



VISIT NOTE

ZEE ENTERTAINMENT

Favourable tidings

India Equity Research | Media



We recently met Mr. Mihir Modi, CFO, Zee Entertainment (ZEE). Key highlights are: 1) ads from FMCG and E-commerce sectors continue to be the key growth drivers; 2) Zee TV's ratings are likely to improve once rural and LC1 data gets added to BARC; 3) being market leader in Marathi and Telugu, the company enjoys pricing power; 4) ZEE is trying to gain market share in other regional space as well; 5) The company has also started original programming for *Zindagi* to enhance its market share; and 6) &TV continues to do well and currently ranks seventh in the Hindi GEC space with single-digit market share. Although higher costs on account of &TV will continue, but guidance of flat margin YoY stays. Key concerns are (1) slight slippage in market share of *ZEE TV* and (2) flattish viewership of new channels like &TV and *Zindagi*. Maintain 'BUY'.

Robust ad growth continues; rural data to push ZEE ratings

Though Q2FY16 ad revenues will not be as good as Q1FY16 (25.4% YoY) due to *Zindagi* being in base, it will continue to be healthy owing to contribution from &TV and robust market share in regional channels. ZEE believes when LC1 and rural markets get added in the sample, Zee TV ratings should further improve.

Regional to do well; big plans for &TV

In Telugu, ZEE holds 28% market share, while other players enjoy ~20% market share each. In the Marathi GEC, the company hold 50-60% market share. It is trying to gain market share in Bangla, Kannada and Tamil GECs. ZEE is looking at 20-30% YoY ad revenue growth from Zee Telugu in FY16. In the Tamil market, the company's market share is at mere 5%. Though &TV rating is around one third of *Zee TV*'s rating, the company expects &TV to significantly gain market share in the long run.

Outlook and valuations: Positive; maintain 'BUY'

Improvement in ad growth and best play on digitisation are key positives. We remain concerned on slight slippage in market share of *ZEE TV* and flattish viewership of new channels like &TV and *Zindagi*. At CMP, the stock is trading at 41.2x and 31.3x FY16E and FY17E EPS, respectively. We maintain 'BUY/SO' with a target price of INR420.

Financials

Year to March	FY14	FY15	FY16E	FY17E
Revenues (INR mn)	44,217	48,837	55,677	66,263
Rev. growth (%)	19.5	10.4	14.0	19.0
EBITDA (INR mn)	12,043	12,537	13,919	17,957
Adjusted profit (INR mn)	8,921	9,775	10,479	13,332
Adjusted diluted EPS (INR)	9.3	8.7	9.4	12.4
EPS growth (%)	23.2	(6.7)	8.5	31.6
Diluted P/E (x)	41.7	44.7	41.2	31.3
EV/EBITDA (x)	31.6	30.0	26.8	20.5
ROACE (%)	30.7	27.4	26.7	30.3

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 387
Target Price	: INR 420
52-week range (INR)	: 422 / 294
Share in issue (mn)	: 960.4
M cap (INR bn/USD mn)	: 372 / 5,651
Avg. Daily Vol.BSE/NSE('000)	: 2,664.6

SHARE HOLDING PATTERN (%)

	Current	Q4FY15	Q3FY15
Promoters *	43.1	43.1	43.1
MF's, FI's & BK's	3.7	2.2	1.0
FII's	47.7	50.0	51.9
Others	5.5	4.7	4.0
* Promoters pledged shares (% of share in issue)	:	15.9	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	1.7	(5.9)	(0.3)
3 months	12.9	(6.5)	7.4
12 months	27.0	(4.1)	16.6

Abneesh Roy

+91 22 6620 3141
abneesh.roy@edelweissfin.com

Rajiv Berlia

+91 22 6623 3377
rajiv.berlia@edelweissfin.com

September 23, 2015

Edelweiss Research is also available on www.edelresearch.com,
Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

Edelweiss Securities Limited



Rural data should come in the rating by September end. In the past 4 months, the new system was in transition phase and the system has been stabilising. Directionally, ZEE has moved up consistently. We believe when LC1 and rural markets are added in the sample space, ZEE's rating will rise.

Mr. Mihir Modi
CFO, ZEE

Meeting with Mr. Mihir Modi, CFO, ZEE | Key Takeaways

Advertising: Core business is doing well. First two month of ad revenues in Q2FY16 was good. In Q1FY16, Zindagi was present for only few days in the base quarter but will be there through Q2FY16. &TV growth will be seen in Q2FY16 and was not there in the base.

Sectors doing well in advertising: FMCG has picked up. E-commerce is also going strong. Auto, BFSI and consumer durables did well in Q1FY16.

&TV ratings: Though &TV rating is around one third of Zee TV's rating, the company expects &TV to significantly gain market share in the long run.

EBITDA margins: Management maintained its flattish margin guidance for FY16.

BARC rural data: As per the company, rural data should come in the rating by September end. In the past 4 months, the new system BARC ratings were in transition phase and the system has been stabilising. Directionally, ZEE has moved up consistently. The company believes when LC1 and rural markets are added in the sample space, ZEE's rating should rise.

Regional market: Regional markets are doing well. ZEE Telugu enjoys 28% market share. It is a movie-driven market. ZEE enjoys 50-60% market share in the Marathi GEC space. In the Tamil market, ZEE has mere 5% market share. The company has no plans to enter the Kerala market as of now.

Orissa market: Sarthak TV channel has been consistently doing well in the Orissa market.

Deal or No deal: Ronit Roy is the anchor of the show. A lot of variations have been done to the show and ZEE expects it to do well.

