Case Study on

Fundamental Analysis of Indian Media and Entertainment Industry

Analyzed By

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Paradoxical phenomenon of Indian Media and Entertainment industry – reality or just a passing impulse?

"Inconsistency, absurdity and contradiction usually surprise people but when question comes to invest in stock, it invariably leads to confusion, misjudged perceptions, miscalculated action and at the end heavy monetary losses"

India has been recognized as the most assertive and rapidly developing country all over the world. India has not only attained higher economic growth (8.1 % in FY 2005-06) but also superior social development, better standard of living to its people, and it is marching towards the most vibrant democracy. No one can deny the fact that Indian stock market is the barometer of the India's progress and prosperity. Recently, Indian stock markets are touching new heights everyday. On 19th April, 2006 the Sensex reached to 11900 points despite large scale FII selling rally. The underlying reason for such surmounting upward movements of Indian bourses is strong economic foundations laid down by robust sectoral growth and well-thought out policy support of Indian government. Sectors like Steel, Information Technology, Cement, Banking, Gas and Petroleum, Automobiles, Infrastructure and Media & Entertainment seem to be promising because of their tremendous growth potential and supportive national and international business environment. On the other side, the average disposable income of the Indian consumer are on the rising front which provides immense opportunities to MNCs to invest in retail as well as consumer durable market. The literacy and knowledge level of average Indian is augmenting and customer are expecting more comfort and leisure in services. If we look into these two developments in sync, we probably can relate it with the latest developments in Media and Entertainment industry growth. The overall Media and Entertainment industry is forthcoming because numbers of participants are increasing in electronic media, print media, entertainment parks and other segments of the sector such as consumer magazine, outdoor advertising, and marketing services.

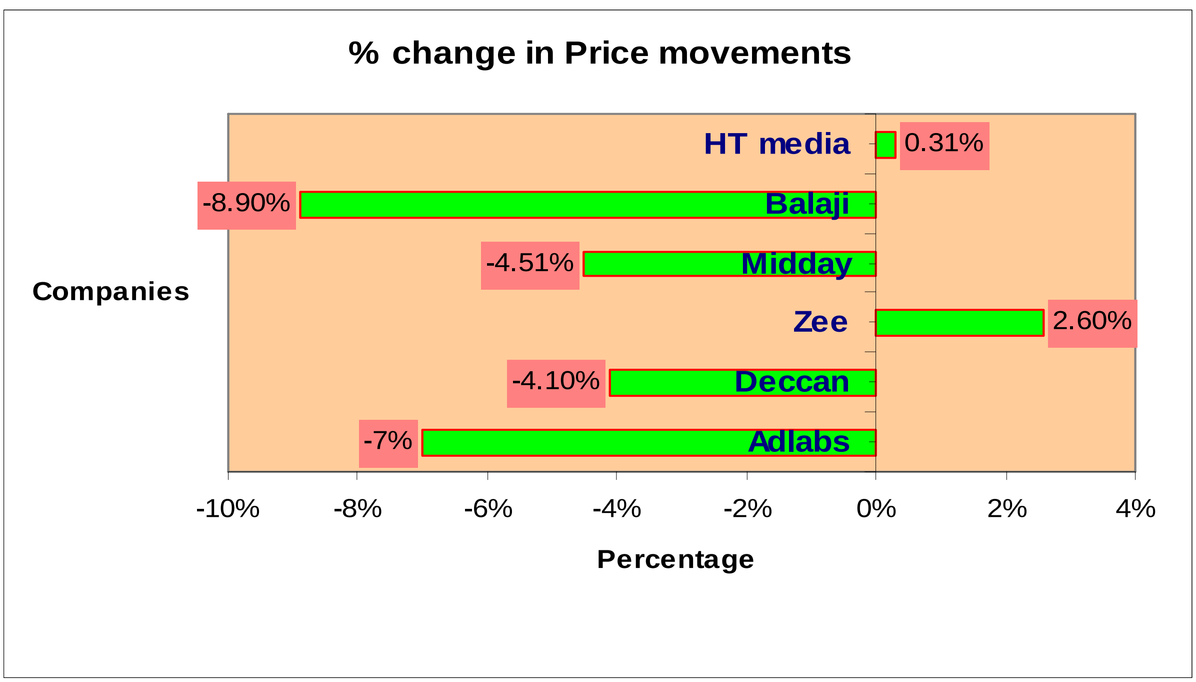
Media and entertainment industry in a nutshell

THE Indian media and entertainment industry is poised for an 18-per cent compounded annual growth rate (CAGR) and is expected to touch Rs 45,000 crore in 2009. As per FICCI-PricewaterhouseCoopers report, the industry is expected to do better than the growth in economy by a significant margin in the coming years. It added that convergence of technologies is the way forward. The study points out that the Indian entertainment industry is experiencing a major shift in the way entertainment is distributed, with new distribution channels, such as broadband, Internet access and wireless communications, driving significant growth in the industry. In addition to this, FICCI-PricewaterhouseCoopers report predicts that (a) mobile entertainment, with its ability to dissect the boundaries of time and space, will be the biggest growth driver. (b) Digitalization is the future of the film and television industry. It will define the content formats and the viewership patterns of the consumers in the future and will make available faster and cheaper modes of delivering content. (c) The film industry will witness growth of multiplexes. Digital cinemas, satellite television and the emerging Home Video segment are expected to be the new distribution formats which would expand the market to over Rs 12,900 crore in 2009. (d) The broadcasting sector would continue to boom with new channels and new content formats such as reality shows. This segment is projected to grow at 18 per cent to reach Rs 30,000 crore by 2009. (e) Additionally, as far as television segment is concerned, subscription revenues would drive the sector in the next five years. In the short-term, subscription revenues will be gained primarily from increases in number of cable and satellite households and improved realizations. Thereafter, corrections in the regulatory mechanism will pave way for addressability and growth in digital distribution. Growth in television advertising is expected to outperform the GDP growth by at least 5 per cent in the coming years. (f) Animation and Gaming are the next emerging segments. Indian animation rose to its highest levels thus far in 2004, with its dominance in the outsourcing arena. Increased number of downloads of games on mobile phones is likely to open new opportunities for gaming companies. With wireless uptake in India growing at a healthy CAGR of over 80 per cent in last few years, this channel is providing the industry players with a new revenue stream for selling their entertainment content.[1]

