

4 July 2011

Media

Q1FY12 Results Preview

Overweight

Lacklustre quarter

Q1 is seasonally a weak quarter and with the 2011 IPL series garnering substantial ad revenues, we believe revenues of media companies under coverage would remain flat QoQ but grow 18% YoY. With ad revenues under pressure and margins declining, we expect PAT to grow 27% YoY but decline 10% QoQ. We expect positive surprises from Zee Entertainment Enterprises (ZEEL) and Dish TV, and negative surprises from all print players.

- **Ad revenue growth to moderate:** The absence of a festive season and the IPL series during Q1FY12 are expected to impact ad revenues of media companies under coverage. We believe Jagran Prakashan would post the lowest ad revenue growth of 7% YoY, while ZEEL, HT Media and Sun TV Network are expected to register ad revenue growth of ~13-16% 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 shrink:** Margins are expected to shrink 98bps YoY and 22bps QoQ. Both broadcast and print companies are expected to report margin contraction. ENIL 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 27% YoY growth. However, sequentially, it is expected to decline 10%. The print sector is expected to underperform the broadcasting space due to lower ad revenue growth. We could see some negative surprises from the print space.
- **Overweight on the sector:** We remain Overweight on the sector and maintain Buy on Sun TV, Jagran Prakashan, ENIL and Dish TV. We have a Hold on Info Edge, ZEEL, HT Media and Balaji Telefilms.

Key Performance (%)

	1M	6M	1Yr
Balaji Telefilms	(7.1)	(20.2)	(42.7)
Dish TV	19.6	26.9	102.2
ENIL	6.7	16.2	10.8
HT Media	3.4	13.2	16.0
Info Edge	4.4	13.4	65.3
Jagran Prakashan	(4.2)	(4.4)	(1.0)
Sun TV Network	20.3	(36.7)	(20.5)
Zee Entertainment	(6.0)	(7.9)	(8.4)
NIFTY	2.4	(8.1)	7.9

*as of 4 July 2011

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Summary Estimates

Y/E March (Rsmn)	Net Sales (Rsmn)				EBITDA (Rsmn)				EBITDA Margin (%)			Adj. PAT (Rsmn)			
	Q1FY12E	YoY (%)	QoQ (%)	FY12E	Q1FY12E	YoY (%)	QoQ (%)	FY12E	Q1FY12E	Q1FY11	Q4FY11	Q1FY12E	YoY (%)	QoQ (%)	FY12E
Balaji Telefilms	316	2.9	(28.4)	1,488	(15)	NM	NM	(6)	(4.7)	(9.2)	(1.7)	2	(92.5)	NM	58
Dish TV	4,781	57.1	10.4	20,046	1,104	243.0	22.4	5,193	23.1	10.6	20.8	(331)	NM	NM	(5)
ENIL	713	24.0	(13.2)	3,153	216	49.2	(33.8)	1,097	30.2	25.1	39.7	112	160.3	(37.8)	620
HT Media	4,827	19.4	2.6	20,478	897	12.2	2.4	4,193	18.6	19.8	18.6	484	20.7	(8.6)	2,360
Info Edge	824	25.0	0.6	3,510	281	37.6	(2.3)	1,239	34.2	31.0	35.2	222	28.8	2.4	999
Jagran Prakashan	2,935	8.8	4.2	13,946	805	(10.7)	12.7	3,999	27.4	33.4	25.4	454	(18.4)	7.8	2,411
Sun TV Network	4,613	4.7	0.2	22,188	3,603	0.1	(1.0)	17,232	78.1	81.7	79.0	1,997	16.8	(4.1)	9,019
Zee Entertainment	7,539	11.4	(5.5)	33,388	2,067	10.5	(8.9)	9,157	27.4	27.6	28.4	1,551	24.2	(20.1)	6,564
Total	26,547	18.0	0.1	118,197	8,957	14.7	(0.5)	42,104	33.7	34.7	34.0	4,492	27.3	(10.0)	22,026

Source: Company, Centrum Research Estimates

Please refer to important disclosures/disclaimers in Appendix A
Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Balaji Telefilms (Rating: Hold ;Target Price: Rs38)**Exhibit 1: Quarterly Estimates**

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	316	307	441	(28.4)	2.9	1,488
EBITDA	(15)	(28)	(8)	NM	NM	(6)
EBITDA Margins (%)	(4.7)	(9.2)	(1.7)	(303)bps	440bps	(0.4)
PAT	2	29	(12)	NM	(92.5)	58

Source: Company, Centrum Research Estimates

- We expect Q1FY12 revenue to grow marginally 2.9% YoY, but decline 28.4% QoQ, due to the closure of key commissioned programmes and the launch of fewer-than-expected programmes
- Operating margin is expected to decline 303bps QoQ. We estimate EBITDA loss of Rs15mn
- The company is expected to report a marginal profit of Rs2mn on the back of high other income

Dish TV (Rating: Buy; Target Price: Rs81)**Exhibit 2: Quarterly Estimates**

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	4,781	3,043	4,330	10.4	57.1	20,046
EBITDA	1,104	322	902	22.4	243.0	5,193
EBITDA Margin (%)	23.1	10.6	20.8	227bps	1,252bps	25.9
PAT	(331)	(632)	(371)	NM	NM	(5)

Source: Company, Centrum Research Estimates

- We expect the addition of 0.85mn subscribers during the quarter due to the IPL series and aggressive marketing of HD services. We expect Dish TV to post revenue of Rs4,781mn (up 57% YoY and 10.4% QoQ). ARPU is expected to increase to Rs154 from Rs150 in Q4FY11
- Margin is expected to expand due to fixed-content cost. We expect margin to expand 227 bps QoQ to 23.1%
- We expect losses to reduce to Rs331mn from Rs632mn in Q1FY11

