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# Media Monitor – December '08

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*"The cash squeeze is a huge problem for the world economy, because as firms cut discretionary spending wherever they can, the result is likely to be a corporate version of what John Maynard Keynes called the 'paradox of thrift'. Every firm does what is prudent for itself, but by cutting its spending it slows down the economy still further and thus hurts everybody, including itself."*

*The Economist*

## FWICE strike leads to wage hike; higher content costs

### Strike by TV workers union over; no fresh programming on GECs during weeks 46-48 CY08

We believe the strike by Federation of Western India of Cine Employees (FWICE) will affect both broadcasters and the content providers. The strike resulted in black-out of fresh content on Hindi GECs for three weeks and 15-30% wage hike, which will be borne by producers for now, but will eventually be passed on to broadcasters. In the listed space, Zee Entertainment Enterprises (ZEEL), NDTV, IBN18 and Balaji Telefilms (BTL) will be affected by the development.

### Aaj Tak and NDTV 24x7, the preferred channels during the Mumbai attacks

News channels gained high GRP share during the Mumbai terror attacks in week 48 CY08 (November 23-29, '08) as most viewers watched news channels, while other genres (especially GECs) suffered. News genre garnered 10.7% of the weekly GRPs during the week as compared with an average of 5.7% in Q2FY09. Aaj Tak (Hindi news) and NDTV 24x7 (English news) emerged as the preferred channels during the Mumbai attacks.

### Reports of end to Political feud in Tamil Nadu; Sun TV Network to benefit

The political feud between the Maran family, promoters of Sun TV Network, and DMK, the ruling party in Tamil Nadu, has been the key concern for Sun, leading to an overhang on the stock. A patch-up between the two parties has been recently reported in the media. The development can be highly positive for Sun as competition is trying to make inroads into the market with launch of Zee Tamizh and the JV between the STAR Group and Asianet.

### AbitibiBowater announces plan to cut 830,000MT newsprint capacity to combat slowdown

AbitibiBowater has announced plans to cut 830,000MT newsprint capacity in '09, which involves 205,000MT of permanent closure with the rest being idle capacity. The steps are likely to lead to newsprint prices not correcting severely from the current levels in the short term. But with permanent closure being limited, we expect newsprint prices to soften. Three-month Futures of wood pulp have corrected from US\$720/MT to US\$626/MT; we believe this should start reflecting in newsprint prices in Q4FY09. Domestic newsprint contracts for Q4FY09E have already seen a correction of 10-15% from peak levels, as per print players.

### Key things to watch for

i) Performance of new programmes on GECs, ii) merger of HT Media's radio business with itself, iii) Dish TV rights issue and iv) fund raising in 9X.

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December 5, 2008

Please refer to important disclosures at the end of this report

# Media sector – Valuations

	Rating	EPS (Rs)			P/E (x)			EV/EBITDA (x)			EBITDA margin (FY08)	ROE(%) (FY08)	ROCE(%) (FY08)
		FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E			
Balaji Telefilms	HOLD	14.7	12.8	12.8	4.3	5.0	5.0	1.3	1.5	1.5	35.6%	28.4%	22.9%
ENIL	BUY	(0.9)	(0.4)	3.7	NM	NM	29.0	15.6	12.5	8.4	10.2%	-1.1%	1.9%
HT Media	BUY	4.3	3.6	5.7	15.0	18.0	11.4	8.7	7.9	5.7	14.1%	12.5%	6.9%
IBN 18	HOLD	(1.6)	(2.5)	(1.0)	NM	NM	NM	199.0	NM	1,203.5	5.1%	-16.2%	-4.4%
NDTV	BUY	(27.9)	(44.0)	(19.1)	NM	NM	NM	NM	NM	NM	-37.7%	-77.1%	-34.9%
Prime Focus	HOLD	23.8	23.4	25.8	7.2	7.4	6.7	2.5	1.8	1.6	30.5%	15.3%	8.5%
Sun TV Network	BUY	8.3	10.4	11.7	20.7	16.6	14.7	10.7	8.7	7.4	68.7%	23.6%	22.5%
TV Today	BUY	7.6	8.7	9.5	8.3	7.3	6.7	3.3	2.5	2.3	27.2%	16.0%	8.5%
Zee Entertainment Enterprises	HOLD	8.9	10.2	10.7	13.7	12.0	11.4	10.0	8.5	7.6	29.5%	14.1%	10.8%
Zee News	STRONG BUY	1.5	2.4	3.0	20.0	12.8	10.3	11.1	7.5	5.9	18.4%	19.1%	17.3%

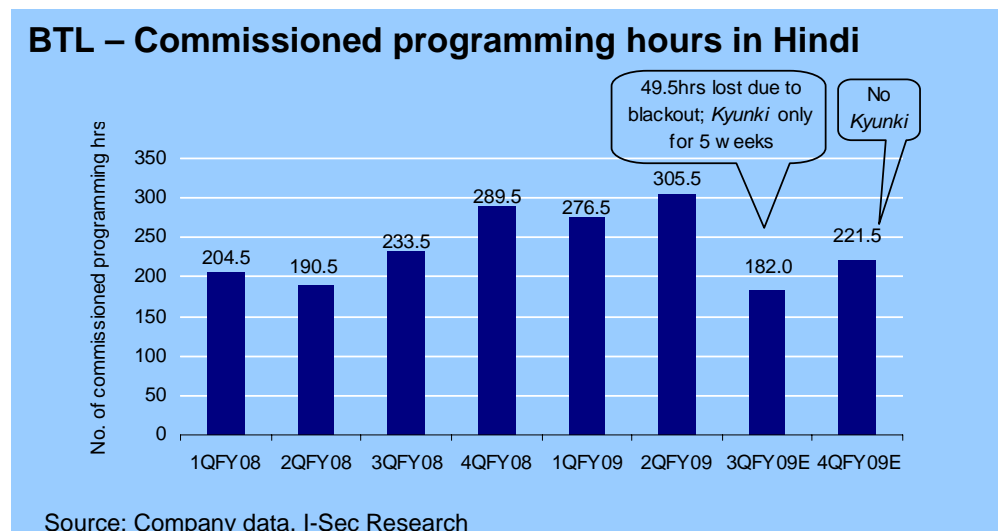
Source: Bloomberg, Company data, I-Sec Research

