2020

ASSIGNMENT#3

INDUSTRY ANALYSIS & FINDING WINNING STOCKS

PREPARED BY

NEERAJ SAHU
KAUSHIK MAZUMDAR
HARSH PRASHAR
TEAM #ALPHA-ALPHA

designed by Harsh Prashar

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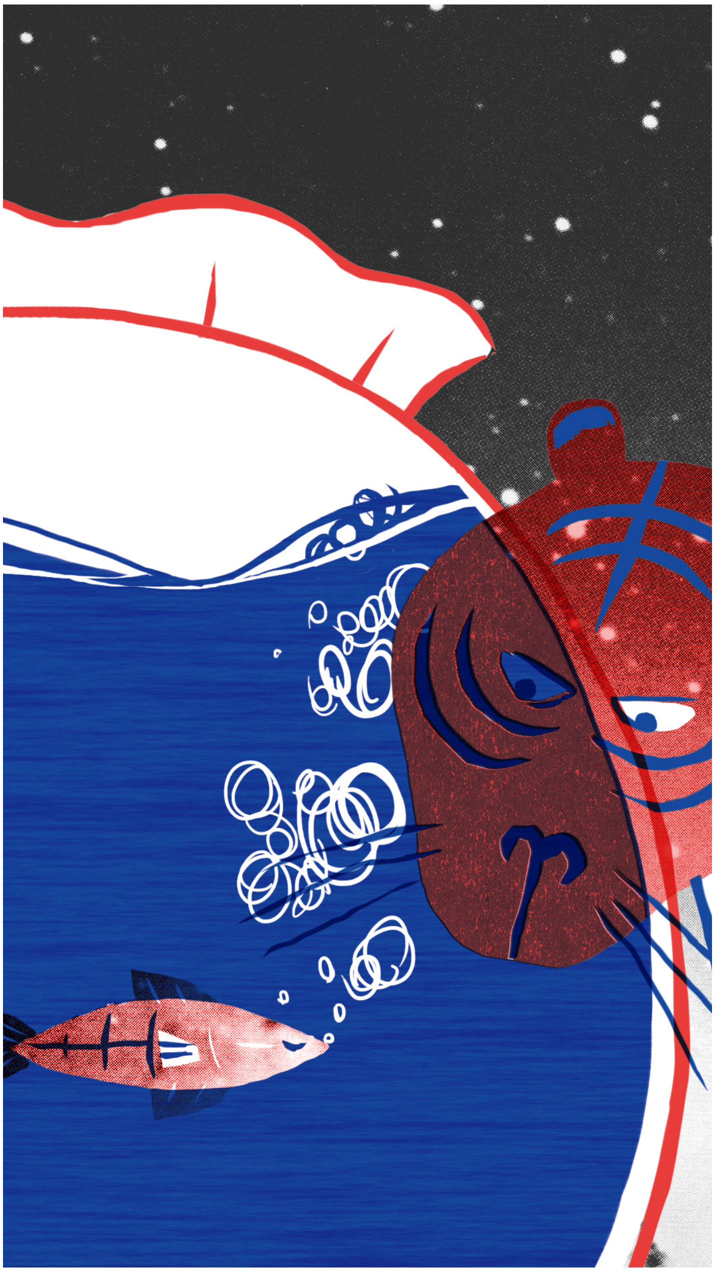


M&E Industry
INTRO

The Indian Media and Entertainment (M&E) industry is a growing sector for the economy.

The Indian M&E industry is on the cusp of a strong phase of growth, with rising consumer demand and improving advertising revenues and lot more...

The Indian media and entertainment industry comprises print, electronic, radio, internet and outdoor segments.

India is a fast digitizing market and the consumer shift towards digital services is exhibited through the expansion of digitized households.

The Internet has almost become a mainstream media for entertainment for most of the people due to the increasing digitization and higher internet usage over the last decade.

The Indian advertising industry is projected to be the 2nd fastest growing advertising market in Asia after China. At present, advertising revenue accounts for around 0.4% of India's GDP.

In 2021, as digital behavior evolves, subscription models will have a greater role in monetization of digital platforms.

In India, the ratio of advertising expenditure to GDP is less than 0.5%. This is substantially lower in comparison to the other major economies.

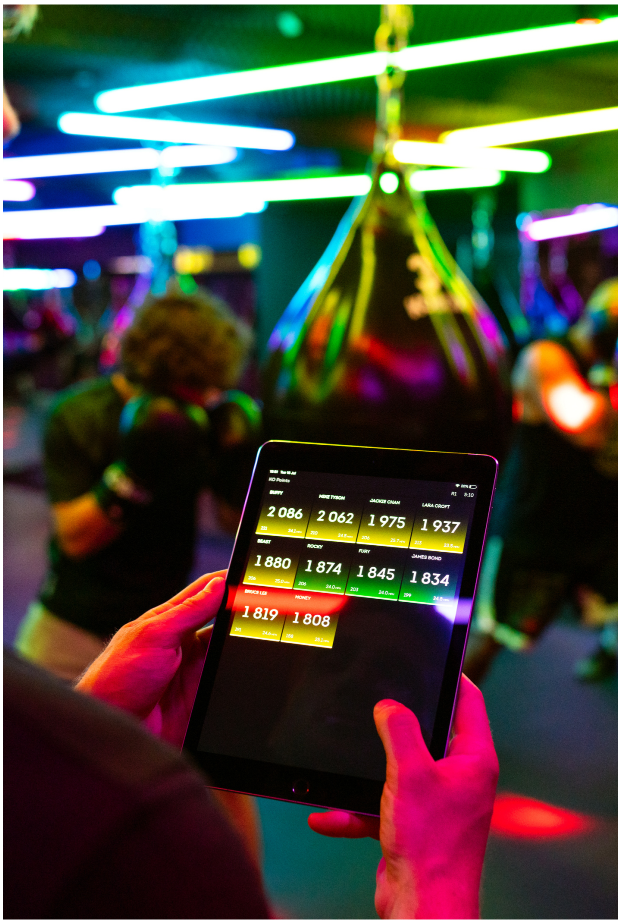
Interestingly, Print and TV media contribute over 75% of the ad spent in a year. The ad expenditure to GDP ratio is expected to increase over the next 5 yrs with growing economy and increasing media reach

REASONS TO INVEST

India has a large broadcasting and distribution sector, comprising approximately more than 800 satellite TV channels. The distribution network consists of 6,000 multi-system operators, around 60,000 local cable operators, 7 DTH operators and many IPTV service providers.

India had a total of 118,239 registered publications as of March 2018, consisting of 17,573 in the news category and 100,666 in periodicals.

The 5G spectrum band is expected to be launched in 2020-21



Television and AGV (Animation, Gaming and VFX) segments are expected to lead the industry growth, with opportunities in digital technologies as well. The segment has produced over 1,600 hours of original OTT content, 1,800+ films and over 200,000 hours of entertainment television.

Growth in the number and spread of multiplexes.

