

Media

Industry Update

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Weekly Ratings Watch - Wk 36 / Vol 4

Sector View:

New: Bullish

Old: Bullish

Investment Conclusion

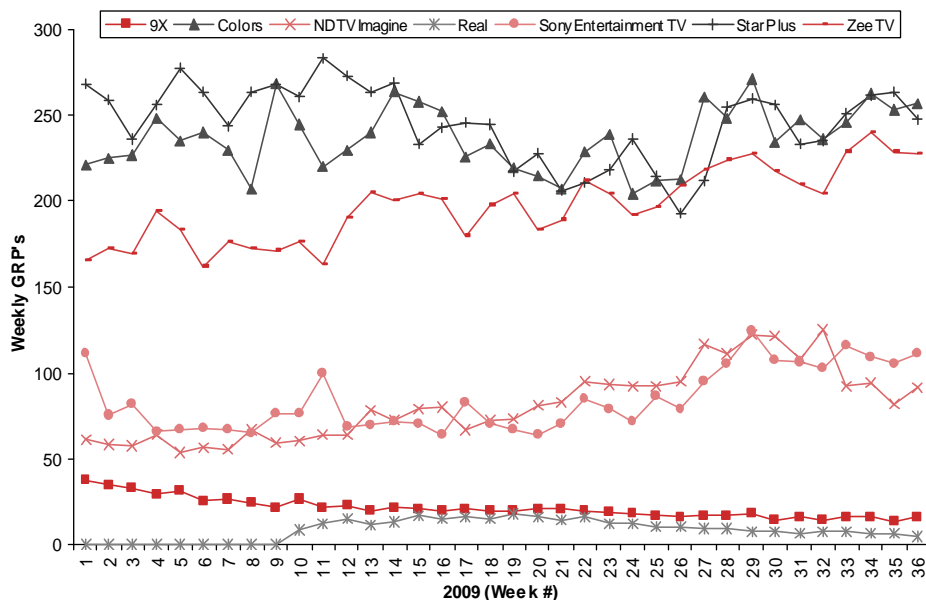
- In this report we analyse the weekly ratings performances of the various genres of Indian television. We have analysed the weekly GRPs (gross rating points) of key Hindi general entertainment channels (GECs). We also analyse the performances of these channels in prime-time slots. Among the regional markets we have analysed the four key south Indian markets. We have also analysed the channel-wise performance of English business channels. We maintain our BULLISH view on the Indian media sector and our BUY ratings on Sun TV and Zee Entertainment.

Summary

- The overall GRPs of the top six Hindi GECs remained largely flat in the 36th calendar week (week ended 5 September 2009) of the year.
- Colors has regained the No. 1 position this week with a modest increase of 4 GRPs compared to a week ago.
- GRPs of Star Plus have seen a significant decline this week resulting in the channel being pushed to the number 2 slot. Star Plus's GRPs decreased from 263 a week ago to 248 this week.
- Zee TV's GRPs have remained flat at 228. Zee TV now trails Colors and Star Plus by 29 and 20 points, respectively.

