COMPANY UPDATE

ZEE ENTERTAINMENT ENTERPRISES

FMCG, sports fuel ad revenue fire

India Equity Research| Media

Consumer companies have hiked their ad spends significantly over the past two quarters (~28% YoY in Q1FY13, ~23% YoY in Q2FY13), as per our analysis, which augers well for Zee Entertainment (ZEE). According to Mindshare and Hindustan Unilever (HUL), overall ad intensity is at the highest in 15 quarters. In Q2FY13, ZEE's ad revenue also jumped a significant ~33.7% YoY. Though its market share improved across genres, ad revenue from sports business has been a key contributor to this robust spurt. Though a marquee media agency like GroupM had downgraded its 2012 media industry ad growth forecast from 12.0% to 6.6% in July 2012, ZEE belied this estimate and reported a handsome ~26% YoY ad growth in H1FY13. While conceding that the Q2FY13 ad revenue surge is unsustainable, we expect that the media giant's H2FY13 ad revenue growth will continue to outpace industry. Moreover, positive impact of digitisation will be the icing on the cake. Maintain 'BUY'.

Consumer companies loosening purse strings

Consumer companies (contribute 50% plus to TV ads) have hiked ad spends significantly by ~25.5% in H1FY13. Of the 10 consumer companies which have declared Q2FY13 numbers, ad spends have surged a cumulative ~22.9% YoY in the quarter.

Sporting encounters kick off ad revenue surge

ZEE's ad growth galloped to 33.7% YoY in Q2FY13 on enhanced market share, benefit from sports, HUL not advertising on STAR and a low base (down 4.2% in Q2FY12). Amongst major sporting events during the quarter, the company telecast the successful India-Sri Lanka cricket series (5 ODIs and 1 T20). It is important to note that ZEE does not have telecast rights of any India-specific cricket event in H2FY13.

Outlook and valuations: Growth DNA; maintain 'BUY'

Sturdy free cash flow generation, ~INR10bn net cash, minimal debt and an increasing payout are key positives. At CMP, the stock is trading at P/E of 28.0x and 23.2x FY13E and FY14E earnings, respectively. Maintain '**BUY/Sector Outperformer**'.

Financials

Year to March	FY11	FY12	FY13E	FY14E
Revenues (INR mn)	30,088	30,405	35,442	39,512
Rev. growth (%)	*36.8*	*1.1*	*16.6*	*11.5*
EBITDA (INR mn)	8,219	7,395	8,825	10,807
Core profit (INR mn)	6,055	5,906	6,660	8,044
Diluted EPS (INR)	6.3	6.1	7.0	8.4
Dil. EPS post-digitisation (INR)*	6.3	6.1	7.1	10.1
Diluted P/E (x)	21.5	31.7	28.0	23.2
EV/EBITDA (x)	14.8	23.7	19.4	15.4
ROAE (%)	17.5	18.1	18.1	19.2

** Only this line item factors in the post-digitisation impact*

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA *(R: ZEE.BO, B: Z IN)*

CMP	: INR 194
Target Price (FY14E)	: INR 252
52-week range (INR)	: 208 / 106
Share in issue (mn)	: 954.0
M cap (INR bn/USD mn)	: 187 / 3,420
Avg. Daily Vol.BSE/NSE('000)	: 1,854.8

SHARE HOLDING PATTERN (%)

	Current	Q1FY13	Q4FY12
Promoters*	43.4	43.9	43.6
MF's, FI's & BK's	12.6	13.1	12.5
FII's	36.1	35.3	37.0
Others	7.9	7.7	6.8

** Promoters pledged shares (% of share in issue) : 13.5*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	(3.1)	(0.4)	10.6
3 months	20.2	8.4	22.8
12 months	54.8	8.3	31.3