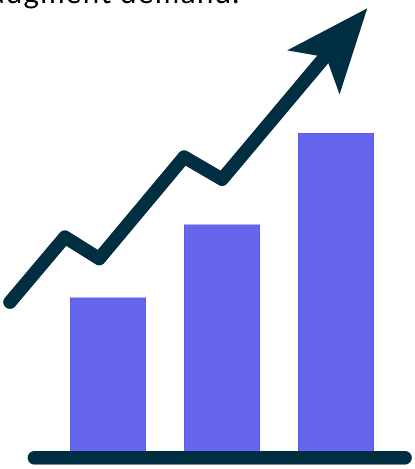
Increasing liberalization through FDI and tariff relaxation.

Measures such as digitization of cable distribution to enable the viewer's choice and higher growth.

Rising incomes and evolving lifestyles, leading to higher demand for aspirational products and services.

GROWTH DRIVERS

Higher penetration and a rapidly-growing young population, coupled with increased usage of 4G and portable devices, to augment demand.



FDI POLICY

BROADCASTING CARRIAGE SERVICES

FDI in teleports, DTH, cable networks, Multi-System Operators (MSOs), mobile TV, headend-in-the-sky broadcasting services are allowed up to 100% under the Automatic route.

Condition: Infusion of fresh foreign investment, beyond 49% in a company not seeking license/ permission from the sectoral Ministry, will require Government approval. For this, the infusion must result in the change in the ownership pattern or transfer of stake by an existing investor to a new foreign investor.

BROADCASTING CONTENT SERVICES

FDI in FM radio is allowed up to 49% under the Government route.

FDI in up-linking of 'News and Current Affairs' TV channels, is allowed up to 49% under the Government route.

FDI in up-linking of 'Non-News and Current Affairs' TV channels/ down-linking of TV channels, is allowed up to 100% under the Automatic route.

PRINT MEDIA

26% FDI under the Government route is allowed in the publishing of newspapers and periodicals dealing with news and current affairs.

26% FDI under the Government route is allowed in the publication of Indian editions of foreign magazines dealing with news and current affairs.

100% FDI under the Government route is allowed in publishing/ printing of scientific and technical magazines/specialty journals/ periodicals.

100% FDI under the Government route is allowed in the publication of facsimile editions of foreign newspapers.

Disclaimer: Investments are subject to fulfilling security conditions, rules and regulations of the Ministry of Information and Broadcasting and all other relevant legalities

SECTOR POLICY

Cable operators under the digitization regime are legally bound to transmit only digital signals, while customers can access subscribed channels through a set-top box.

The Government announced a 90% subsidy for the North Eastern States and 75% subsidy for other states in setting up community radio stations.

National Digital Communications Policy (2018) has the following objectives to achieve by 2022:

- Broadband for all
- Creating 4 Mn additional jobs in the Digital communications industry
- Enhancing the contribution of the Digital Communications industry to 8% of India's GDP from 6% in 2017
- Propelling India to be the top 50 nations in the ICT Development Index of International Telecommunication Union (ITU) from 134 in 2017
- Propelling India to be the top 50 nations in the ICT Development Index of International Telecommunication Union (ITU) from 134 in 2017
- Enhancing India's contribution to global value chains
- Ensuring digital sovereignty
- Co-production treaties with various countries such as Italy, Brazil, the UK and Germany are to increase the export potential of the film industry.

FINANCIAL SUPPORT

PROVISIONS OF THE 2020-21 UNION BUDGET

It has been proposed to provide USD 845 Mn to Bharatnet programme in 2020-2021

Bharatnet Project aims to connect 100,000 gram-panchayats (village councils) with high-speed broadband connectivity.

Department of Telecom to support the establishment of an indigenous 5G Test Bed at IIT Madras, Chennai.

STATE INCENTIVES

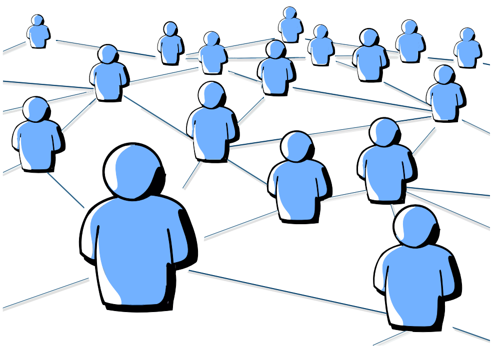
Available with different states depending upon the investment, number of jobs created, area of investment, etc.

OTHER INCENTIVES

The Ministry of Information & Broadcasting, Government of India, announced 90% subsidy for the North Eastern States and 75% subsidy for other States in setting up community radio stations.

Note:
Team #alpha-alpha in an effort to keep the assignment report concise, has compiled a separate short and crisp Google Doc for the Growth of Indian M&E industry over the past 4 years.

Click here to see the Growth of Indian M&E industry over the past 4 years



TV

INDUSTRY

The TV industry was estimated at INR 714 billion in FY19, a growth of 9.5% from FY18, having grown at a CAGR of 9.9% between FY15-FY19. The market size in FY19 includes advertising revenues of INR 251 bn and subscription revenues of INR 463 billion.

The TV segment had a good year for the first 3 quarters of FY19, but the challenges in implementation of the NTO and the resultant uncertainty around viewership and subscription renewals affected both the advertisement and subscription revenues in the last 3 months of FY19. The new regulatory framework was in force from 29 Dec 2018, but the TRAI had provided the distributors time till 31 Jan 2019. The regulatory body further extended this deadline to 31 March 2019 with the consumers facing issues while migrating to the new regime which introduced the system of selecting channels for the 1st time in the country.

Revenues (in INR Billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over 18	CAGR (FY15-19)
TV Industry	**490**	**552**	**595**	**652**	**714**	**9.5%**	**9.9%**
Advertisement	160	184	203	224	251	12.4%	11.9%
Subscription	330	368	393	428	463	8.1%	8.8%

FUTURE

OF TV INDUSTRY

The television industry is projected to reach a size of INR 1,215 billion by FY24, growing at a robust CAGR of11.2 per cent over FY19-24. The growth across both the advertising and subscription sub-segments is highlighted as below:

Advertising revenues are expected to grow at a healthy CAGR of 12.6 per cent from FY19-24, recovering from the last quarter of FY19.The advertising revenues for FY20 are estimated to grow at a steady rate of 10.3 per cent to reach INR 277 billion. In the long run, the overall TV advertisement revenues are expected to grow due to strong TV viewership from both rural and urban audiences; as well as from investments being made by broadcasters in new regional channels and sports properties.

Subscription revenues are likely to see an accelerated growth in FY20 to INR547 billion, growing by 18 per cent from INR 463 billion in FY19. Over the next five years, subscription revenues for the TV industry are expected to grow at a CAGR of 10.4 per cent to reach a size of INR760 billion by FY24. The growth is likely to be more front ended with FY20 and FY21 witnessing a higher increase on account of the benefits accruing from the implementation of the tariff order, especially from Phase III and IV markets.