ENIL (Standalone) (Rating: Buy;Target Price: Rs295)**Exhibit 3: Quarterly Estimates**

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	713	575	822	(13.2)	24.0	3153
EBITDA	216	145	326	(33.8)	49.2	1097
EBITDA Margin (%)	30.2	25.1	39.7	(946)bps	511bps	34.8
Adj PAT	112	43	180	(37.8)	160.3	620

Source: Company, Centrum Research Estimates

- Ad revenue is expected to increase 24% YoY, but decline 13.2% QoQ. The sequential decline is on the back of Rs500mn incremental revenue earned during the 2011 Cricket World Cup in Q4FY11. Further, Q4 is seasonally a stronger quarter than Q1
- Low music royalty payment structure is expected to boost margin 511bps to 30.2% in Q1FY12 from 25.1% in Q1FY11
- Adjusted PAT is also expected to surge 160% YoY to Rs112mn from Rs43mn

HT Media (Rating: Hold; Target Price: Rs166)

Exhibit 4: Quarterly Estimates

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	4,827	4,042	4,704	2.6	19.4	20,478
EBITDA	897	799	876	2.4	12.2	4,193
EBITDA Margin (%)	18.6	19.8	18.6	(5)bps	(119)bps	20.5
PAT	484	401	529	(8.6)	20.7	2,360

Source: Company, Centrum Research Estimates

- We expect 19% YoY revenue growth, mainly due to strong 16% rise in advertising revenues. Circulation revenues are expected to remain flat, while radio revenues are expected to grow 83% YoY
- We expect operating margin to contract 119bps YoY on the back of higher newsprint cost. However, on a sequential basis, margin is expected to remain flat
- We expect PAT to grow 20.7% YoY (but decline by 8.6% QoQ) to Rs484mn due to higher revenues

Info Edge (Rating: Hold; Target Price: Rs682)

Exhibit 5: Quarterly Estimates

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	824	659	819	0.6	25.0	3,510
EBITDA	281	204	288	(2.3)	37.6	1,239
EBITDA Margin (%)	34.2	31.0	35.2	(102)bps	313bps	35.3
PAT	222	173	217	2.4	28.8	999

Source: Company, Centrum Research Estimates

- We expect 25% YoY increase in sales on the back of strong demand from the recruitment vertical. However, on a sequential basis, we expect revenues to 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 34.2%. However, on a QoQ basis, margin is likely to decline 102bps due to higher employee and administrative expenses
- PAT is expected to grow 28.8% YoY (and 2.4% QoQ) to Rs222mn

Jagran Prakashan(Standalone) (Rating: Buy; Target Price: Rs157)

Exhibit 6: Quarterly Estimates

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	2,935	2,698	2,816	4.2	8.8	13,946
EBITDA	805	901	714	12.7	(10.7)	3,999
EBITDA Margin (%)	27.4	33.4	25.4	207	(597)	28.7
PAT	454	556	421	7.8	(18.4)	2,411

Source: Company, Centrum Research Estimates

- We expect revenue to grow marginally 8.8% YoY and 4.2% QoQ with ad revenue growing by a mere 7% YoY. We believe the slowdown in education sector coupled with the company's strategy of focusing on yield improvement rather than volumes would dampen ad revenue growth
- Operating margin is expected to decline 597bps YoY (but grow 207bp QoQ). Operating profit is also expected to decline 10.7% YoY due to lower ad growth and higher newsprint cost
- PAT is expected to grow 7.86% QoQ, but decline 18.4% YoY

Sun TV (Rating: BUY; Target Price: Rs 594)**Exhibit 7: Quarterly Estimates**

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	4,613	4,404	4,605	0.2	4.7	22,188
EBITDA	3,603	3,599	3,639	(1.0)	0.1	17,232
EBITDA Margin (%)	78.1	81.7	79.0	(92)bps	(362)bps	77.7
PAT	1,997	1,710	2,083	(4.1)	16.8	9,019

Source: Company, Centrum Research Estimates

- We expect the company to post 4.7% YoY increase in revenue, but report flat growth QoQ. We have modelled 15% YoY ad revenue growth for the quarter along with 23% increase in DTH revenues and 13% growth in analog subscription revenues
- EBITDA margin is expected to decline to 78.1% from 81.7% in Q1FY11. As the company did not release any movies during the quarter, we believe amortization would be low
- PAT is expected to grow 16.8% YoY, but decline 4.1% QoQ

Zee Entertainment Enterprises (Rating: Hold; Target Price: Rs 146)**Exhibit 8: Quarterly Estimates**

(Rsmn)	Q1FY12 E	Q1FY 11	Q4FY 11	QoQ (%)	YoY (%)	FY12E
Sales	7,539	6,770	7,979	(5.5)	11.4	33,388
EBITDA	2,067	1,870	2,268	(8.9)	10.5	9,157
EBITDA Margin (%)	27.4	27.6	28.4	(101)bps	(21)bps	27.4
PAT	1,551	1,249	1,941	(20.1)	24.2	6,564

Source: Company, Centrum Research Estimates

- Q1FY12 revenue is expected to grow 11.4% YoY on the back of 13% increase in ad revenue, 44% growth in DTH subscription revenue and 19% in analog subscription revenue. International revenues are expected to grow marginally at 9% YoY
- EBITDA margin is expected to contract 21 bps YoY and 101bps QoQ. EBITDA is expected to drop 8.9% YoY. Re-branding expenses, along with marginal losses in the sports business, would result in higher costs
- PAT is expected to shrink 20.1% QoQ but increase 24.2% YoY

Appendix A

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