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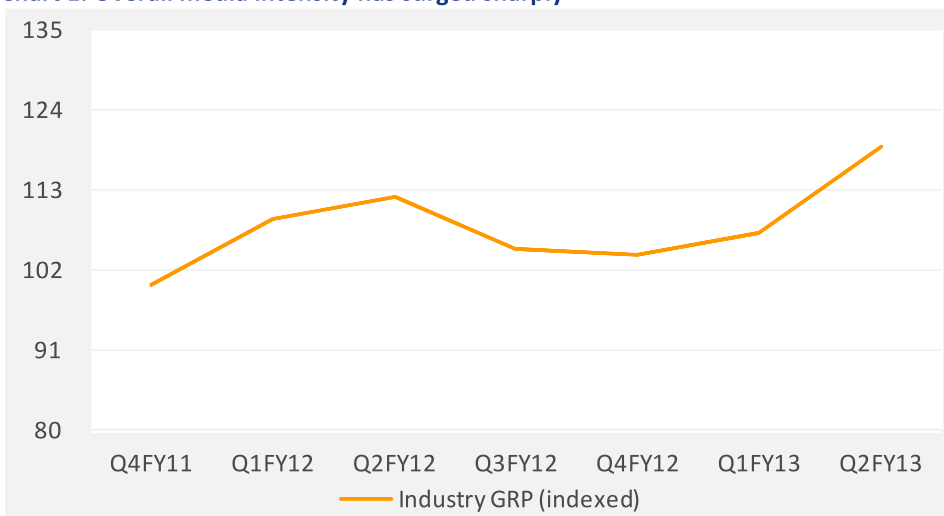
Consumer goods companies loosening purse strings

The consumer goods (FMCG) segment, with more than 50% contribution, is the highest advertising sector on TV. While telecom, consumer durables and BFSI have tightened their purse strings, consumer goods companies are loosening them.

As per Mindshare and HUL, overall media intensity has surged significantly and is at the highest over the past 15 quarters. HUL, one of the top FMCG advertisers on TV, has stepped up brand investments in all FMCG segments.

Chart 1: Overall media intensity has surged sharply



Source: Mindshare, HUL, Edelweiss research

In Table 1 we have analysed the trend of ad spends by various consumer goods companies over the past three quarters. Of the 10 consumer goods companies which have declared Q2FY13 numbers so far, ad spends during the quarter have surged a cumulative ~22.9% YoY (28.2% in Q1FY13; 12.2% in Q4FY12). Ad spends as a percentage of sales in Q2FY13 stood at 10.8% vis-à-vis 11.3% in Q1FY13 and 9.8% in Q4FY12. HUL, which contributed ~52% of ad spends amongst these 10 companies, posted 18.1% YoY growth in ad spends compared to 29.5% in Q1FY13. Ad spends as percentage of sales were 12.2% in Q2FY13 for the company compared to 12.8% in Q1FY13. However, we believe this QoQ dip was predominantly because of the 10-day Navratri festival falling in Q3 in FY13 rather than Q2.

Table 1: Analysis of ad spends by 10 major consumer companies over past three quarters – (Standalone)

Company	Ad spends (INR mn)			Ad spends as % of sales			% YoY growth in ad spends			Contribution to ad spends of Consumer Goods coverage universe(%)
	Q2FY13	Q1FY13	Q4FY12	Q2FY13	Q1FY13	Q4FY12	Q2FY13	Q1FY13	Q4FY12	Q2FY13
HUL	7,690	8,196	6,773	12.2	12.8	11.7	18.1	29.5	8.7	51.9
GSK Consumer*	1,386	1,161	1,091	16.2	15.3	13.0	15.9	16.1	5.4	9.4
Dabur	1,031	1,319	1,046	9.9	13.0	10.6	42.3	82.0	39.8	7.0
Titan	983	1,034	800	4.3	4.7	3.5	8.4	14.7	(10.5)	6.6
Marico	955	1,038	764	11.5	10.7	11.3	54.8	45.9	84.9	6.5
Colgate	889	837	583	11.2	11.1	8.3	23.0	32.0	14.3	6.0
Gillette	851	744	694	25.4	22.1	21.8	57.4	(15.1)	(4.5)	5.7
GCPL	751	774	547	8.2	9.8	6.9	33.1	18.0	34.5	5.1
Jyothy Labs	159	163	101	8.9	7.8	4.6	(5.6)	76.6	(12.9)	1.1
Agrotech	116	111	62	6.0	6.5	3.5	17.2	50.3	135.6	0.8
Total	**14,812**	**15,378**	**12,463**	**10.8**	**11.3**	**9.8**	**22.9**	**28.2**	**12.2**	

*Note: * CY ending*

Source: Edelweiss research

Table 2: Various new consumer products have been launched in the past 2 quarters which has accelerated ad spends