Revenues (in INR Billion)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR (FY19-24)
TV Industry	**714**	**824**	**935**	**1,025**	**1,121**	**1,215**	**11.2%**
Advertisement	251	277	314	355	402	455	12.6%
Subscription	463	547	621	670	719	760	10.4%

PRINT

MEDIA

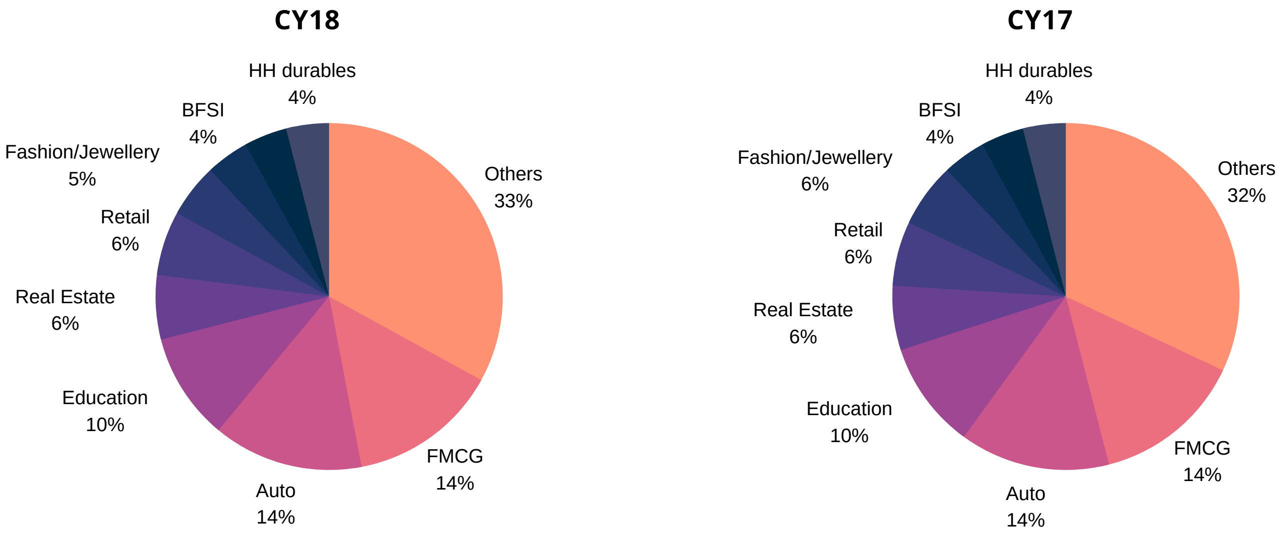
Print media is the second largest platform for Indian advertising after television

Globally, print advertising has been on a downward trend with the share of print in global advertising falling to 12 per cent in CY18.. However, print continues to be the second most important platform for Indian advertising expenditure with its share amounting to 32 per cent in FY19 as opposed to 35 per cent in FY18

Advertisement revenue in FY19 grew on the back of growth in Hindi, as Hindi is able to command a higher price in tier 1 cities due to a growing readership base.

Revenues (in INR Billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over 18	CAGR (FY15-19)
Advertising	179.6	192.2	204.3	210.7	221.2	5.0%	5.4%
Circulation	88.7	96.1	104.0	108.2	112.0	3.5%	6.0%
	268	**288**	**308**	**319**	**333**	**4.5%**	**5.6%**

Print advertising revenue by sector for CY17 and CY18



While there is no major sectoral shift in advertising, fast moving consumer goods (FMCG), Automobile and Education collectively still contribute 38 per cent of total print advertising in CY18.

KEY TRENDS

in the Indian print industry

Hindi language experiences a marginal increase in advertising volumes while English is on a downward trend. Hindi now dominates advertising pricing across Tier 1 cities

As per IRS 2019 Q1, Hindi dailies continue to dominate the list of top 10 publications with only one English newspaper featuring on the list (Times of India)

Urban population accounts for approximately 34 per cent of the total population, growth in readershipis equally seen from urban and rural populations which has come primarily from Hindi and regional newspapers.

Readership among the rural population grew by approximately 5 percent on the back of Hindi and regional languages, with English remaining flat in rural areas. Whilst, urban readership grew by approximately 5 per cent with an even spread in English, Hindi and regional languages

New consumer classification system (NCCS) categorisation of 'D/E' shrinks from 40 percent of the total population in 2017 to 38 per cent in IRS 2019 Q1 NCCS D/E categories are generally less educated and have a lower disposable income. Consumers aspire to move from the NCCS D/E categories to the A/B/C categories.

Populations concentrated in the NCCS A/B/C categories are concentrated in urban areas, with 81 percent of this class living in urban locations. NCCS A/B/C categories are generally highly educated and have a higher disposable income making them a more desirable audience for advertisers.

Of the total population surveyed in IRS 2019 Q1 37.3 per cent stated they have read a newspaper in the previous 30 days, up from 36.8 per cent population that was surveyed in IRS 2017.Magazine readership showed an increase of 12 per cent in 2018 over the previous year, with urban magazine leadership growing by 9 per cent while rural growing by 12 per cent

FUTURE

OF PRINT MEDIA

Over the next five years, the print industry is expected to grow at approximately 4.2 percent primarily on the back of advertising revenue, which will continue to dominate the revenue pie.

Hindi and regional newspapers are expected to grow driven by a focus on hyperlocal content and penetration in Tier 2 and Tier 3 markets. As literacy rates continue to improve, especially in age groups from 15-24, readership of Hindi and regional publications is also likely to grow

Circulation of English publications is expected to continue its downward trajectory, as the presence of digital casts an increasingly large shadow on its growth.

FILMS

FY19 was a groundbreaking year at the Indian box office, which delivered its best box office performance in the past decade as content took centre-stage with movies of diverse budgets succeeding at the box office. Regional cinema continued its surge with southern cinema consolidated its position while other regional markets continue to see traction due to increase in multiplex penetration in Tier II and Tier III cities along with the growing supply of regional content.

Overseas markets continued to grow at a steady rate for Indian films. While other segments remained stable, advent of OTT platforms has made business dynamics of content production more favourable for industry players.

Revenues (in INR Billion)	FY15	FY16	FY17	FY18	FY19	Growth in FY19 over 18	CAGR (FY15-19)
Theatrical revenue							
India	95.5	100.8	101.4	108.9	124.9	14.7%	6.9%
Overseas	8.2	10.8	12.3	14.8	17.2	16.1%	20.3%
Other streams							
Cable and satellite	15.0	15.8	15.5	16.1	18.0	11.8%	4.5%
Music rights	2.8	3.0	3.1	3.4	3.6	7.0%	6.3%
Digital rights	-	-	4.9	6.2	8.1	30.0%	29.3%
In-cinema advertising	5.3	6.7	7.8	9.5	11.4	20.0%	21.2%
Total	**126.8**	**137.1**	**145.0**	**158.9**	**183.2**	**15.3%**	**9.6%**

KEY TRENDS

FOR GROWTH OF FILM INDUSTRY IN INDIA

UPCOMING DANCER ;)

In FY19, domestic box office collections grew by 14.7 percent while in all thirteen movies crossed INR1 billion domestic Net Box Office Collection (NBOC), highest ever in any financial year. Further, domestic NBOC of top 50 movies increased from INR24 billion in the previous year to INR38 billion and eleven movies in the current year earned domestic NBOC of INR0.6 billion to INR1 billion as against seven in the previous year.