&TV: The company wants &TV to emerge the top channel. The company wants &TV to compete with other Hindi GECs to become the number 1 Hindi GEC channel. &TV has a different genre i.e. something for everyone.

&TV team: The channel has a separate team. The common members for the 2 channels are the head of sales, Mr. Mihir Modi, CFO and Mr. Punit Goenka, CEO.

RIO: The company will observe the RIO strategy for 6-9 months before coming to a decision.

Impact of 27.5% tariff: The company will not have any major impact from 27.5% tariff roll back as the company is not offering content on RIO basis. Some analog deals may be impacted.

Attrition rate: Normal churn.

Zindagi shows: Original programming of *Shukriya* has begun. The company will also add shows from other parts of the world.



By FY18, Star India should be able to deliver EBITDA in excess of USD500mn and an EBITDA of USD1bn by 2020.

Mr. John Nallen
CFO, 21st Century Fox



We are targeting ad revenue growth of 30% in FY16. While the main existing channels will grow its ad revenue by 16-18% over FY15, new channels will also contribute to this growth.

Mr. Ashish Sehgal
CSO, ZEE

Other Key Developments

Star India aims USD500mn EBITDA by 2018

Star India (Star) is the crown jewel of Rupert Murdoch's 21st Century Fox and is set to achieve EBITDA of USD500mn by 2018.

Entertainment business, which is the hallmark of Star, enjoys 23-24% market share. TV ad market grew 21 % in the past 6 months. The company has performed better than industry.

Investments in sports business is now behind. It increased last year due to investments in Pro Kabaddi League (PKL).

The company has also completed acquisition of Maa TV in the Telugu GEC space.

By FY18, Star should be able to deliver EBITDA in excess of USD500mn and EBITDA of USD1bn by 2020.

In FY15, ZEE clocked EBITDA of INR12,537mn. ZEE, being the second largest player after Star, will also benefit from robust advertising growth.

Interview - Ashish Sehgal, Chief Sales Officer, ZEE | Key Takeaways

Last time, price was hiked after the TRAI came out with the ad cap regulation towards late 2013. The matter is in the Delhi High Court though the major national networks have cut down their commercial airtime and hiked their ad rates.

The next big ad price increase will happen when industry starts transacting on BARC data and rural viewership numbers are captured.

As of now, commercial airtime is being sold on pricing power. While BARC ratings are available for almost 5 months now, it still requires some stability.

FMCG remains the biggest spender on TV this year, followed by either e-commerce or auto. In FY15, e-commerce accounted for 5-6% of the total ad pie on TV. In FY16, it should go up by at least 2%. In the first half of the year, the auto sector has been heavily spending due to numerous car launches. Auto accounted for 7% of the ad spending on TV. This year, much will depend on how much they splurge during the festive season.

ZEE is targeting YoY ad revenue growth of 30% in FY16. While key existing channels are doing well and will report robust ad growth of 16-18% YoY in FY16, the new channels will also contribute to growth.

The regional channels are performing well and should report strong growth. The company accounts for ~65 -75% market share in the Marathi space with Zee Marathi, Zee Talkies and ZMCL's (Zee Media Corporation) news channel, Zee 24 Taas. The company has the flexibility to increase ad rates.

Zee Bangla, which had somewhat slowed down, will also record healthy double-digit growth on improved channel performance. It is in any case a duopoly market.

ZEE is looking at 20-30% ad revenue growth from Zee Telugu in FY16.



Zee Kannada should see good growth. It is a multi-lingual viewership market with sizeable Marathi-language TV viewership as well. Besides, it is a much smaller ad market than Tamil or Telugu. Zee Tamizh should see organic growth of 10-15% YoY.

The FTA ad market currently stands ~INR8,000mn, bulk of which goes to Doordarshan. The private channels make about INR2,000mn a year. The company expects Zee Anmol to grow by ~25 over the previous year. When BARC starts reporting viewership data of rural markets, FTA channels stand to gain.

Source: Televisionpost

Table 1: Pakistan Cricket Board deal

Tournament date	Against	Total number of matches
Oct-15	England	9
Dec-15	India	10
Oct-16	West Indies	9
Oct-17	Sri Lanka	9
Oct-18	Australia	6
Oct-18	New Zealand	9
Mar-19	Australia	3

Source: Edelweiss research

Table 2: ZEE's sports schedule

Sport	Country/ Tournament	Tenure of rights	Entire Tenure - Overall	Entire Tenure - India specific
Cricket	South Africa	CY12-20	281	37
	West Indies	CY13-19	258	47
	Sri Lanka	CY13-20	202	22
	Zimbabwe	CY12-19	153	16
	Pakistan	CY15-19	54	9
Tennis	US Open	CY13-16	60	
Football	UEFA Champions League	CY15-18		
	UEFA Europa League	CY15-18		
	French Football League	CY12-15		
	The League Cup	CY12-15		
	The Football League	CY12-15		
Wrestling	WWE	CY15-19		
Golf	European Tour	CY13-18		
	Asian Tour	CY13-18		

Source: Company, Edelweiss research

Chart 1: Hindi movie channels (relative viewership share)