Company	New product launch
HUL	Axe Bar soap, Magic water saver, relaunched Fair & Lovely, Vaseline Heel Cream, Pepsodent Expert Protection range, Pepsodent Mouthwashes, 18 variants of Hair Fall Rescue range under Dove and TRESemmé hair care range, relaunched Clinic Plus, Bru Exotica Guatemala, Marvella UV, Kwality Walls, Pureit Advanced with double protection, Lakme Perfect Radiance, Comfort 1 Rinse, Surf Excel Easywash, Lakmé eyeconic range and Vim Anti Germ bar
Dabur	Re-launch of Amla hair oil, Thirty Plus; Re-launch of new pack - Gulabari, Uveda Sunblock Cream SPF 30
GCPL	Aer air fresheners, Godrej No.1 Rosewater and Almonds soap, Re-launched its Cinthol brand with entry into new category of shower gels, 'Goodknight Advanced colour play'
Marico	Pan India launch of Muesli and also oats expanded nationally from South India
Colgate	Colgate Total Advance Whitening, Colgate Max Fresh Ice toothpaste, Colgate 360 Battery toothbrush, Colgate Max Fresh toothbrush
ITC	Launched Exotic Dream, Sunfeast Kaju Badam Cookies, Vivel Summer Fair
Emami	Boroplus Kids-Total Defense Talc, Zandu Vigorex and Sardi Ja cough syrup
GSK Consumer	Nutribic biscuits in South

Source: Edelweiss research

GCPL launched AER soap in Q1FY13

Pan-India launch of Muesli

TRESemme launched in Q2FY13

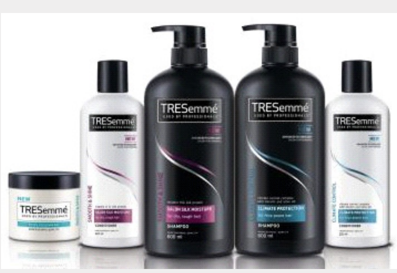


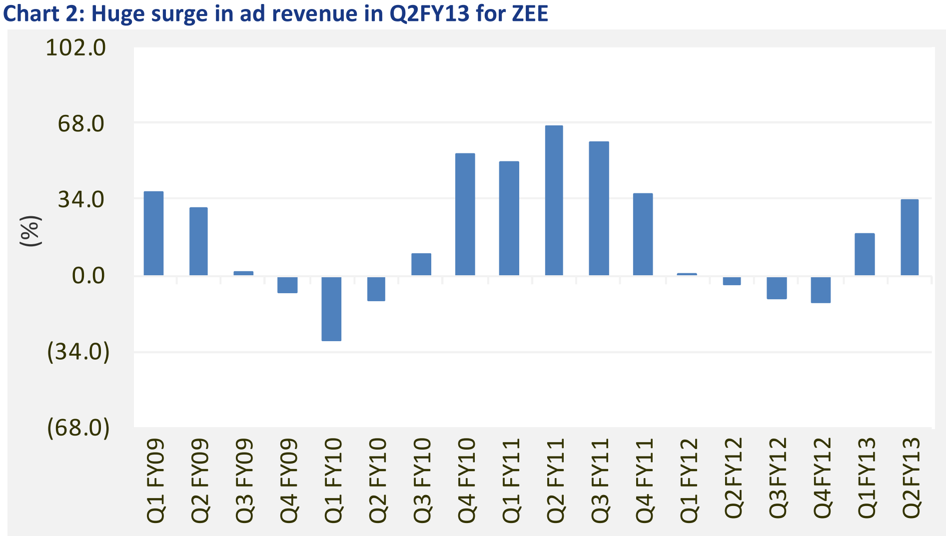
Table 3: Segment-wise advertisers in TV (%)

Segment	2007	2008	2009	2010	2011
FMCG	48.8	48.7	55.6	54.5	52.8
Telecom/Internet/DTH	10.5	13.9	11.8	11.1	11.5
Auto	6.7	5.6	6.7	6.7	7.6
BFSI	6.9	7.7	5.7	5.2	5.5
Household Durables	6.2	5.3	4.7	5.4	5.5
Clothing/Fashion/Jewellery	4.4	3.2	2.8	3.3	3.6
Real Estate	3.5	3.3	2.8	3.3	3.3
Others	4.5	4.2	3.9	3.2	3.1
Corporate	3.2	3.6	2.5	2.7	2.5
Education	1.2	1.5	1.5	1.6	1.6
Travel & Tourism	1.3	0.8	0.9	1.5	1.4
Retail	1.1	1.1	0.6	0.8	0.8
Alcoholic Beverages	1.1	0.8	0.4	0.6	0.8
Media	0.4	0.2	0.1	0.2	0.1

Source: Pitch Madison, Edelweiss research

ZEE has an impressive bouquet of 32 channels, including eight regional offerings. Typically, regional advertisers are long-tail in nature with less global pressures. Despite the FMCG category hiking ad spends in print, its contribution to the segment remains at ~9%. Thus, even if consumer goods companies hike their ad spends, the positive rub-off on print companies will be less than that for TV broadcasting companies. Hence, like in Q1FY13, ZEE has far outperformed its listed print players in terms of YoY ad growth in Q2FY13 as BFSI, telecom, education and consumer durables, predominant advertisers in print, have slowed their ad spends.