FY19 saw a lesser number of Hollywood movies releasing in India. Overseas collections of Indian films in FY19 grew slower at 16.1 per cent. Recently, Saudi Arabia lifted its ban on cinema which opened up a new market for Indian films.

A key ongoing change has been the growing contribution of digital rights, which has grown by 30 per cent in FY19 in line with the previous year driven by heavy demand by OTT platforms who consider new movies as a key differentiator. Additionally, OTT platforms are also investing in building regional libraries

The number of OTT platforms has grown from nine in 2012 to over thirty in 2019 driven by affordable data. OTTs are investing heavily in acquiring film libraries, for example Amazon Prime acquired twelve films out of the highest thirty grossing Hindi films this year, followed by Netflix acquiring nine

Currently in India there are approximately 9,600 screens of which 2,950 are multiplex screens and the multiplexes earn more than half of Indian theatrical revenues. India's current cinema screen penetration is the lowest in the world after China, the U.S. and the U.K. at six screen per million of population

The film industry in India is expected to grow at a CAGR of 7.3 per cent driven by theatrical revenue from India and overseas, digital rights and in-cinema advertising. C&S rights and music rights are expected to grow at a muted rate.

Indian box office performance was remarkable this year and to sustain similar success in the future the studios need to produce quality content. Further, The regional industry also has strong releases in the next year and the market is only expected to expand further. Also, with China and Saudi Arabia markets opening up, overseas collection of Indian films may continue to conquer box offices across the globe.

Digital rights pricing is likely to continue to see an upswing as OTT platforms further penetrate the India audience and scale up their film library. Pricing of C&S rights is expected to undergo adjustment due to impact of OTT platforms

ANIMATION

& VFX

The Indian animation industry registered a growth of 2.9 per cent in FY19, with revenues amounting to INR19.3 billion. While animation services continue to dominate the revenue pie, the animation IP production is fast catching up, growing at a CAGR of 12.3 per cent (twice that of animation services) during FY14-FY19. The animation services emerging from India have continued to gain traction among international production houses, particularly due to cost efficiency and improving quality. While cost in India is 1/3rd to 1/4th of North America and 25 per cent lower than countries such as Korea and Philippines

Animation services for international films witnessing a healthy increase: Though only a handful of studios, with Assemblage Entertainment at the forefront, are involved in animation work for films, the segment is still the second biggest revenue generator.

The OTT allure continues to drive content production: OTT platforms have given producers an avenue to experiment with new ideas, stories and characters, while also giving them a range of audience that is not restricted to TV screens

Animated films continued to get a cold shoulder from production houses: While attempts are being made to attract audiences to theatres to watch local animated features, their share in IP production continued to be non-existent even in FY19.

Broadcasting continues to be the backbone of Indian animation: Broadcasters continue focusing even more on commissioning original animated shows and building their own library rather than simply licensing content. The number of kids' channels now stands at 24, paving the way for a much higher demand for local content.

ANIMATION

INDUSTRY OUTLOOK

Animation industry outlookThe animation industry revenue is expected to surpass INR36 billion by FY24, growing at a CAGR of 13.8 per cent during FY19-24. While animation services are projected to account for the majority share of animation pie, the coming years are likely to witness increasing activity in the original IP production space.

VFX

INDUSTRY - INDIA

The Indian VFX industry has matured from an outsourcing destination to one with growing domestic demand. Domestically produced films like the Baahubali and the Robot franchises have demonstrated audience interest in quality visual effects content and has opened the door for more effects-heavy productions across Hindi and regional films.

Globally, VFX in digital video has also seen significant attraction with increase in episodic production budgets which in turn has allowed content developers to invest in VFX. Although in early stages, India is also seeing similar trends with the major OTT players having announced a gamut of original productions, the scope and the volume of work for Indian VFX players are likely to grow.

KEY

GROWTH DRIVERS

India continued to be amongst the preferred out- sourcing countries for VFX: Cost continues to be a major factor for foreign studios in narrowing down India as an outsource destination. India is no longer viewed as a cheap option for offshore tasks such as rotoscoping and matchmoving, and domestic studios have been attracting more complex VFX jobs from Hollywood.

VFX work taken long strides in domestic projects: The improving quality of talent has also reflected in the increasing use of VFX in domestic films, though the Indian film industry has a lot of ground to cover in terms of matching international VFX budgets and standards.While an estimated INR700 million were spent on VFX in Zero, which featured around 5,000 VFX shots, 2.0 on-boarded 10 different VFX studios to work on the special effects, and more than 3,000 technicians from around the world contributed to the film.

KEY

GROWTH DRIVERS

Stereoscopic 3D conversion bolstering the demand for post-production in India: Due to factors such as people skills, pipeline management, strong relationships with major production studios and their position on the experience curve, Indian studios have continued to attract post-production jobs, both domestic and international, such as stereo conversion (2D to 3D), video editing, colour grading and corrections, sound recording and editing, and dubbing, amongst others

Growing workforce supply: On the back of huge demand from the West, the industry witnessed a much needed shift in workforce mindset. As against five years back, the workforce now recognised the potential of VFX and post-production industry in India and thus, the industry saw a growing ingress of talent

GAMING

INDUSTRY

KEY UNDERLYING TRENDS AND THEMES

User engagement gains further traction in India: In the year 2018, the user engagement on gaming platforms scaled to new heights and is soon expected to approach the global average of 7.11 from the Indian average of 6.22
More women are now playing mobile games: Online gaming has traditionally been a male dominated leisure activity but more recently it has attracted a lot of attention from female audiences too with female gamers surpassing male gamers in certain genres. Also, women are 79 percent more likely to spend money on mobile games through in-app purchases.

Mobile continues to account for the majority share in online gaming: Gaming continues to be one of the most preferred online leisure activities, with about 50 percent of smartphone users in India playing mobile games. Globally, mobile gaming has surpassed PC and consoles in its contribution to overall market revenues with the share of mobile gaming increasing from 18 per cent in 2012 to 51 per cent in 2018. While PC and consoles are growing at a CAGR of two to three per cent, mobile gaming is growing at 26 per cent globally.

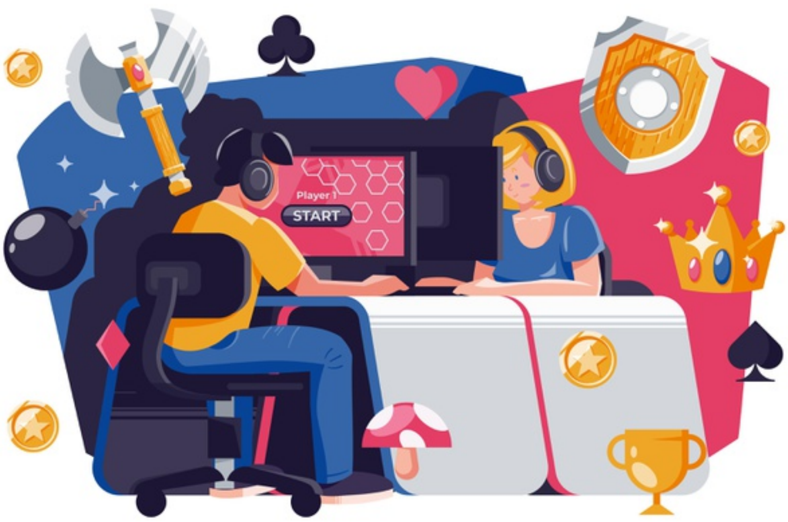
Online real money games are gaining popularity: The online Real Money games (RMG) comprises - rummy, poker, daily fantasy sports and quiz games. These games have started to witness tremendous uptake over the past couple of years. Traditional card games like teen patti and rummy are widely accepted on online platforms today given the emotional connect and mass appeal that they carry. The fourth edition of Rummy Premier League was hosted between 22 November 2018 to 22 December 2018 by Junglee Games that saw participation by over 1.63 lakh people and was played over the course of a month, with 1,765 tournaments being held to determine the winner.

