

**India Media Sector ----- Maintain MARKET WEIGHT**

**Will elections benefit news channels? Sector valuations have tempered, but falling advertisement growth a risk**

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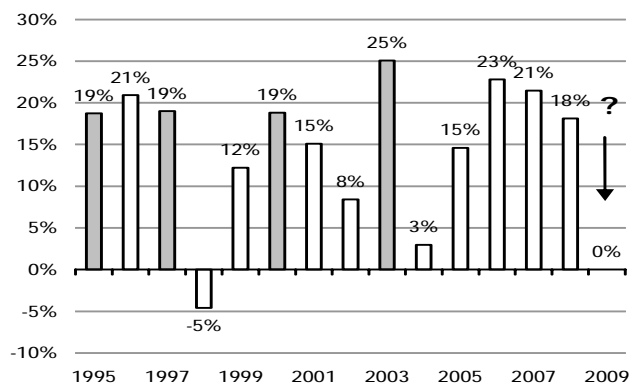
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- We noticed the first signs of election activity in TV media with ads for the ongoing state elections. Closer to general elections, the news segment could witness an improvement in viewership and advertisement shares. We admit that the ongoing advertisement downturn makes this largely a relative play, though.
- The best way to play the election theme is through news channels and amongst the news channels, pure play beneficiaries include Zee News and TV today. In our view, NDTV and TV18, despite having gearing to news channels, may not benefit from an earnings perspective, as NDTV's GEC gearing will hurt profitability, while TV18's start-up business losses and push out of government budget due to elections could impact financials.
- For the broader GEC segment, valuations might appear tempting, but we are concerned with deteriorating ad revenues and margins. It is likely that next year ad growth could be flat YoY or decline compared with an 18% growth this year. We expect the GEC stocks to be range bound. IBN18 stands out as a good long-term opportunity, though, while UTV would be a good play on resilience of the film business during downturns.

**Advertisement growth is slowing**

After three strong years for advertisement revenues, a weak macro could impact advertisement growth next year, in our view. The signs of this are already visible with short lead time media such as billboards witnessing a decline in utilisation rates. The TV broadcast media is also witnessing slower advertisements from several segments such as BFSI, autos, real estate etc. A slowing ad growth, coupled with largely fixed cost models for these companies, could lead to margin pressures, going forward, in our view.

**Figure 1: Election years- advertisement growth is strong, but weak macro could impact advertisement growth next year.**



Source: Company data, Credit Suisse estimates.

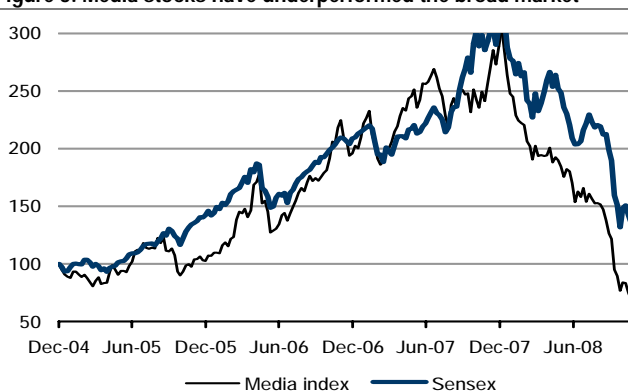
While usually election years historically have witnessed advertisement strength, we expect the benefit this year to be muted due to weak macro. News channels could witness a relative increase in viewership shares, though.

**Figure 2: Election activity has commenced**

State	First poll date	Completion date
Chattisgarh	14-Nov-08	13-Dec-08
Jammu & Kashmir	17-Nov-08	31-Dec-08
Madhya Pradesh	27-Nov-08	13-Dec-08
Mizoram	2-Dec-08	13-Dec-08
NCT of Delhi	29-Nov-08	13-Dec-08
Rajasthan	4-Dec-08	13-Dec-08
General elections	2009	

Source: Company data, Credit Suisse estimates.

**Figure 3: Media stocks have underperformed the broad market**



Source: Company data, Credit Suisse estimates.

**Figure 4: Valuations have tempered but near term could likely be range bound as consensus growth estimates for FY09 could get revised down**



Source: Company data, Credit Suisse estimates.

**Valuation metrics**

Company	Ticker	CS Rating	Price		P/E (x)		P/B (x)
			Local	Target	T+1	T+2	
NDTV	NDTV IN	N	72.9	UR	n.m.	10.3	0.8
Zee News	ZEEN IN	O	30.3	47.8	14.9	9.8	2.8
Zee	Z IN	N	115	173	11.3	10.5	1.6
Sun TV	SUNTV IN	N	174	183	17.0	14.6	3.9
Dish TV	DITV IN	N	15.05	UR	n.m.	n.m.	5.0
UTV	UTV IN	N	211	688	11.9	8.1	0.5
TV18	TLEI IN	U	60.55	UR	8.8	6.3	1.8

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

Source: Company data, Credit Suisse estimates

**Companies Mentioned** *(Price as of 03 Dec 08)*

Zee Entertainment (ZEE.BO, Rs114.95, NEUTRAL [V], TP Rs173.21)  
 Zee News (ZEEN.BO, Rs30.30, OUTPERFORM [V], TP Rs47.84)  
 TV 18 (TVET.BO, Rs60.55, UNDERPERFORM [V], TP Rs220.00)  
 NDTV (NDTV.BO, Rs72.90, NEUTRAL [V], TP Rs241.89)  
 Sun TV (SUTV.BO, Rs173.70, NEUTRAL [V], TP Rs182.55)  
 DISH TV (DSTV.BO, Rs15.05, NEUTRAL [V], TP Rs36.50)  
 UTV Software (UTVS.BO, Rs210.85, NEUTRAL [V], TP Rs688.14)  
 TV today (TVT IN, Rs63.2, NOT RATED)

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