

DEN NETWORKS

Competition sings realisation, broadband ARPU

India Equity Research | Media

DEN Networks (DEN) reported in-line revenue and EBITDA for Q1FY18. Key positives: (i) 7.1% QoQ spurt in Phase II net realisation; ii) content cost increased by mere 6.1% QoQ; and iii) EBITDA margin (ex-activation) improved to 13.1% (up by 171bps QoQ). Key negatives: i) subscription revenue fell 1.9% QoQ, impacted by 6% QoQ decline in realisation in Phase I; and ii) 4.5% QoQ dip in broadband business. We expect digitisation of phase III & IV markets and recommendations in final TV tariff order to hold DEN in good stead. Broadband roll out in 20 cities will aid company in long term. However, on-the-ground execution, adequate infrastructure to implement TV tariff order and getting fair share from LCOs will be key monitorables. We see DEN tackling tough competition from RJio in broadband space. Maintain 'HOLD'.

Competition impacts net realisation in Phase I and broadband

While ARPU fell by 6.0% in Phase I, it improved by 7.1% in Phase II markets. In our view, Phase I and II markets could see limited net realisations growth due to competition, while it may continue to increase in Phase III and IV markets (our view: INR52 in Phase III and IV markets). Broadband ARPU dropped 1.1% QoQ impacted by intense competition from telecom players. We expect DEN's broadband ARPU to remain under pressure due to aggressive competition from RJio (exit broadband ARPU in FY18 and FY19 estimated to be INR700 per month versus INR725 in Q1FY18).

Q1FY18 conference call: Key takeaways

Excluding taxes Phase I ARPU stood at INR110, Phase II at INR91 and Phase III at INR59. DEN has guided for 10-12% YoY increase in content cost in FY18 (our estimate: 15% YoY each in FY18 and FY19). EBITDA margin stood at 32% (pre-activation) in Phase I, and 21% (pre activation) in Phase II. The company reported 5% EBITDA margin (pre activation) in Phase III market.

Outlook and valuations: Challenging times; maintain 'HOLD'

We remain positive on DEN over longer term. But, investments in Phase IV market and slowdown in broadband are key monitorables. Heightened competition from RJio is also a concern. At CMP, the stock is trading at 5.4x FY18E and 4.8x FY19E EV/EBITDA. We maintain 'HOLD/SP' with TP of INR124 (7x FY19E EBITDA).

Financials

	(INR mn)							
Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Revenue	3,141	2,689	16.8	3,172	(1.0)	11,573	14,323	17,592
EBITDA	611	433	NM	565	8.2	1,788	2,851	3,475
Adj. Profit	(100)	(455)	NM	(299)	NM	(1,589)	(1,185)	(936)
Adj. Dil. EPS	(0.5)	(2.6)		(1.5)		(8.2)	(6.1)	(4.8)
EV/EBITDA (x)						10.6	5.4	4.8
ROAE (%)						(12.0)	(9.2)	(7.1)

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	High
Sector Relative to Market	Overweight

MARKET DATA (R: DENN.BO, B: DEN IN)

CMP	: INR 85
Target Price	: INR 124
52-week range (INR)	: 105 / 60
Share in issue (mn)	: 194.8
M cap (INR bn/USD mn)	: 17 / 261
Avg. Daily Vol.BSE/NSE('000)	: 353.8

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	36.8	36.8	36.8
MF's, FI's & BK's	30.3	30.2	30.2
FII's	17.9	19.5	19.7
Others	15.1	13.6	13.4
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	9.6	5.9	4.1
3 months	(11.0)	8.2	(5.2)
12 months	(1.8)	16.9	9.8