Investors continue to remain interested: The online gaming segment has witnessed an incredible transformation since the last few years. To bank on growing demand, India has observed progress in various gaming start-ups. Between 2014 and Q1 2019, the total venture capital funding in Indian gaming start-ups was USD337 million which is growing at a CAGR of 22 per cent.

Gaming is being embraced by a variety of businesses: Various sectors that are transactional in nature are using gamification to strengthen their user base. It is now viewed as one of the key advertising and marketing tools to attract the right target audience, drive user engagement and ensure customer stickiness.

SonyLIV launched an AR-enabled gaming platform, with an aim to reach out to 50 million new users in the growing OTT market. In the recent past, in-app games from non-gaming companies like Zomato Cricket Cup, Swiggy Match Day Mania, PayTm First Games, Tez Shots by Google Play are some of the examples that showcase growing interest of players in this segment

Evolving into a lucrative career option: Gaming has come a long way in India & the segment is now seeing the light of day. Given the success of mobile games and corporate funds being in, the segment is breaking stereotypes when it comes to pursuing it as a career. It is now attracting talent across the value chain artists, programmers, designers, app developers, etc.



OVERALL FUTURE PROSPECTS FOR INDIAN M&E SECTOR

The Indian M&E industry is on an impressive growth path. The industry is expected to grow at a much faster rate than the global average rate. Apart from the impact of rising incomes, widening of the consumer base will also be aided by expansion of the middle class, increasing urbanization & changing lifestyles.

The Telecom Regulatory Authority of India (TRAI) is set to approach the Ministry of Information and Broadcasting, Government of India, with a request to fast track the recommendations on broadcasting, to boost reforms in the broadcasting sector.

Advertising revenue in India is expected to grow 15.2% during 2018-2023, to reach US$ 18.4 billion in FY23 from US$ 9.4 billion in FY18. India's advertisement market is projected to grow 10.62% year-on-year to US$ 12.06 billion till 2021.

The Government of India has supported the Media and Entertainment industry's growth by taking various initiatives such as digitizing the cable distribution sector to attract greater institutional funding, increasing FDI limit from 74% to 100% in cable and DTH satellite platforms, and granting industry status to the film industry for easy access to institutional finance.

With no major obliging factors, digital is relied upon to be a dominant force going ahead and in FY23, it is probably going to be the second biggest section after TV and pull in the most elevated advertising spend among all media positions.

The Govt. of India has agreed to set up the National Centre of Excellence for Animation, Gaming, Visual Effects and Comics industry in Mumbai. The Indian and Canadian Government have signed an audio-visual co-production deal to enable producers from both the countries exchange and explore their culture and creativity, respectively.

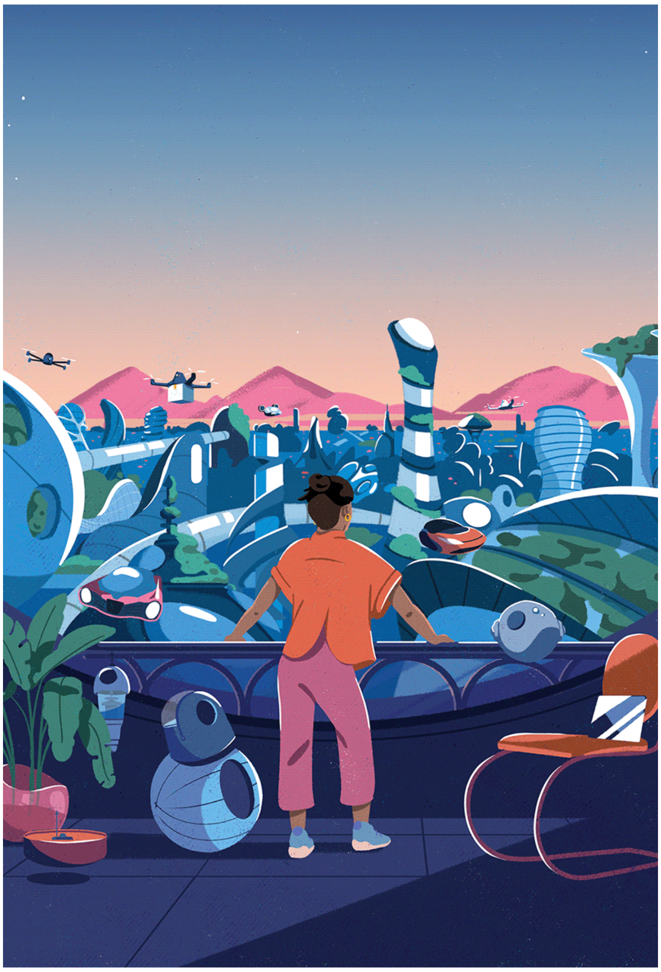
Growth is expected in retail advertisement, on the back of factors such as several players entering the food and beverages segment, e-commerce gaining more popularity in the country, and domestic companies testing out the waters. The rural region is also a potentially profitable target.

The entertainment industry will also benefit from continued rise in the propensity to spend among individuals; empirical evidence points to the fact that decreasing dependency ratio leads to higher discretionary spending on entertainment.

New distribution technologies like DTH, Conditional Access System (CAS) and IPTV, hold the future of the media industry as increasing digitization will radically alter the ways in which consumers receive channels.

The mandatory digitization all over India will bring in more subscription revenues for the broadcasters as opposed to under reporting of numbers by cable operators at present. Also, continued growth of regional media and growing strength of the filmed entertainment sector will also boost growth of the media industry.

The demographic profile of India also favours higher spend on entertainment, with the consuming class forming a sizable chunk of the country's total households. Thus, It could lead to the emergence of a huge consumer base for the various products and services (including entertainment).



The advent of digital platforms will require industry participants to invest in constant innovation in products and services. Thus, going forward, innovation will be the key to attract more consumers and deliver relevant content and services that are profitable too.

With metros already being saturated, regional markets provide ample scope for growth in the media sector. In print media, newspapers are being published in vernacular language. In television, newer channels are introduced in local languages. Tier II and Tier III cities and towns are set to drive the Indian consumption story in the next few years.

PROMISING COMPANIES IN M&E

STOCK #1

TV TODAY

1.BUSINESS ANALYSIS

1.1 ABOUT TV TODAY

T.V. TODAY NETWORK LTD is an India-based company engaged in broadcasting operations. Part of the India TodayGroup, the Co. operates mainly in 3 segments— digital, television, and radio broadcasting.