Weekly ratings performance of key Hindi GECs

Exhibit 1: Weekly GRPs of key Hindi GECs

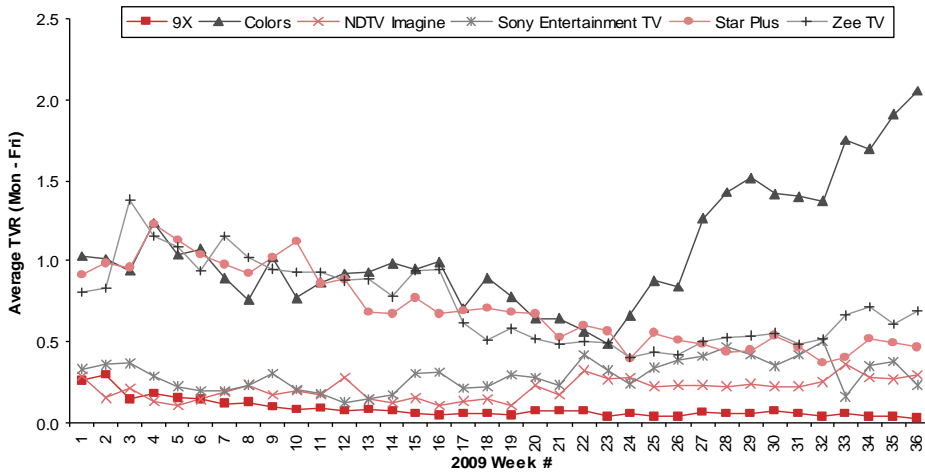


Source: TAM data, Nomura research

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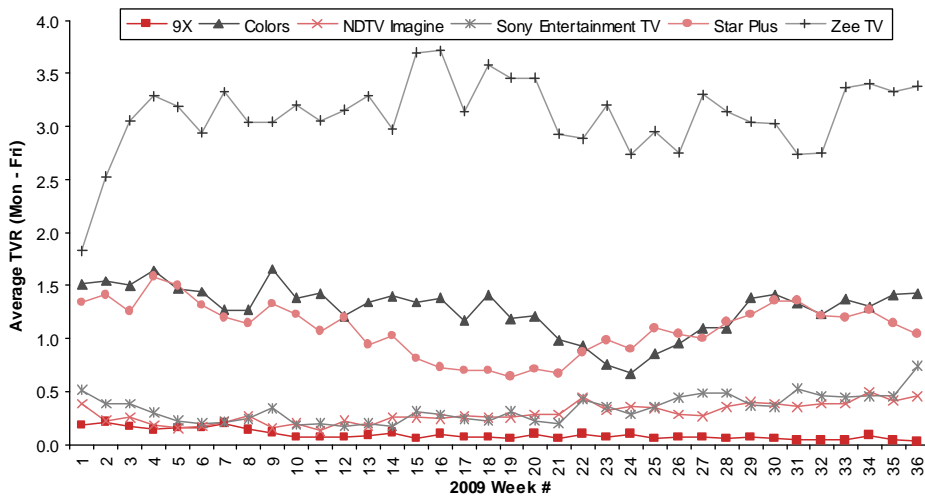
Hindi GECs — primetime slot-wise performance