Print media is likely to face tough time ahead owing to advancement in e-commerce as a medium of exchange of information, goods and services. However, the role of print media has not been weakening due to its widespread urban-rural penetration, innovation in product configurations, pricing, and promotions to the existing and new customers. As per Ministry of Information and Broadcasting annual report of the year 2004-05, print media sector growth measured in terms of increase in circular spending is around 4.8 % for the next five years. In addition to this, Head of entertainment and media practice, PricewaterhouseCoopers, Deepak Kapoor opined that the newspaper publishing industry in Asia/Pacific will expand at a 2.7 per cent compound annual rate, from $41.4 billion in 2003 to $47.3 billion in 2008 and the highest of this projected growth will be in India at 6.9 per cent compound annual rate fuelled by government initiatives and potential market size in India. Thus, India is emerging as a promising market for new publications given its growing role in international business.[2] This fact is buttressed by the recently concluded successful subscription of initial public offers (IPO's) of H T Media, Deccan Chronicle, Jagaran Prakashan, etc.

However, investors' expectations are not properly satisfied manifested from the recent negative performance of media stock on the two leading Indian bourses namely Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). **From the figure 1,** it is evident that price movements of leading companies of the industry in their respective segments are negative in the month of March, 2006 when Sensex has reached its peak that is 11900 points. Such developments encourage the author to find out reasons of this ambiguity.

Figure-1 Percentage change in Price movements of sample companies



Thus it is a paradoxical phenomenon that the Media and Entertainment sector is booming at CAGR of 6.9 % and 18% respectively on one hand but surprisingly on the other hand, the companies constituting the sector individually are not contributing towards enhancing the shareholder's value maximization measured by the stock market performance in Indian bourses.

As an another evidence from **Table -1** , we can analyze that out of the total media and entertainment companies came up with the initial public offer in Indian financial market, stocks of print media has underperformed and shown the negative gain (loss). For example, H T Media and Jagaran Prakashan have registered the 3.63 % and 14.95 % loss of value than its listed prices. These all led to perplexed situations where projections may be different than what they should be.

Table – 1 Recent data on gains/losses of the IPO's in the media industry

No.	Name	Latest Close (Rs.)	Offer Price	(%) Gain Loss	Listing Date
1	Entertainment Network	239.60	162.00	47.90	15-Feb-06
2	H T Media	510.75	530.00	-3.63	1-Sep-05
3	Jagaran Prakashan	272.15	320.00	-14.95	22-Feb-06
4	PVR	277.00	225.00	23.29	4-Jan-06
5	Sun TV	1194.00	875.00	36.46	24-Apr-06

(Adapted from IPO Scorecard, page no. 4, The Business Line, 22nd Monday, May 22, 2006)

In order to scrutinize whether the projections made by some of the renowned analysts are valid or not, the authors found it imperative to understand, analyze and predict the companies' fundamental financial analysis and future prospects. A sample of 6 companies from different segments of the two industries- Media and Entertainment, were studied in respect to their key financial ratios and stock movements to understand their current position in the market and future promises vis-à-vis the projections.

Methodology of research

Financial performance of the company can be analyzed by way of several techniques. For example, trend analysis from the financial statements is widely used to judge changes (upward movements or downward movements) in one piece of financial information over the years. The same way, ratio analysis is another instrument to analyze the financial performance of the company by comparing, dividing, or multiplying various financial yardsticks with each other in order to infer some meaningful and sometimes hidden fact concerning the financial performance of the company.

As far as ratio analysis is concerned, normally, every equity analyst uses this as an instrument to scrutinize the company's fundamental financial performance. In ratio analysis certain yardstick such as sales to asset ratio, return on equity, Profit before interest, tax, and depreciation, current ratio, interest coverage ratio and debt equity ratio are rudimentary measurements to deduce the company's financial position. In addition to these, earning per share and price to equity ratio are also very good indicators of the share market price movements of the business entity.

If a company has performed quite well on such ratios, it is valid to assume that the same is delivering value to the share holders.

In this case, market data is derived from the website of Security Exchange Board of India and annual reports of the company concerned. Unless stated otherwise, all the information is analyzed by computing the several prominent ratios of the company under study.