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Table 1: Trends at a glance

	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Subscribers Universe (mn)	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Digital subscribers (mn)	7.57	8.51	9.39	9.79	10.09	10.29	10.50	10.70
Phase 1 subscribers (mn)	2.15	2.15	2.15	2.15	2.15	2.15	2.15	NA
Phase 2 subscribers (mn)	2.84	2.84	2.84	2.84	2.84	2.84	2.84	NA
Phase 3 subscribers (mn)	2.58	3.52	4.40	4.80	5.10	5.30	5.58	5.60
Phase 1 ARPU	93	94	96	101	95	111	117	110
Phase 2 ARPU	66	71	72	73	77	81	85	91
Phase 3 ARPU	NA	10	-	36	46	57	62	59
Phase 4 ARPU	NA	NA	NA	12	23	25	46	38
Total revenue (INR mn)	2,150	2,304	2,664	2,689	2,724	2,988	3,172	3,141
EBITDA (INR mn)	(398)	(396)	(298)	433	288	503	565	611
EBITDA ex-activation (INR mn)	(418)	(546)	(468)	73	238	283	335	381
Subscription revenues (INR mn)	930	960	1,180	1,110	1,320	1,440	1,570	1,540
Carriage revenues (INR mn)	980	890	810	870	860	890	890	890
Activation revenues (INR mn)	20	150	170	360	50	220	230	230
Content cost (INR mn)	1,281	1,158	1,086	1,125	1,183	1,193	1,233	1,308
Broadband revenues (INR mn)	80	120	150	180	210	215	220	210
Broadband subscribers (000)	57	76	95	115	140	159	177	193
Broadband ARPU (INR)	770	760	780	780	775	752	733	725
Content cost (% of revenues)	59.6	50.2	40.7	41.8	43.4	39.9	38.9	41.6
EBITDA margins (%)	(18.5)	(17.2)	(11.2)	16.1	10.6	16.8	17.8	19.4
EBITDA margin ex-activation (%)	(19.6)	(25.3)	(18.8)	3.1	8.9	10.2	11.4	13.1
QoQ growth								
Phase 1 ARPU		1.1	2.1	5.2	(5.9)	16.8	5.4	(6.0)
Phase 2 ARPU		7.6	1.4	1.4	5.5	5.2	4.9	7.1
Phase 3 ARPU					27.8	23.9	8.8	(4.8)
Phase 4 ARPU					91.7	8.7	84.0	(17.4)
Subscription revenues	(5.1)	3.2	22.9	(5.9)	18.9	9.1	9.0	(1.9)
Carriage revenues	(3.9)	(9.2)	(9.0)	7.4	(1.1)	3.5	-	-
Activation revenues	(90.5)	650.0	13.3	111.8	(86.1)	340.0	4.5	-
Content cost	5.9	(9.6)	(6.2)	3.6	5.1	0.9	3.4	6.1
Broadband revenues	60.0	50.0	25.0	20.0	16.7	2.2	2.5	(4.5)

Source: Company, Edelweiss research

Q1FY18 conference call: key takeaways

Subscription

- Total active subscribers are 8.3mn.
- DEN plans to get/earn extra INR60-70 per HD box in FY19 once a subscriber opts for an HD pack.
- The company has 5.6mn digital subscribers in Phase III and IV markets.

Subscriber addition

- It deployed 0.3mn STBs in Phase III and IV markets in Q1FY18.
- DEN's total subscriber base stands at 10.7mn.

Net realisation

- Competition has intensified to grab market share.
- Amidst this scenario, DEN has not lost market share.
- ARPU declined to the extent of INR2 per box, which DEN believes will be recovered.
- Sequential drop in ARPU was solely due to higher competitive intensity.

Content deals

- The deals with Star and Zee are valid till 2019.
- Once the new TRAI regulation comes in force, all old deals will automatically become null and void.
- DEN expects 10-12% increase in content cost on overall basis.

Phase-wise EBITDA

- Phase I pre-activation EBITDA margin stood at 32%, 21% in Phase II and 5% in Phase III

STB

- DEN has launched a smart STB which is WiFi enabled. Through this, any TV can be converted to a Smart TV with the mobile made a remote control.
- Many more technological initiatives will be announced through FY18.
- The company is rolling out HD boxes with WiFi at a competitive price point of INR1,600. It has already seeded 0.1mn boxes.

Broadband

- DEN plans to expand wired internet services to small towns.
- The company will roll out in 20 odd towns where it is well entrenched.
- It achieved positive EBIT of INR10mn in Q1FY18.

Other takeaways

- DEN has restructured its debt. New debt has been refinanced by ICICI.
- The company is looking to exit remainder stake in football business.
- Depreciation declined sequentially since the company no more charges accelerated depreciation.
- It expects the decision on new TRAI order to be announced in August'17.