The Co. operates 4 news channels— Aaj Tak, Aaj Tak HD, IndiaToday, and Tez. The Company also operates three FM radio stations under the brand ISHQ 104.8 FM in Delhi, Mumbai, and Kolkata. They also have an unmatched digital footprint through the Aaj Tak & India Today websites, social media and continue to aggressively build on it with the new digital-first ecosystem of the AAJTAKs.

The INDIA TODAY GROUP has 24 dedicated Digital First AAJTak video channels, with presence across 15 content genres.

THELALLANTOP.COM is known for its pathbreaking format, tailored for the Indian millennial, packaging seriousness in a colloquial style. It has the most viral and share-worthy content and is a benchmark in video views and time spent across all new-age Indian digital news platforms

The Company's business depends heavily on revenues from advertisements.

India Today became the first media company to get into gaming & eSports in India, and successfully conducted their first event in Oct'19 at Siri Fort Auditorium that was attended by the Union sports minister

1.2 CHAIRMAN'S LETTER

The Indian Media and Entertainment (M&E) industry has progressed well. In an environment of volatility and dynamism, the industry continues to grow at a rapid pace year on year.

The news channel 'Aaj Tak' endeavors to maintain and consolidate its leadership position, which it has been able to sustain for the past 20 years in a row since its very inception

The M & E sector depends largely on advertising spends on other industries. The impact of the pandemic and global recession on various industries, such as e-commerce, manufacturing, financial services, fashion and retail, automobiles, hospitality, and travel, among others, has led to a scale-down in advertising spends in these sectors

Digital media overtook filmed entertainment in the year 2019 to become the third-largest segment of the M&E sector; expected to overtake print by 2021. as the company has launched many digital channels in various regional languages.

The avg operating profit margin for 5 years was healthy at 26%. Advertisement revenue for 5 years increased by avg of 10%.

AROON PURIE
Chairman

MANAGEMENT
DISCUSSIONS

The media and entertainment (M&E) industry in India continues to undergo significant transformation. Riding the wave of exponential progress made towards digital accessibility and adoption. the M&E sector continued to grow at a faster pace than India's GDP, driven primarily by growth in subscription revenues. The Indian M&E sector grew 9% to reach INR 1,82,000 Crores (US$25.7 billion). Advertising, correspondingly, grew at just 5.3%Digital media overtook filmed entertainment in 2019 to become the third-largest segment of the M&E sector; expected to overtake print by 2021. The rapid proliferation of mobile access is enabling on-demand, content consumption nationwideDigital subscription grew over 100% in 2019 as sports and quality video content went behind a paywall; it now comprises 13% of total digital segment revenues. Revenue earnings of these mediums are seeing a downward curve, as revenues in the media and entertainment sector depend largely on advertising spends from other industries

**TV The television segment fell from an avg of 11% growth from the last 4 years to by 6.4% in 2019 while television advertising grew by 5% in 2019 which was an avg growth of 12% in the past 4 years. As per TAM AdEX, ad volumes fell 4% in 2019. The main fall was witnessed because of fears of an economic slowdown of the growth in the share of ad volumes of Hindi news channels from 5% in 2018 to 6% in 2019.

*DIGITAL MEDIAOnline video, audio, news, and social media consumers all increased in 2019, with Digital media growing at 31% in 2019. Digital advertising grew 24% driven by increased consumption of content on digital platforms and marketers' tilt towards measurability and performance. Paid digital subscribers crossed 1 Crore and subscription revenue grew 106% as Indians paid for online quality content. Subscription, which was 3.3% of the segment in 2017, increased to 13% in 2019.Indians spend the most time on their phones in the world with over 80% of their phone time on social media, news, and entertainment. Digital has grown to be the 3rd largest source of revenue in the M&E industry after tv and print and within a few years, if continued at the same rate, will surpass the print segment

*Online NewsOnline news audiences grew to over 30 Crores across mobile and desktop users of news sites, portals and aggregators; however daily regular users were much lower. Time spent per regular user per day remained under ten minutes as per industry discussions

* outlook News Channel AajTak as the No. 1 choice, which it has been able to sustain for the last 20 years in a row since its very inception with a Market Share of 16.0% AajTak has also crossed average weekly 10.1 Crores viewers touching a maximum of 18.8 Crores in 2019-20 During major event day AajTak becomes no.1 TV channel surpassing GEC/Movie/Sports genre in terms of Coverage.

English news channels India today in Q4 w.r.t Q3, the channel has registered 78% growth in this period. India Today television is No.2, behind the No.1 by a very thin margin. All channels have contributed to the revenue growth of the Company in the financial year ended 2019-20 and all the brands are expected to further enhance the growth of the Company in the coming years.

1.4 ACHIEVEMENTS

India Today Group's 24 Digital video channels have garnered 8.3 Billion video views across social platforms(Source: Facebook Insights, Youtube Analytics, FY 2019-20)With 2.1 billion views on YouTube (YT), TheLallantop.com achieved a massive growth of over 130% over last financial year(Source: YouTube Analytics).TheLallantop.com became the only Digital First original news brand to cross 10 million subscribers on YouTube in Nov'19(Source: Vidooly Report)It shows company's superior digital hold in compare to their peers

DRIVERS

Higher penetration and a rapidly-growing young population, coupled with increased usage of 4G and portable devices, to augment demand.

FINANCIAL ANALYSIS

The company maintains an adequate level of cash to meet upcoming liabilities, is a good sign for financial health.

Even the debt of the company is 1/7 that of the cash in hand

The company has maintained a stable dividend
TV TODAY is good value based on a P/E Ratio of 13.6 compared to the media industry avg of 14.6

Its short term assets are bigger than both long and short term liability

The company has negligible debt compared to that of 5 years ago
The d/e ratio was 3.8
Shows good work of management

In the cash flow statement under the financial activity section, the value entered in "Interest and other borrowing costs paid" differs in the entry of cash flow and the notes attached to it.(unable to understand why?)

Under the notes of reserve and surplus, the entry of retained earning of fy19 is 38377 in the annual report of fy19 but, the same entry of"march 31 2019" in the annual report of fy20 is 76722 the same with a capital reserve the entry of which "march 31 2019" changed from 23087 to -3440(unable to understand why?)