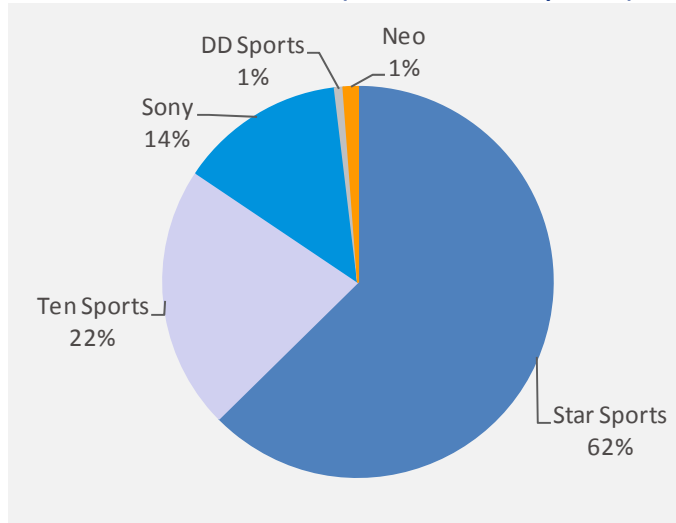
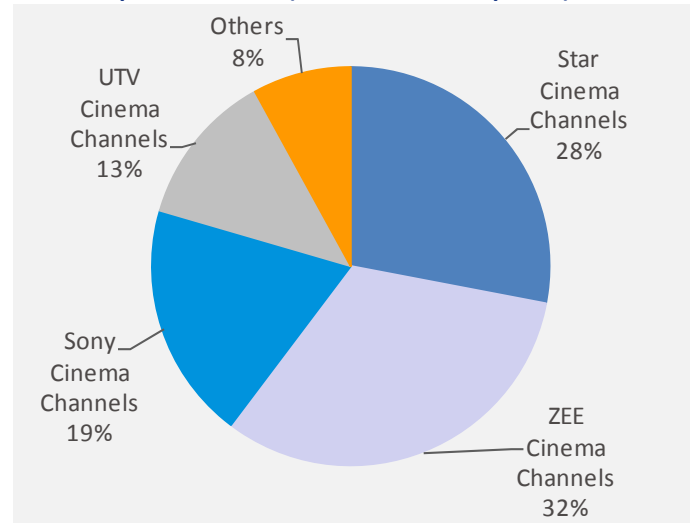


Chart 2: Sports channels (relative viewership data)



Source: TAM Research (April 2014 to March 2015), Company, Edelweiss research

Table 3: Viewership of leading Hindi GECs

Year 2015	Weekly ratings (mn)					Relative share among top5 GECs (%)				
	Star Plus	Colors	Zee TV	Sony/SAB	Life OK	Star Plus	Colors	Zee TV	Sony/SAB	Life OK
Wk 25	406	341	255	236	246	27.4	23.0	17.2	15.9	16.6
Wk 26	389	358	285	204	233	26.5	24.4	19.4	13.9	15.8
Wk 27	417	365	285	178	239	28.1	24.6	19.2	12.0	16.1
Wk 28	380	315	255	164	231	28.3	23.4	18.9	12.2	17.1
Wk 29	404	383	263	199	238	27.2	25.8	17.7	13.4	16.0
Wk 30	367	348	258	221	221	25.9	24.6	18.2	15.6	15.6
Wk 31	417	341	262	197	235	28.7	23.5	18.0	13.6	16.2
Wk 32	409	367	256	192	236	28.0	25.1	17.6	13.1	16.2
Wk 33	387	365	275	191	227	26.8	25.2	19.0	13.2	15.7
Wk 34	360	360	264	186	224	25.8	25.8	18.9	13.3	16.1
Wk 35	355	355	252	187	196	26.4	26.4	18.7	13.9	14.6
Wk 36	370	387	263	177	208	26.3	27.5	18.7	12.6	14.8

Source: BARC, Edelweiss research

Table 4: Viewership in Marathi space

Year 2015	Weekly ratings (000)			Relative share amongst top3 non news market (%)		
	Zee Marathi	Zee talkies	Colors Marathi	Zee Marathi	Zee talkies	Colors Marathi
Wk 26	90,592	37,913	35,665	55.2	23.1	21.7
Wk 27	96,748	29,392	29,365	62.2	18.9	18.9
Wk 28	84,987	32,205	30,091	57.7	21.9	20.4
Wk 29	97,606	37,318	32,250	58.4	22.3	19.3
Wk 30	96,105	29,002	31,779	61.3	18.5	20.3
Wk 31	84,156	28,329	29,276	59.4	20.0	20.7
Wk 32	83,336	25,662	30,519	59.7	18.4	21.9
Wk 33	75,253	36,147	34,142	51.7	24.8	23.5
Wk 34	78,077	31,483	31,925	55.2	22.3	22.6
Wk 35	83,047	29,232	38,747	55.0	19.4	25.7
Wk 36	70,728	28,832	30,031	54.6	22.2	23.2

Source: BARC, Edelweiss research



Table 5: Viewership in Bangla space

Year 2015	Weekly ratings (000)			Relative share amongst top3 non news market (%)		
	Star Jalsha	ZEE Bangla	Colors Bangla / Jalsha Movies	Star Jalsha	ZEE Bangla	Colors Bangla / Jalsha Movies
Wk 26	83,166	49,864	18,881	54.75	32.82	12.43
Wk 27	84,390	55,609	17,846	53.46	35.23	11.31
Wk 28	80,452	60,666	14,531	51.69	38.98	9.34
Wk 29	84,141	68,261	16,385	49.85	40.44	9.71
Wk 30	84,130	60,635	15,756	52.41	37.77	9.82
Wk 31	86,193	62,448	14,228	52.92	38.34	8.74
Wk 32	82,253	59,076	15,719	52.37	37.62	10.01
Wk 33	75,092	55,221	15,815	51.39	37.79	10.82
Wk 34	85,602	68,918	16,201	50.14	40.37	9.49
Wk 35	84,088	70,923	17,657	48.70	41.07	10.23
Wk 36	85,094	72,904	17,402	48.51	41.56	9.92