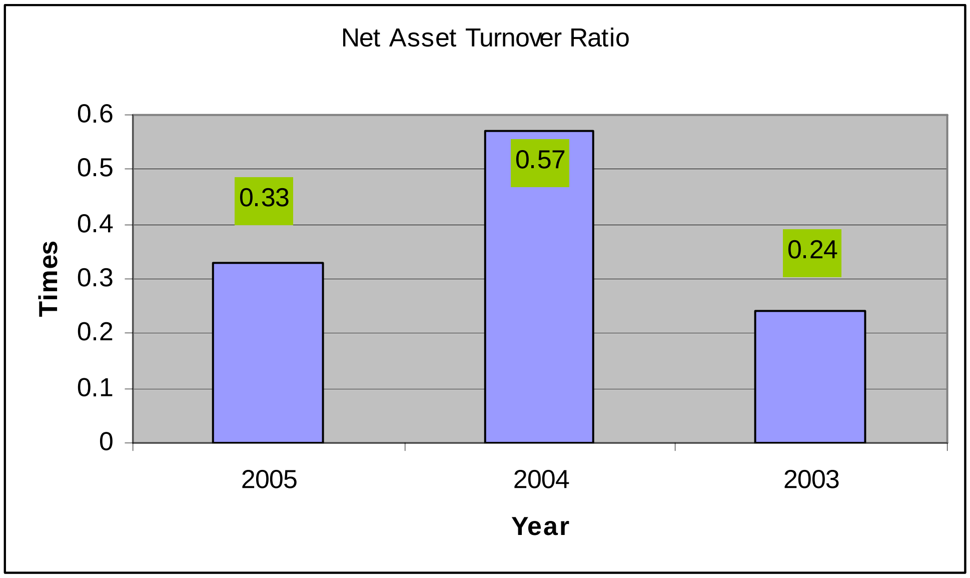
DECCAN CHRONICLES

Deccan Chronicle Holdings Ltd was incorporated in the year 2002. Deccan Chronicle is the flagship newspaper of the company is the leading English daily in Hyderabad and Andhra Pradesh. It is the fourth largest circulated and read English daily in India. The company was initially formed as a partnership firm in 1938 which published the English weekly Deccan Chronicle and in 1947 it published daily. The company acquired the newspaper publishing business of the firm in 2003. The company has set up a modern printing facility at Kondapur in Hyderabad in Andhra Pradesh which provides the ability to print 16 color papers in a newspaper of 20 pages as against the existing printing that prints 4 color pages. Further the company is in the process of setting up a printing facility in Cuddapah in Andhra Pradesh and start Cuddapah edition. In March 2005 the company successfully launched its Chennai edition in Chennai. The company has merged Deccan Chronicle Pvt Ltd and Nandi Publishers Pvt Ltd with itself with effect from 1st April 2003. During December 2004 the company made an Initial Public Offer (IPO) of 91,73,158 shares (including Green Shore Option) of Rs.10/- each at a premium of Rs.152/- per share aggregating to Rs.14860.52 lakhs. Further the funds raised by IPO are utilized for the establishment of printing center at Chennai, high yielding bank deposits for procuring raw materials and payment of IPO expenses.

Ratio Analysis

Asset turnover Ratio

Figure – 1 Net Asset turnover ratio



The cumulative sales to assets ratio of Deccan Chronicle over the three years indicates that in the year 2003 the company's efficiency to use its assets is 0.24 which rose to 0. 57 in the year 2004 (**see Figure 1).** The company found decrease of 24 % in the financial year 2005 and its cumulative sales as compared to assets utilized ratio stood at 33 %. In one statement, assimilating the above stated information, we can remark that the company's efficiency to utilize its assets is unpredictable.

Return on Equity

Figure – 2 Return on Equity

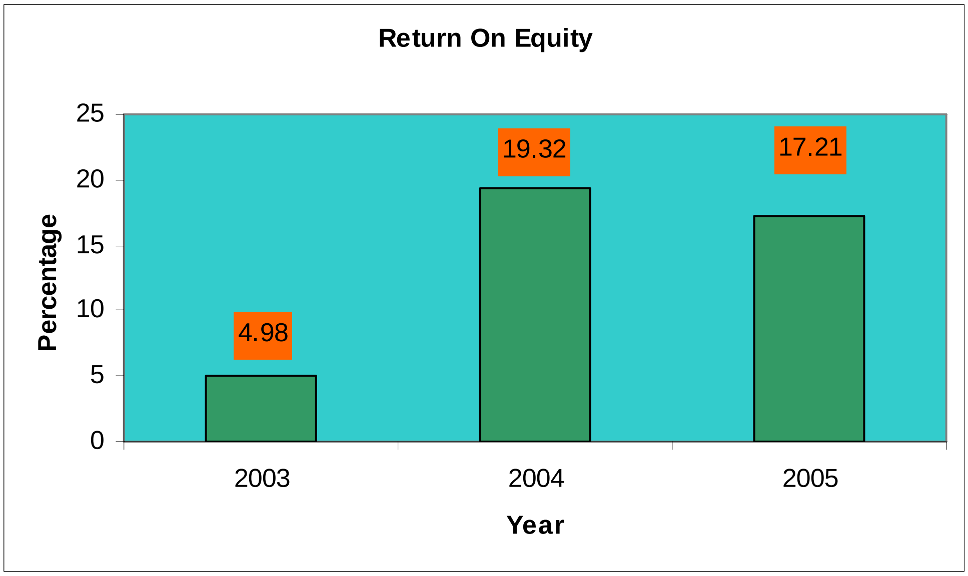
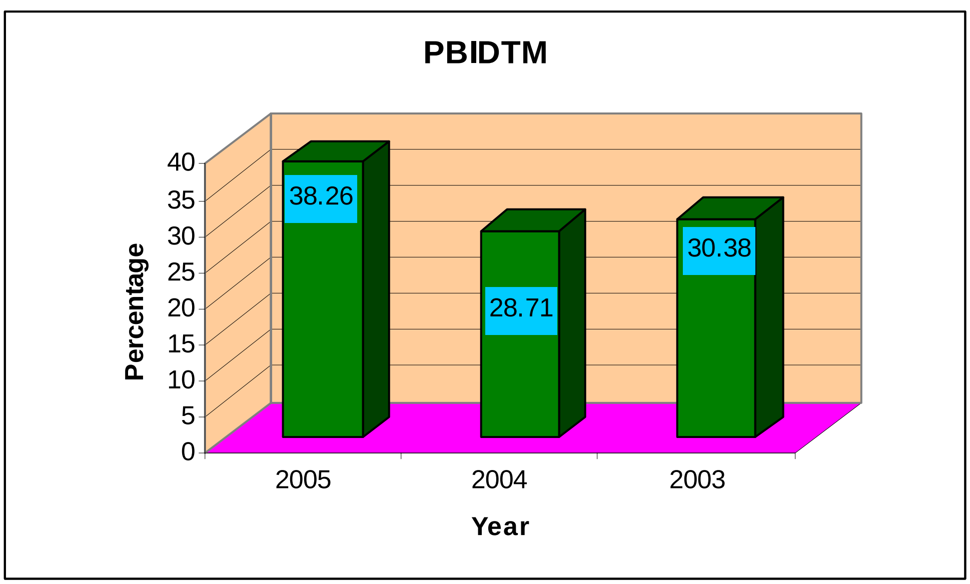


Figure-2 simply reveals the profit generated from the money invested by shareholders (real owners) of the company. Here, you will find in the year 2003, the company has made profit of 4.98 % of the money invested by shareholders. This trend got a great momentum in the year 2004 when company has achieved 19.32 % profit on shareholder's money. Unfortunately, the return on equity decline to 17.21 % from 19.32 % in the year 2005.