Exhibit 2: Average weekday TVRs for the 1900-1930 hrs band



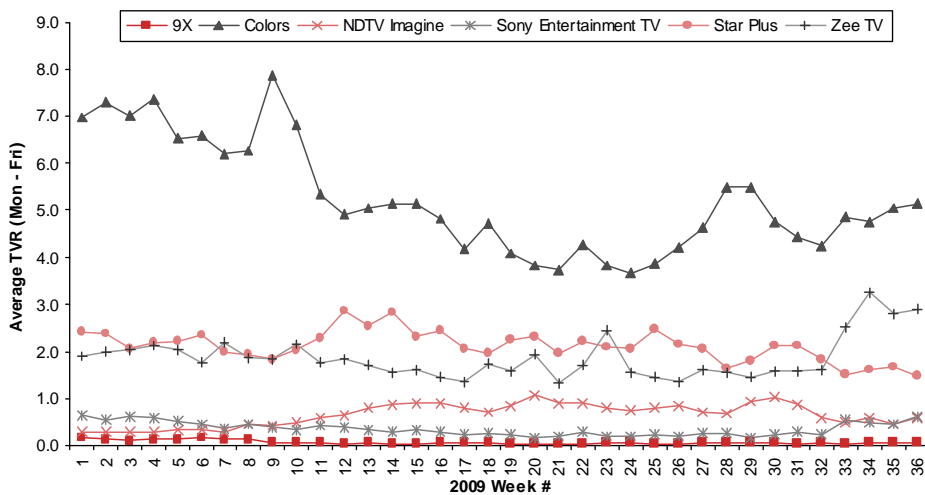
Source: TAM data, Nomura research

Exhibit 3: Average weekday TVRs for the 1930-2000 hrs band



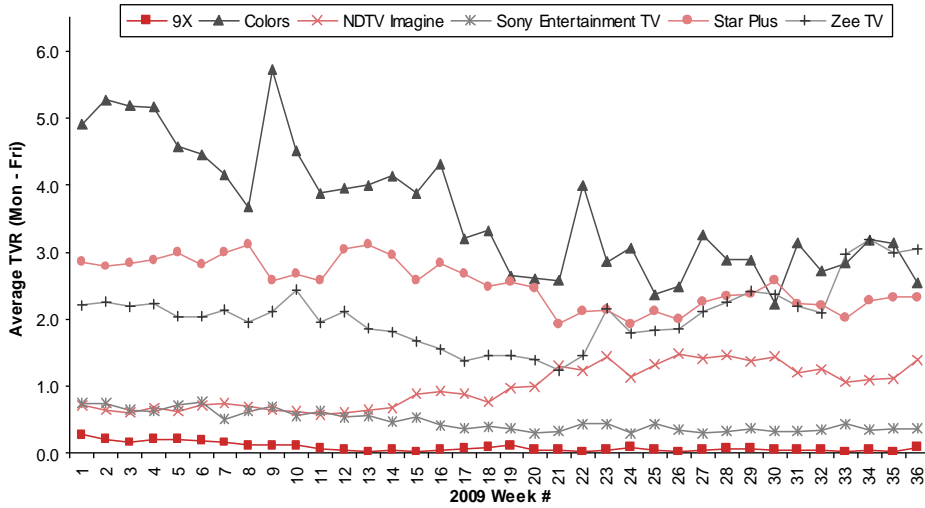
Source: TAM data, Nomura research

Exhibit 4: Average weekday TVRs for the 2000-2030 hrs band



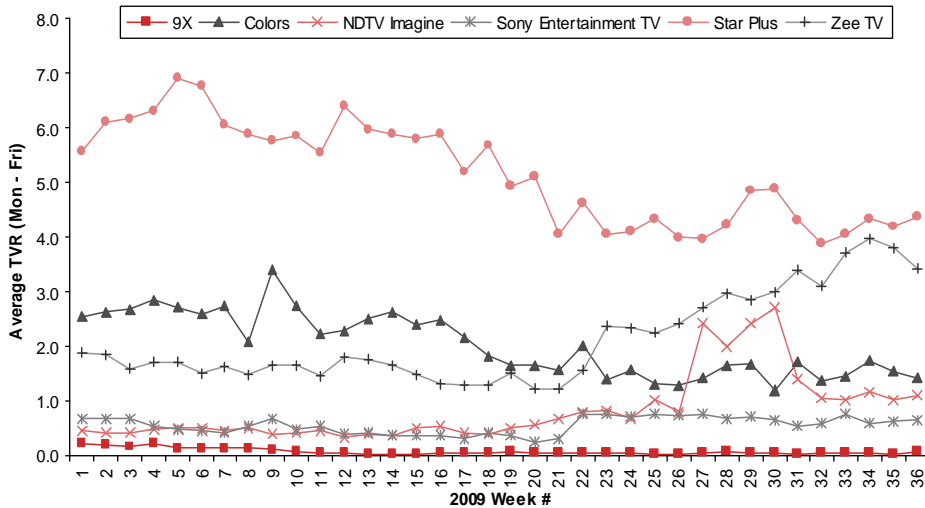
Source: TAM data, Nomura research