- We recommend Zee News (ZNL), Sun TV Network and TVTN as our top picks in the sector. ZEEL and IBN18 are fairly valued
- We recommend NDTV as a trading BUY and expect value unlocking due to de-merger. High cash on books will enable the company to face the slowdown with ease
- BTL to witness tough quarters going forward owing to the wage hike and *Kyunki Saas Bhi Kabhi Bahu Thi (Kyunki)* going off air. Underperformance of 9X is also a concern. We expect financials to be in a rough patch in the next 6-9 months and recommend HOLD with a positive long term view
- We are cautious on Entertainment Network India (ENIL) owing to significant slowdown in radio and out-of-home (OOH) advertising; airports business losses to mount. Avoid Prime Focus

# Strike by TV workers union over

We believe the strike by FWICE will affect both the broadcasters and the content providers. The strike led to a black-out of fresh content on Hindi GECs for three weeks and 15-30% wage hike, which will be borne by the producers for now, but will eventually be passed on to broadcasters. In the listed space, ZEEL, NDTV, IBN18 and BTL will be affected by the development.

- **Broadcasters.** Ad revenues of ~Rs1.8bn for three weeks for the GEC genre will likely be at risk with advertisers supporting/maintaining rates for only 12 days of the strike. We expect only 60% recovery of advertisement revenues during the period. Going forward, we expect programming costs to rise 2-5% owing to the wage hike given to the TV production workers.
- **Content providers.** BTL lost ~50 hours of programming during the strike, implying revenue loss of ~Rs200mn. After factoring in the closure of *Kyunki*, BTL's revenues are likely to dip 16.2% YoY and 18.6% YoY in Q3FY09E and Q4FY09E respectively (excluding any new shows).

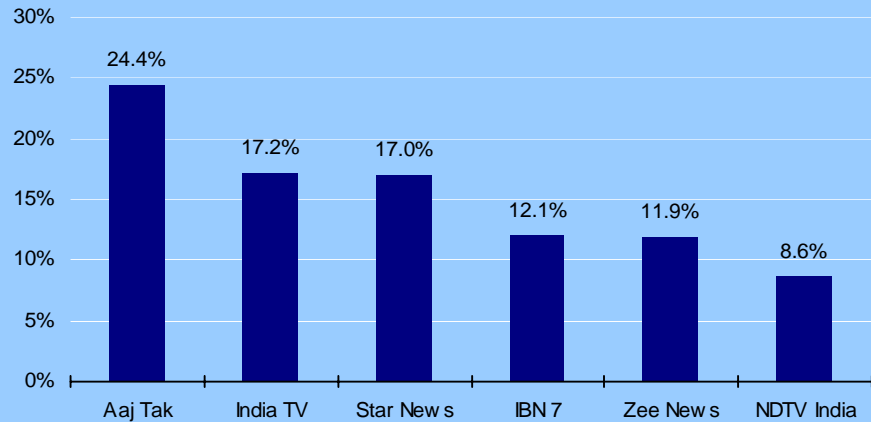


## News channels gain GRPs during Mumbai attacks

News channels gained high GRP share during the Mumbai terror attacks in week 48 CY08 (November 23-29, '08) as most viewers watched news channels, while other genres (especially GECs) suffered. The news genre garnered 10.7% of the weekly GRPs during the week versus an average of 5.7% in Q2FY09

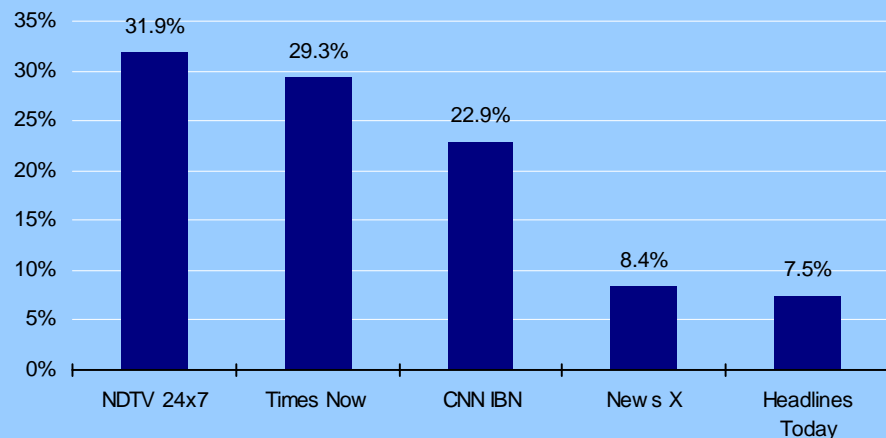
Weekly GRPs of Hindi and English news segments, during the Mumbai attacks (week 48), were ~150% & ~180% above the average respectively

