



## Q4FY2007 Media earnings preview

*Living up to growth expectations, Q4FY2007 results not to disappoint as usual*

### Industry

- ◆ The fourth quarter is the best quarter for the media industry as corporates exhaust their remaining ad budgets in this quarter.
- ◆ For the news channels, specifically the business news channels, the Union Budget is the major event that takes place in the fourth quarter, bringing in more ad revenues.
- ◆ The *ICC Cricket World Cup West Indies 2007* was seen as a major event that was expected to affect the revenues of the general entertainment channels (GECs) but India's early exit is believed to have negated this to a certain extent.
- ◆ This was the first quarter of the roll-out of the conditional access system (CAS) in parts of Mumbai, Delhi and Kolkata. While 1.63 million cable homes fall under these CAS mandated zones, about 29% were estimated to have opted for set top boxes (STBs) till February 15, 2007 (source: FICCI- PWC Frames-2007).
- ◆ The penetration of CAS is expected to improve over a period of time with better subscriber awareness, the availability of STBs and its implementation in the other cities. CAS also provides an opportunity to alternative digital distribution platforms such as direct-to-home (DTH) and Internet Protocol TV to expand faster. We expect CAS to bring in transparency and curb under-reporting of subscriber base, thereby improving the profitability of broadcasters and MSOs.

### Companies under coverage

- ◆ **TV18:** We expect Television Eighteen (TV18) to post a robust growth of 47.7% in revenues to Rs79 crore and a net profit growth of 35.3% to Rs25 crore. However, the numbers are not strictly comparable on a year-on-year (y-o-y) basis due to the inclusion of *Awaaz* in the consolidated financials. The bottom line growth would apparently seem low as compared to the top line growth due to the significantly lower margins of *Awaaz*. On a quarter-on-quarter basis we expect the revenues to grow by 22% and the net profit to increase by a strong 30.9% with increased contribution from *Awaaz* and a trend of higher revenues in Q4. In March 2007, Web-18 (an 85% subsidiary of TV18) acquired a majority stake in Bigtree Entertainment, the industry leader in movie and entertainment ticketing.
- ◆ **NDTV:** We expect New Delhi Television (NDTV) to report a 20.2% y-o-y growth in its revenues to Rs84 crore. However, the net profit (prior to the amortisation of the employee stock options) is expected to record a growth of 8.7% to Rs11.1 crore. NDTV marched ahead with funding arrangements for its new Hindi GEC and put the top management in place by roping in Sameer Nair of ex-STAR India to head the venture.
- ◆ **Saregama India:** We expect Saregama India to post a 7.5% y-o-y revenue growth to Rs31.7 crore; however the net profit is expected to more than double (grow by 110.2%) to Rs3.5 crore as the business model inclines more towards the high-margin licence fee income. Sales of cassettes/CDs/home videos are expected to fall by 14.7% yoy to Rs21.4 crore and the licence fee income is expected to jump by 135.2% yoy. Thus the overall margin is expected to jump from 1.7% to 14.4% yoy.

### Sharekhan estimates

(Rs crore)	Net sales			PAT		
	Q4FY07E	Q4FY06	% change	Q4FY07E	Q4FY06	% change
TV18*	79.0	53.5	47.7	25.0	18.5	35.3
NDTV#	84.0	69.9	20.2	11.1	10.3	8.7
Saregama India	31.7	29.5	7.5	3.5	1.7	110.2

\* Pre-cost of stock options, numbers not comparable yoy due to inclusion of CNBC - Awaaz.

# Pre-cost of stock options

The author doesn't hold any investment in any of the companies mentioned in the article.

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