Chart 2: Huge surge in ad revenue in Q2FY13 for ZEE



Source: Company, Edelweiss research

Table 4: Ad growth of media companies in Q2FY13

Company	YoY ad growth in Q2FY13 (%)
ZEE	33.7
TV18	1.5
Zee News	(9.7)
Jagran Prakashan	3.6
DB Corp	3.0
HT Media	(1.0)
HMVL	2.0

Source: Company, Edelweiss research

Table 5: Segment-wise advertisers in print (%)

Segment	2007	2008	2009	2010	2011
Education	16.5	17.1	17.3	14.6	10.6
FMCG	6.6	5.8	7.2	7.4	8.9
Auto	8.6	6.8	7.8	7.1	9.8
Real Estate	7.1	6.4	6.5	8.0	8.4
BFSI	7.8	8.3	7.9	8.7	6.7
Clothing/Fashion/Jewellery	5.9	5.1	5.5	5.3	6.5
Household Durables	6.1	6.5	5.3	5.3	5.7
Retail	5.9	5.5	5.8	5.8	5.6
Telecom/Internet/DTH	7.3	6.2	5.4	6.3	4.7
Corporate	4.1	3.6	3.0	3.0	2.8
Travel & Tourism	4.2	4.3	3.5	2.5	2.8
Media	2.4	1.9	2.2	2.2	1.5
Alcoholic Beverages	0.4	0.3	0.3	0.2	0.2
Others	17.1	22.2	22.5	23.6	25.7

Source: Pitch Madison, Edelweiss research

In July, GroupM had downgraded its 2012 ad forecast for the overall media industry to 6.6% from 12.0% earlier; forecast for TV stands at 5.6% and for print it is 5.0%.

Table 6: GroupM's YoY ad forecasts for 2012

	Revised ad growth (%)
Overall media industry	6.6
TV	5.6
Print	5.0
Radio	9.0
Outdoor	6.0
Digital	30.0

Source: GroupM, Edelweiss research

> "It (high ad revenues in Q2) was due to the sports business because we had India-Sri Lanka series. That boosted the ad revenue significantly. So, that one will not see going forward. But, even on a sustained basis, we will still beat the industry average of 7-8 percent on the advertising front."
>
> - **Punit Goenka,**
> **MD & CEO, ZEE**

Sporting events fuel ad revenue surge

As shown in Table 7, ZEE's quarterly sports losses tend to be highest when India-specific cricket matches are aired, followed by lower losses when non-India cricket matches are aired and the least losses are typically when the cricket action is minuscule. This is because cricket rights command a premium and India-specific cricket matches command a very high premium. Losses may also vary depending on forex impact as the company has to pay in USD.

In Q2FY13, ZEE's sports revenue surged to INR1.8bn vis-à-vis ~INR0.9bn in Q2FY12, a possible indicator of higher ad revenue during the quarter. However, management also stated that subscription revenue from sports has surged significantly over the past one year. Hence, it is difficult to analyse the exact extent of sports' contribution to ad revenue. In another recent development, the company acquired TV broadcast rights for West Indies cricket for a period of seven years from January 2013. *Ten Sports* will showcase 253 days of international cricket as part of this new rights deal.

Table 7: ZEE's sports losses have reduced to INR169mn in Q2FY13

(INR mn)	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13
Sales	873	881	901	1279	992	1818
Costs	1439	1,107	1,001	1,867	1,202	1,987
EBITDA	(566)	(226)	(100)	(588)	(210)	(169)
EBITDA margin (%)	(64.8)	(25.7)	(11.1)	(46.0)	(21.2)	(9.3)
Major series	India vs. WI	US Open	Pak vs. SL	India vs. SA	SL vs. Pak	India vs. SL
	UEFA CL Finals	India vs. WI	Aus vs. SA	Pak vs. Eng	Wi vs. Aus	Pak vs. Aus
		SL vs. Aus	Zim vs. NZ		UEFA CL Finals	US Open
		Pak vs. SL	SAFF			UEFA CL
India Cricket	India vs. WI	India vs. WI	NA	India vs. SA	NA	
	5 ODIs, 2 Tests	1 Test		1 T20		5 ODIs, 1 T20

