



India TV Broadcasting

Dec'18 Results Preview

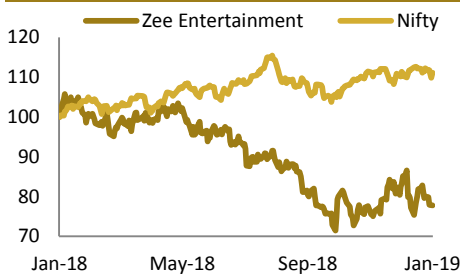
Healthy advertisement growth

	CMP(₹)	3M ret (%)	Yearly (%)
Nifty	10,795	3	1
Z IN	451	(3)	(24)
SUNTV IN	589	(10)	(45)

	Rating	FDEPS (₹)	
		FY19E	FY20E
Z IN	Hold	16.8	19.3
SUNTV IN	Buy	37.1	41.4

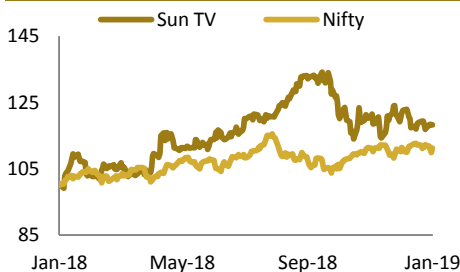
3QFY19E preview – We estimate Q3 to be healthy as advertisement growth would be in double-digits for broadcasters. We estimate the overall ad industry to report low double-digit growth. We expect a healthy growth in TV advertisement spends led by (1) FMCG – accounts for ~50-55% of advertisement spends & has taken advertisement spend cut on account of GST. Subscription revenue of TV broadcasters is expected to clock low-teen growth benefiting from renegotiation of deals. TV broadcasters' subscription revenue is likely to post low-teen growth. We expect Zee to deliver ~15% YoY growth in its advertisement revenues. We expect Sun TV to report a ~13% increase in advertisement growth. FMCG ad spends need to be closely tracked as companies are rationalising ad spends.

Zee Entertainment vs Nifty



Zee Entertainment Enterprises – Advertisement revenue is expected to grow at ~15% YoY LTL on a high base of 25.8% YoY. Subscription revenues are expected to grow ~12.5% YoY. International subscription is expected to report 2% YoY increase on a negative base of 12.2% YoY. We expect EBITDA margin to be higher by 130 bps YoY on a like-to-like basis YoY on account of strong revenue growth. We expect competition in OTT to pick up as ZEE has plans to host over 90 plus original shows by March 2019 end on its new OTT platform ZEE5 and further investments in original digital programming hours by ALT digital, Netflix and Amazon India.

Sun TV vs Nifty



Sun TV Network - We expect Sun TV to report ~13% YoY increase in advertisement growth on a base of 19% YoY driven by timing of festive season and overall recovery in ad spends. Sun TV has changed its programming strategy. DTH revenue is set to grow by 14% YoY in Q3FY19 (19.5% YoY in Q2FY19 and 12% in Q3FY18). We expect margins for Q3FY19 to be 50bps lower YoY on account of higher content cost as Sun TV is planning to enter new geographies by launching two new regional channels in the Marathi and Bengali GEC segment this fiscal and also because of higher other expenditure. We expect content cost to go up due to continuous efforts to shift from ad slot to commissioned model in Tamil Nadu. We estimate EBITDA margin of 71.5% and a post MAC of 59.2%. With digitization of 48mn homes in Southern markets alone in phase III/IV, we expect, improvement in revenues.

Outlook - We expect competition in OTT to heat up going forward as ZEE launches its new OTT platform - Z5 and on account of further investments in original digital programming hours by ALT, Netflix and Amazon India. Acquisition of Disney will strengthen Star India's portfolio. DTH players will strengthen subscriber share in Phase IV markets.