Exhibit 5: Average weekday TVRs for the 2030-2100 hrs band



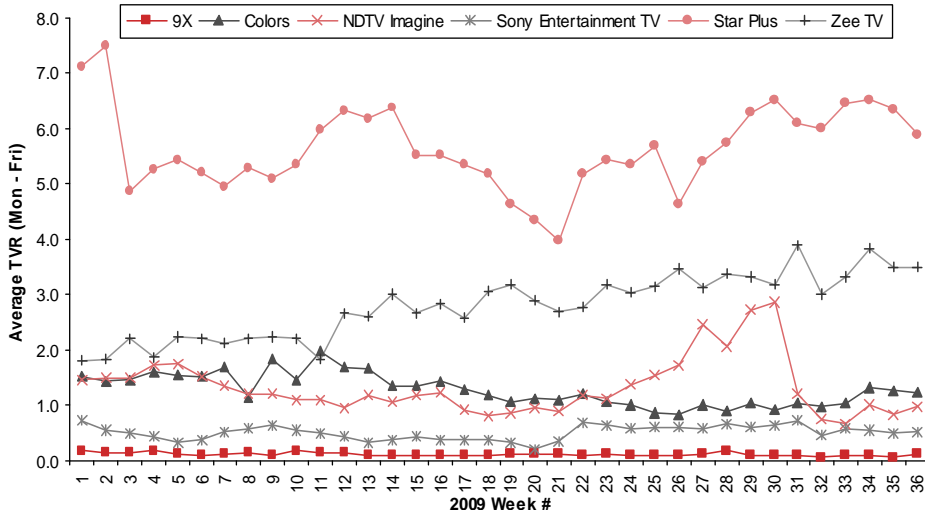
Source: TAM data, Nomura research

Exhibit 6: Average weekday TVRs for the 2100-2130 hrs band



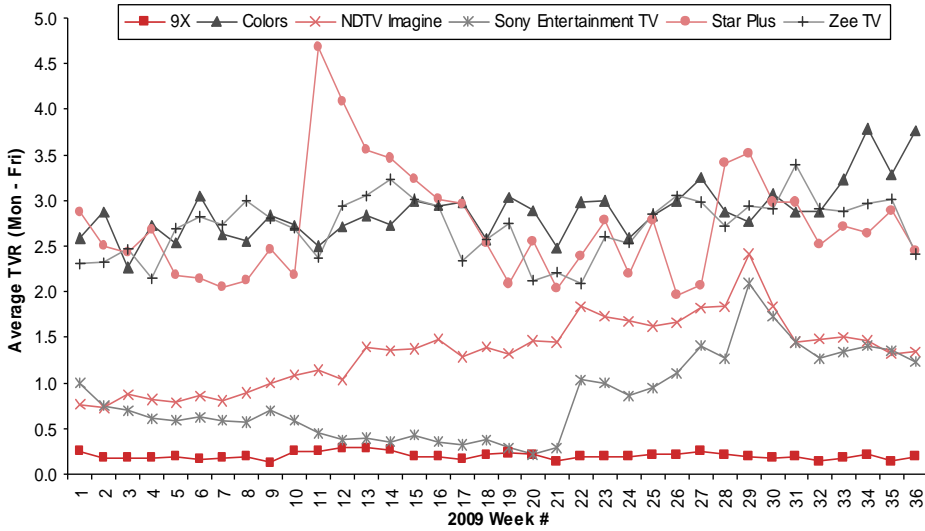
Source: TAM data, Nomura research

Exhibit 7: Average weekday TVRs for the 2130-2200 hrs band



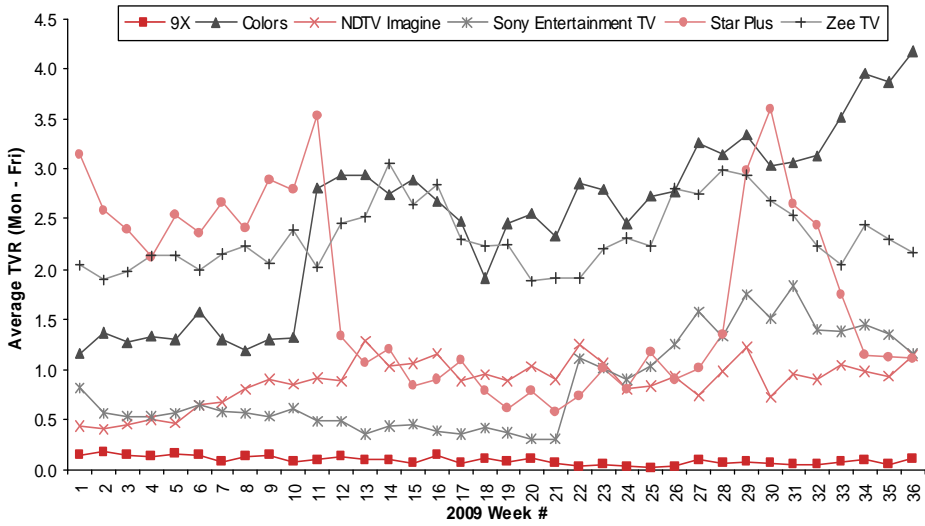
Source: TAM data, Nomura research

Exhibit 8: Average weekday TVRs for the 2200-2330 hrs band