### Hindi news – Aaj Tak #1 during Nov 26-29, '08



Source: TAM CS 15+; Market HSM

### English news – NDTV 24x7 #1 during Nov 26-29, '08

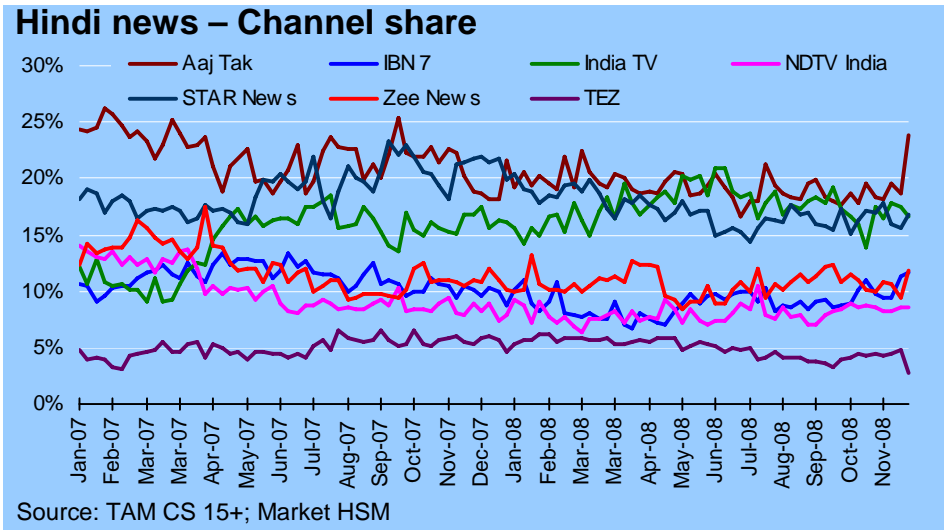


Source: TAM CS 15+; Market All

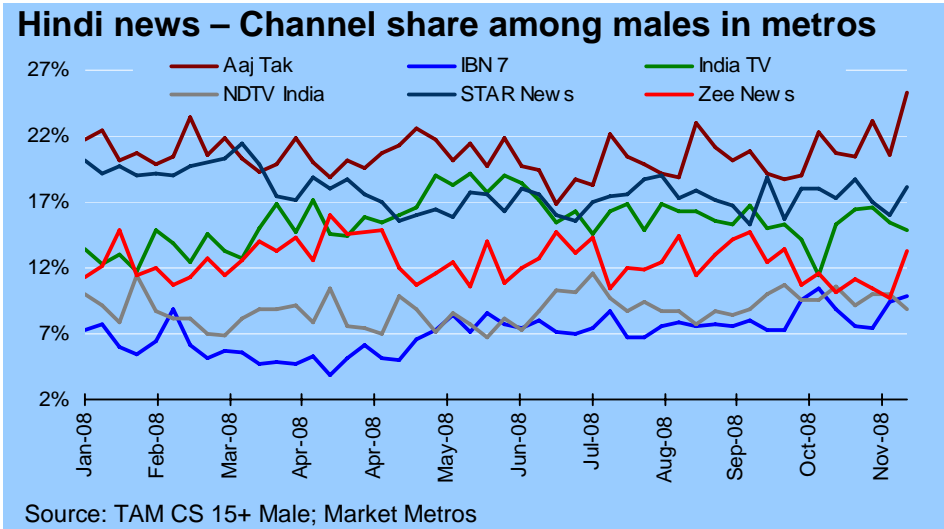


# Hindi news

*Aaj Tak* was the undisputed leader during week 48 with 23% GRP share, with *STAR News* (16.6%) and *India TV* (16.2%) being the distant second and third respectively

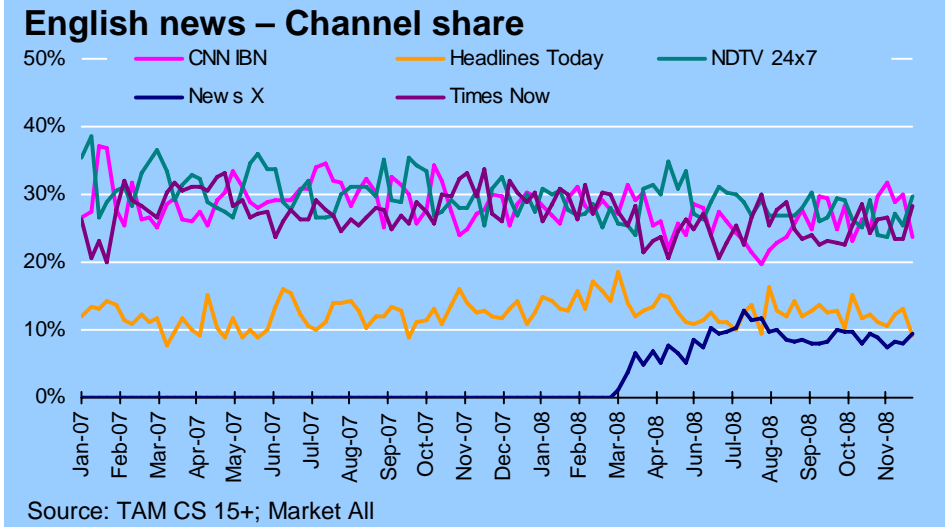


*Aaj Tak* continued to maintain its lead among the male population in metros, followed by *STAR News* & *India TV*

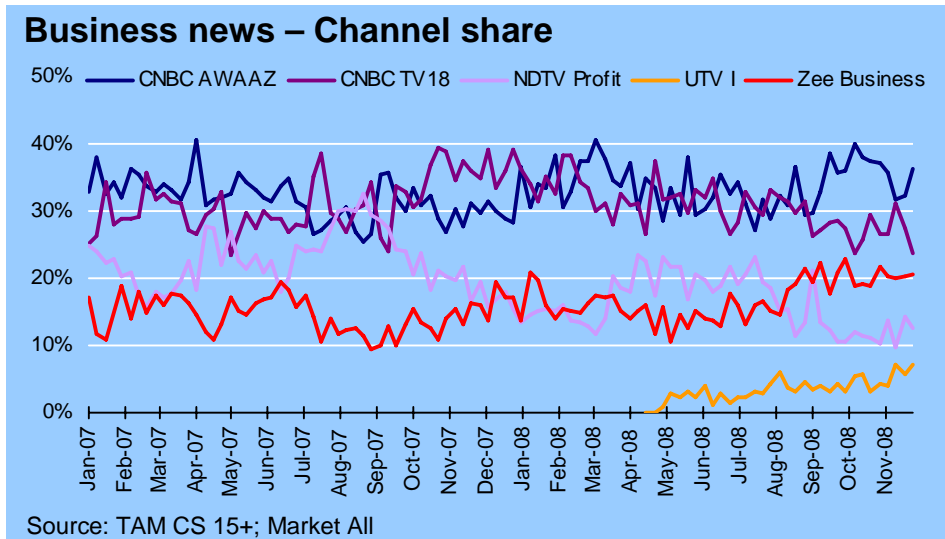


# English and business news

*NDTV 24\*7* led the English news genre, with 29.6% share during week 48, followed closely by *Times Now* (28.2%), while *CNN IBN* was a distant third with 23.2% share



