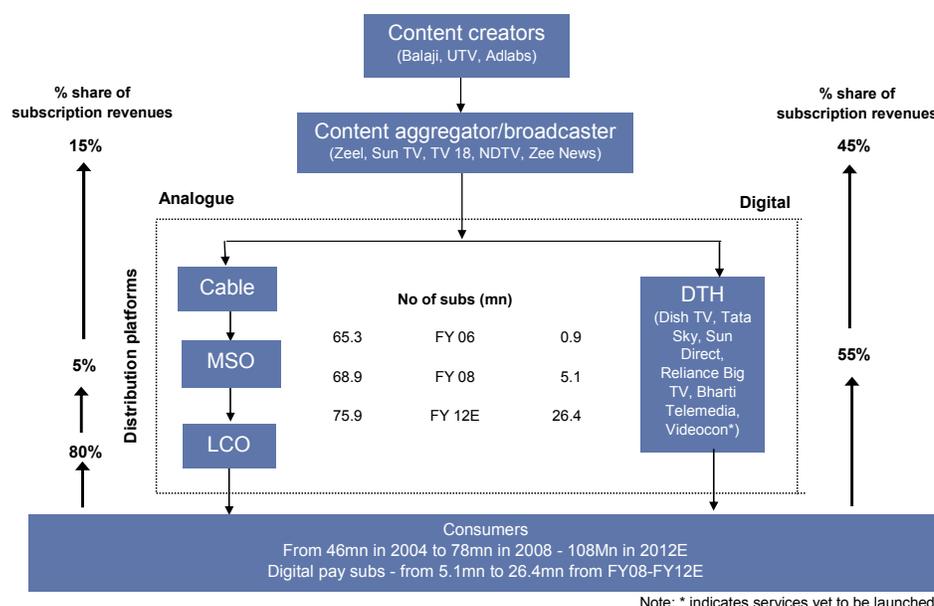
We believe that while digitization is set to lead to strong topline growth for companies such as Dish TV, a corresponding increase in subscriber acquisition costs (SAC), implies that profitability for the DTH operators is some time away. Unlike other DTH markets, content exclusivity is not allowed in India, leaving the different DTH operators to compete on reach and price. All the DTH operators in India are investing huge amounts in marketing initiatives and towards improving their distribution network, leading to a steady increase in

SAC and compressing margins. Hence, we believe profitability for the DTH operators is still some time away.

On the contrary, we believe the trend of increase in the uptake of digital platforms is hugely beneficial for the broadcasters, by driving their subscription growth rates higher. Owing to significant underdeclaration of the cable subscriber base by the cable operators, broadcasters have, thus far, had only a small share of the total subscription revenue pie (10%–12%). The digitization of distribution platforms prevents revenue leakage and hence we believe this trend is set to benefit the broadcasters to a greater extent, at least in the near term, rather than the DTH operators themselves.

Exhibit 45: Broadcasters command a higher share of subscription revenue on digital platforms

Share of subscription revenue between the broadcasters and distributors



Source: Company data, Goldman Sachs Research estimates.

However, we expect the regulatory landscape for the DTH operators to improve in the near term. The current limit on FII ownership in the DTH segment is at 49% and according to the Indian Information and Broadcasting Ministry, this could be increased to the 74%-75% range soon. We think this would be very advantageous for DTH operators such as Dish TV, which are strapped for funds. Also, the proposal to reduce the revenue share license fee to 6% from the current 10% is also widely expected to secure government approval over the next few months.

New media segments such as radio, Internet and OOH are difficult to gain pure exposure to due to their smaller size and stringent regulations

Although we expect the radio, Internet and OOH segments to post strong growth trends over the next four years (FY2008–FY2012E), we believe, the relatively small size of these segments is a deterrent for any meaningful investment exposure in this space. Radio, Internet and OOH collectively account for less than 5% of the total E&M industry in India currently and we expect this trend to continue until 2012E, despite the strong growth rates we forecast for these segments (19% CAGR over FY2007–FY2012E collectively). Also, the regulations including limits on foreign ownership are less favorable for segments such as radio, relative to other media streams. The current limit on FII ownership on FM radio is

20%, compared with 100% in broadcasting (non-news). Thus, we believe the newer media segments are difficult to invest in, despite being high-growth markets.

Exhibit 46: Radio, out-of-home and online advertising together constitute less than 5% of the Indian E&M industry

Growth profile and share of different segments in the Indian E&M industry

Rs Billion	2006	2007	2008E	2009E	2010E	2011E	2012E
Television	191	226	278	337	419	503	600
% share of Indian E&M industry	44%	44%	46%	47%	49%	50%	52%
YoY growth (%)	21%	18%	23%	21%	24%	20%	19%
Filmed Entertainment	85	96	111	124	141	165	176
% share of Indian E&M industry	19%	19%	18%	17%	16%	16%	15%
YoY growth (%)	24%	14%	15%	12%	14%	17%	6%
Print	128	149	170	194	224	252	281
% share of Indian E&M industry	29%	29%	28%	27%	26%	25%	24%
YoY growth (%)	17%	16%	14%	14%	15%	12%	12%
Radio	5	6	8	10	12	15	18
% share of Indian E&M industry	1%	1%	1%	1%	1%	1%	2%
YoY growth (%)	56%	24%	29%	25%	20%	25%	20%
Music	7	7	7	7	8	8	8
% share of Indian E&M industry	2%	1%	1%	1%	1%	1%	1%
YoY growth (%)	3%	1%	0%	0%	3%	3%	4%
Animation, Gaming & VFX	11	13	16	21	25	30	40
% share of Indian E&M industry	2%	3%	3%	3%	3%	3%	3%
YoY growth (%)	NA	24%	20%	31%	22%	20%	33%
Out - of - home	9	10	13	15	17	19	22
% share of Indian E&M industry	2%	2%	2%	2%	2%	2%	2%
YoY growth (%)	11%	11%	25%	16%	14%	15%	13%
Online Advertising	2	3	4	6	8	10	11
% share of Indian E&M industry	0%	1%	1%	1%	1%	1%	1%
YoY growth (%)	60%	69%	56%	43%	37%	16%	16%
Total E&M	438	513	608	715	855	1,003	1,158
YoY growth (%)	23%	17%	19%	18%	20%	17%	15%

Source: PWC Frames 2008.

Exhibit 47: Media sector remains highly regulated—proposed cap increases would be positive

Foreign ownership limits for Indian media sub-sectors

Media sub-sector	Foreign ownership limit		
	FDI	FII	Total
Broadcasting (non-news)	100%	100%	100%
Broadcasting (news)	26%	26%	26%
FM Radio (non-news)	20%	20%	20%
Satellite radio	100%	100%	100%
Cable	49%	49%	49%
DTH*	20%	49%	49%
Print (news, current affairs)	26%	26%	26%
Print (non-news)	100%	100%	100%
IPTV	74%	-	74%
HITS*	not specified in the current policy		

* Proposed cap in new policy of 74%

Source: GOI, Goldman Sachs Research.

Entry of foreign firms and pick-up in deal activity in the sector

The media sector's high growth potential and easing of regulatory restrictions have attracted strategic and private equity investments across sub-sectors. This has led to Indian media companies being better funded and hence better managed. In addition, the

association with global peers has also brought about an improvement in the quality of content, in our view. Colors, the Hindi GEC channel launched by Viacom 18 in August 2008, debuted with high GRPs based on its high-cost, high-visibility content and has steadily gained market share from the top broadcasters in the segment.

Exhibit 48: Foreign investors and media companies are vying for a share of the Indian Entertainment & Media industry
Deal flow in the recent past

Target Company	Fund source / Investors	Funds raised (US\$ mn)	Deal details / Fund utilization	News flow date
Serve & Volley	PE Consortium	62	To acquire 15 - 20% stake	Jul-08
Laqshya Media	Warburg	64	To acquire 15% stake - funds to be utilized for expansion in India and overseas	Jun-08
Sony Entertainment Television (SET)	BK Modi, promoter of Spice Telecom	320	Buying 32% stake - valuing the company at \$1bn	May-08
Percept Group	Indivision Capital/ JP Morgan/ Passport Capital	15	To acquire 10% stake	Apr-08
Reliance Big Entertainment	George Soros	100	To acquire 3% stake	Feb-08
UTV Software Communications Ltd.	The Walt Disney Company	369	To acquire 39.24% stake	Feb-08
NDTV Networks	NBC Universal	150	To acquire 26% stake	Jan-08
Times Innovative Media Ltd	PE Consortium	51	To acquire 16.56% stake	Jan-08
BAG Films	Fidelity	17	To acquire 11% stake.	Sep-07
Red FM	South Asia FM Ltd (a unit of Sun TV Network)	NA	To acquire 48.90% stake	Aug-07
Network 18	Viacom Inc.	50:50 JV	Viacom 18, the JV, launched the channel Colors in the Hindi GEC space in August 2008	May-07
Sun Direct TV private Ltd	South Asia Entertainment Holdings Ltd	166	To acquire 20% stake	Apr-07
INX News Pvt Ltd	Dunearn Investments; New Silk Route; New Vernon private Equity	40	Utilize for news channel launch and overseas expansion	Mar-07
INX Media Pvt Ltd	Dunearn Investments; New Silk Route; New Vernon private Equity	75	Company plans to launch 11 new channels in the news and entertainment space by 2010	Mar-07
Tata Sky	Temasek Holdings	57	To acquire 10% stake	Jan-07
Nimbus Communications	3i, Cisco, Oman Investment Fund	152	To acquire 28% stake. Funds utilized to fund sports rights acquisitions and develop global sports events	Jan-07

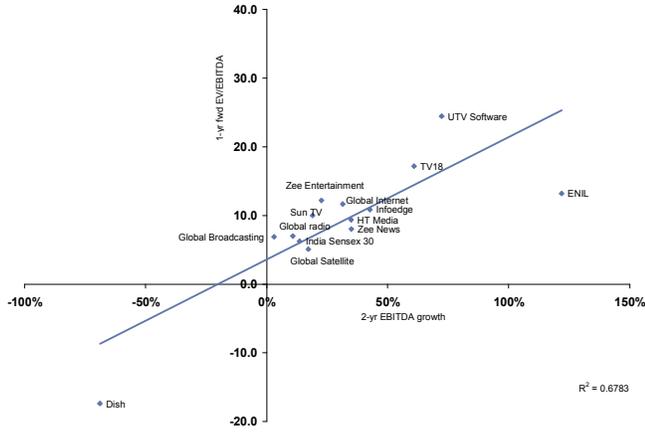
Source: The Financial Times, The Economic Times, Live Mint, DNA.

Valuations have compressed to four-year lows; have the earnings compressed that much?

Although our coverage group is currently trading near its four-year trough valuations (average one-year forward P/E of 19.9X; stocks are down 50%-82% ytd), established broadcasters (ZEEL and Sun TV) still trade at a 1% premium to the Sensex P/E of 12.7X (down from a 57% premium in January 2008). Although we regard valuations across the sector as reasonable, we have a neutral stance as we believe the street's expectations have room to fall further (our numbers are below consensus for all coverage companies except ZEEL) as the macro slowdown and risk aversion cycle unfolds over the next few months.