Outlook and valuations: Challenging times; maintain 'HOLD'

In the short span of ~5 years, DEN has managed to build a subscriber base of ~13mn, amongst the highest in industry. The company has been in consolidation mode having made secondary acquisitions (similar to US major, Comcast's strategy). Hike in FDI limit has also opened the door to rope in a strategic foreign partner. Apart from its digital base of ~5mn in Phase I and II, DEN's total subscriber base in Phase III and IV stands at a high ~8mn. Besides, TDSAT setting aside the 27.5% tariff hike in non-CAS areas could provide some relief.

Post reshuffling of top management almost a year ago, new management has been focusing on core business, viz., cable and broadband. Accordingly, in Q4FY16, DEN diluted 55% stake in soccer business for consideration of INR433mn (the company will get INR400mn from the deal), which bodes well for it. We believe DEN will continue to focus on core. With Mr. S N Sharma rejoining DEN as CEO, we expect improvement in cable business. We remain positive on DEN over longer term, though investment in Phase IV markets and slowdown in broadband business are key monitorables. Heightened competition from RJio is also a concern. We maintain '**HOLD/Sector Performer**' with TP of INR124 (7x FY19E EBITDA).

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	3,141	2,689	16.8	3,172	(1.0)	11,573	14,323	17,592
Pay channel cost	1,308	1,125	16.3	1,233	6.1	4,733	5,443	6,259
Staff costs	317	253	25.5	321	(1.1)	1,234	1,530	1,866
Other operating expenses	905	879	3.0	1,053	(14.1)	3,819	4,499	5,991
Total expenditure	2,530	2,257	12.1	2,607	(2.9)	9,785	11,471	14,117
EBITDA	611	433	41.2	565	8.2	1,788	2,851	3,475
Depreciation	629	661	(4.9)	742	(15.2)	2,775	3,078	3,453
EBIT	(18)	(228)	NA	(177)	NA	(987)	(227)	22
Other income	83	96	(13.8)	115	(27.9)	409	450	450
Interest	146	225	(35.0)	93	56.8	652	800	800
Add: Prior period items								
Add: Exceptional items	(1)			(306)	NA	(307)		
Profit before tax	(82)	(357)	NA	(461)	NA	(1,536)	(577)	(328)
Provision for taxes	47	85	(44.9)	173	(72.9)	330	300	300
Minority interest	-	-		-		-	309	309
Associate profit share	28	(14)	(302.9)	29	(5.2)	(30)	-	-
Reported net profit	(101)	(455)	NA	(605)	NA	(1,896)	(1,185)	(936)
Adjusted Profit	(100)	(455)	NA	(299)	NA	(1,589)	(1,185)	(936)
Diluted shares (mn)	194	178		194		194	194	194
Adjusted Diluted EPS	(0.5)	(2.6)	NA	(1.5)	NA	(8.2)	(6.1)	(4.8)
EV/EBITDA (x)	-	-		-		10.6	5.4	4.8
ROAE (%)						(12.0)	(9.2)	(7.1)
Tax Rate	(57.0)	(23.7)		(37.4)		(21.5)	(52.0)	(91.6)
Pay channel cost	41.6	41.8		38.9		40.9	38.0	35.6
Employee cost	10.1	9.4		10.1		10.7	10.7	10.6
Other operating expenses	28.8	32.7		33.2		33.0	31.4	34.1
EBITDA	19.4	16.1		17.8		15.5	19.9	19.8
Reported net profit	(3.2)	(16.9)		(9.4)		(13.7)	(6.1)	(3.6)

Company Description

DEN Networks is one of the leading Multiple System Operators (MSO) in the Indian TV Distribution Industry, with ~13mn subscribers and providing services in Delhi and selected cities of Uttar Pradesh, Rajasthan, Haryana, Gujarat, Maharashtra, Karnataka, Madhya Pradesh, Uttarakhand and Kerala. DEN continues to expand its presence in India and has entered key cities of West Bengal, Jharkhand and Bihar. DEN has a presence in 115 cities and towns. DEN has a strong presence in all high penetration Indian markets. 100% of the homes passed are digital-ready and only require additional set top boxes. Incorporated in July 2007, DEN is promoted by Sameer Manchanda, who has an association with the Indian TV industry for over 2 decades. With an experienced management team, DEN's growth strategy has been to acquire majority interests in smaller MSOs and consolidate its position. In 2010, DEN became the first MSO to post a positive PAT. DEN's digital cable TV service is compliant with TRAI's Quality of Service regulations. DEN's digital cable TV service is backed by 19 digital headends. DEN has also installed an efficient customer service platform to provide timely and effective customer care facilities to its subscribers. DEN has also acquired a soccer team in ISL and has a JV with Snapdeal.