*CNBC Awaaz* and *CNBC TV18* remained leaders in business news. *Zee Business* continued to consolidate its lead over *NDTV Profit*



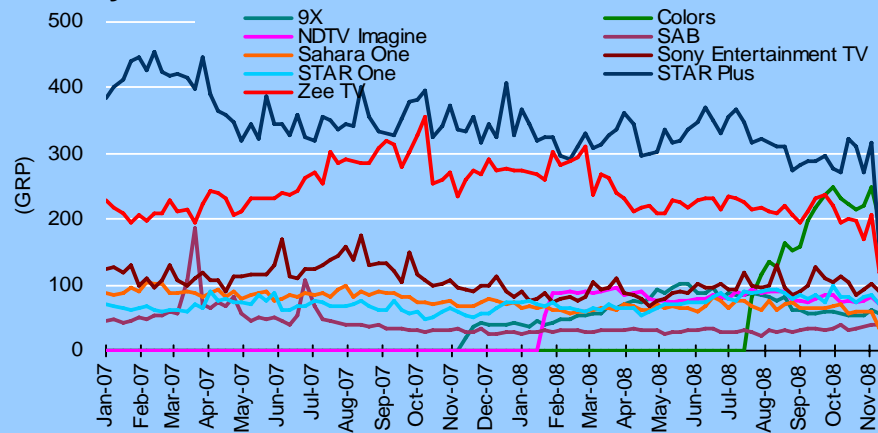
# Hindi GECs – GRPs meaningless due to black-out

All GECs saw GRP decline during week 46-48 as there was a black-out of fresh programming and re-runs were shown

Colors showed the least decline among GECs, partly because *Bigg Boss Season 2* was the only show which telecasted fresh programming

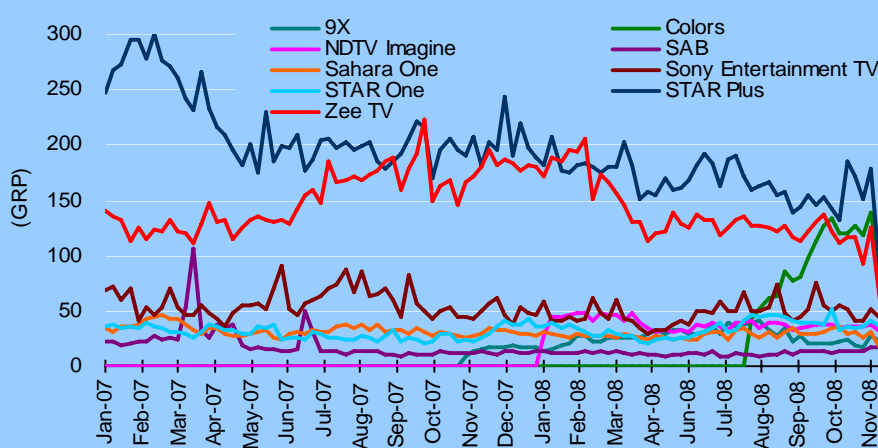
The grand finale of *Bigg Boss Season 2* on November 22, '08 had a TRP of 4.5

All day GRP



Source: TAM CS 4+; Market HSM

Prime time GRP



Source: TAM CS 4+; Market HSM

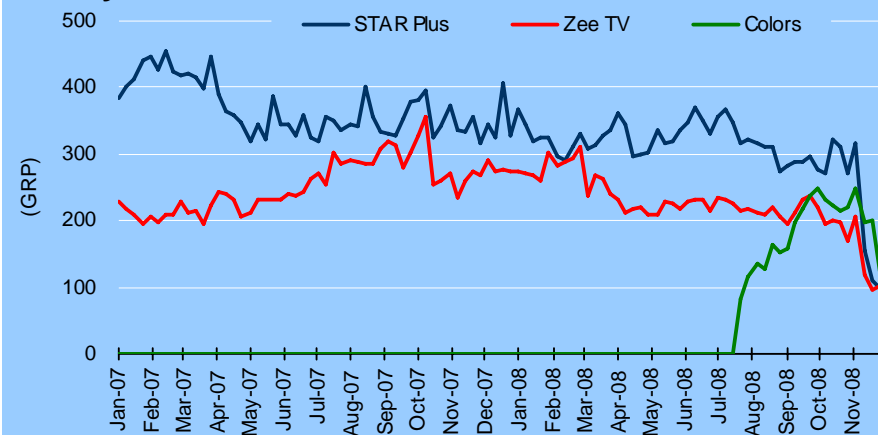


# Hindi GECs – Fresh programming on the cards

GECs have lined up new shows December '08 onwards

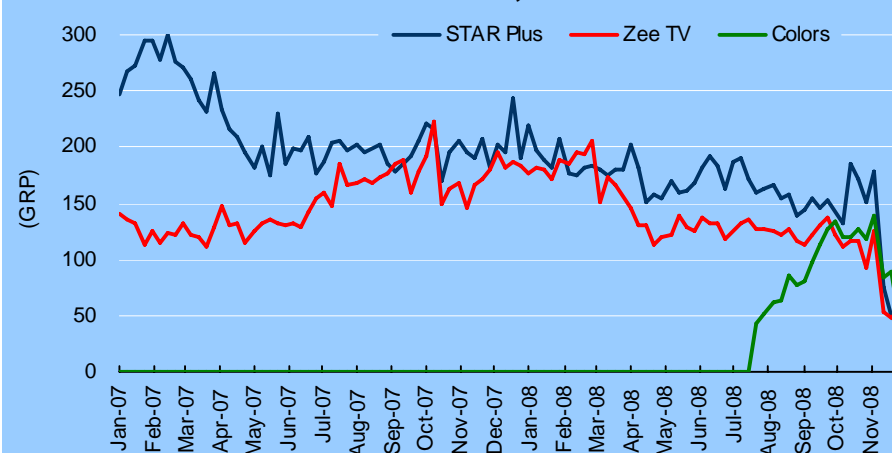
- **Colors** – *Utaran* and *Jaane Kya Baat Hui* in weekdays in 10:00pm and 10:30pm time slots, replacing *Bigg Boss* season 2 and *Dancing Queen* and *Chote Miyaan* during weekends primetime slots
- **STAR Plus** – *Aap Ki Kachheri* in 10.30pm time slot replacing *Kyunki*
- **NDTV Imagine** – *Still Moving, Still Shaking* and *Oye It's Friday* (starring Farhan Akhtar) during weekends
- **Zee TV** – *Choti Bahu* and *Shrii* during weekday primetime slots