Profit before Interest Depreciation Tax Margin

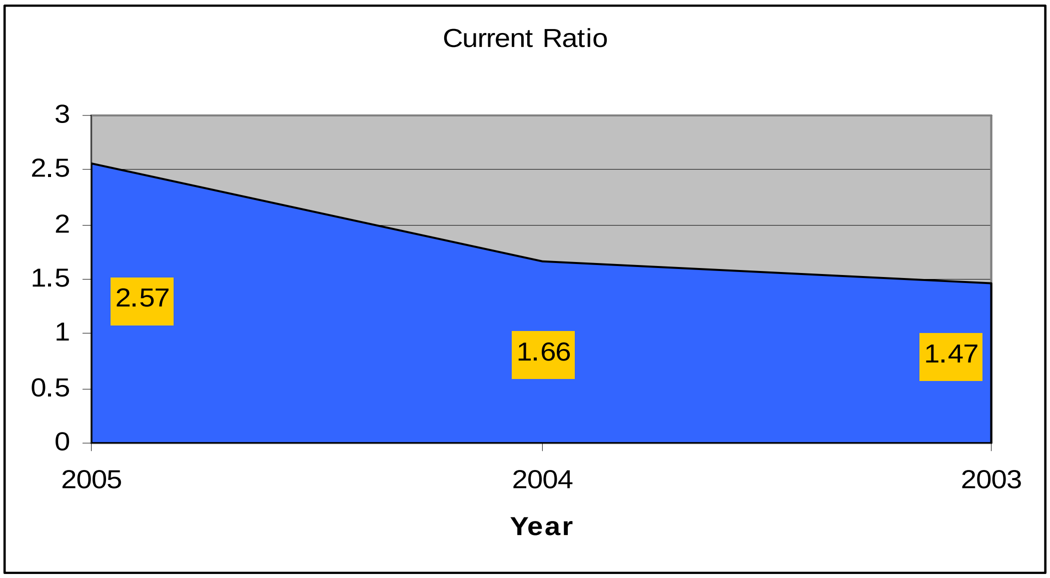
Figure – 3 PBIDTM – Profit before Interest Depreciation Tax Margin



PBIDTM stands for Profit before Interest Depreciation and Tax Margin **(Figure 3)**. Here, it means that the company has consistently making profit which is **30.36 %, 28.71 % and 38.26 %** for the year starting from 2003 to 2005. Thus, it can be interpreted that Deccan Chronicle Holdings Ltd has pretty good record of profit. Note of caution here is that this ratio excludes interest paid on capital expenditure incurred by creating long-term liabilities, amount kept aside for replacement of assets by way of providing depreciation and corporate tax liability.

Current Ratio

Figure – 4 Current Ratio

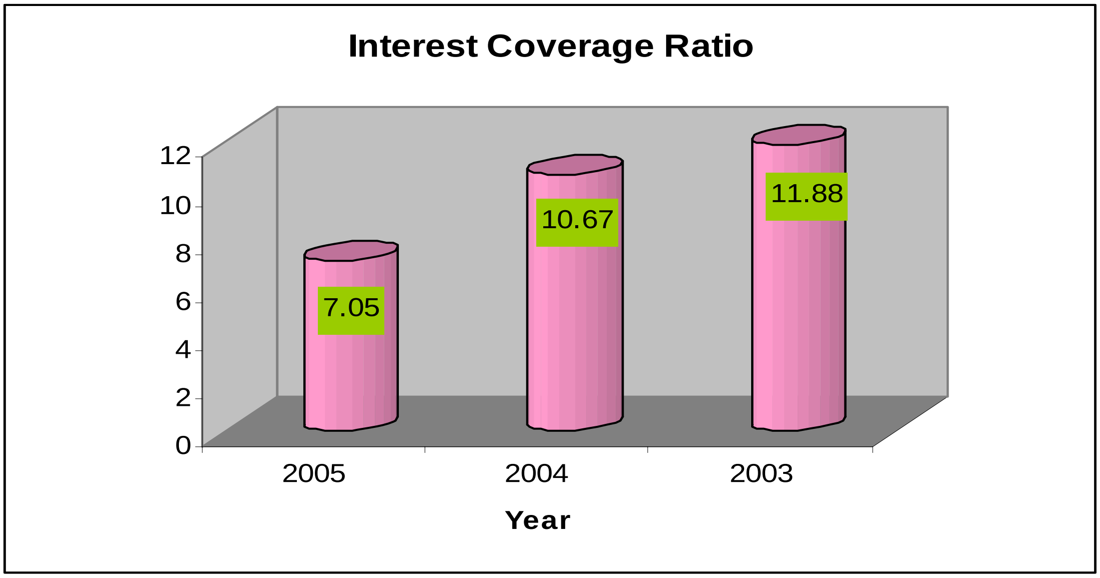


In **Figure-4**, it is quite visible from the above mentioned graph that Deccan Chronicle Holding Pvt. Ltd. has sound liquidity position over the three years. By keeping year 2003 as a base year, if we analyze the capacity to fulfill company's current obligations from its current assets, we will be impressed to note that it has been coming up from 1.66 % to 2.57 % in 2005. Generally in the electronic media business, **1.4: 1** is considered as the ideal current ratio.

Interest to Coverage Ratio

Figure- 5 shows the interest coverage ratios of Deccan Chronicle Holdings ltd. for the last three years. Obviously, the ratio is declining from 11.88 % to 10.67 % from FY 2003 to 2004 respectively; it is quite impressive as far as industry standard is concerned where 3 % is considered as the notable ratio. The steep decline has been found in the FY 2005 when Interest coverage ratio reached to only 7. 05 %. The real meaning of this ratio is company's ability to pay interest charges on its debt. The 'coverage' aspect of the ratio indicates how many times the interest could be paid from available earnings, thereby providing a sense of the safety margin a company has for paying its interest for any period. Ultimately, the author opined that the company's performance is considerably well as far as interest coverage ratio is concerned.

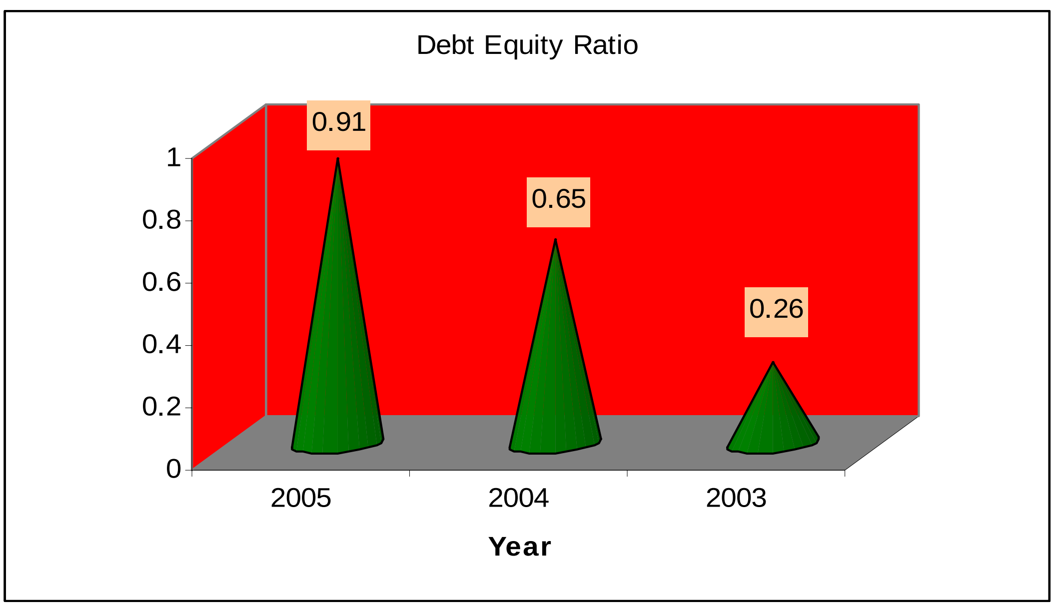
Figure – 5 Interest Coverage Ratio



Debt – Equity Ratio

It is really delighted fact that company has taken the advantage of trading on equity by undertaking appropriate debt over the last three financial years. **Figure-6** reveals growing debt-equity ratio from 0.26 % in FY 2003 to 0.65 % in FY 2004 to 0.91 % in 2005. So it registered the growth of 150 % in FY 2004 and 40 % in FY 2005. If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread around to the same amount of shareholders.

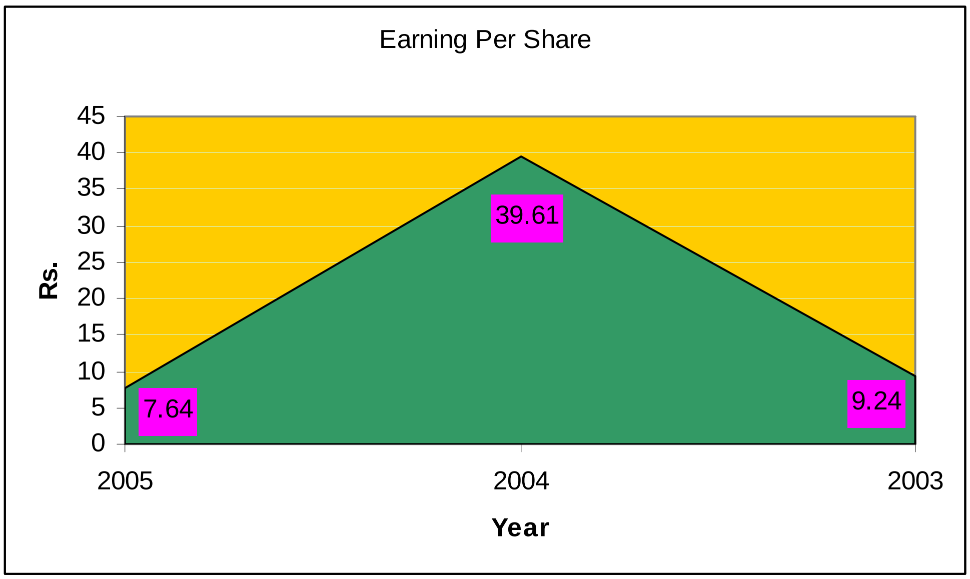
Figure – 6 Debt Equity Ratio



EPS –Earning Per Share over the last three years

Earning Per Share is the true measure of the net profitability of a company available to its owners who are commonly known as Equity Shareholders. Higher Earning Per Share (EPS) reveals the better profit available to shareholders after distributing dividend to preference share holders. However in order to analyze real quality of EPS in the best way, it has to be compared with operating cash flow per share to reported EPS. While this is an easy calculation to make, the required information is often not provided until months after results are announced. Here EPS of Deccan Chronicle Holdings Ltd is really dwindling **(Figure – 7)**. In the year 2003 it was Rs 9.24. which rose to Rs. 39.61 in the next FY 2004. Surprisingly, this EPS came down to Rs 7.64 in the FY 2005. This trend reveals **328.67 % rise of EPS in 2004** and **80.71 % reduction in the next FY of 2005.** Oscillating EPS is the cause of worry for the real investors and management of the company too.

Figure – 7 EPS of Deccan Chronicle Holdings Ltd

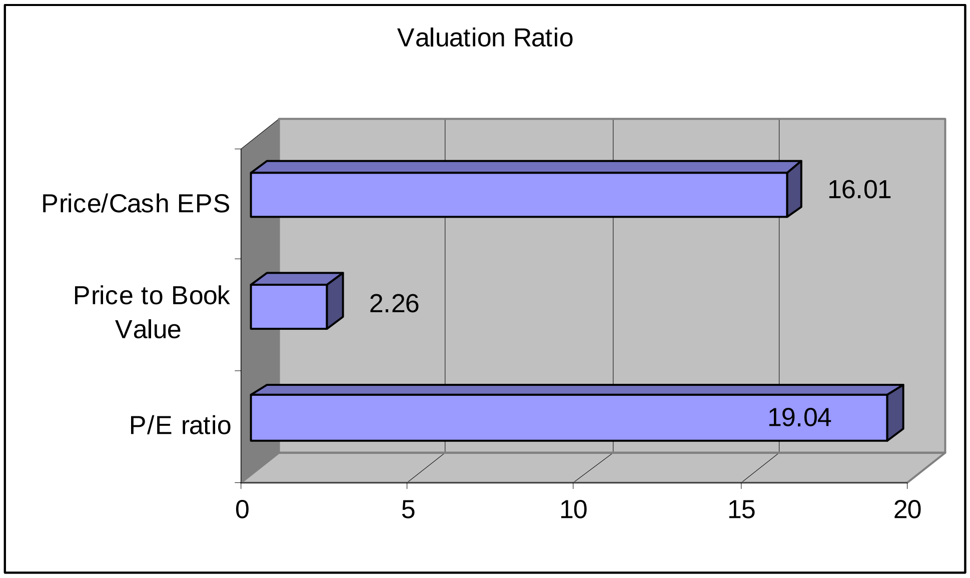


Price to Earning Ratio, Price to Book Value and Price to Cash EPS ratio (Valuation Ratios) of the year 2003-05

Basically Price to Earning Ratio reveals the readiness of the investors to pay per rupee earning. If the company is traded at 20 P/E ratio, it means that for 1 Rs. earning investors are ready to pay 20 Rs. It in reality expose the company's earning wit the market prices. It usually happens that in spite of higher earning company has not tall price in the market. Such stocks are assumed to be the well-performing but low-valued stock. An investor with greater foresight ness will pick up such shares. Reverse is also true. Lower earning and higher market prices reflects the shallowness in the stock of particular scrip. As far as Deccan Chronicle Holdings Ltd is concerned, it has a pretty well P/E ratio in the FY 2005 **(Figure-8)**. But a word of caution here is while we compare its P/E of FY 2005 with EPS of the same FY **(Figure- 9)**, we will find that its prices are overvalued by market movements whereas its EPS is very low. That's drive higher P/E ratio. Conversely, as compared to industry P/E ratio which is 37.43 %, the company has very low P/E ratio (nearly 50 % industry ratio). It simply means that when industry earns

100 Rs. Deccan Chronicle Holdings Ltd. can earn only 50 Rs. So, it is one other disheartening fundamental of the company under consideration.

Figure – 9 Valuation ratios



If we talk about Price to Book Value ratio it refers to the proportion of market price of a company's shares (share price) over its book value of equity., it has two meaning. The lower P/BV means either stock is undervalued or something is fundamentally wrong with the company especially industry P/BV is relatively higher. Here, P/BV of the Deccan Chronicle Holdings Ltd. is 2.26 times in the FY 2005 **(Figure – 9).** It has probably two meanings. It either reveals undervaluation of stock of the company or overvaluation the assets of the company. If the former is true there should have been large buying rally in the stock market which is not seen up to 16th March, 2006.

Cash is the king and the company that does not generate enough cash is on its deathbed. Price to Cash EPS ratio reveals the relationship of market price as compared to cash earning per share. The higher the ratio, the higher the market price or lower the earning capacity of the company. Here, Deccan Chronicle Holdings Ltd has a higher P/CEPS ratio of 16.01 which means that the company is traded at higher prices than it should have been or the earnings of the company is very low. So fundamentally speaking, the company's performance is quite doubtful.

HT MEDIA

HT Media Limited is a major player in the print media in India. It has a leadership position in the English newspaper market in North India and the second position in the Hindi newspaper market in the North and East. The group now intends to consolidate itself as a vibrant and modern media powerhouse through strategic partnerships, ever-increasing scope of operations and a consumer focused approach.

Hindustan Times, the flagship publication from the group, was inaugurated by Mahatma Gandhi in 1924 and has established its presence as a newspaper with editorial excellence and integrity.

Today, *Hindustan Times* has a circulation of over 1.2 million and is the fastest growing mainline English newspaper in terms of readership. *Hindustan Times*, Delhi, is India's largest single-edition daily. In July 2005, *Hindustan Times* made a successful entry into the commercial capital of India – Mumbai.

Hindustan Times has continuously evolved itself to meet the needs of the global Indian consumer. Changing with the times, it introduced the compact web-width format that has now become a norm in the industry. It has recently undertaken a complete redesign to sport a new, international look.

Hindustan, the Hindi daily from HT Media Limited, is one of the leading Hindi dailies in the country with a readership in excess of 10 million. This makes it the fourth largest read daily in India.

The group's news portal HindustanTimes.com, with over four million unique visitors and 90 million page views per month, is one of the largest news portals in the country. It has consistently been ranked amongst the top 10 news sites in the world by Forbes and offers in-depth coverage and analyses to its users.

The group recently entered into an MOU with Virgin Asia to enter the emerging radio space in the country.