Investment Theme

DEN is one of the best placed MSOs to capitalise on the huge opportunity thrown up by mandatory digitisation. In a short span of ~6 years, DEN garnered a subscriber universe of ~13mn, amongst the highest in the industry and is also the first national MSO to turn profitable. DEN has been at the forefront of seeding boxes in the run-up to Phase 1. However the road ahead will be challenging on multiple accounts (losses coming from broadband, soccer and TV commerce business) will weigh on medium term.

Key Risks

- DTH players can leverage on first mover, stronger brand
- Carriage and placement revenues may fall post-digitisation
- Intense competition may limit ARPU growth
- Loss of subscribers if LCOs switch loyalties
- Sustained loss in ISL

Financial Statements

Key Assumptions					Income statement (INR mn)				
Year to March	FY16	FY17	FY18E	FY19E	Year to March	FY16	FY17	FY18E	FY19E
Macro					Net revenue				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7		9,475	11,573	14,323	17,592
Inflation (Avg)	4.9	4.5	4.0	4.5	Pay channel cost	4,732	4,733	5,443	6,259
Repo rate (exit rate)	6.8	6.3	5.8	5.8	Employee costs	1,230	1,234	1,530	1,866
USD/INR (Avg)	65.0	67.5	66.0	66.0	Operating expenses	4,634	3,819	4,499	5,991
Company					Total operating expenses	10,596	9,785	11,471	14,117
Sales assumptions					EBITDA	(1,121)	1,788	2,851	3,475
Digital sub adds (mn)	2	1	1	1	Depreciation	2,061	2,775	3,078	3,453
Broadband subs (mn)	0.1	0.2	0.3	0.4	EBIT	(3,182)	(987)	(227)	22
Placement rev growth (%)	(22.8)	(5.4)	(5.0)	-	Add: Other income	583.7	409.2	450.00	450.00
Broadband rev (% of rev)	4.2	7.0	7.3	9.5	Less: Interest Expense	791	652	800	800
Cost assumptions					Add: Exceptional items	(650)	(307)	-	-
Paychannelcost(% of rev)	49.9	40.9	38.0	35.6	Profit Before Tax	(4,039)	(1,536)	(577)	(328)
Personnel cost(% of rev)	13.0	10.7	10.7	10.6	Less: Provision for Tax	218	330	300	300
Capex (INR mn)	4,954	(384)	2,600	3,202	Less: Minority Interest	90	-	309	309
Debtor days	153	101	150	150	Associate profit share	34	(30)	-	-
Payable days	227	249	227	227	Reported Profit	(4,313)	(1,896)	(1,185)	(936)
Int rate on debt (%)	13.8	11.3	11.1	9.4	Exceptional Items	(650)	(307)	-	-
Dep. (% gross block)	11.0	11.5	11.5	11.5	Adjusted Profit	(3,663)	(1,589)	(1,185)	(936)
					Shares o /s (mn)	178	194	194	194
					Adjusted Basic EPS	(20.6)	(8.2)	(6.1)	(4.8)
					Diluted shares o/s (mn)	178	194	194	194
					Adjusted Diluted EPS	(20.6)	(8.2)	(6.1)	(4.8)
					Adjusted Cash EPS	(9.0)	6.1	9.8	13.0
					Common size metrics				
					Year to March	FY16	FY17	FY18E	FY19E
					S G & A expenses	48.9	33.0	31.4	34.1
					Programming/content cost	49.9	40.9	38.0	35.6
					EBITDA margins	(11.8)	15.5	19.9	19.8
					Net Profit margins	(37.7)	(13.7)	(6.1)	(3.6)
					Growth ratios (%)				
					Year to March	FY16	FY17	FY18E	FY19E
					Revenues	(16.1)	22.1	23.8	22.8
					EBITDA	(221.4)	(259.5)	59.5	21.9
					Adjusted Profit	(154.4)	56.6	25.4	21.0
					EPS	(154.4)	60.3	25.4	21.0