**All-day GRP – STAR Plus, Colors and Zee TV**



Source: TAM CS 4+; Market HSM

**Prime time GRP – STAR Plus, Colors and Zee TV**



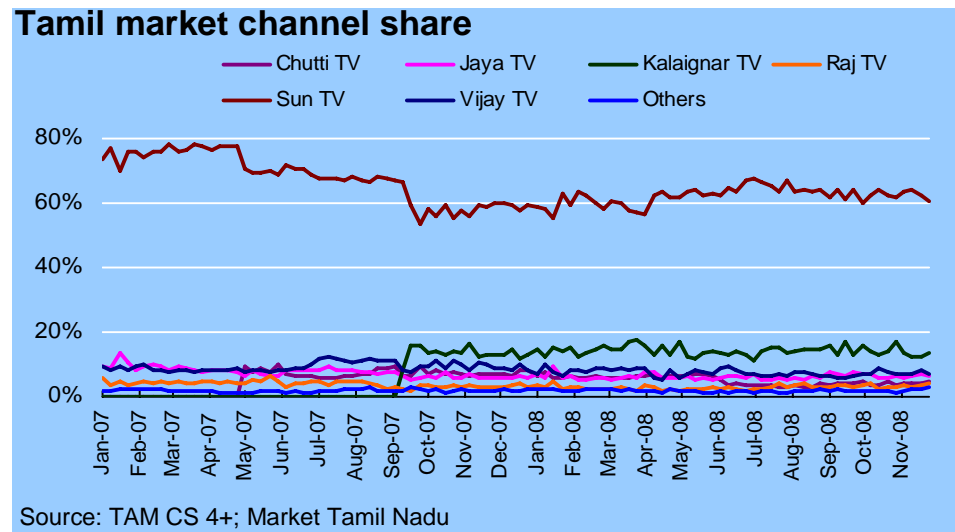
Source: TAM CS 4+; Market HSM



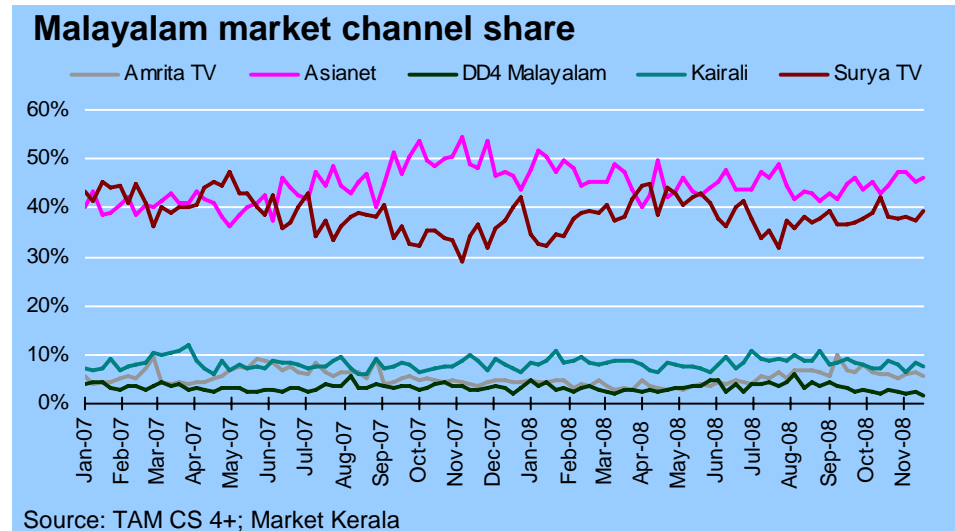


## Regional GECs – Tamil & Malayalam

*Sun TV* continued with its domination in the Tamil Nadu market; *Zee Tamizh* (~1% market share) has not yet started making an impact

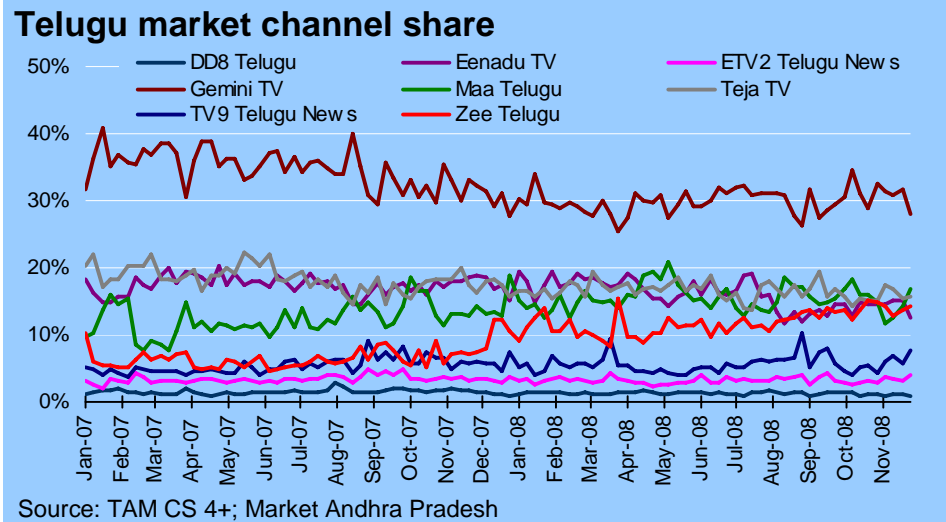


Sun's Malayalam channel, *Surya TV*, remains a strong #2 contender, while *Asianet* continues to lead