Ratio Analysis

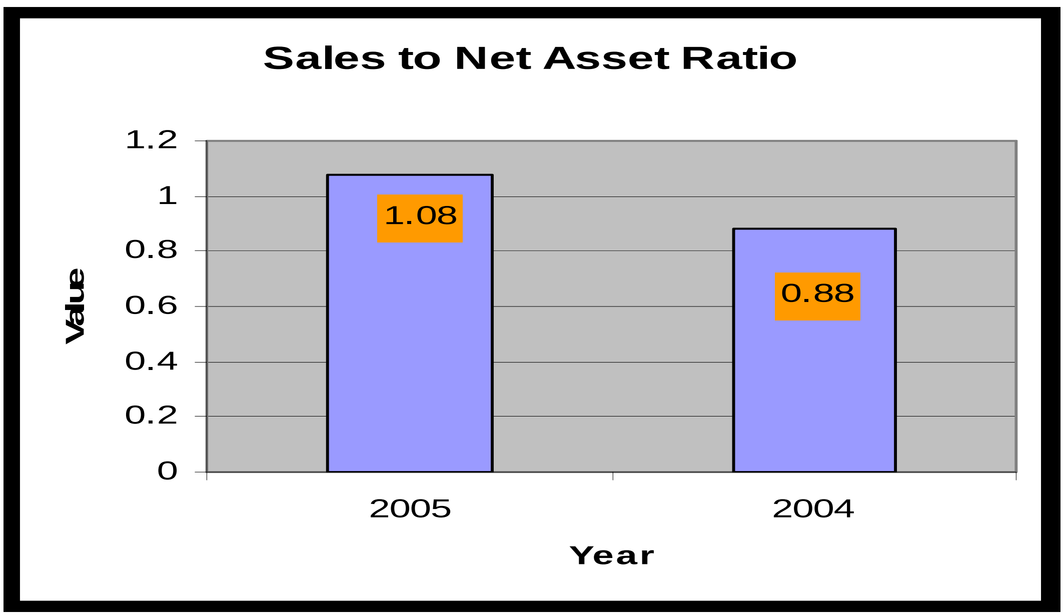
HT MEDIA

Asset Turnover Ratio

Asset Turnover ratio (Sales to net asset ratio) is the measure of efficiency and effectiveness of the corporate entity in utilizing its net asset. It broadly gives the measurement of the number of times sales have been generated in proportion to its net asset. Here, the company's Sales to Net asset ratio is **0.88 which rose to 1.08** times from FY 2004 to FY 2005, registering the growth rate of **22.72 %. (Figure – 10)** The main reason for this rise in better utilization of net assets is company's drive to improve capacity utilization of the machines by way of reducing cost of production through bench-marking and reduction of waste in addition to putting greater focus on quality.

Having said this, it must be noted that here that it is far below from industry growth rate of **68.99 %**.

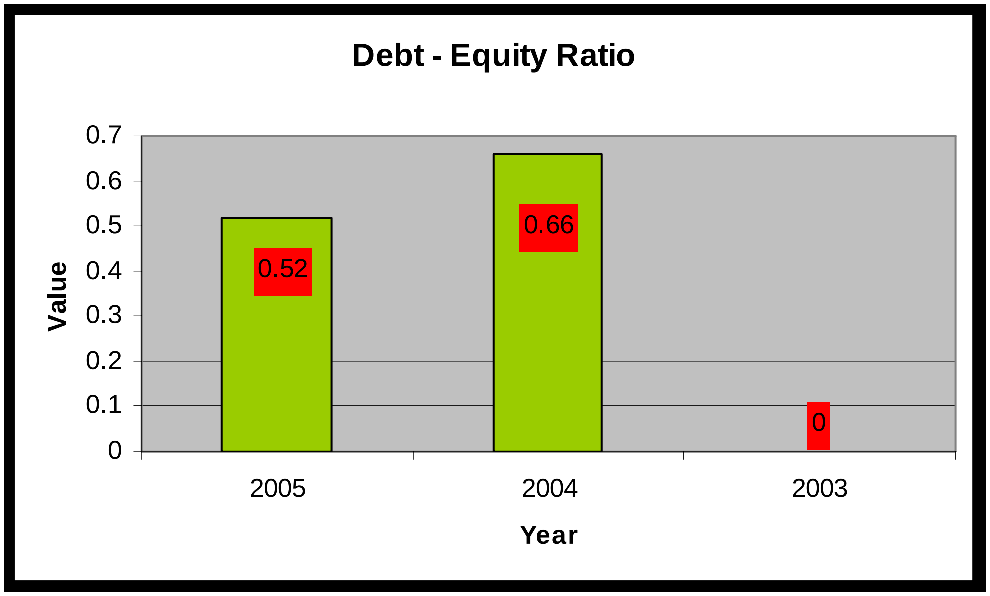
Figure – 10 Asset Turnover Ratio (Sales to Net asset Ratio)



Debt Equity Ratio

It is the measure of company's net outside borrowings in proportion to its owner's capital. In the FY 2005, H T Media has repaid its long term liabilities worth Rs. 13, 175.56 lacs in addition to repayment of short term liabilities worth Rs. 1519.63 lacs. This is the major driver for lowering debt equity from **0.66: 1** in FY 2004 to **0.52:1** in FY 2005. **(Figure – 11)** The company's infrastructure set up was in pipeline in FY 2003 so that its reported debt equity ratio for the FY 2003 is Zero.

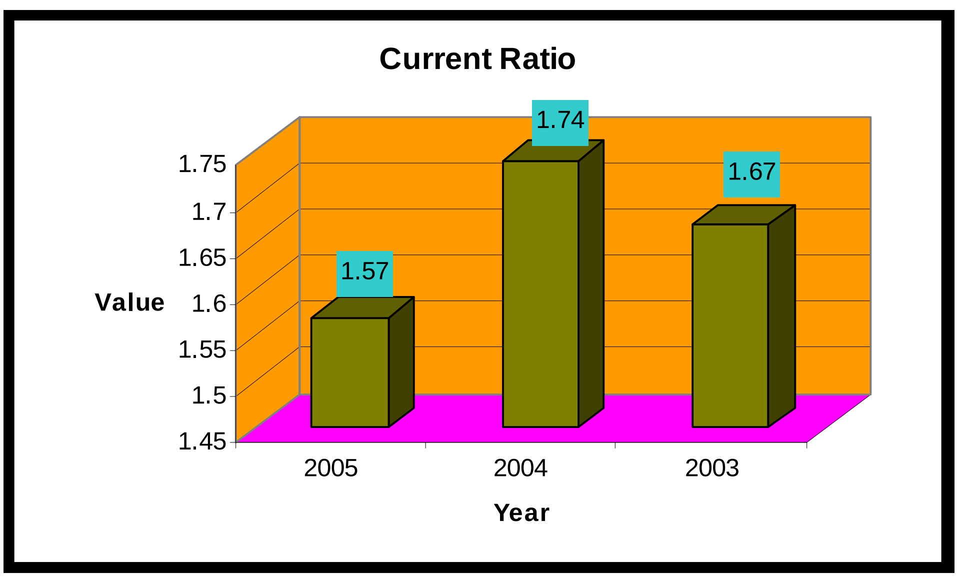
Figure – 11 Debt Equity Ratio of H T Media