Source: BARC, Edelweiss research

Table 6: Viewership in Telugu space

Year 2015	Weekly ratings (000)			Relative share amongst top3 non news market (%)		
	Zee Telugu	Gemini TV / ETV Telugu	Maa TV	Zee Telugu	Gemini TV / ETV Telugu	Maa TV
Wk 26	110,903	105,836	100,788	34.9	33.3	31.7
Wk 27	116,456	113,200	107,466	34.5	33.6	31.9
Wk 28	117,355	102,358	94,713	37.3	32.6	30.1
Wk 29	137,364	116,511	126,472	36.1	30.6	33.3
Wk 30	138,113	113,671	125,646	36.6	30.1	33.3
Wk 31	132,964	109,120	118,663	36.9	30.2	32.9
Wk 32	138,794	103,702	112,677	39.1	29.2	31.7
Wk 33	125,082	105,533	132,859	34.4	29.0	36.6
Wk 34	137,862	109,287	110,358	38.6	30.6	30.9
Wk 35	144,889	117,204	120,158	37.9	30.7	31.4
Wk 36	151,731	126,493	128,147	37.3	31.1	31.5

Source: BARC, Edelweiss research

Table 7: Viewership in Kannada space

Year 2015	Weekly ratings (000)			Relative share amongst top3 non news market (%)		
	Colors Kannada	Zee Kannada	Udaya Movies / Suvarna / Udaya TV	Colors Kannada	Zee Kannada	Udaya Movies / Suvarna / Udaya TV
Wk 26	74,228	43,436	37,657	47.8	28.0	24.2
Wk 27	79,402	45,102	39,982	48.3	27.4	24.3
Wk 28	78,170	45,132	43,122	47.0	27.1	25.9
Wk 29	79,917	49,427	46,605	45.4	28.1	26.5
Wk 30	79,960	41,042	46,421	47.8	24.5	27.7
Wk 31	76,961	53,277	47,475	43.3	30.0	26.7
Wk 32	64,033	50,177	48,912	39.3	30.8	30.0
Wk 33	63,323	43,284	47,849	41.0	28.0	31.0
Wk 34	65,204	42,354	37,526	44.9	29.2	25.9
Wk 35	57,815	39,290	34,696	43.9	29.8	26.3
Wk 36	60,442	33,302	38,315	45.8	25.2	29.0

Source: BARC, Edelweiss research

Table 8: Viewership in Tamil space

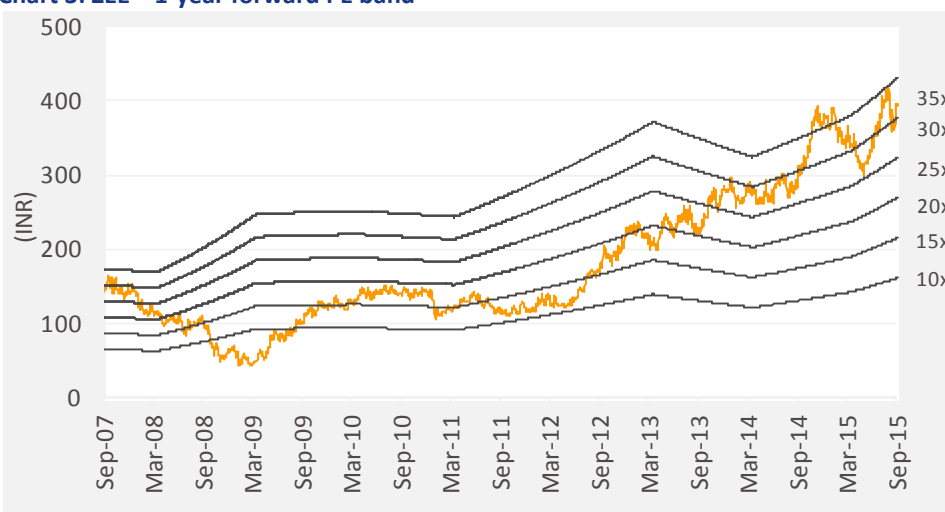
Year 2015	Weekly ratings (000)			Relative share amongst top3 non news market (%)		
	Sun TV	KTV	Star Vijay	Sun TV	KTV	Star Vijay
Wk 26	289,399	71,653	67,027	67.6	16.7	15.7
Wk 27	308,113	82,840	67,735	67.2	18.1	14.8
Wk 28	299,426	81,859	69,728	66.4	18.2	15.5
Wk 29	307,494	91,941	76,345	64.6	19.3	16.0
Wk 30	298,575	98,198	85,301	61.9	20.4	17.7
Wk 31	294,905	96,772	82,173	62.2	20.4	17.3
Wk 32	278,593	80,858	82,925	63.0	18.3	18.7
Wk 33	293,793	80,292	84,300	64.1	17.5	18.4
Wk 34	288,556	92,818	72,044	63.6	20.5	15.9
Wk 35	285,345	104,552	68,496	62.2	22.8	14.9
Wk 36	300,809	91,277	81,546	63.5	19.3	17.2

Source: BARC, Edelweiss research

Outlook and valuations: Positive; maintain 'BUY'

Improving ad outlook (12.6% YoY growth estimated by GroupM) due to stable government, best play on digitisation, product innovations and net cash of ~INR18bn are key positives in favour of ZEE. 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, the company is the best placed to benefit due to its huge brand and bouquet of 33 domestic and 36 international channels. Also, it is underpinned by sturdy free cash flow, a secular growth story and stable dividend policy. Key concerns are (1) slight slippage in market share of ZEE TV and (2) flattish viewership of new channels like &TV and Zindagi. We have factored in the possible loss of &TV in our numbers; we believe it could clock loss of INR7-10bn over the next 3-5 years (akin to other mainstream Hindi GECs) and break even only thereon. Driven by robust ad growth and strong subscription revenue growth (further proved by Q1FY16 numbers), we maintain a target P/E of 34x to FY17E EPS; target price is pegged at INR420. We maintain 'BUY/Sector Outperformer'.