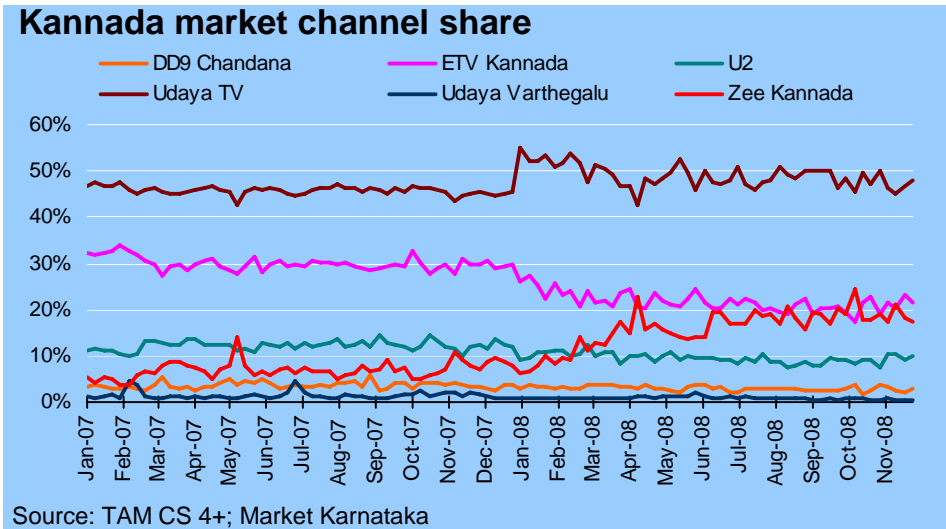


# Regional GECs – Telugu and Kannada

Sun's *Gemini TV* maintained its dominating position in the fragmented Telugu market in spite of losing some market share, while *Teja TV*, *Maa Telugu*, *Zee Telugu* and *Eenadu* fought for the #2 spot. *Zee Telugu* continued to improve ratings

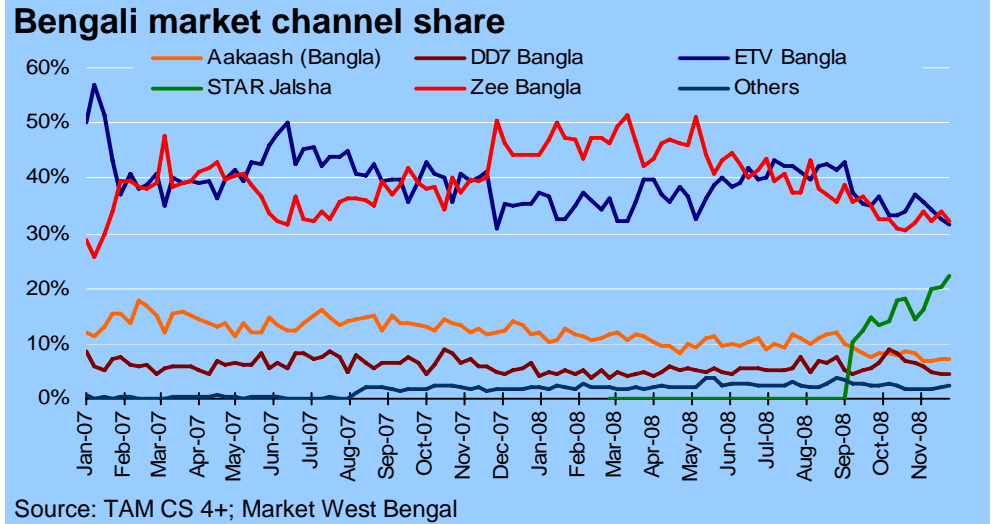


Sun's *Udaya TV* maintained market leadership in the Kannada market. *Zee Kannada* continued to closely compete with *ETV Kannada* for the #2 spot

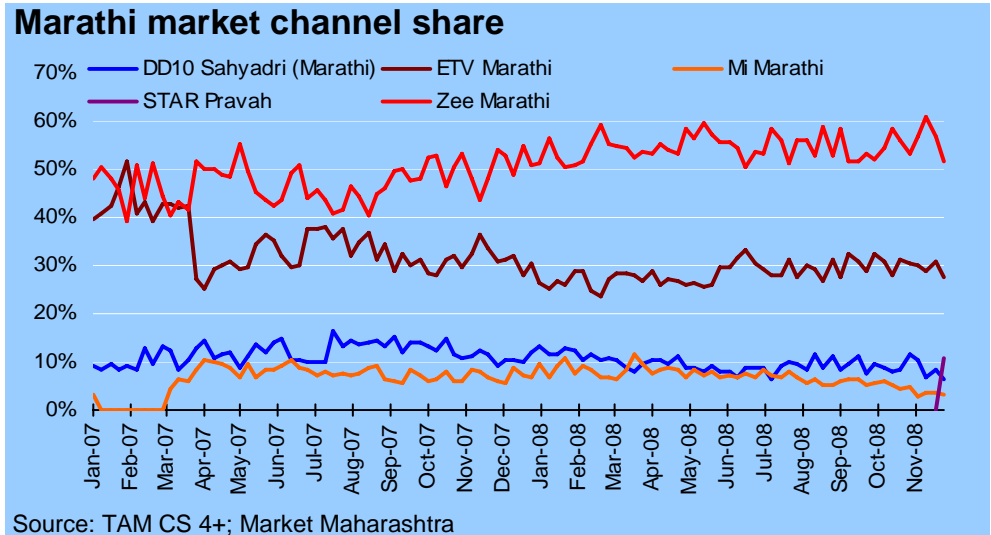


## Regional GECs – Bengali and Marathi

*ETV Bangla* and *Zee Bangla* witnessed a decline in ratings as *STAR Jalsha* continued to consolidate on its successful launch. Entry of *STAR* has helped expanding the market 5%