Source: Company, Edelweiss research

Improvement in viewership share of Hindi GEC, other genres

Zee TV contributes ~45% to ZEE's total ad revenue. The company's dependence on the channel is likely to ebb as it now also has key channels like *Zee Cinema, Ten Sports, Zee Marathi, Zee Bangla, Zee Kannada* and *Zee Telugu* which have started contrubuting significantly to ad revenue. Since ad revenue constitutes ~50% of ZEE's total revenue, *Zee TV* contributes ~20-25% to the company's total revenue. The channel has averaged 237 GRPs in Q2FY13, a relative share of 22% amongst the top 5 Hindi GECs (highest in past five quarters).

Table 8: *Zee TV's* market share in terms of GRPs

	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13
GRPs	253	237	200	217	201	189	158	196	215	237
Overall relative share (%)	20	22	19	23	23	20	16.5	18.7	21.2	22
Primetime relative share (%)	NA	NA	NA	NA	26	21	17.7	19.7	23.1	23
YoY ad revenue growth (%)	50.4	66.5	59.0	36.4	0.5	(4.2)	(10.1)	(12.1)	18.1	33.7

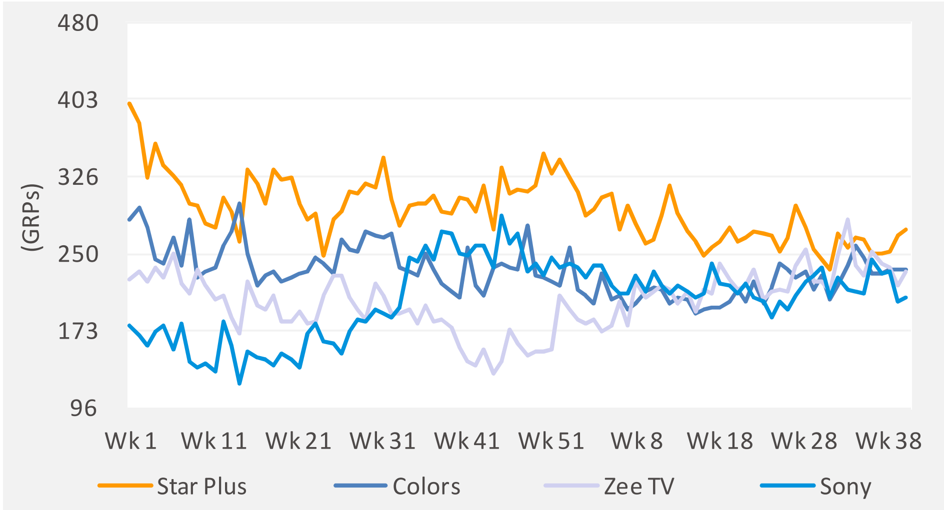
Source: TAM, Company, Edelweiss research

Table 9: GEC rankings – Gap between Zee TV and Star Plus narrows considerably

Year	2012				% lead of Star Plus		
Week	Star Plus	Colors	Zee TV	Sony	Colors	Zee TV	Sony
Wk 1	311	213	184	236	46	69	32
Wk 2	287	208	180	226	38	59	27
Wk 3	293	200	185	237	47	58	24
Wk 4	306	230	172	237	33	78	29
Wk 5	309	204	179	217	51	73	42
Wk 6	273	208	202	209	31	35	31
Wk 7	298	193	179	210	54	66	42
Wk 8	279	200	222	227	40	26	23
Wk 9	259	211	206	212	23	26	22
Wk 10	263	215	212	231	22	24	14
Wk 11	287	214	217	218	34	32	32
Wk 12	318	200	214	209	59	49	52
Wk 13	289	205	200	217	41	45	33
Wk 14	271	203	211	211	33	28	28
Wk 15	262	190	192	205	38	36	28
Wk 16	248	194	214	209	28	16	19
Wk 17	255	195	210	240	31	21	6
Wk 18	262	195	239	220	34	10	19
Wk 19	276	201	224	217	37	23	27
Wk 20	262	213	213	210	23	23	25
Wk 21	266	201	218	219	32	22	21
Wk 22	272	221	233	205	23	17	33
Wk 23	269	200	203	201	35	33	34
Wk 24	268	215	212	187	25	26	43
Wk 25	251	239	214	201	5	17	25
Wk 26	266	233	211	194	14	26	37
Wk 27	298	225	238	207	32	25	44
Wk 28	276	231	253	222	19	9	24
Wk 29	254	214	221	228	19	15	11
Wk 30	243	228	222	235	7	9	3
Wk 31	234	203	211	206	15	11	14
Wk 32	270	217	247	225	24	9	20
Wk 33	255	238	283	214	7	(10)	19
Wk 34	265	258	237	211	3	12	26
Wk 35	264	245	227	210	8	16	26
Wk 36	250	229	251	244	9	(0)	2
Wk 37	250	230	240	230	9	4	9
Wk 38	252	233	235	232	8	7	9
Wk 39	268	233	217	202	15	24	33
Wk 40	274	233	231	205	18	19	34