Our theme - Why Sun will significantly outperform Zee stock? Reasons according to us for Sun to significantly outperform Zee stock returns over medium-to-long term: 1) Sun's advertisement revenue growth will continue to underperform growth in regional TV advertisement-spends, while we believe Zee will continue to outperform national TV ad growth over the long term— we believe we are conservative on Sun's estimates; 2) Digitisation upside potential over longer term for Sun is greater compared with Zee; 3) Better operational performance for Sun's IPL; 4) Potential subscription upside from US Cable is not captured in our Sun estimates; and 5) Valuation discount of Sun relative to Zee is still comparatively high.

ANALYST
Naushil Shah
+91-22 4224 5125
naushil.shah@trustgroup.co.in

Exhibit 1: Key Financials for quarter ending Dec'18

(₹ mn)	Revenue	QoQ (%)	EBITDA	QoQ (%)	PAT	QoQ (%)
Z IN	20,865	5.6	7,019	3.9	4,144	1.5
SUNTV IN	7,731	3.1	5,527	(0.2)	3,266	(7.0)

Source: Trust



Institutional Equity Team

Names	Designation	Sectors	Email ID's	Desk-Number
Naren Shah	Head Of Equity		naren.shah@trustgroup.in	+91-22-4084-5074
Sales Trading & Dealing				
Rajesh Ashar	Sales Trader		rajesh.ashar@trustgroup.in	+91-22-4224-5123
Dealing Desk			trustfin@bloomberg.net	+91-22-4084-5089
Sales				
Vijay Shah	Sales		vijay.shah@trustgroup.in	+91-22-4084-5090
Mayur Joshi	Sales		mayur.joshi@trustgroup.in	+91-22-4084-5028
Research Team				
Binyam Taddese	Analyst	Rates & Credit Research	binyam.taddese@trustgroup.in	+91-22-4224-5037
Naushil Shah	Analyst	Technology, Media & Telecom	naushil.shah@trustgroup.in	+91-22-4224-5125
Tushar Chaudhari	Analyst	Commodities, Auto & Mid-caps	tushar.chaudhari@trustgroup.in	+91-22-4224-5119

**DISCLAIMER**

This document has been prepared by Trust Financial Consultancy Services Private Limited (hereinafter referred to as TFCSP) to provide information about the company (ies) and/sector(s), if any, covered in the report. This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and TFCSP is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

Information and opinions presented in this report were obtained or derived from sources that TFCSP believes to be reliable, but TFCSP makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. TFCSP accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to TFCSP. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by TFCSP and are subject to change without notice. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.

Other Disclosures by Trust Financial Consultancy Services Private Limited (hereinafter referred to as TFCSP) under SEBI (Research Analysts) Regulations, 2014 with reference to the subject companies(s) covered in this report:

TFCSP is engaged in the business of Retail & Institutional Stock Broking. TFCSP is a member of the National Stock Exchange of India Limited, BSE Limited and Metropolitan Stock Exchange of India Limited.

The associate/subsidiary companies of TFCSP are engaged in the businesses of Merchant Banking, portfolio management, lending, wealth management etc.

TFCSP's activities were neither suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years.

TFCSP has not been debarred from doing business by any Stock Exchange / SEBI or any other authority.

No disciplinary action has been taken by any regulatory authority against TFCSP impacting its equity research analysis activities.

TFCSP and its associate/subsidiary companies may have managed or co-managed public offering of securities, may have received compensation for merchant banking or brokerage services, may have received any compensation for products or services other than merchant banking or brokerage services from the subject company in the past 12 months.

TFCSP and its associate/subsidiary companies have not received any compensation or other benefits from the subject company or third party in connection with the research report.

Subject Company may have been a client of TFCSP or its associate/subsidiary companies during twelve months preceding the date of distribution of the research report. TFCSP and/or its associate/subsidiary companies and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report.

TFCSP is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. SEBI Reg. No. INH000001543.

Analyst Certification: The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject company securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of TFCSP research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	Name of Company
Analyst Ownership of Stock	No
Served as Director or Employee	No

Stock Ratings are defined as follows :- Recommendation Interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	15% to -15%
Sell	Less than -15%

Regional Disclosures (outside India): This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject TFCSP or its associate/subsidiary companies to registration or licensing requirements within such jurisdictions.