P&L

Sales growth rate of 12.46%

OPM mildly fluctuates with an avg of 27
The reason of fluctuation, is mainly 4 expenses - material cost, power, fuel, other manufacturing costs

Cash FlowCFO > PAT in 6 out of 10 years except for 11,15,16,19

CFCFE > CPAT
FCF, FCFE > 0 in 8 out of 10 years except for 12,16

CAPEX < CFO in 7 out of 9 years
SSGR > than both 5 & 3-year trend of sales
ROE is acceptable

Retained earnings
1. market cap method >1
2. eps method ????
EPS 3-year trend is 10 (20% is considered very good)

Earning yield 14% (should be >13)

ROE not in growing trend (should be)

KEY
NUMBERS

Sales: Growing at 12.46%
OPM%: ~ 25% plus
NPM%: ~ 16.26% plus
Tax%: ~ 35%
Dividend Pay-out Ratio: ~ 95.25%
Shareholders' Equity: ~ Rs. 1070 Cr
Total Debt: ~ 20 Rs. Cr
Reserves: ~ Rs. 842Cr; increasing at ~15% IN 5 YEARS
cCFO/cPAT: 102%
FCF: ~ Rs. 171Cr growing at ~ 45.81%
Cash in Bank & Investments: Rs. 140 Cr. Growing at ~ 8%
SSGR: 19%; NOT sufficient compared to Sales growth rate of 12%-15%
Value created for MCAP with Retained earnings: Rs. -2.3
Value created for EPS with Retained earnings: 20%
Earnings Yield: 14% (Because of low PE of 8)
Book Value: Rs. 146 growing at ~ 14%
D/E ratio: 0.02
Quick ratio: 3.92
Current ratio: 3.93
Interest Coverage:150
Inventory Turnover: 478
Inventory days: ~ .76 DAYS
Receivable Days: ~ 86.17 Days
NFA Turnover (Sales/NFA): 3.49
ROA: 16% ? ROIC: 25%

MANAGEMENT ANALYSIS

Name	Designation
Aroon Purie	Chairman & Wholetime Director
Devajyoti N Bhattacharya	Non Executive Director
Anil Vig	Independent Director
Neera Malhotra	Independent Director

Name	Designation
Kalli Purie Bhandal	Vice Chairperson & M.D
Ashok Kapur	Independent Director
Rajeev Gupta	Independent Director

POSITIVES

Aroon puri the Chairman & Wholetime Director the founder-publisher and former editor-in-chief of India Today and former chief executive of the India Today Group has catapulted tv today form a revenue of 53cr. in 2003 after that it got listed and on the latest annual report revenue is 842 cr.of Revenue with excellent Operating Margins, Returns, and Shareholder Value Creation all over the course.

In his leadership, the flagship news channel Aaj Tak had maintained the place of top news channel throughout 2 decades.

NEGATIVES

Mrs. Kalli Purie Bhandal the Vice-Chairperson & Managing Director her remuneration increased70% and 50% in fy19 and fy20 respectively because of that the company has started to give her commission as a % of profit since fy19.

VALUATION ANALYSIS

We will Use the use DCF valuation method that gives the intrinsic value as Rs. 767assuming no growth in PE for 5 years in calculations. The current market price is Rs. 229. THE TERMINAL GROWTH IS CONSIDERED 1%.

PROMISING COMPANIES IN M&E

STOCK #2

SUN TV

1.BUSINESS ANALYSIS

1.1 ABOUT SUN TV

Sun TV, the flagship channel of the company, is the most-watched channel in India today and the largest in South India by penetration, viewership & ad revenues. It airs many fiction and nonfiction content apart from movies across channels. Sun TV Network Limited (Sun Network) maintains its dominant position in the southern states of India as one of the largest television and radio entertainment companies with a portfolio of Satellite Television Channels spread across four languages, and in genres of GEC, news, music, action, life, movies, kids and comedy. Sun Network also has a large network pan India in the FM Radio broadcasting segment along with its subsidiaries.

Sun Network continues to consolidate its leadership position built over the years, by fortifying its hold over key aspects of pricing and access to quality content. Sun Network is one of the first Regional GE channels in the country to adopt HD and it also forged early partnerships with OEMs to preload Sun TV apps on their devices.

Television channels
Sun Group currently owns and operates 32 TV channels (24 SD + 8 HD) across Indian languages – Tamil, Telugu, Kannada, Malayalam, and Bengali.

Sun Group will be launching 7 new HD channels and 3 new SD channels including the network's first channel in the Marathi language, marking the entry of the company into the North Indian market after sun Bangla. After this, Sun Group will have a total of 42 channels in its bouquet.

Print media
Sun Group owns two daily newspapers and five magazines in Tamil. Dinakaran was founded in 1977 by K. P. Kandasamy was acquired from K. P. K. Kumaran by Sun Network in 2005.It is the second-largest circulated Tamil daily in India after DinaThanthi. Tamil Murasuis an evening newspaper. The group owns the magazines Kungumam, Kumguma Chimizh, Kungumam Thozhi, Aanmigam, Mutharam, and Vannathirai.

Radio stations
The group owns 67 FM radio stations across India broadcasting under the names Suryan FM, Red FM.

OTT Platform
Sun NXT is a global online audio/video streaming platform owned and operated by Sun TV Network.

It has more than 4000 movie titles including movies like Ajith Kumar's Mankatha, Vijay's Sarkar, and Rajinikanth Petta.

MANAGEMENT ANALYSIS

Sun Network delivers a steady flow of highly popular programs and a dominant share of audience viewership which has given the network tremendous pricing power against its competitors. The presence of Sun Network across genres like general entertainment, movies, music, news, kids, action, life and with a dominant market share in the four southern states of India (Tamil Nadu, Kerala, Karnataka and Andhra Pradesh) ensures continued and sustained viewership and prominent role in the Media and Entertainment Industry.

Opportunities:
The ongoing digitalization of content, the shift to online and mobile distribution of content and the rapid pace of invocation has created opportunities to serve new customers in new markets. The presence of large and wealthy Indian diaspora abroad is another powerful enabler for market expansion abroad.

Digital media was the fastest growing segment of the industry in the last year posting a 42% rise in revenues. While ad spends on digital media grew by 34% the subscription revenues catapulted by more than 250%.Data consumption in India grew from an average of 4 GB per month in 2017 to 8 GB per month in 2018.

Threats:
Sun Network is a regional broadcaster, which may limit their opportunities for growth as well as their attractiveness to advertising customers and others

FINANCIAL ANALYSIS

cfo> pat
cfcf>cpat
fcf,fcfe> 0
capex<cfo

(the conditions given above hold true throughout the decade 2011-2020)
the company is continuously selling its plants & equipment, investment property, and intangible assets from the last 4 years

2017
Net block of property, plant & equipment were at Rs. 763.01 crores and Investment property were at Rs. 12.71 crores, Net block of intangible assets as on March 31, 2017, were atRs. 326.33 crores
2020
Net block of property, plant & equipment were at Rs. 631.78 crore and Investment properties were at Rs. 8.28 crore. The addition to property, plant & equipment for the year was Rs. 31.36 crore. The netblock of intangible assets as on March 31, 2020, were at Rs. 250.15 crore
#ssgr > then both 5 & 3 year trend of sales

KEY NUMBERS

Sales: Growing at 8%
OPM%: ~ 65% plus
NPM%: ~ 39.35% plus
Tax%: ~ 33%
Dividend Pay-out Ratio: ~ 71%
Shareholders' Equity: ~ Rs. 5724 Cr
Total Debt: ~ 0 Rs. Cr
Reserves: ~ Rs. 5527Cr; increasing at ~12% IN 5 YEARS
cCFO/cPAT: 126%
FCF: ~ Rs. 869 Cr growing at ~ 3%
Cash in Bank & Investments: Rs. 703 Cr.
SSGR: 13%;
Value created for MCAP with Retained earnings: Rs. -1.12
Value created for EPS with Retained earnings: 14%
Earnings Yield: 12% (Because of low PE of 8)
Book Value: Rs. 145 growing at ~ 12%
ROE DuPont:25%
Current ratio: 3.68
Inventory Turnover: 14666
Inventory days: ~ .02 DAYS
Receivable Days: ~ 126 Days
NFA Turnover (Sales/NFA): 3.12
ROA: 25%
ROIC: 32%

MANAGEMENT ANALYSIS

BOARD OF DIRECTORS

Kalanithi Maran	Executive Chairman
R. Mahesh Kumar	Managing Director
Kavery Kalanithi	Executive Director
K. Vijaykumar	Executive Director
Kaviya Kalanithi Maran	Executive Director
S. Selvam	Non-Executive Director

POSITIVE

Kalanithi Maran is the founder and executive chairman of this company since 1993. in his direction sun tv networks has grown to become the biggest name in media and entertainment industry, with a debt free status and maintaining an avg 65% OPM throughout the decade.

