Telecom and Media

RESULT PREVIEW √

Dim quarter for media, bright for telecom...

This quarter is expected to be the worst in FY09E for the media sector. We expect slow overall growth in ad revenues due to reduced spending by corporates in the backdrop of an economic slowdown. However, with the customer base increasing at an unprecedented rate and increased focus on VAS, we expect good revenue growth for VAS companies.

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Highlight of the quarter

Growth in advertisement is expected to be muted in this quarter. Given the festive season, good ad spend was seen in October. However, the last two months are anticipated to have registered lower-than-expected advertisement revenues. The only silver lining for companies with a regional presence would be election induced spending by the government. The multiplex industry is expected to be affected severely by rising interest cost, which would dampen the roll-out pace of new properties.

In contrast to the slowdown, the Indian telecom sector added ~10 million customers per month in this quarter. However, the full impact of this may not be realised due to declining APRUs. Riding on fast paced addition, VAS operators are expected to post good revenue growth in this quarter.

Price performance (%)

	1M	3M	6M	12M
PVR	20.08	-19.51	-36.70	-68.47
INOX	33.16	-32.14	-45.41	-83.01
Cinemax	15.36	-43.24	-52.13	-73.87
Jagran	19.26	-11.35	-7.77	-62.99
Sun TV	10.17	-4.75	-27.99	-56.53
UTV Software	17.58	-62.83	-63.60	-70.51
OnMobile	14.64	-44.86	-56.42	NA
Tanla Solutions	42.74	-34.28	-52.52	-75.96
Tulip Telecom	27.21	-32.88	-42.20	-53.79
Bartronics	46.29	-27.54	-37.85	-63.43
Infoedge	-2.01	-19.65	-54.09	-71.11
Prime Focus	10.99	-52.64	-63.02	-88.72

Broad outlook for the sector for Q3FY09E

We expect this to be the worst quarter of FY09 for Jagran Prakashan due to lower advertisement revenue and highest landed cost of newsprint. With virtually no new roll outs, marginally better content and very low occupancy for a couple of weeks due to terrorist attacks, we expect flattish growth for the multiplexes. The overall occupancy is expected to be marginally down as compared to that in the last quarter.

With VAS finding more takers with each passing month, we expect good revenue growth for the company. This quarter we expect Infoedge to post de-growth in topline due to reduced hiring by India Inc, which would impact the core business of Infoedge. OnMobile Global, Tanla Solutions and Bartronics are our top picks from the telecom and media coverage universe.

Result Summary

Exhibit 1: Coverage Universe (Consolidated)

		Sales (%) change			EBITDA (%) change			PAT (%) change	
Company	**OND08**	**Y-o-Y**	**Q-o-Q**	**OND08**	**Y-o-Y**	**Q-o-Q**	**OND08**	**Y-o-Y**	**Q-o-Q**
PVR*	79.47	22.61%	0.79%	14.16	9.16%	-5.45%	3.72	-39.16%	-53.15%
INOX	54.63	3.44%	4.71%	9.58	-24.76%	13.35%	4.42	-29.70%	35.25%
Cinemax	45.45	59.37%	1.23%	13.87	88.96%	-2.76%	7.26	63.23%	66.17%
Jagran Prakashan	218.10	9.60%	4.54%	35.30	-18.41%	-7.09%	20.44	-21.07%	-9.95%
Sun TV*	244.57	12.30%	2.81%	182.21	6.54%	3.33%	112.07	9.55%	3.46%
UTV Software	148.71	20.72%	-3.69%	10.79	-54.59%	NA	6.21	-64.93%	-75.31%
OnMobile	108.27	34.50%	11.09%	40.09	2.02%	46.49%	23.75	-7.59%	29.42%
Tanla Solutions	220.12	84.45%	4.25%	99.32	74.77%	3.02%	70.98	64.07%	0.62%
Tulip Telecom	395.35	18.68%	2.78%	83.57	21.54%	3.10%	57.96	7.14%	15.55%
Bartronics	128.66	83.36%	-19.93%	35.32	151.62%	13.23%	26.78	144.57%	32.64%
Infoedge	55.48	1.25%	-15.20%	12.25	-20.60%	-20.96%	10.99	-16.05%	-29.88%
Prime Focus	91.00	64.08%	1.96%	18.50	19.89%	19.35%	4.74	-19.96%	-7.86%
Total	**1,789.81**	**27.89%**	**0.24%**	**554.95**	**15.56%**	**7.93%**	**349.31**	**10.62%**	**5.34%**