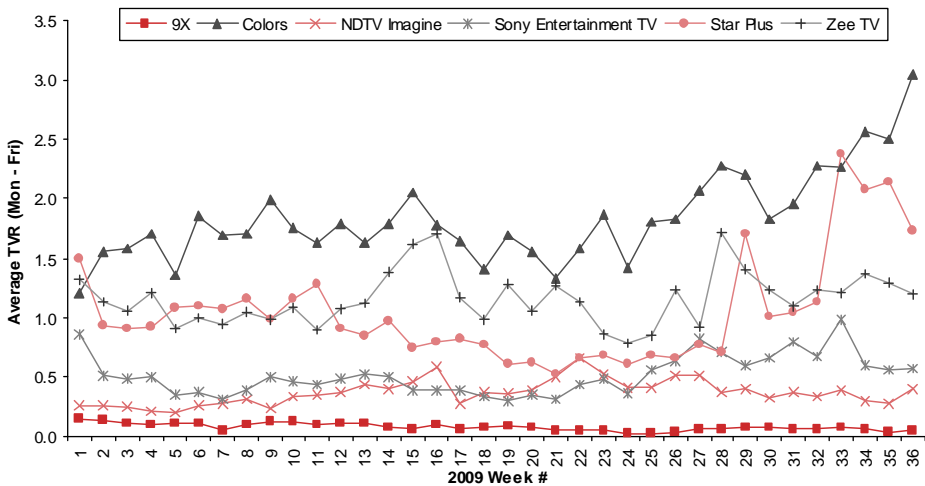
Source: TAM data, Nomura research

Exhibit 9: Average weekday TVRs for the 2230-2300 hrs band



Source: TAM data, Nomura research

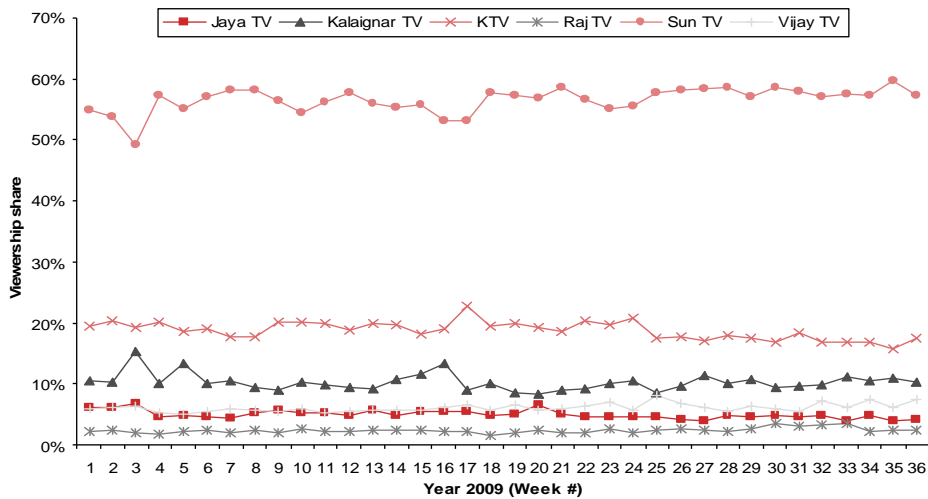
Exhibit 10: Average weekday TVRs for the 2300-2330 hrs band



Source: TAM data, Nomura research

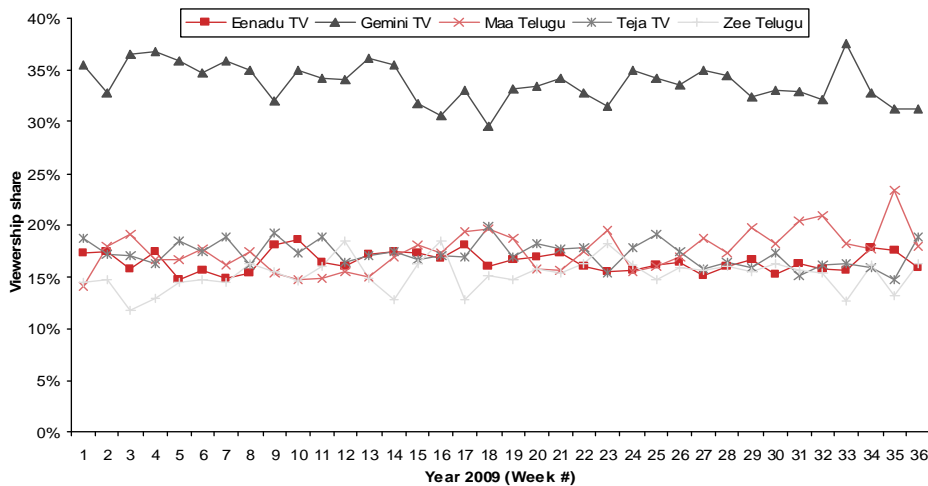
Channel-wise performance in key regional markets

Exhibit 11: Channel-wise viewership among Tamil channels



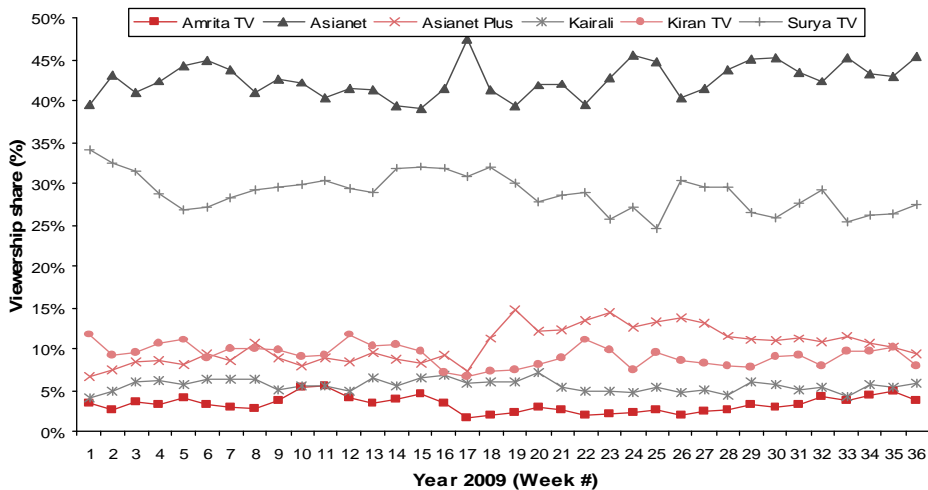
Source: TAM data, Nomura research

Exhibit 12: Channel-wise viewership among Telugu channels



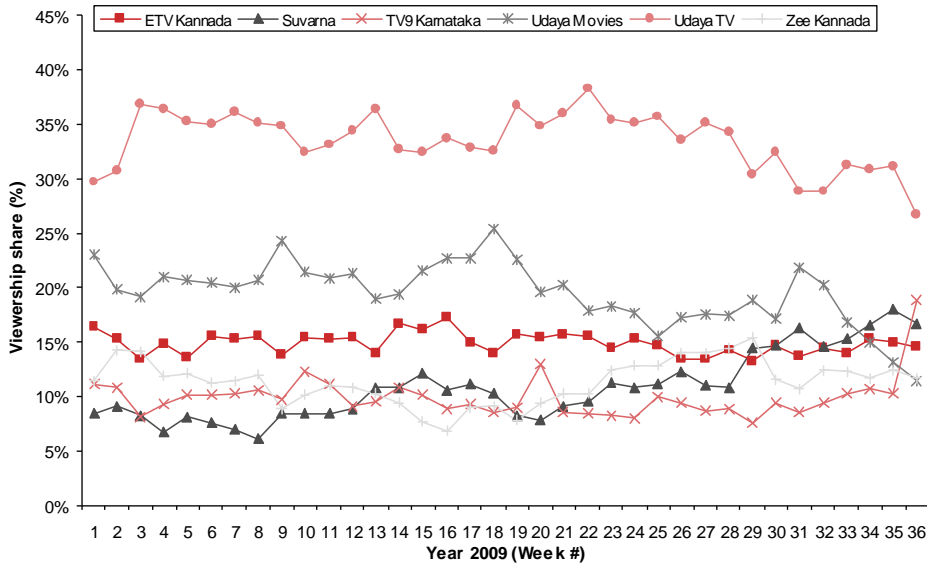
Source: TAM data, Nomura research

Exhibit 13: Channel-wise viewership among Malayalam channels



Source: TAM data, Nomura research

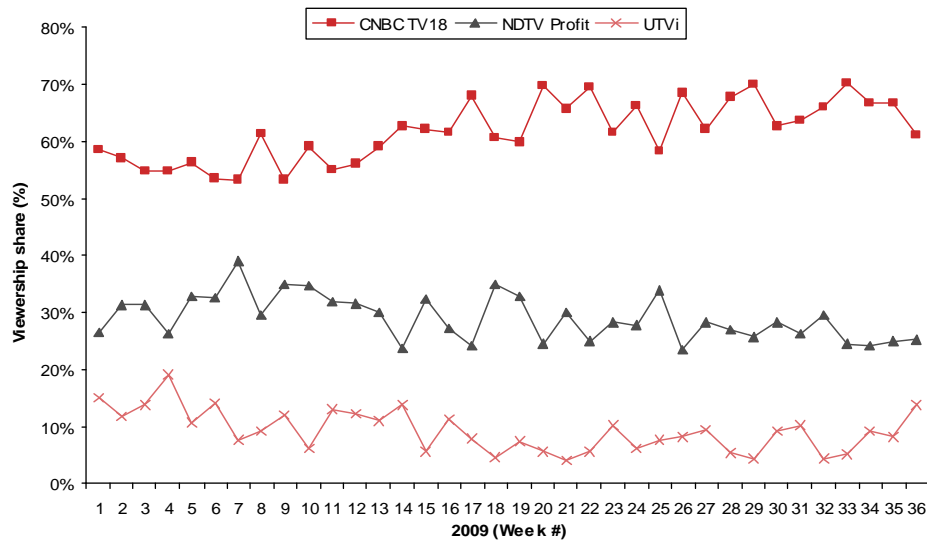
Exhibit 14: Channel-wise viewership among Kannada channels