Source: TAM, Edelweiss research

Chart 3: GEC rankings – *Zee TV* bounces back from the lows of H2FY12



Source: TAM, Edelweiss research

Outlook and valuations: Growth DNA; maintain 'BUY'

We believe, irrespective of higher subscriber additions by DTH or cable operators, broadcasters like ZEE will be one of the safest and most attractive plays on the digitisation theme. Amongst listed players, ZEE is best placed to benefit due to its huge brand and bouquet of 32 channels. Also, the company has a sturdy free cash flow, net cash of ~INR10bn, minimal debt, secular growth story, two buy-back offers in past few quarters and a stable dividend policy. We expect that bigger upside for it lies over a two year time frame after taking into consideration the expected surge in subscription revenue.

In our *Braveheart* series on ZEE titled ***All set to ride the digital highway***, dated June 26, 2012, we had highlighted that in the base case scenario, the company can report ~32% CAGR in EPS over FY12-16E; FY12-16E CAGR in bear and best cases are 28% and ~35%, respectively. We have discounted the one-year multiple (20x) by 15% to arrive at the two-year multiple of 17 (unchanged from our *Braveheart* report). We maintain our 2-year target price at INR252. At CMP, the stock is trading at P/E of 28.0x and 23.2x FY13E and FY14E earnings, respectively. Maintain '**BUY/Sector Outperformer**'.

Company Description

ZEE is one of the largest media companies in India. It owns and operates *Zee TV* and *Zee Cinema*, both leading channels in the Hindi GEC and movies segment respectively. Besides these two, the company has an attractive bouquet of several other channels including *Ten Sports, Ten Cricket, Ten Action +, Zing, Zee Jagran, Zee Premier, Zee Classic, Zee Action, Zee Cafe, Zee Studios*, and *Zee Trendz*. With the likes of *Zee Marathi, Zee Bangla, Zee Telugu* and *Zee Kannada,* ZEE has an impressive bouquet of regional channels.

Investment Theme

Higher penetration of DTH and the digitisation process augur well for faster growth in subscription revenues. With the ordinance of digitisation and MediaPro, subscription revenues are likely to see a positive surprise. We expect ZEE is well poised to benefit from this favorable environment over the longer term. Improvement in ZEE's market share and overall sentiment will aid ad revenue growth.

Key Risks

- Increase in competition from Colors & Sony in particular
- Increase in new investments might pressurize margins longer than expected
- Sports losses could increase further with increasing cost of sports rights and possible currency fluctuation
- TRAI's regulation which caps ad durations can reduce ad revenues especially for sports channels. TRAI has capped the duration of ads on TV channels at 12 minutes per hour. There are certain other key regulations as well. For example, the minimum time gap between two consecutive ad breaks should not be less than 15 minutes. Also, part-screen and drop-down ads will not be permitted. Currently, TDSAT has stayed this notification.
- Slowdown in ad spends due to lower GDP growth

Financial Statements

Key Assumptions

Year to March		FY10	FY11	FY12	FY13E	FY14E
Macro -	GDP(Y-o-Y %)	8.4	8.4	6.5	5.8	6.5
	Inflation (Avg)	3.6	9.9	8.8	7.8	6.0
	Repo rate (exit rate)	5.0	6.8	8.5	7.5	6.8
	USD/INR (Avg)	47.4	45.6	47.9	53.5	52.0
Sector -	TV industry ad growth (%)	2.0	17.0	9.0	9.0	8.0
	TV industry sub. growth (%)	7.0	15.0	10.3	12.9	14.8
Company -	Ad revenue growth (%)	0.7	59.4	(6.9)	18.0	9.0
	Domestic sub. rev. growth (%)	25.1	27.0	28.4	20.5	19.5
	Internatl sub. rev. growth (%)	(7.2)	(1.8)	(1.8)	10.0	3.0
	Trans. & Prog. costs (% of rev.)	43.0	47.8	47.1	48.2	46.8