Chart 3: ZEE—1-year forward PE band



Source: Edelweiss research

Chart 4: Ad growth

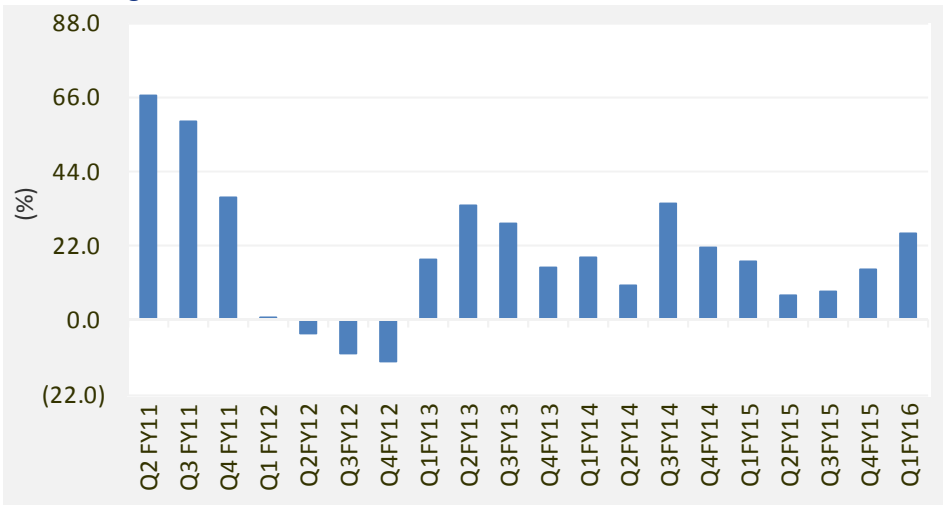


Chart 5: Content costs (as a % of revenue)

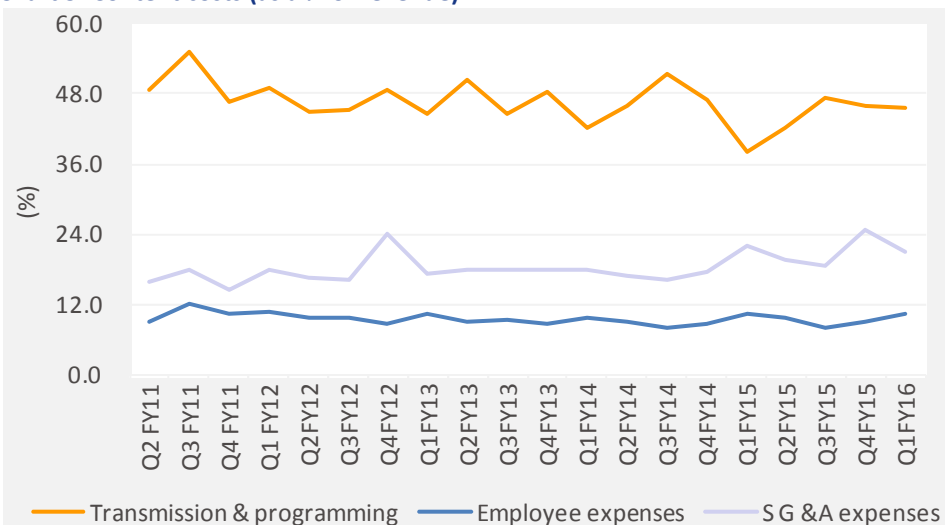
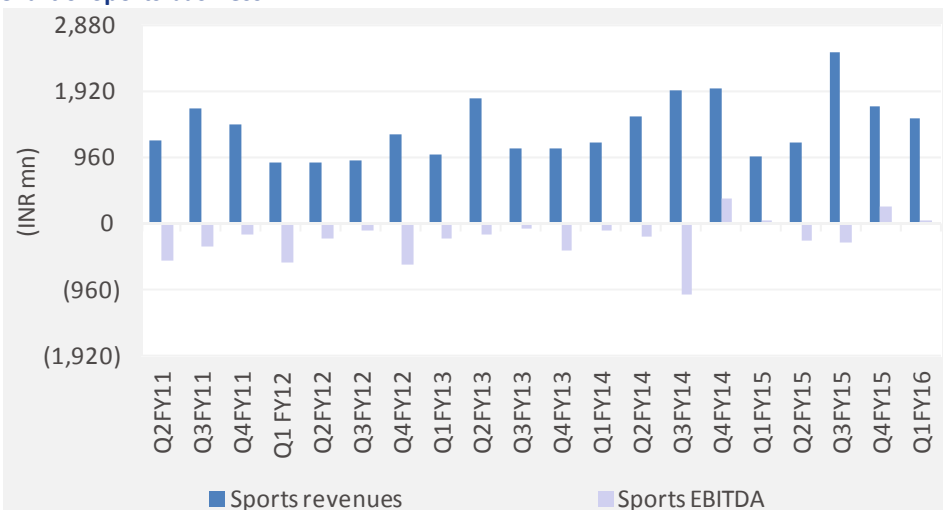
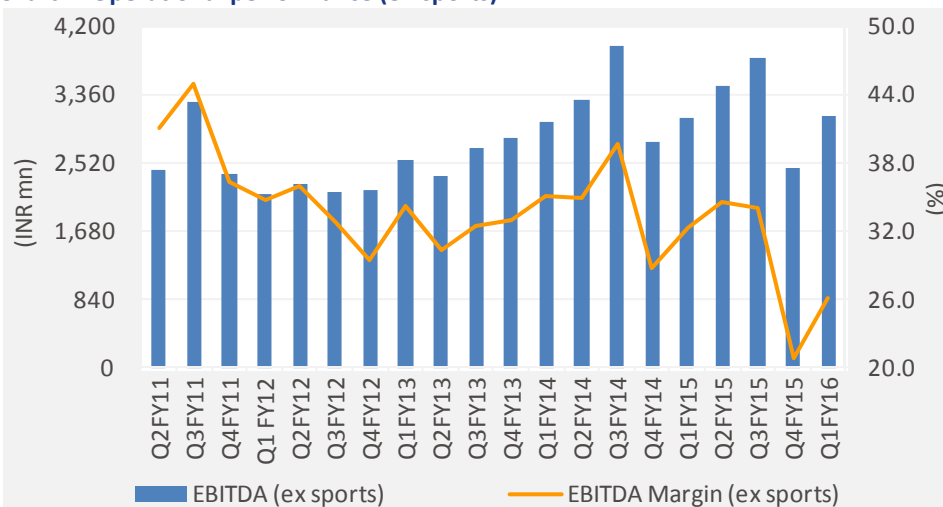


