

## Media

## Q2FY12 Results Preview

## Equalweight

## Expect negative surprises

**In the backdrop of looming economic slowdown and with only small part of festive season falling in Q2, we expect sluggish ad revenue growth. However, margins are expected to expand marginally while PAT grows 21% YoY but decline 3.5% QoQ. We expect negative surprises across companies and believe the key thing to note would be management guidance on ad growth and margins.**

- **Sluggish ad growth:** In the backdrop of looming economic slowdown and with only a small part of the festive season falling in the quarter, ad revenue growth across companies was sluggish. We believe ZEEL would post de-growth in ad revenue of 11%YoY during the quarter, while Jagran Prakashan, ENIL, HT Media and Sun TV Network are expected to register ad revenue growth of ~10-14% YoY.
- **Subscription revenues to boost broadcasting space:** With the momentum in subscriber additions continuing, we expect DTH revenues to increase due to significant growth in the number of DTH subscribers during the quarter. Analog subscription revenues are also expected to grow. However, we expect flat growth in circulation revenue for print players.
- **Margins to expand:** Margins are expected to expand 68bps YoY and 53bps QoQ for our coverage companies. Both print & broadcasting companies are expected to report margin contraction. ENIL, Info Edge and Dish TV are expected to register the maximum rise in margins.
- **Profits show healthy growth:** PAT for our coverage universe is expected to register a healthy 21% YoY growth. However, sequentially, it is expected to decline 3.5%. The print sector is expected to underperform the broadcasting space due to lower ad revenue growth and higher newsprint cost.
- **Equalweight on the sector:** Maintain Buy on Sun TV, Jagran Prakashan, HT Media and ENIL. We have a Hold on Info Edge, ZEEL, Dish TV and Balaji Telefilms.

## Key Performance (%)

	1M	6M	1Yr
Balaji Telefilms	2.9	(19.5)	(44.1)
Dish TV	(3.9)	10.2	33.8
ENIL	(1.7)	0.1	3.7
HT Media	(3.5)	(3.8)	(13.0)
Info Edge	(5.7)	(0.2)	(11.1)
Jagran Prakashan	(3.8)	(14.9)	(18.7)
Sun TV Network	(27.5)	(50.4)	(57.6)
Zee Entertainment	(1.0)	(10.2)	(23.8)
NIFTY	(4.4)	(18.9)	(22.0)

\*as of 4 October 2011

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## Summary Estimates

Y/E March (Rsmn)	Net Sales (Rsmn)				EBITDA (Rsmn)				EBITDA Margin (%)			Adj. PAT (Rsmn)			
	Q2FY12E	YoY (%)	QoQ (%)	FY12E	Q2FY12E	YoY (%)	QoQ (%)	FY12E	Q2FY12E	Q2FY11	Q4FY11	Q2FY12E	YoY (%)	QoQ (%)	FY12E
Balaji Telefilms	320	(16.0)	12.7	1,456	(20)	NM	NM	(22)	(6.3)	(13.5)	(11.1)	32	NM	(66.84)	185
Dish TV	4,798	47.1	4.2	20,626	1,206	142.2	7.6	5,401	25.1	15.3	24.3	(164)	NM	NM	(73)
ENIL	697	11.0	10.3	3,144	205	30.6	10.8	1,054	29.4	25.0	29.3	110	120.0	13.4	647
HT Media	4,880	9.5	(1.8)	20,722	814	3.0	(10.0)	4,201	16.7	17.7	18.2	463	19.3	(10.3)	2,363
Info Edge	890	25.0	2.8	3,636	330	54.2	4.4	1,265	37.1	30.1	36.5	265	48.0	3.5	1,011
Jagran Prakashan	3,063	10.7	0.6	13,791	768	(15.4)	(6.3)	3,969	25.1	32.8	26.9	457	(17.7)	(8.0)	2,426
Sun TV Network	4,681	10.2	3.1	22,241	3,681	10.8	0.6	17,408	78.6	78.2	80.6	1,892	13.0	0.9	9,155
Zee Entertainment	6,958	(2.2)	(0.4)	32,310	1,808	(4.1)	15.9	8,377	26.0	26.5	22.3	1,280	1.4	(4.3)	6,276
<b>Total</b>	<b>26,287</b>	<b>11.5</b>	<b>1.4</b>	<b>117,926</b>	<b>8,792</b>	<b>13.8</b>	<b>3.0</b>	<b>41,653</b>	<b>33.4</b>	<b>32.8</b>	<b>32.9</b>	<b>4,335</b>	<b>20.7</b>	<b>(3.5)</b>	<b>21,990</b>