Income statement **(INR mn)**

Year to March	FY10	FY11	FY12	FY13E	FY14E
Net revenue	21,998	30,088	30,405	35,442	39,512
Direct costs	9,452	14,370	14,311	17,083	18,492
Employee costs	1,963	2,737	2,925	3,438	3,793
Total SG&A expenses	4,448	4,761	5,774	6,096	6,421
EBITDA	6,135	8,220	7,395	8,825	10,807
Depreciation & Amortization	285	289	323	366	426
EBIT	5,849	7,931	7,072	8,459	10,381
Other income	1,220	882	1,384	1,289	1,380
Interest expenses	331	88	50	95	103
Profit before tax	6,738	8,725	8,406	9,652	11,658
Provision for tax	857	2,671	2,500	2,992	3,614
Net profit	5,881	6,054	5,906	6,660	8,044
Extraordinary income/ (loss)	284	197	-	-	-
Profit after tax	6,165	6,251	5,906	6,660	8,044
Minority interest	(195)	(118)	17	24	49
Profit after minority interest	6,344	6,369	5,891	6,636	7,995
Shares outstanding (mn)	978	978	959	954	954
Diluted EPS (INR)	6.2	6.3	6.1	7.0	8.4
Dividend per share (INR)	2.0	2.0	1.5	1.7	2.0
Dividend payout (%)	32.0	31.7	24.4	24.4	24.4

Common size metrics - as % of net revenues

Year to March	FY10	FY11	FY12	FY13E	FY14E
S G & A expenses	20.2	15.8	19.0	17.2	16.3
Direct Cost	43.0	47.8	47.1	48.2	46.8
EBITDA margins	27.9	27.3	24.3	24.9	27.4
Net profit margins	26.7	20.1	19.4	18.8	20.4

Growth ratios (%)

Year to March	FY10	FY11	FY12	FY13E	FY14E
Rev. growth (%)	1.0	36.8	1.1	16.6	11.5
EBITDA	11.9	34.0	(10.0)	19.3	22.5
Net profit	56.0	2.9	(2.4)	12.8	20.8

Balance sheet (INR mn)

As on 31st March	FY10	FY11	FY12	FY13E	FY14E
Equity capital	489	978	959	959	959
Reserves & surplus	37,811	30,004	33,395	38,148	43,875
Shareholders funds	38,300	30,982	34,354	39,107	44,834
Minority interest (BS)	(22)	(119)	(32)	(8)	41
Secured loans	591	9	12	12	12
Unsecured loans	604	-	-	-	-
Borrowings	1,195	9	12	12	12
Deferred tax liability	(133)	(192)	(337)	(337)	(337)
Sources of funds	**39,339**	**30,680**	**33,997**	**38,774**	**44,550**
Gross block	3,581	3,805	4,336	4,917	5,717
Depreciation	1,501	1,667	2,006	2,372	2,798
Net block	2,080	2,138	2,330	2,545	2,919
Capital work in progress	1,108	8	201	460	470
Intangible assets	16,399	6,257	7,185	7,185	7,185
Investments	3,203	6,964	7,999	8,000	8,500
Inventories	4,713	5,396	7,339	7,601	8,228
Sundry debtors	7,488	8,704	8,690	10,138	11,302
Cash and equivalents	5,864	3,856	3,283	6,507	10,266
Loans and advances	6,325	5,217	5,789	5,789	5,789
Total current assets	24,389	23,173	25,101	30,034	35,585
Sundry creditors and others	4,376	4,716	5,845	6,303	6,823
Others current liabilities	1,023	657	1,041	1,213	1,353
Provisions	2,441	2,487	1,933	1,933	1,933
Total current liabilities & provisions	7,840	7,860	8,819	9,450	10,109
Net current assets	16,549	15,313	16,282	20,584	25,476
Miscellaneous expenditure	-	-	-	-	-
Uses of funds	**39,339**	**30,680**	**33,997**	**38,774**	**44,550**

Free cash flow (INR mn)