** Standalone*

Source: ICICIdirect.com Research, Company

PVR (PVRLIM)

PVR rolled out one property in Phoenix Mills, Mumbai with seven new screens. The company has slowed down its property rollout plans. We do not expect PVR to roll out any new multiplexes in Q409.

- Revenues will grow by 22.61% YoY on the back of 24 new screens and 8279 new seats added during the period.
- EBITDA is expected to increase by 9.16% to Rs 14.16 crore largely due to higher average number of seats under operation.
- PAT is expected to decline by ~40% on account of high interest cost and depreciation.
- We value the stock 9x times FY10E EPS of Rs 13 and maintain our price target of Rs 117 rating the stock as **PERFORMER**.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	79.47	64.81	78.84	22.61%	0.79%	139.06	283.44
EBITDA	14.16	12.97	14.97	9.16%	-5.45%	24.65	49.56
EBITDA margin	17.82%	20.01%	18.99%	-219 bps	-117 bps	17.73%	17.49%
Profit	3.72	6.11	7.93	-39.16%	-53.15%	11.81	18.36
Profit margin	4.59%	9.07%	9.88%	-448 bps	-529 bps	8.26%	6.33%
EPS	1.62	2.66	3.45	-39.16%	-53.15%	5.13	7.98

Source: ICICIdirect.com Research, Company

Standalone Figures

INOX Leisure (INOX)

INOX Leisure did not roll out any new property during this quarter except for commencing full-fledged operations at the property in Burdhwan, which was rolled out towards the end of last quarter. We expect the company to roll out two new properties in Q409.

- Revenues are expected to grow marginally by 3.44% to Rs 54.81 crore YoY. The minor increase was due to the increase in the number of properties but with lower occupancy as compared to the same period last year. QoQ we expect the topline to grow by 4.71% with a new property coming into operation.
- We expect YoY de-growth of 25% in EBITDA margins due to higher F&B cost and higher other operating expenses.
- PAT margins are not expected to fall as much due to lower interest cost and tax outgo in this quarter.
- We value the stock at 10x FY10 EPS and arrive at a target price of Rs 36, rating the stock as **HOLD**.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	54.63	52.81	52.17	3.44%	4.71%	98.66	204.13
EBITDA	9.58	12.73	8.45	-24.76%	13.35%	15.66	33.98
EBITDA margin	17.53%	24.11%	16.20%	-658 bps	133 bps	15.88%	16.65%
Profit	4.42	6.29	3.27	-29.70%	35.25%	6.95	15.52
Profit margin	8.02%	11.69%	6.26%	-367 bps	176 bps	7.05%	7.49%
EPS	0.72	1.02	0.53	-29.70%	35.25%	1.13	2.53

Source: ICICIdirect.com Research, Company

Cinemax (CININD)

Cinemax rolled out only one property in Q3FY09 at Kolkata. We expect the company to roll out two new properties at Hyderabad and Kalyan in Q4FY09.

- We expect the revenues to grow by 60% YoY to Rs 45.45 crore on the back of property rollouts done by the company in FY09. QoQ growth would be flattish due to lower occupancy levels.
- EBITDA margins are expected to fall by 125 bps YoY due to higher administrative and marketing costs.
- The company had amortisation of Rs 3.35 crore last quarter, which ate into the PAT margins. This quarter we expect PAT margins to grow by 797 bps QoQ in the absence of such high amortisation costs.
- We value the company at 6.5x FY10 EPS and rate the company as **PERFORMER** with a target price of Rs 47.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	45.45	28.52	44.90	59.37%	1.23%	73.32	151.95
EBITDA	13.87	7.34	14.26	88.96%	-2.76%	18.60	41.00
EBITDA margin	30.51%	25.73%	31.76%	478 bps	-125 bps	25.37%	26.98%
Profit	7.26	4.45	4.37	63.23%	66.17%	8.02	19.17
Profit margin	15.77%	15.17%	9.55%	60 bps	622 bps	10.27%	12.14%
EPS	2.59	1.59	1.56	63.23%	66.17%	2.87	6.85

Source: ICICIdirect.com Research, Company

Jagran Prakashan (JAGPRA)

We expect this to be one of the worst quarters for Jagran Prakashan on account of high cost inventory of newsprint. Print companies have gained some breathing space with newsprint prices falling to ~Rs 31000/tonne. However, given the 2-3 months average inventory, this quarter could see higher average cost of newsprint. The benefits would start accruing from next quarter onwards.

The company would also be impacted by lower-than-expected growth in advertisement in the festive season.

- We expect the topline to grow by mere 4.5% QoQ and 9.6% YoY to Rs 218.1 crore.
- We expect the EBITDA margins to fall to 16.19% due to high cost of newsprint.
- We value the company at 13x FY10 EPS and rate the company as **HOLD** with a target price of Rs 56.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	218.10	199.00	208.63	9.60%	4.54%	415.11	846.94
EBITDA	35.30	43.27	37.99	-18.41%	-7.09%	87.79	174.58
EBITDA margin	16.19%	21.74%	18.21%	-555 bps	-202 bps	21.15%	20.61%
Profit	20.44	25.90	22.70	-21.07%	-9.95%	54.48	102.84
Profit margin	9.37%	13.01%	10.88%	-364 bps	-151 bps	12.76%	12.14%
EPS	0.68	0.86	0.75	-21.07%	-9.95%	1.81	3.41

Source: ICICIdirect.com Research, Company

ICICI Securities Limited has been mandated for rendering advisory services to Jagran Prakashan Ltd. This report is prepared on the basis of publicly available information.

Sun TV (SUNTV)

We expect Sun TV to recover loss of subscription revenues from this quarter, which would aid revenue growth. However, the company would be impacted by dismal growth in advertisement. Still, we expect it to perform better than other players in the broadcasting space as regional ads have not witnessed as much decline as the national ads.

- We expect the topline for Q3FY09 to grow at ~12% YoY on the back of recovery in subscription revenues.
- EBITDA margins are expected to post a marginal increase.
- We value the company at 15x FY10 EPS and rate the company as **PERFORMER** with a target price of Rs 204.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	244.57	217.78	237.88	12.30%	2.81%	461.45	970.23
EBITDA	182.21	171.02	176.33	6.54%	3.33%	344.61	722.58
EBITDA margin	74.50%	78.53%	74.13%	-403 bps	37 bps	74.68%	74.48%
Profit	112.07	102.30	108.31	9.55%	3.46%	210.85	442.34
Profit margin	45.82%	46.97%	45.53%	-115 bps	29 bps	40.94%	45.59%
EPS	2.84	2.60	2.60	9.55%	9.30%	5.35	11.22

Standalone Figures

Source: ICICIdirect.com Research, Company

UTV Software (UTVSOF)

UTV Software has released two movies (Fashion and Oye Lucky Lucky Oye) in this quarter as against four movies in the last quarter. We expect the TV production worker strike to have a relatively smaller impact on the company.

- We expect the topline to decline 13% QoQ primarily due to lesser number of movies released in this quarter. However, topline is expected to grow 21% YoY to Rs 148.71 crore.
- EBITDA margins are expected to rebound to positive figure with better realisation in the movie business.
- We have used SOTP valuation to arrive at a target price of Rs 280. We rate the company as **PERFORMER**.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	148.71	123.18	170.85	20.72%	-12.96%	306.66	689.02
EBITDA	10.79	23.75	-7.84	-54.59%	-237.64%	8.70	60.16
EBITDA margin	7.25%	19.28%	-4.59%	-1203 bps	1184 bps	2.84%	8.73%
Profit	6.21	17.70	25.14	-64.93%	-75.31%	45.03	75.39
Profit margin	4.04%	14.23%	14.08%	-1019 bps	-1004 bps	13.91%	10.53%
EPS	1.82	7.73	7.35	-76.52%	-75.31%	13.17	22.05

Source: ICICIdirect.com Research, Company

OnMobile Global (ONMGLO)

With the increasing subscriber base and VAS gaining acceptance among more subscribers, we expect this to be a healthy quarter for OnMobile Global.

- We expect the topline to grow by a healthy 34.5% YoY and 11.1% QoQ to Rs 108.3 crore.
- EBITDA margins are expected to increase by 895 bps QoQ on account of high revenue growth and cost being captured uniformly throughout the year.
- We have used the DCF methodology to arrive at a target price of Rs 318 and rate the company as **OUTPERFORMER.**

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	108.27	80.50	97.46	34.50%	11.09%	175.31	412.71
EBITDA	40.09	39.30	27.37	2.02%	46.49%	48.26	135.67
EBITDA margin	37.03%	48.82%	28.08%	-1179 bps	895 bps	27.53%	32.87%
Profit	23.75	25.70	18.35	-7.59%	29.42%	33.52	84.97
Profit margin	21.23%	31.77%	17.29%	-1054 bps	394 bps	17.42%	19.41%
EPS	4.12	4.45	3.18	-7.59%	29.42%	5.81	14.72

Source: ICICIdirect.com Research, Company

Tanla Solution (TANSOL)

Revenues from the newly entered Indian VAS market are expected to grow at a good rate given the small base. We also expect the shipment of the Openbit payment solution embedded phone to increase handsomely over the last quarter.

- The topline is expected to grow 85% YoY. QoQ growth would be muted at around 4%, primarily due to strengthening of the Indian rupee against the British pound revenue.
- We expect EBITDA margins to be more or less flattish. However, the PAT margins are expected to decline due to higher tax outgo on the Openbit front.
- We value the company at 3.5x FY10 EPS and arrive at a target price of Rs 109. We maintain our **OUTPERFORMER** rating.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	220.12	119.34	211.15	84.45%	4.25%	378.02	824.76
EBITDA	99.32	56.83	96.40	74.77%	3.02%	176.83	378.40
EBITDA margin	45.12%	47.62%	45.66%	-250 bps	-54 bps	21.40%	45.88%
Profit	70.98	43.26	70.55	64.07%	0.62%	126.95	271.71
Profit margin	32.03%	34.88%	33.21%	-285 bps	-118 bps	33.30%	32.71%
EPS	7.10	4.33	7.05	64.07%	0.62%	12.70	27.17

Source: ICICIdirect.com Research, Company

Tulip Telecom (TULITS)

Tulip Telecom has SWAN orders for three states and is in the bidding process for other states. We expect good revenue growth from these orders. However, it is still unclear as to when the projects would be implemented and handed over to the government.

- The company is expected to have coverage in almost 1360 cites in Q3FY09 from 1100 cities in Q3FY08. Increased coverage and higher penetration are expected to increase the total number of connects in the IP/VPN business to 167400 in Q3FY09 from 93811 in Q3FY08.
- The company is expected to post a topline growth of ~19% YoY and similar growth on QoQ basis.
- IP/VPN business traditionally has higher margins. Higher exposure to this business would have a positive effect on EBITDA margins. We expect it to improve significantly from the corresponding quarter last year.
- We value the company at 7x FY10 fully diluted EPS of Rs 81.23 and arrive at a target price of Rs 569. We rate the company as **PERFORMER.**

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	395.35	333.13	332.47	18.68%	18.91%	717.12	1,551.42
EBITDA	83.57	68.76	65.39	21.54%	27.80%	146.44	327.65
EBITDA margin	21.14%	20.64%	19.67%	50 bps	147 bps	20.42%	21.12%
Profit	57.96	54.09	45.97	7.14%	26.08%	96.12	222.24
Profit margin	14.66%	16.24%	13.83%	-158 bps	83 bps	13.47%	14.32%
EPS	19.99	18.65	15.85	7.14%	26.08%	33.15	64.84

Source: ICICIdirect.com Research, Company

Bartronics (BARLTD)

Bartronics has a healthy order book with orders worth over Rs 1000 crore to be executed in the next 18 months, which would start contributing to revenues by FY2010E.

- We expect topline to be augmented 84% YoY on the back of higher capacity utilisation. The topline is expected to decline by 20% QoQ.
- The EBITDA margins are likely to rebound to 27.5% from 19.4% in the Q209, which were lower in the last quarter due to expenditure incurred in streamlining the manufacturing process.
- The company is expected to post a bottomline of Rs 26.78 crore for the quarter as against Rs 10.95 crore in Q3FY08.
- We value the company at 2.75x FY10 EPS and rate the company as **OUTPERFORMER** with a target price of Rs 113.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	128.66	70.17	160.69	83.36%	-19.93%	280.21	515.58
EBITDA	35.32	14.04	31.19	151.62%	13.23%	64.44	127.22
EBITDA margin	27.45%	20.00%	19.41%	745 bps	804 bps	23.00%	24.67%
Profit	26.78	10.95	20.19	144.57%	32.64%	43.71	91.94
Profit margin	20.76%	15.61%	12.60%	515 bps	816 bps	15.58%	17.78%
EPS	9.71	4.13	7.32	135.22%	32.64%	16.01	25.50

Source: ICICIdirect.com Research, Company

Info Edge (INFEDG)

Info Edge, with its flagship portal Naukri.com, leads the online recruitment market with market share of about 50%. The company derives ~88% of its total revenues from the recruitment services. Given the overall slowdown and cautious environment, corporates have slowed down hiring, which would have a direct impact on the earnings of the company. However, we expect Jeevansathi.com to post decent revenue growth.

- We expect Info Edge to post a 15% QoQ decline in revenues on account of reduced hiring by companies which would result in de-growth of revenue from recruitment services.
- EBITDA margins are expected to decline about 150 bps.
- The main concern in the short-run would be a freeze on hiring by a majority of corporates. We expect this scenario to improve from Q310 onwards.
- We value the company using the DCF methodology and maintain our target price of Rs 450. We rate the stock as **PERFORMER**.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	Y-o-Y (%)	Q-o-Q (%)	H1FY09	FY09E
Sales	55.48	54.79	65.42	1.25%	-15.20%	128.54	242.34
EBITDA	12.25	15.43	15.50	-20.60%	-20.96%	32.23	57.36
EBITDA margin	22.09%	28.16%	23.69%	-607bps	-160 bps	25.07%	23.67%
Profit	10.99	13.09	15.67	-16.05%	-29.88%	28.64	51.19
Profit margin	18.65%	21.75%	21.70%	-310 bps	-305 bps	20.5%	19.7%
EPS	4.03	4.80	5.74	-16.05%	-29.88%	10.49	18.75

Source: ICICIdirect.com Research, Company

Prime Focus (PRIFOC)

We expect Prime Focus to be impacted by the dull performance of the film industry. It would be reflected in declining billing rates for post production services.

- We expect the topline to grow by 64% YoY but a mere 2% QoQ to Rs 91 crore.
- EBITDA margins at 20.33% are expected to remain more or less similar to Q209.
- We value the company at 7x FY10 EPS and rate the company as **PERFORMER** with a target price of Rs 151.

(Rs crore)	Q3FY09E	Q3FY08	Q2FY09	YoY (%)	QoQ (%)	H1FY09	FY09E
Sales	91.00	55.46	89.25	64.08%	1.96%	174.19	360.19
EBITDA	18.50	14.79	18.46	25.07%	0.23%	38.20	75.85
EBITDA margin	20.33%	26.67%	20.68%	-634 bps	-35 bps	21.93%	21.06%
Profit	4.74	5.92	5.14	-19.96%	-7.86%	15.36	24.71
Profit margin	5.68%	10.23%	6.16%	-455 bps	-48 bps	8.5%	7.1%
EPS	3.72	4.68	4.04	-20.40%	-7.86%	12.07	19.43

Source: ICICIdirect.com Research, Company

Coverage Universe Valuation table

Company	CMP	TP	Ratings	M Cap Rs Cr.	EPS FY08	EPS FY09	EPS FY10	P/E (x) FY08	P/E (x) FY09	P/E (x) FY10	EV/EBITDA (x) FY08	EV/EBITDA (x) FY09	EV/EBITDA (x) FY10	ROCE FY08	ROCE FY09	ROCE FY10	ROE FY08	ROE FY09	ROE FY10
PVR	101	117	P	232.40	9.41	7.98	13.01	10.74	12.66	7.76	5.89	4.49	17.88	10.82%	9.02%	9.47%	10.39%	8.63%	8.83%
INOX	33	36	H	202.82	4.29	2.53	3.60	7.69	13.07	9.16	17.57	25.30	100.29	13.27%	6.95%	9.45%	10.20%	5.66%	7.47%
Cinemax	40	47	P	112.7	4.91	6.85	7.27	8.20	5.88	5.54	6.66	5.36	28.21	10.29%	11.00%	10.67%	9.31%	11.72%	11.27%
Jagran	51	56	H	1536	3.26	3.41	4.28	15.63	14.94	11.91	8.51	8.31	6.40	21.10%	20.80%	24.17%	18.22%	17.95%	20.37%
Sun TV	164	204	P	6463	8.29	11.24	13.57	22.07	16.29	13.49	11.47	9.22	7.25	29.98%	29.74%	30.12%	21.65%	24.07%	23.64%
UTV Software	254	280	P	983	23.22	22.05	22.58	10.94	11.52	11.25	12.63	9.14	7.17	7.47%	3.22%	7.59%	12.62%	5.44%	5.92%
OnMobile	225	318	OP	1298	10.51	14.72	19.64	21.42	15.28	11.46	7.88	6.68	4.30	12.97%	12.76%	15.25%	9.87%	12.20%	14.00%
Tanla Solutions	74	109	OP	370	33.31	27.17	31.15	2.22	2.72	2.38	0.21	-0.28	-0.81	27.65%	34.31%	31.35%	23.77%	28.47%	25.09%
Tulip Telecom	479	569	P	1641	64.58	64.84	81.28	7.42	7.39	5.89	4.03	4.78	3.30	31.87%	34.06%	29.32%	42.05%	33.63%	30.17%
Bartronics	89	113	OP	324	17.88	25.50	41.15	5.03	3.53	2.19	8.25	2.90	1.86	10.69%	17.39%	22.97%	17.29%	15.23%	19.73%
Infoedge	410	450	P	1119	20.32	18.75	25.25	20.16	21.86	16.24	12.48	8.64	4.69	29.68%	21.71%	24.71%	20.68%	16.27%	18.26%

Source: ICICIdirect.com Research, Company
H: Hold, UP: Underperformer, OP: Outperformer, P: Performer

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Outperformer (OP): 20% or more;
Performer (P): Between 10% and 20%;
Hold (H): $\underline{+}$10% return;
Underperformer (UP) : -10% or more;

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