Exhibit 49: EV/EBITDA valuation snapshot for the sector and comparables

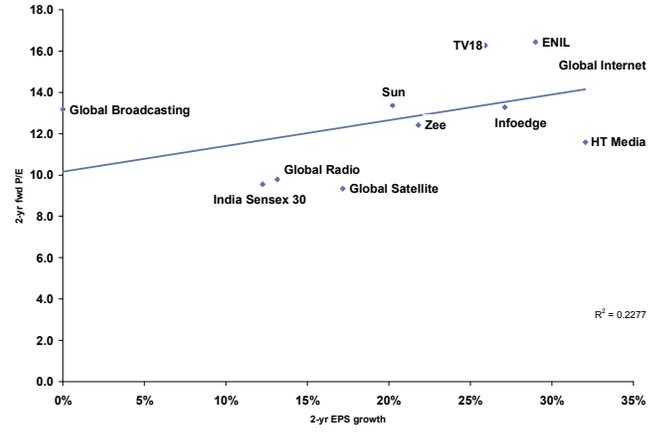
Indian Media offers a strong growth opportunity, but at high multiples, in our view



Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 50: PE/EPS CAGR valuation snapshot for the sector and comparables

Indian firms trade at a higher multiple than global peers



Source: Bloomberg, Goldman Sachs Research estimates.

Reg AC

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India Tactical: AllCargo Global Logistics, Cinemax India, Container Corporation of India, Essel Propack, Everest Kanto Cylinder, Fame India, Gateway Distriparks, Gati, Inox Leisure, Nitin Fire Protection Industries, PVR, Pyramid Saimira Theatre, Sintex Industries, Transport Corporation of India.

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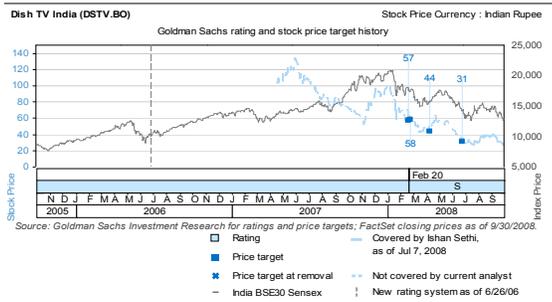
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Goldman Sachs Investment Research global coverage universe

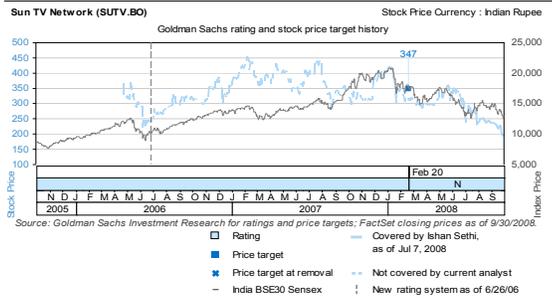
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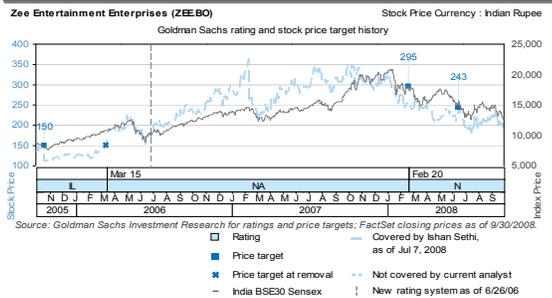
Price target and rating history chart(s)



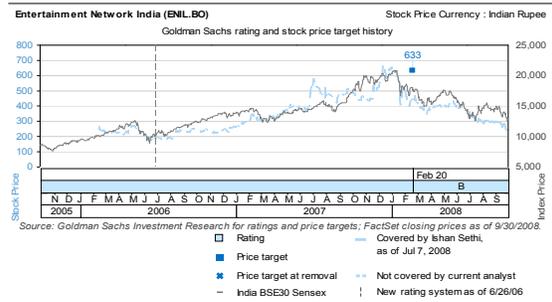
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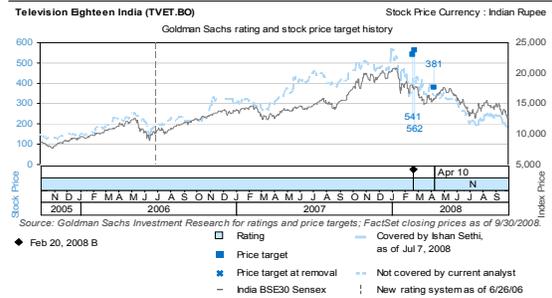
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