Chart 6: Sports business



Source: Edelweiss research

Chart 7: Operational performance (ex-sports)



Source: Edelweiss research

Table 9: Sports business

(INR mn)	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16
Sales	1,072	1,159	1,558	1,915	1,959	976	1,181	2,476	1,680	1,519
Costs	1,477	1,254	1,749	2,956	1,608	964	1,431	2,746	1,438	1,504
EBITDA	(405)	(95)	(191)	(1,041)	351	12	(250)	(270)	242	15
EBITDA margin (%)	(37.8)	(8.2)	(12.3)	(54.4)	17.9	1.2	(21.2)	(10.9)	14.4	1.0

Source: Edelweiss research

Table 10: EBITDA margin (non-sports)

(INR mn)	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16
Sales (non-sports)	8,571	8,574	9,455	9,969	9,629	9,575	9,997	11,161	11,791	11,880
Costs (non-sports)	5,743	5,564	6,159	6,020	6,864	6,495	6,543	7,358	9,325	8,783
EBITDA (non-sports)	2,828	3,010	3,296	3,948	2,765	3,080	3,455	3,803	2,466	3,097
EBITDA margin (non-sports) (%)	33.0	35.1	34.9	39.6	28.7	32.2	34.6	34.1	20.9	26.1

Source: Edelweiss research

Table 11: Sports business – Annual performance

(INR mn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Revenues	3,151	4,411	3,934	4,960	6,591	6,313	6,500	6,400
Costs	3,727	6,489	5,414	5,830	7,567	6,579	7,400	7,000
EBITDA	(576)	(2,078)	(1,480)	(870)	(976)	(266)	(900)	(600)
EBITDA Margin (%)	(18.3)	(47.1)	(37.6)	(17.5)	(14.8)	(4.2)	(13.8)	(9.4)

Source: Edelweiss research



Company Description

ZEE Entertainment Enterprises (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 segments, respectively. Besides these two, the company has an attractive bouquet of several other channels including Ten Sports, Ten Cricket, Ten Action, & pictures, &TV, Anmol, Zindagi, Zing, Zee Classic, Zee Action, Zee Café and Zee Studios. With the likes of Zee Marathi, Zee Bangla, Zee Telugu, and Zee Kannada, the company has an impressive bouquet of regional channels.

Investment Theme

GDP recovery, improvement in its market share in regional and movies genres and new launches will aid ad revenue growth. Higher penetration of DTH and the digitisation process augur well for faster growth in subscription revenue over the long term. We believe ZEE is well poised to benefit from this favourable environment.

Key Risks

Delay in monetisation benefit from digitisation.

Rise in new investments may pressurise margins longer than expected.

Slowdown in ad spends due to lower than expected GDP growth.

Increased sports losses.

Financial Statements

Key Assumptions

Year to March	FY14	FY15	FY16E	FY17E
Macro				
GDP(Y-o-Y %)	6.9	7.4	8.0	8.7
Inflation (Avg)	9.5	5.9	5.0	5.0
Repo rate (exit rate)	8.0	7.5	6.8	6.5
USD/INR (Avg)	60.5	61.1	64.5	65.0
Sector				
TV industry ad growth (%)	9.0	10.0	15.0	15.0
TV industry sub. growth (%)	20.0	10.0	14.0	20.0
Company				
Sales assumptions				
Ad revenue growth (%)	21.2	11.8	20.0	21.0
Domestic sub. rev. growth (%)	20.0	20.0	13.0	22.0
International sub. rev. growth (%)	5.5	(17.3)	4.0	7.0
Sports revenues (INR mn)	6,591	6,313	6,500	6,400
Other sales and services (% of rev.)	5.4	8.8	6.3	5.4
Cost assumptions				
Trans. & Prog. costs (% of rev.)	46.8	43.8	46.7	45.7
Personnel cost (% of rev.)	8.8	9.2	8.8	8.5
Selling & Adm expenses (% of rev.)	17.2	21.3	19.5	18.7
Ad & publicity expenses (% of rev.)	5.6	6.1	5.7	4.8
Business promotion expenses (% of rev.)	4.2	4.5	4.3	3.6
Sports losses (INR mn)	(976)	(266)	(900)	(600)
Financial assumptions				
Tax rate (%)	32.5	30.5	33.0	33.0
Capex (INR mn)	2,168	636	1,324	1,000
Debtor days	83	78	85	85
Inventory days	181	201	180	180
Payable days	55	58	55	55
Cash conversion cycle (days)	209	222	210	210
Interest rate on o/standing debt (%)	5.6	5.6	5.6	5.6
Depreciation as % of gross block	7.9	10.3	8.7	8.7