Source: Company, Centrum Research Estimates

## Balaji Telefilms (Rating: Hold ;Target Price: Rs34)

### Exhibit 1: Quarterly Estimates

(Rsmn)	Q2FY12 E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	320	381	284	12.7	(16.0)	1456
EBITDA	(20)	(52)	(32)	nm	nm	(22)
EBITDA Margins (%)	(6.3)	(13.5)	(11.1)	488bps	727bps	(1.5)
PAT	32	(64)	97	nm	(150.0)	185

Source: Company, Centrum Research Estimates

- We expect Q2FY12 revenue to de-grow 16% YoY, but increase 12% QoQ, on back of increase in programming hours on a sequential basis.
- Operating margin is expected to expand 488bps QoQ. We estimate EBITDA loss of Rs20mn.
- The company is expected to report a marginal profit of Rs32mn on the back of high other income

## Dish TV (Rating: Hold; Target Price: Rs87)

### Exhibit 2: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	4,798	3,261	4,604	4.2	47.1	20,626
EBITDA	1,206	498	1,121	7.6	142.2	5,401
EBITDA Margin (%)	25.1	15.3	24.3	79bps	986bps	26.2
PAT	(164)	(452)	(184)	nm	nm	(73)

Source: Company, Centrum Research Estimates

- We expect the addition of 0.5mn subscribers during the quarter. We expect Dish TV to post a revenue of Rs4,798mn (up 47% YoY and 4.2% QoQ). ARPU is expected to remain flat at Rs150.
- Margin is expected to expand due to fixed-content cost by 79 bps QoQ to 25.1%.
- We expect losses to reduce to Rs164mn from Rs452mn in Q2FY11.

## ENIL (Standalone) (Rating: Buy;Target Price: Rs307)

### Exhibit 3: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	697	628	632	10.3	11.0	3144
EBITDA	205	157	185	10.8	30.6	1054
EBITDA Margin (%)	29.4	25.0	29.3	14bps	441bps	33.5
Adj PAT	110	50	97	13.4	120.0	647

Source: Company, Centrum Research Estimates

- Ad revenue is expected to increase 11% YoY (10% QoQ). Company had taken a marginal price hike which is expected to boost revenue growth though inventory utilisation is going to be the key driver.
- Low music royalty payment structure is expected to boost margin 441bps to 29.4% in Q2FY12 from 25% in Q2FY11.
- Adjusted PAT is also expected to surge 120% YoY to Rs110mn from Rs50mn.

## HT Media (Rating: Buy; Target Price: Rs188)

### Exhibit 4: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	4,880	4,455	4,969	(1.8)	9.5	20,722
EBITDA	814	790	904	(10.0)	3.0	4,201
EBITDA Margin (%)	16.7	17.7	18.2	(151)bps	(105)bps	20.3
PAT	463	388	516	(10.3)	19.3	2,363

Source: Company, Centrum Research Estimates

- We expect 9% YoY revenue growth, mainly due to strong 14% rise in advertising revenues from Hindustan. Circulation revenues are expected to grow by 14%, and radio revenues by 55% YoY.
- We expect operating margin to contract 105bps YoY on the back of higher newsprint cost. On a sequential basis too, margin is expected decline 151bps
- We expect PAT to grow 19% YoY (but decline 10.3% QoQ) to Rs463mn.

## Info Edge (Rating: Hold; Target Price: Rs697)

### Exhibit 5: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	890	712	866	2.8	25.0	3636
EBITDA	330	214	316	4.4	54.2	1265
EBITDA Margin (%)	37.1	30.1	36.5	59bps	702bps	34.8
PAT	265	179	256	3.5	48.0	1011

Source: Company, Centrum Research Estimates

- We expect 25% YoY increase in sales on the back of strong demand from the recruitment vertical and high differed sales revenue. However, on a sequential basis, we expect revenues remain flat.
- We expect margin to remain healthy due to the company's fixed-cost model and high operating leverage. OPM is expected to expand to 37%. However, on a QoQ basis, margin is likely to remain flat.
- PAT is expected to grow 48% YoY (and 3.5% QoQ) to Rs265mn.

## Jagran Prakashan(Standalone) (Rating: Buy; Target Price: Rs150)

### Exhibit 6: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	3,063	2,768	3,046	0.6	10.7	13,791
EBITDA	768	908	820	(6.3)	(15.4)	3,969
EBITDA Margin (%)	25.1	32.8	26.9	(185)bps	(773)bps	28.8
PAT	457	555	497	(8.0)	(17.7)	2,426

Source: Company, Centrum Research Estimates

- We expect revenue to grow 10.7% YoY but remain flat QoQ with ad revenue growing by 10% YoY.
- Operating margin is expected to decline 773bps YoY. Operating profit is also expected to decline 15% YoY due to lower ad growth and higher newsprint cost.
- PAT is expected to de-grow 17.7% YoY and 8% QoQ.

## Sun TV (Rating: BUY; Target Price: Rs 417)

### Exhibit 7: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	4,681	4,248	4,540	3.1	10.2	22,241
EBITDA	3,681	3,323	3,659	0.6	10.8	17,408
EBITDA Margin (%)	78.6	78.2	80.6	(196)bps	41bps	78.3
PAT	1,892	1,675	1,876	0.9	13.0	9,155

Source: Company, Centrum Research Estimates

- We expect the company to post 10% YoY increase in revenue, but report mere 3% growth QoQ. We have modelled 7% YoY ad revenue growth for the quarter along with 24% increase in DTH revenues and 2% growth in analog subscription revenues. International subscription revenues are expected to grow by 25% YoY.
- EBITDA margin is expected to increase marginally to 78.6% from 78.2% in Q2FY11. The company released two movies during the quarter hence amortisation is expected to be high.
- PAT is expected to grow 13% YoY, but remain flat on a sequential basis.

## Zee Entertainment Enterprises (Rating: Hold; Target Price: Rs 146)

### Exhibit 8: Quarterly Estimates

(Rsmn)	Q2FY12E	Q2FY11	Q1FY12	QoQ (%)	YoY (%)	FY12E
Sales	6,958	7,116	6,983	(0.4)	(2.2)	32,310
EBITDA	1,808	1,885	1,560	15.9	(4.1)	8,377
EBITDA Margin (%)	26.0	26.5	22.3	364bps	(51)bps	25.9
PAT	1,280	1,262	1,337	(4.3)	1.4	6,276

Source: Company, Centrum Research Estimates

- Q2FY12 revenue is expected to de-grow 2.2% YoY on the back of 11% decline in ad revenue predominantly due to the lack of heavy sporting events during the quarter while non-sports ad revenue is expected to decline marginally by 2%. Subscription revenue is expected to increase by 14% YoY on back of 46% YoY growth in DTH subscription revenue while analog and international subscription revenues are both expected to grow marginally at 2% YoY each.
- EBITDA margin is expected to contract 51 bps YoY but grow by 364bps QoQ. EBITDA is expected to drop 4.1% YoY. Sports losses are expected to contract significantly which will help in sequential margin expansion.
- PAT is expected to shrink 4.3% QoQ on back of higher tax rate but increase 1.4% YoY.

## Appendix A

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