Year to March	FY10	FY11	FY12	FY13E	FY14E
Net profit	6,344	6,369	5,891	6,636	7,995
Depreciation	285	289	323	366	426
Deferred tax	26	(113)	(135)	-	-
Others	(1,676)	(1,706)	(368)	-	-
Gross cash flow	4,979	4,839	5,711	7,002	8,421
Less: Changes in WC	(2,088)	(886)	1,612	1,079	1,132
Operating cash flow	7,067	5,725	4,099	5,924	7,289
Less: Capex	328	(877)	724	840	810
Free cash flow	**6,739**	**6,602**	**3,375**	**5,084**	**6,479**

Cash flow metrics

Year to March	FY10	FY11	FY12	FY13E	FY14E
Operating cash flow	7,067	5,725	4,099	5,924	7,289
Investing cash flow	4,552	(4,989)	(183)	(841)	(1,310)
Financing cash flow	(7,846)	(2,951)	(4,489)	(1,859)	(2,219)
Net cash flow	3,773	(2,215)	(573)	3,224	3,759
Capex	(328)	877	(724)	(840)	(810)
Dividends paid	(2,272)	(2,273)	(1,672)	(1,883)	(2,268)

Profitability & efficiency ratios

Year to March	FY10	FY11	FY12	FY13E	FY14E
ROAE (%)	16.3	17.5	18.1	18.1	19.2
ROACE (%)	15.5	26.5	28.5	29.8	31.1
Inventory day	179	128	162	160	156
Debtors days	116	98	104	97	99
Payable days	147	115	135	130	130
Current ratio	3.1	2.9	2.8	3.2	3.5
Debt/EBITDA	0.2	-	-	-	-
Debt/Equity	-	-	-	-	-
Adjusted debt/equity	0.3	0.3	0.3	-	-
Interest coverage	17.6	90.1	141.4	88.9	100.8

Operating ratios

Year to March	FY10	FY11	FY12	FY13E	FY14E
Total asset turnover	0.6	0.9	0.9	1.0	0.9
Fixed asset turnover	10.3	14.3	13.6	14.5	14.5
Equity turnover	0.6	0.9	0.9	1.0	0.9

Valuation parameters

Year to March	FY10	FY11	FY12	FY13E	FY14E
Diluted EPS (INR)	6.2	6.3	6.1	7.0	8.4
Y-o-Y growth (%)	*46.7*	*1.9*	*(2.6)*	*13.2*	*20.5*
CEPS (INR)	6.5	6.5	6.3	7.3	8.8
Diluted PE (x)	31.4	30.8	31.7	28.0	23.2
Price/BV (x)	5.0	6.1	5.4	4.7	4.1
EV/Sales (x)	8.0	6.0	5.8	4.8	4.2
EV/EBITDA (x)	29.7	21.8	23.7	19.4	15.4
Dividend yield (%)	1.0	1.0	0.8	0.9	1.1
FCFPS (INR)	6.9	6.8	3.5	5.3	6.8
Y-o-Y growth in FCFPS (%)	1,154.3	(2.0)	(47.9)	51.4	27.4
FCFPE (x)	27.4	28.8	55.3	36.5	28.6

Peer comparision valuation

	CMP	M. Cap	P/E (x)		EV/EBITDA (x)		EV/sales (x)	
Company	(INR)	(INR bn)	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Dish TV	75	80	NM	NM	13.4	10.5	3.8	3.2
Hathway Cable & Datacom	239	34	NM	NM	18.4	15.0	3.3	2.8
Jagran Prakashan	102	32	11.4	13.1	9.6	8.0	2.1	1.8
PVR	234	6	14.8	12.3	6.9	6.1	1.3	1.1
Sun TV Network	343	135	19.0	16.7	8.1	7.0	6.2	5.3
Zee Entertainment	194	187	28.0	23.2	19.4	15.4	4.8	4.2

Source: Company, Edelweiss research

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Dish TV India	BUY	SP	M	Hathway Cable & Datacom	BUY	SO	M
Jagran Prakashan	BUY	SP	M	PVR	BUY	SP	M
Sun TV Network	UNDER REVIEW	UNDER REVIEW	M	Zee Entertainment Enterprise	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s):

Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enterprise

Recent Research

Date	Company	Title	Price (INR)	Recos
02-Nov-12	**PVR**	Houseful show sets cash registers ringing; *Result Update*	233	Buy
01-Nov-12	**Media**	Digitisation treads the ordained path; *EdelFlash*		
30-Oct-12	**Jagran Prakashan**	Delivering on muted expectations; *Result Update*	100	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution* * 1 stocks under review	113	53	19	186

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	114	58	14

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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