Income statement

(INR mn)

Year to March	FY14	FY15	FY16E	FY17E
Net revenue	44,217	48,837	55,677	66,263
Direct costs	20,688	21,393	26,001	30,282
Employee costs	3,895	4,498	4,900	5,632
Total SG&A expenses	7,591	10,408	10,857	12,391
EBITDA	12,043	12,537	13,919	17,957
Depreciation & Amortization	501	673	644	707
EBIT	11,542	11,864	13,276	17,250
Add: Other income	1,807	2,278	2,397	2,678
Less: Interest Expense	158	103	100	105
Profit Before Tax	13,191	14,039	15,573	19,823
Less: Provision for Tax	4,291	4,284	5,139	6,542
Less: Minority Interest	(19)	(57)	(45)	(50)
Add: Share of profit from	2	(37)	-	-
Reported Profit	8,921	9,775	10,479	13,332
Adjusted Profit	8,921	9,775	10,479	13,332
No. of Shares outstanding (mn)	960	960	960	960
No. of Diluted shares outstanding	960	960	960	960
Adjusted Diluted EPS	9.3	8.7	9.4	12.4
Dividend per share (DPS)	2.0	2.3	2.4	3.5
Dividend Payout Ratio (%)	25.2	26.6	26.5	30.0

Common size metrics

Year to March	FY14	FY15	FY16E	FY17E
S G & A expenses	17.2	21.3	19.5	18.7
Direct Cost	46.8	43.8	46.7	45.7
EBITDA margins	27.2	25.7	25.0	27.1
Net Profit margins	20.1	19.9	18.7	20.0

Growth ratios (%)

Year to March	FY14	FY15	FY16E	FY17E
Revenues	19.5	10.4	14.0	19.0
EBITDA	26.2	4.1	11.0	29.0
Adjusted Profit	24.0	9.6	7.2	27.2
EPS	23.2	(6.7)	8.5	31.6

Balance sheet		(INR mn)			
As on 31st March	FY14	FY15	FY16E	FY17E	
Share capital	960	960	960	960	
Reserves & Surplus	26,247	34,346	40,638	48,568	
Shareholders' funds	27,207	35,306	41,598	49,528	
Minority Interest	61	4	(41)	(91)	
Short term borrowings	12	10	10	10	
Long term borrowings	20,187	20,204	20,204	20,204	
Total Borrowings	20,199	20,214	20,214	20,214	
Long Term Liabilities & Provisions	659	768	768	768	
Deferred Tax Liability (net)	(298)	(531)	(531)	(531)	
Sources of funds	47,828	55,761	62,008	69,888	
Gross Block	5,613	5,853	6,553	7,253	
Net Block	3,025	3,213	3,343	3,412	
Capital work in progress	997	878	750	750	
Intangible Assets	7,708	8,163	8,841	9,065	
Total Fixed Assets	11,730	12,254	12,934	13,227	
Non current investments	2,941	1,464	720	720	
Cash and cash equivalents	10,993	15,656	19,112	23,722	
Inventories	11,736	11,878	12,822	14,934	
Sundry Debtors	10,281	10,692	12,966	15,431	
Loans & Advances	11,095	15,877	15,877	15,877	
Other Current Assets	1,243	1,706	1,706	1,706	
Total Current Assets (ex cash)	34,355	40,153	43,371	47,948	
Trade payable	5,050	4,204	4,522	5,167	
Other Current Liabilities & Short	7,141	9,562	9,608	10,562	
Total Current Liabilities &	12,191	13,766	14,130	15,729	
Net Current Assets (ex cash)	22,164	26,387	29,241	32,219	
Uses of funds	47,828	55,761	62,008	69,888	
Book Value per share (INR)	28.3	36.8	43.3	51.6	

Free cash flow		(INR mn)			
Year to March	FY14	FY15	FY16E	FY17E	
Reported Profit	8,921	9,775	10,479	13,332	
Add: Depreciation	501	673	644	707	
Interest (Net of Tax)	107	71	67	70	
Others	(796)	(1,474)	(67)	(70)	
Less: Changes in WC	4,904	2,236	2,854	2,977	
Operating cash flow	3,829	6,809	8,268	11,061	
Less: Capex	2,168	636	1,324	1,000	
Free Cash Flow	1,661	6,173	6,944	10,061	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted Price to Earnings		Enterprise Value / EBITDA (X)		Return on Average Equity	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Zee Entertainment Enterprises	5,651	41.2	31.3	26.8	20.5	27.1	29.2
DEN Networks	405	(8.3)	86.3	(130.8)	7.5	(13.4)	2.9
Dish TV India	1,836	109.7	52.0	12.8	10.0	NM	NM
Hathway Cable & Datacom	643	NM	NM	13.7	9.7	NM	NM
PVR	465	30.2	20.9	12.2	9.4	21.6	27.7
Sun TV Network	1,723	16.2	13.4	6.8	5.6	24.9	27.0