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,777	1,936	1,936	1,936	
Reserves & Surplus	12,785	8,077	6,891	5,955	
Shareholders' funds	14,562	10,012	8,827	7,891	
Minority Interest	1,883	-	309	617	
Short term borrowings	2,371	3,966	4,500	4,500	
Long term borrowings	3,271	1,885	4,000	4,000	
Total Borrowings	5,642	5,851	8,500	8,500	
Long Term Liabilities	135	4,004	4,004	4,004	
Def. Tax Liability (net)	(344)	(1,997)	(1,997)	(1,997)	
Sources of funds	21,878	17,870	19,643	19,015	
Gross Block	20,407	22,859	25,059	28,061	
Net Block	13,467	13,282	12,600	12,375	
Capital work in progress	1,411	(1,505)	(1,505)	(1,505)	
Intangible Assets	2,998	2,569	2,772	2,746	
Total Fixed Assets	17,876	14,346	13,867	13,617	
Cash and Equivalents	5,734	3,526	10,089	8,877	
Sundry Debtors	3,986	2,402	5,886	7,229	
Loans & Advances	3,302	1,826	1,826	1,826	
Other Current Assets	305	986	986	986	
Current Assets (ex cash)	7,594	5,214	8,698	10,041	
Trade payable	3,127	3,329	3,385	3,893	
Other Current Liab	6,199	1,887	9,627	9,627	
Total Current Liab	9,326	5,216	13,012	13,519	
Net Curr Assets-ex cash	(1,732)	(2)	(4,314)	(3,478)	
Uses of funds	21,878	17,870	19,643	19,015	
BVPS (INR)	81.9	51.6	45.5	40.7	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	(4,313)	(1,896)	(1,185)	(936)	
Add: Depreciation	2,061	2,775	3,078	3,453	
Interest (Net of Tax)	791	652	800	800	
Others	3,238	(102)	(141)	(141)	
Less: Changes in WC	1,440	2,492	(4,312)	836	
Operating cash flow	338	(1,064)	6,864	2,339	
Less: Capex	4,868	(464)	2,200	3,002	
Free Cash Flow	(4,530)	(600)	4,664	(663)	

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		EV / Sales (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
DEN Networks	261	5.4	4.8	1.1	1.0	(9.2)	(7.1)
DB Corp	1,095	8.8	7.7	2.7	2.4	26.3	27.5
Dish TV India	1,366	8.3	6.5	3.0	2.4	19.5	37.3
Hathway Cable & Datacom	426	10.6	9.2	2.4	2.2	(9.0)	(6.7)
Jagran Prakashan	910	8.0	6.8	2.3	2.0	20.6	21.4
PVR	1,011	14.8	11.2	2.7	2.3	15.6	19.9
Sun TV Network	4,942	14.9	12.8	10.2	9.1	28.8	30.7
Zee Entertainment Enterprises	8,150	22.3	18.6	7.3	6.3	19.4	20.8

Source: Edelweiss research

Cash flow metrics					
Year to March	FY16	FY17	FY18E	FY19E	
Operating cash flow	338	(1,064)	6,864	2,339	
Investing cash flow	1,821	876	(2,383)	(2,752)	
Financing cash flow	(1,916)	(284)	1,849	(800)	
Net cash Flow	243	(472)	6,330	(1,213)	
Capex	(4,868)	464	(2,200)	(3,002)	

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	(20.3)	(12.0)	(9.2)	(7.1)
ROACE (%)	(11.1)	(3.0)	1.3	2.7
Debtors Days	153	101	150	150
Payable Days	227	249	227	227
Cash Conversion Cycle	(74)	(148)	(77)	(77)
Current Ratio	1.4	1.7	1.4	1.4
Gross Debt/EBITDA	(5.0)	3.3	3.0	2.4
Gross Debt/Equity	0.3	0.6	0.9	1.0
Adjusted Debt/Equity	0.3	0.6	0.9	1.0
Interest Coverage Ratio	(4.0)	(1.5)	(0.3)	-

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.4	0.6	0.8	0.9
Fixed Asset Turnover	0.6	0.7	0.9	1.2
Equity Turnover	0.5	0.9	1.5	2.0

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	(20.6)	(8.2)	(6.1)	(4.8)
Y-o-Y growth (%)	(154.4)	60.3	25.4	21.0
Adjusted Cash EPS (INR)	(9.0)	6.1	9.8	13.0
Diluted P/E (x)	(4.1)	(10.4)	(14.0)	(17.7)
P/B (x)	1.0	1.7	1.9	2.1
EV / Sales (x)	1.8	1.6	1.1	1.0
EV / EBITDA (x)	(15.1)	10.6	5.4	4.8

Additional Data

Directors Data

Mr. Sameer Manchanda	Chairman & MD	Mr. Shahzaad Siraj Dalal	Nominee Director
Mr. Krishna Kumar	Alternate Director to Mr. Shahzaad Siraj Dalal	Mr. Ajaya Chand	Non Executive, Independent Director
Mr. Robindra Sharma	Non Executive, Independent Director	Mr. Atul Sharma	Non Executive, Independent Director
Mr. Ankur Sahu	Additional Director	Mr. Vishal Bakshi	Alternate Director
M G Azhar	Executive Director		

Auditors - M/s. Deloitte Haskins & Sells

Holding – Top10

	Perc. Holding		Perc. Holding
Manchanda sameer	23.95	Broad street inv sin	21.48
Broad street invest	21.48	Lucid systems pvt lt	8.21
Route one investment	3.11	Standard chartered	3
Verve engineering pv	2.33	Acacia partners lp	2.27
Baron emerging mrkts	1.93	Manchanda kavita	1.93

**in last one year*

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
30 Mar 2017	Sanjeev Manchanda	Sell	200000.00
30 Mar 2017	Vandana Manchanda	Buy	100000.00
30 Mar 2017	Vandana Manchanda	Buy	100000.00
24 Mar 2017	Vandana Manchanda	Buy	170900.00
24 Mar 2017	Sanjeev Manchanda	Sell	170900.00

**in last one year*

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

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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
26-Jul-17	PVR	Weak content hurts footfall; ATP and ad growth robust; <i>Result Update</i>	1,354	Buy
24-Jul-17	Zee Entertainment Enterprises	Domestic ad revenue booms amid all odds; <i>Result Update</i>	552	Buy
21-Jul-17	DB Corp	Healthy performance despite GST headwind; <i>Result Update</i>	376	Buy

Distribution of Ratings / Market Cap

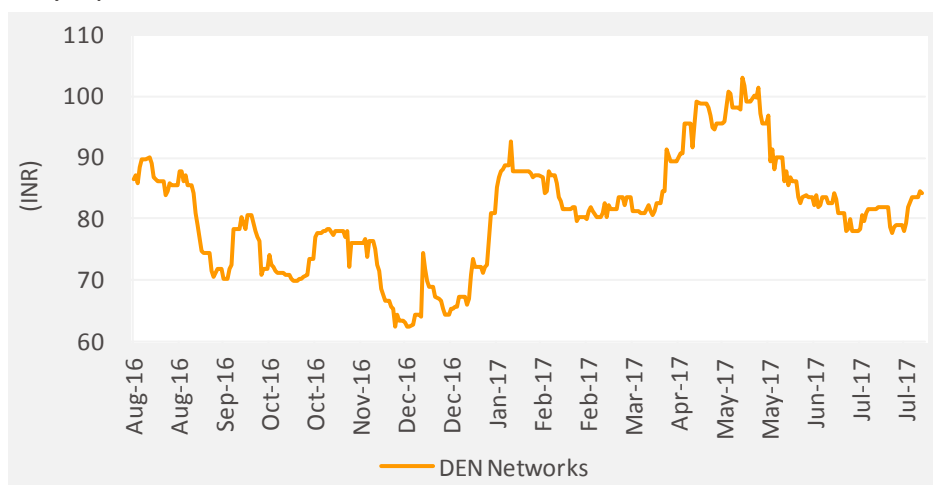
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

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



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