*Zee Marathi* and *ETV Marathi* maintained their #1 and #2 positions respectively, while *STAR Pravah* made an impressive debut, garnering 11% share in the first week of its launch



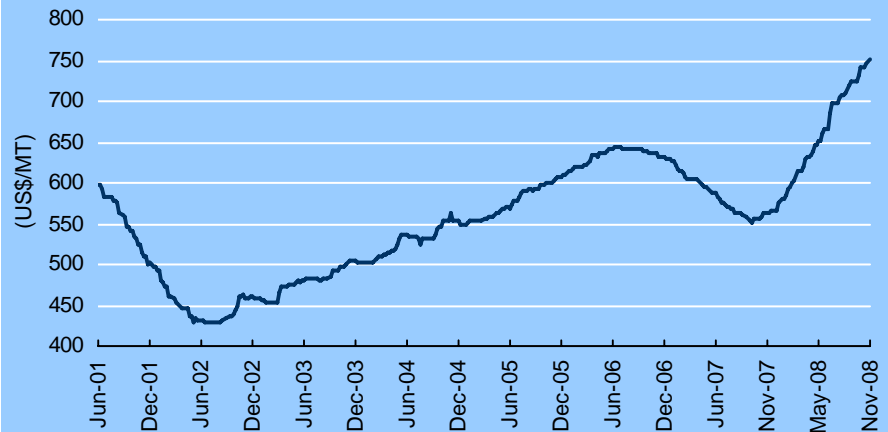
## Newsprint prices continued to rise in November '08

International newsprint prices continued to increase (up 32.6% YoY). In October, newsprint demand declined 18% in the US and 7.3% in Europe

AbitibiBowater has announced plans to cut 830,000MT of newsprint capacity in '09 to combat slowdown, including 205,000MT of permanent closure. The steps are likely to lead to newsprint prices not correcting severely from the current levels in the short term. But with limited permanent closure, we expect newsprint prices to soften

Three-month Futures of wood pulp have corrected from US\$720/MT to US\$626/MT; we believe it should reflect in newsprint prices in Q4FY09

Newsprint prices (US dollar)



Source: Bloomberg

Production cuts at AbitibiBowater

Type of cut	Time frame	Capacity (MT)
Permanent closure	by Q1CY09 end	205,000
	by CY08 end	70,000 (coated grades)
Immediate idling		495,000 (including 111,000 speciality grades)
Revolving basis downtime		20,000 month
<b>Total newsprint cuts</b>		<b>830,000</b>

Source: Company data

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## News/updates

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- **STAR Group enters into JV to tap regional markets in the South.** Competition in the South is set to increase with the STAR Group entering into a JV with Rajeev Chandrasekhar's Jupiter Entertainment Ventures to take majority stake in Asianet Communications (ACL), which broadcasts channels in Malayalam (*Asianet*, *Asianet Plus*), Kannada (*Suvarna TV*) and Telugu (*Sitara TV*). STAR Group's Tamil GEC, *Vijay TV* will also be a part of the JV while the news business will be excluded from the JV
- **IBN18 raised Rs1.14bn via QIP and issued fresh warrants to TV18.** To fund its plans to buy 50% stake in Viacom18 from TV18, IBN18 raised Rs1.14bn through qualified institutional placement (QIP) to five investors (T. Rowe Price, Reliance Capital, Franklin Templeton, JM Financial and HSBC). IBN18 has issued 15mn warrants to TV18, convertible at Rs102/share. After the conversion of these warrants, TV18 will hold 20.77% stake in IBN18, which will enable the former to consolidate IBN18's financial results with itself. IBN18 had earlier issued 15mn warrants to Network18 convertible at a price of Rs177.6/share, of which 5.5mn warrants have been converted so far. The remaining warrants issued to Network18 are unlikely to be converted, given the current price of Rs94/share
- **Cost cutting in UTV's broadcasting business.** UTV has rationalised its future investment plans in the broadcasting segment by over Rs2bn to ensure that the total future investments do not exceed Rs1bn, in addition to the initial investment of Rs3.6bn made by Walt Disney and UTV. It has also decided to phase out its Delhi operations and consolidate the operations of all four channels in Mumbai. After these cuts, losses in the broadcasting vertical are expected to come down 60% to Rs150mn in H2FY09E and Rs250mn in FY10E , with break-even expected in FY11E
- **Ten Sports bags cricket rights for matches in Pakistan.** ZEEL's *Ten Sports* has bagged the TV rights for all cricket matches played in Pakistan through '09-13 for ~US\$145.5mn

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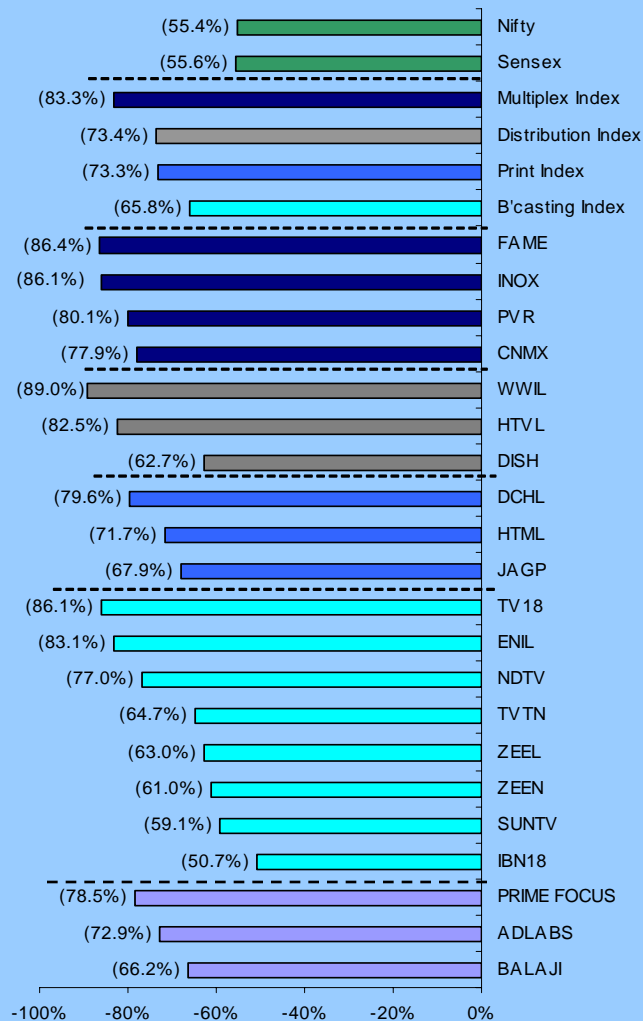
## Events to watch for

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- **Fund raising for 9X .** The channel has witnessed dismal performance and reports suggest that the channel is unlikely to sustain itself without fresh funding. Even after the strike ended, 9X has not started shooting for any of its shows, except *Remote Control*, which has only a few remaining episodes. However, the channel has started promotions for its two new shows – *Angad* and *Ramlal*. Also, 9X has recently witnessed attrition at the senior level
- **Dish TV rights issue.** Dish TV has structured its Rs11.4bn rights issue so that subscribers can pay Rs6 of the issue price at Rs22/share on application, while Rs8/share can be paid after three months but within nine months from the date of allotment. The balance Rs8 can be paid after nine months but within 18 months. Since the issue is not underwritten, the promoters will have to subscribe 90% of it in case it devolves fully, implying a payment of Rs3bn in the first tranche. The stock is currently trading at Rs17/share compared with the issue price of Rs22/share
- **HT Media to merge radio business with itself to save taxes.** HT Media plans to de-merge its radio business from its subsidiary HT Music and Entertainment company, and merge it with itself. The radio business, which operates under the brand Fever FM, has incurred losses of Rs510mn during FY07-08 and will continue to incur losses in FY09. The merger of the loss-making radio business with the profit-making HT Media will help save taxes. Fever FM operates in four cities of Mumbai, Delhi, Bangalore and Kolkata

# Media stocks' YTDCY08 performance

## Individual stocks' YTDCY08 return



Source: Bloomberg; As of week ended Dec 5, '08

- We continue to favour companies with strong balance sheet and free cashflows – ZNL, Sun TV Network, TVTN and print companies
- ZNL has witnessed sharp erosion owing to fears of STAR Group's entry into Marathi and Bengali markets. We maintain our positive stance though we believe that the likely end to political feud in Tamil Nadu is marginally negative for the company
- Sun TV Network witnessed a huge 30.7% spurt in stock price in the past one week due to reports of the political feud ending in Tamil Nadu
- NDTV's stock witnessed strong outperformance in November, rising 42.7%; we believe NDTV is a trading BUY as the stock has seen severe correction. We expect the de-merger into news and entertainment businesses to unlock value
- TVTN remains our value pick in the sector



# Stock price performance

## Stock price performance

COMPANY	Last closing price* Rs	Returns								
		1-Day	1-Week	1-Month	3-Months	6-Months	12-Months	YTD	From 52 week high	from 52 week low
Deccan Chronicle	44	(2)	3	3	(64)	(61)	(81)	(80)	(84)	17
H T Media	73	2	5	(3)	(41)	(41)	(68)	(72)	(73)	27
Jagran Prakashan	49	(1)	(1)	(3)	(33)	(30)	(63)	(69)	(72)	23
ENIL	108	(0)	(2)	(27)	(64)	(72)	(81)	(83)	(85)	16
Global Broadcast News	91	(4)	(14)	(9)	(20)	(10)	(56)	(62)	(64)	65
New Delhi Television	106	14	45	6	(66)	(74)	(72)	(77)	(79)	56
Sun T V Network	166	(3)	31	8	(29)	(53)	(56)	(59)	(63)	36
Television Eighteen India	65	4	9	(19)	(73)	(78)	(86)	(88)	(89)	25
T V Today Network	66	5	24	1	(29)	(31)	(63)	(64)	(67)	42
Zee Entertainment	116	(5)	7	(22)	(48)	(48)	(62)	(64)	(66)	27
Zee News	30	(2)	11	(22)	(34)	(43)	(63)	(63)	(67)	21
Adlabs Films	163	4	7	(10)	(68)	(71)	(86)	(88)	(92)	26
Cinemax India	38	2	7	(13)	(60)	(62)	(73)	(78)	(79)	14
Inox Leisure	29	(6)	(13)	(29)	(65)	(69)	(81)	(87)	(88)	2
P V R	65	(1)	(3)	(30)	(67)	(65)	(78)	(81)	(83)	13
Balaji Telefilms	66	5	11	(6)	(62)	(65)	(80)	(80)	(82)	28
Prime Focus	145	(17)	(26)	(31)	(66)	(70)	(88)	(89)	(91)	1
Saregama India	48	11	26	2	(52)	(58)	(84)	(85)	(88)	34
U T V Software	233	(1)	12	(41)	(71)	(70)	(71)	(74)	(79)	18
Dish T V India	16	(3)	7	(8)	(59)	(64)	(83)	(84)	(85)	38
Wire & Wireless (India)	10	(2)	8	(17)	(57)	(70)	(90)	(90)	(91)	30

\* As on December 5, '08

Source: Bloomberg



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## Important terms/definitions

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- GEC – General Entertainment Channel
- TRP – Television Rating Point
- GRP – Gross Rating Point
- Prime Time – 7.30pm to 11.30pm
- Oct-08 implies Week45-48 of CY08 (November 2, '08 to November 29, '08)
- TAM – Television Audience Measurement
- CS – Cable & Satellite Households
- HSM – Hindi Speaking Market