NEGATIVES

The remuneration taken by KMP is equal to the max remuneration allowed by the law , in this case as an investor i will consider that, the aim of the promoter might be to extract as much money from the company as possible by the way of remuneration. thus showing very little concern on the return of minority shareholders.

VALUATION ANALYSIS

We will Use the DCF valuation method that gives the intrinsic value as Rs. 591 assuming no growth in PE for 5 years in calculations. The current market price is Rs. 484.
THE TERMINAL GROWTH IS COSIDERED 1%.

PROMISING COMPANIES IN M&E

saregama

soul of India

STOCK #3
SAREGAMA

1.BUSINESS ANALYSIS

1.1 ABOUT SAREGAMA

Saregama India Ltd (SIL) (earlier known as The Gramophone Company of India) was incorporated in 1946 and was taken over by the RPG group in 1985 from EMI, UK. The company is currently managed by R P Goenka, chairman. SIL is into retail selling of audio cassettes and CDs. The company has three subsidiaries RPG Global Music Ltd, Saregama Films and Saregama Plc.To de-layer the company's structure, two of its previous subsidiaries, Gramco Music Publishing & RPG Music International were merged with it.

The company covers twelve languages spread across eight musical categories- new Hindi films, old Hindi films, regional films, ghazals, devotional classical, Indianpop & International.

The company's products are sold under the brand name of HMV and Saregama. The international market is managed by Saregama Plc- UK which is responsible for sales in USA, Canada, UK & Europe & RPG Global Music -Mauritius responsible for the rest of the international territories.

It has a portal, HamaraCD.com, to allow the use of digital downloading. Saregama has also picked up a 42.85 per cent stake in the RPG controlled music retail chain, MusicWorld. The company has acquired four reputed South Indian music labels - Sangeetha, Sargam, Pyramid and Sea Records. It has also entered into a contract to provide content to a radio station.

MANAGEMENT DISCUSSIONS & ANALYSIS

BOARD OF DIRECTORS

Vikram Mehra	Managing Director
Vineet Garg	Chief Financial Officer
Rashna pochkhanawala	Vice President, Music Licensing
Kumar Ajit	Sr. Vice President,music Retail
Siddharth Anand Kumar	Vice president, Films & Series

As per E&Y and FICCI, the Indian music segment grew 10% to reach INR 15 Bn in 2019. It is expected to grow 10% annually till 2022. The continuous growth of digital infrastructure has led to a 50% growth in audio streaming. Currently Saregama charges platforms on a per stream basis plus a share of advertising revenues for the advertising based free service. This revenue has been growing at 40% over the last three years.
Music Publishing, is an equally fast-growing revenue segment for Saregama wherein licenses are given for the music usage (including lyrics and tune) to general entertainment TV channels for reality shows & serials, new films (for background sync & remixes), etc.

Regional Content: The company decided four years back to ramp-up its investment in new music, digital films and serials in a gradual and systematic fashion, to remain relevant with present content needs. Moreover, it started acquiring new film music of Hindi and Tamil films in 2017 Encouraged by the rising popularity of regional language content, Saregama also acquired non-film songs in Bhojpuri and Punjabi languages. As part of the same strategy, it started a new Bhojpuri channel on YouTube, which has already received 120 M views in four months.

Digital Films: Saregama decided in 2017 to launch into the promising business of Digital Films under the sub-brand, Yoodlee Films. In the last 30 months, Saregama has licensed 10 of its films to Netflix for the global territory, making it the only non-major studio to do so. Three of these films have been taken by Netflix as Originals. This year also saw the delivery of 3 originals to Disney+ Hotstar while their film Hamid won 2 prestigious national awards

Saregama carvaan: The most talked about product innovation coming from India in recent times is Saregama Carvaan. Carvaan is a product borne out of extensive consumer research done by the company which resulted in a highly successful combination of convenience and nostalgia in a digital audio player.As the base of Carvaan grows, the platform can be utilized for building advertising and subscription revenue. It will become a highly trackable and sharply positioned way for brands to engage with ‘high-disposable income’ 35+ yr consumers who are generally not found on traditional media services and platforms.

FINANCIAL ANALYSIS

Price is higher than 50 day DMA

Credit rating is good

Shareholding pattern has been above 59% (dropped only in decimals over the years)

The CAGR of Sales Growth (Last 5 yrs) is 22.83%

There has been YoY growth in Sales (drops in 2017 and 2020) (Seems good overall)

OPM% is oscillating every consecutive year (Investigate why)

OPM% has been 10% or more only in 2 years (Last 5yrs data) (Might fall next year seeing the pattern) (According to Shashank, 1 should wait for it to be consistent)

Tax payout of last 5 years averages at 31.4%

Sudden increase of Trade Payables in 2019
Trade Receivables does not look good

Other Expenses seem bad in the initial phase of last 5 years

Sale of Inventory seems negligible (it is should be this way only)

Side Notes:
By going through the financials of Saregama one can easily see 2015 was definitely not the best year. Although not too alarming but there are many points which raise a concern whether the company might repeat these in future. One has to be cautious while investing in Saregama.

KEY
NUMBERS

Sales: Growing at 22.8%
OPM%: ~ 12% plus
NPM%: ~ 8.4% plus
Tax%: ~ 27%
Dividend Pay-out Ratio: ~ 94%
Shareholders' Equity: ~ Rs. 398 Cr
Total Debt: ~ 9.7 Rs. Cr
Reserves: ~ Rs. 318Cr
cCFO/cPAT: 37%
FCF: ~ Rs. 70 Cr
SSGR: 16%;
Value created for MCAP with Retained earnings: Rs. -1.05
Value created for EPS with Retained earnings: 30.02%
Earnings Yield: 13%
Book Value: Rs. 228
D/E ratio: 0.02
Interest coverage ratio : 13.72
Quick ratio: 1
Current ratio: 2
Receivable Days: ~ 76 Days
NFA Turnover (Sales/NFA): 2.4
ROA: 10%
ROIC: 9.4%

VALUATION
ANALYSIS

We will Use the use DCF valuation method that gives the intrinsic value as Rs. 1056assuming no growth in fcf after 5 years in calculations. The current market price is Rs. 558.
THE TERMINAL GROWTH IS COSIDERED 1%.