Source: TAM data, Nomura research

Channel-wise performance of key English business channels

Exhibit 15: Channel-wise viewership among English business channels



Source: TAM data, Nomura research

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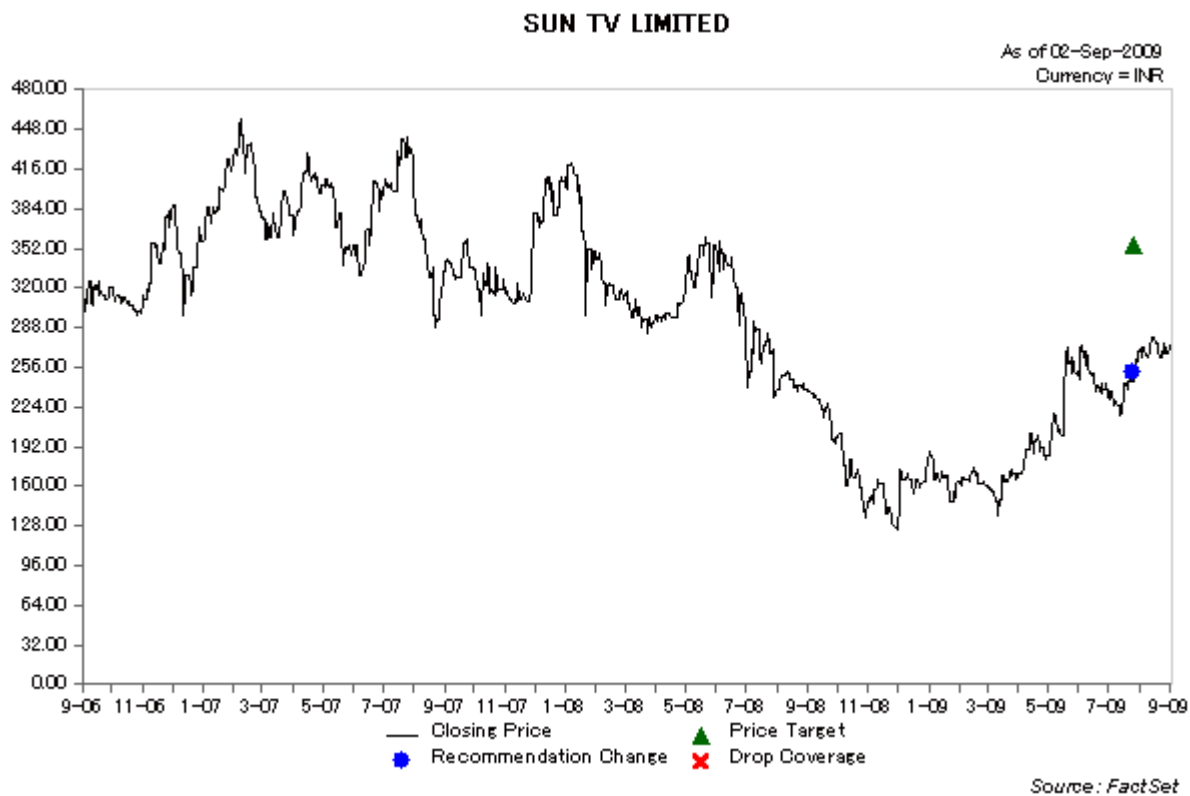
Important Disclosures:

Sun TV Limited (SUTV.BO)

INR 289.50 (09-Sep-2009)

Buy / Bullish

Rating and Price Target Chart:



Currency=INR

Date	Closing Price	Rating	Price Target
27-Jul-09	251.60		355.00

Date	Closing Price	Rating	Price Target
27-Jul-09	251.60	Buy	

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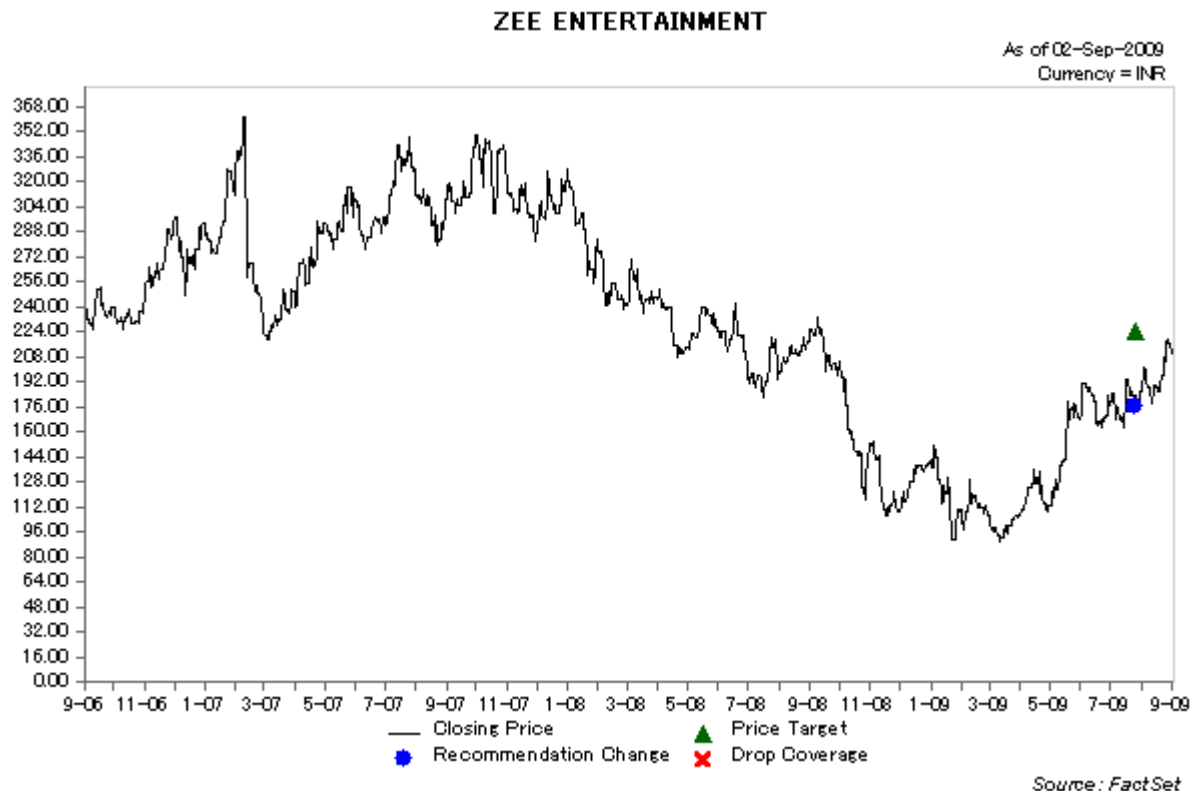
Valuation Methodology: We use DCF to value SUN TV and arrive at our 12-month price target of INR355. Some of our key assumptions are: 1) explicit earnings forecasts from FY09-FY12E, FCFE growth of 12% assumed during FY13-FY19E, terminal growth of 5% assumed from FY20E onwards; and 2) a discount rate of 11.5%.

Risks Which May Impede the Achievement of the Price Target: 1) the radio business is an area of concern for us; 2) sub-optimal use of the high cash generated by the core business is also a cause for concern; 3) new competition emerging across markets and 4) an increase in fees paid to directors.

Important Disclosures Continued:

Zee Entertainment (ZEE.NS)**INR 213.75 (09-Sep-2009)****Buy / Bullish**

Rating and Price Target Chart:



Currency=INR

Date	Closing Price	Rating	Price Target	Date	Closing Price	Rating	Price Target
27-Jul-09	175.65		225.00	27-Jul-09	175.65	Buy	

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Valuation Methodology: We use DCF methodology to value Zee, we arrive at our one-year forward price target of INR225 using the following key assumptions: 1) a discount rate of 11.5% and 2) an explicit forecast of free cash flow to equity (FCFE) during phase 1 (FY10-FY12), 12% growth in FCFE during phase 2 (FY13-FY20) and a terminal growth rate of 5% from year FY20.

Risks Which May Impede the Achievement of the Price Target: Some of the key risks to our positive call on Zee include: a) a slowdown in economic activity in India, leading to slower-than-expected growth in advertising spending; b) higher-than-anticipated competition in the Hindi GEC space; c) any further deterioration in the ratings of ZEEL's flagship channel Zee TV; and d) the stability of top management at the helm of Zee Entertainment.

Important Disclosures Continued:

Mentioned Company	Ticker	Price	Price Date	Stock / Sector Rating
Sun TV Limited	SUTV.BO	INR 289.50	09 Sep 2009	Buy / Bullish
Zee Entertainment	ZEE.NS	INR 213.75	09 Sep 2009	Buy / Bullish

All share prices mentioned are closing prices unless otherwise stated.

Sun TV Limited: We use DCF to value SUN TV and arrive at our 12-month price target of INR355. Some of our key assumptions are: 1) explicit earnings forecasts from FY09-FY12E, FCFE growth of 12% assumed during FY13-FY19E, terminal growth of 5% assumed from FY20E onwards; and 2) a discount rate of 11.5%.

Zee Entertainment: We use DCF methodology to value Zee, we arrive at our one-year forward price target of INR225 using the following key assumptions: 1) a discount rate of 11.5% and 2) an explicit forecast of free cash flow to equity (FCFE) during phase 1 (FY10-FY12), 12% growth in FCFE during phase 2 (FY13-FY20) and a terminal growth rate of 5% from year FY20.

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As at 30 June 2009.

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- A rating of "5", or "**Sell**" recommendation indicates that downside is more than 20%.

Sectors:

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