Source: Edelweiss research

Cash flow metrics		FY14	FY15	FY16E	FY17E
Year to March					
Operating cash flow		3,829	6,809	8,268	11,061
Investing cash flow		(2,059)	(3,661)	(289)	(1,000)
Financing cash flow		(1,444)	(3,427)	(4,232)	(5,452)
Net cash Flow		326	(279)	3,747	4,610
Capex		(2,168)	(636)	(1,324)	(1,000)
Dividend paid		(2,247)	(2,601)	(2,780)	(3,999)

Profitability and efficiency ratios

Year to March	FY14	FY15	FY16E	FY17E
Return on Average Equity (ROAE)	26.8	31.1	27.1	29.2
Pre-tax Return on Capital	30.7	27.4	26.7	30.3
Inventory Days	181	201	180	180
Debtors Days	83	78	85	85
Payable Days	55	58	55	55
Cash Conversion Cycle	209	222	210	210
Current Ratio	3.7	4.1	4.4	4.6
Gross Debt/EBITDA	1.7	1.6	1.5	1.1
Gross Debt/Equity	0.7	0.6	0.5	0.4
Adjusted Debt/Equity	1.4	1.1	0.9	0.8
Net Debt/Equity	73.1	115.6	132.8	164.3

Operating ratios

Year to March	FY14	FY15	FY16E	FY17E
Total Asset Turnover	1.0	0.9	0.9	1.0
Fixed Asset Turnover	4.3	4.4	4.7	5.4
Equity Turnover	1.3	1.6	1.4	1.5

Valuation parameters

Year to March	FY14	FY15	FY16E	FY17E
Adjusted Diluted EPS (INR)	9.3	8.7	9.4	12.4
Y-o-Y growth (%)	23.2	(6.7)	8.5	31.6
Adjusted Cash EPS (INR)	9.8	10.9	11.6	14.6
Diluted Price to Earnings Ratio	41.7	44.7	41.2	31.3
Price to Book Ratio (P/B) (x)	13.7	10.5	8.9	7.5
Enterprise Value / Sales (x)	8.6	7.7	6.7	5.6
Enterprise Value / EBITDA (x)	31.6	30.0	26.8	20.5
Dividend Yield (%)	0.5	0.6	0.6	0.9

Additional Data

Directors Data

Subhash Chandra	Non-Executive Chairman	Ashok Kurien	Non-Executive Director
Lord Gulam K. Noon	Independent Director	Punit Goenka	Managing Director & CEO
Prof. Sunil Sharma	Independent Director	Prof. (Mrs.) Neharika Vohra	Independent Director
Subodh Kumar	Executive Vice Chairman	Manish Chokhani	Independent Director

Auditors - M/S MGB & Co

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Oppenheimer Funds Inc	10.27	Vanguard Group Inc	3.42
Schroder Investment Mgmt Ltd	2.09	Ontario Teachers Pension Plan Bo	1.85
Columbia Wanger Asset Management	1.78	Vabguard Int G Fund	1.62
New World Fund Inc	1.51	Capital World Investors	1.51
Gic Private Limited	1.42	Blackrock Fund Advisors	1.40

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
------	-------------------	-----	------------	-------

No Data Available

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
10 Feb 2015	Oppenheimer Funds Inc. as FII and relevant Sub	Sell	290000.00
06 Feb 2015	OppenheimerFunds	Sell	290000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
DEN Networks	HOLD	SU	H	Dish TV India	BUY	SO	M
Hathway Cable & Datacom	BUY	SP	M	Jagran Prakashan	BUY	SP	M
PVR	BUY	SO	M	Sun TV Network	BUY	SP	H
Zee Entertainment Enterprises	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



Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Nirav Sheth

Head Research

nirav.sheth@edelweissfin.com

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

DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enterprises

Recent Research

Date	Company	Title	Price (INR)	Recos
22-Sep-15	Media	Print: Holding its ground despite digital tsunami; <i>Sector Update</i>		
14-Sep-15	Hathway Cable & Datacom	MD's meeting takeaways: Investing for a brighter tomorrow; <i>Visit Note</i>	39	Buy
11-Sep-15	Videocon d2h	On fast track; <i>Visit Note</i>		Not Rated

Distribution of Ratings / Market Cap

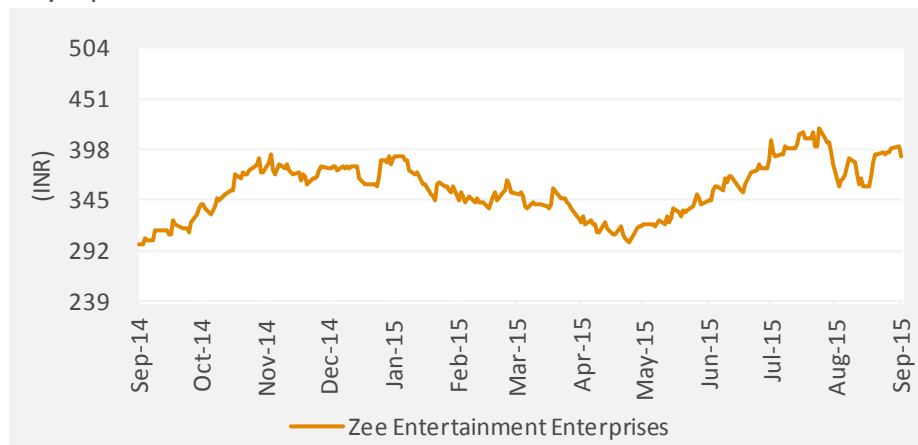
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	155	45	8	208
* stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	151	54	3	

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

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.



In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR). Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved