

COMPANY QUICK COMMENT

With the Cricket World Cup (CWC) concluding last weekend, a look back at the performance of the Hindi GECs during this event indicates that the impact of the CWC on the viewership of Hindi GECs has been minimal. Even in the week ending 2 April, which included two big India matches, the overall viewership of the Hindi GECs declined by just 12% compared to the pre-World Cup period. However, the performance of different channels during this period has been quite varied, with Colors doing the best and Zee being one of the biggest losers. Maintain NEUTRAL on Zee Entertainment with PT of INR137.

Price target: 137.0 INR

Price (06 Apr 2011): 127.45 INR

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Zee TV's performance during Cricket World Cup disappoints

There were apprehensions at the start of the year that with the Cricket World Cup being scheduled during February-April 2011, viewership of the Hindi GEC (General Entertainment Channel) genre would see a sharp decline during this period.

However following the conclusion of the event, it seems that the top Hindi GECs have done rather well in protecting their viewership, with the overall GRPs (Gross Rating Points) of the top 5 channels declining by just 12% during the last week of the event (which had a semi-final and the final featuring India) compared to the pre-World Cup period.

Though the overall performance has been commendable, there was significant variance in the performance of different channels. The aggressive stance taken by Colors, which reduced its inventory significantly during this period (thereby reducing channel surfing during ad-breaks), featured a strong movie line-up and storyline peaks in fiction shows, paid-off well, with the channel registering a significant gain in its GRPs from 238 prior to the World Cup to 300 at the end of the event.

On the other hand, Zee TV (the flagship channel of Zee Entertainment) was one of the biggest losers during this period, with its GRPs declining from 219 pre-World Cup to 171 at the end of the event. This has also resulted in a substantial increase between Zee (the No. 3 channel) with the No. 2 channel from 19 GRPs pre-World Cup to 91 GRPs at the end of the event.

We maintain our NEUTRAL rating on Zee Entertainment with a target price of INR137.

Meanwhile, as per TAM Media, average ratings of the Cricket World Cup finals held on 2 April stood at 23.2, which means that at any given point of time the event was being watched by 120mn viewers in India. The peak rating achieved was 35.91.

Figure 1: Hindi GEC latest GRP's

Week ending	Colors	Star Plus	Zee TV	Sony Entertainment Television	SAB TV	Total	Comments
5-Feb-11	265	327	250	154	152	1148	Pre World Cup
12-Feb-11	238	318	219	180	153	1108	Pre World Cup
19-Feb-11	283	299	210	143	134	1069	World Cup starts
26-Feb-11	225	297	233	136	153	1044	Group Stages of WC
5-Mar-11	231	280	217	140	143	1011	Group Stages of WC
12-Mar-11	235	275	203	133	124	970	Group Stages of WC
19-Mar-11	257	306	207	183	136	1089	Group Stages of WC
26-Mar-11	272	292	187	159	136	1046	Knock-out stage
2-Apr-11	300	262	171	120	127	980	Final week of WC with 2 big India matches

Source: TAM Media, Nomura Research

Valuation Methodology and Investment Risks: We value ZEEL on a relative P/E multiple-based valuation technique. Our target multiple of 21x FY11E EPS of INR13.0 is roughly a 30% premium to the broader market multiples. Risks that may impede the achievement of the price target: Downside Risks: a weaker-than-expected recovery in ad-revenue growth poses a risk to our earnings estimates for ZEEL; higher-than anticipated competition in the Hindi GEC space; any deterioration in the ratings of ZEEL's flagship channel Zee TV. Upside Risks: Better-than-expected cost management by the company.

Note: Ratings and Price Targets are as of the date of the most recently published report (<http://www.nomura.com/research>) rather than the

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Mentioned companies

Issuer name	Ticker	Price	Price date	Stock rating	Disclosures
Zee Entertainment	Z IN	127.45 INR	06 Apr 2011	Neutral	4

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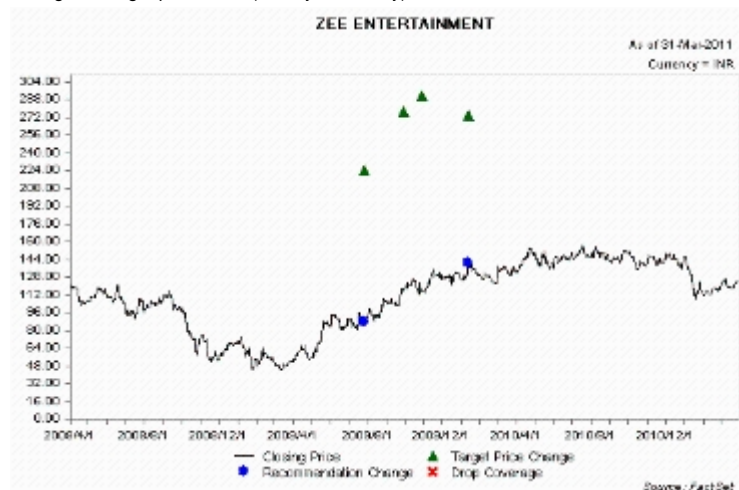
Previous Rating

Issuer name	Previous Rating	Date of change
Zee Entertainment	Buy	14 Jan 2010

Zee Entertainment (Z IN)

127.45 INR (06 Apr 2011) Neutral

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

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As at 31 March 2011.

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