Current Ratio

Current ratio is the measure of ultimate liquidity of the business. This definitive computation in form of current ratio reflects the firm's ability to serve its short-term liabilities. Here, H T Media has relatively stable current ratio from 1.67, 1.74 and 1.57 for the FY 2003, 2004, 2005 respectively **(Figure – 12)**.

Figure – 12 Current Ratio of H T Media

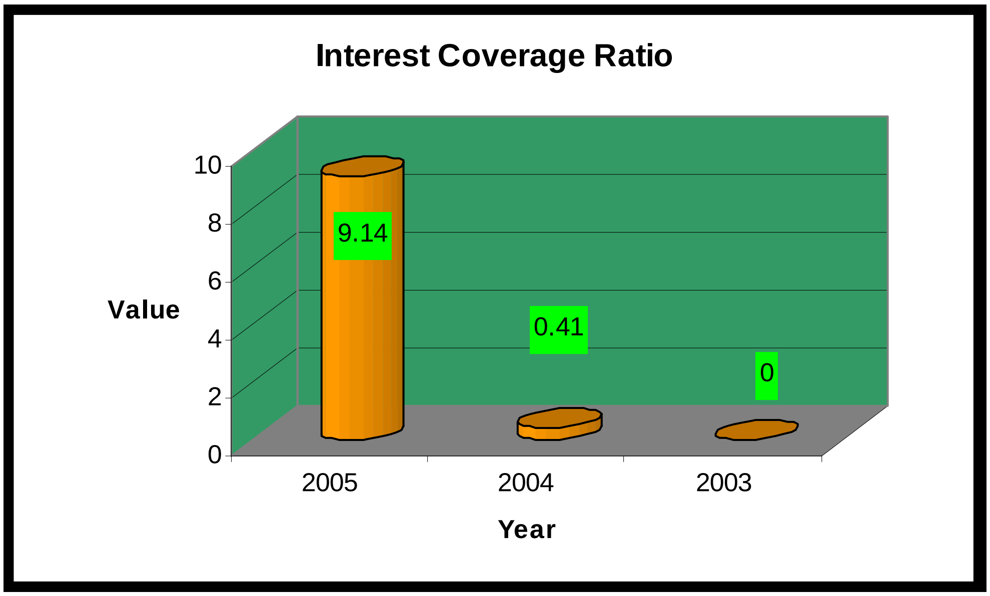


It shows that current ratio in the stated years is indicator of excessive current assets such as cash and bank balances over its short term liabilities. It can be judged from the same figure that company has good standing as compared to conventional industry current ratio that is 1: 1.

Interest Coverage Ratio

The company has sound footing in terms of interest coverage ratio – a measure that indicates ability of the company to pay interest out of its earning before interest and tax.
In the FY 2003-04 the interest expense of H T Media was Rs. 532.29 lacs. The company

Figure – 13 Interest Coverage Ratio of H T Media

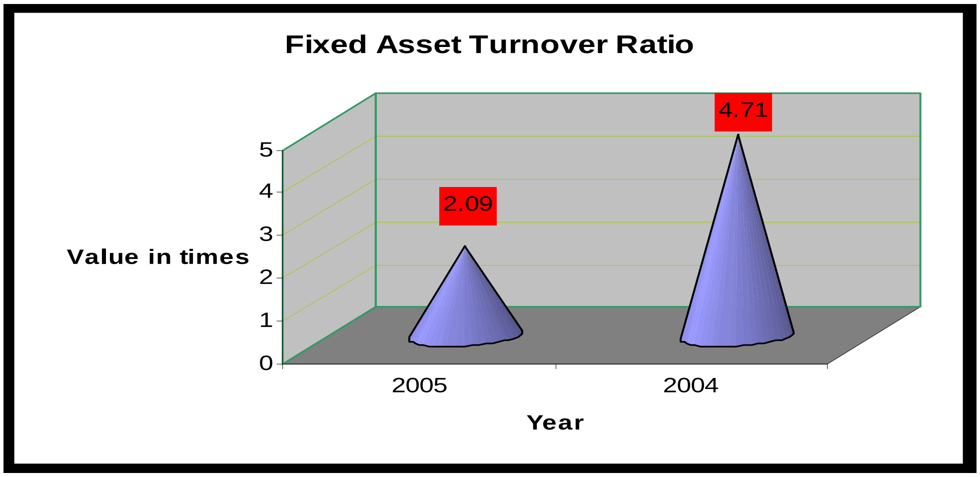


has 0.41 times Earnings to pay the interest payment. This fact reveals that the company was not in a secure position in FY 2004 as far as provision for interest payment is concerned. However, if we take a look at the next FY 2005, the situation was not only in control but also recovered by having Interest Coverage Ratio of 9.14 which simply say that company has its earning more than 9 times of its interest obligation in the FY 2005 **(Figure – 13). While analyzing interest coverage ratio, it needs to keep in mind that** the lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest expenses.

Fixed Assets Turnover Ratio

Fixed asset turnover ratio essentially indicates the efficiency of a company in terms of its capability to utilize its assets in order to generate maximum sales of goods or services. However, sometimes it reveals the pricing strategy of the company. On a whole, higher the ratio, more efficient the company is. Here, in case of H T Media, case is somewhat different. Its fixed asset turnover ratio – Sales revenue to Fixed Asset was 4.71 times in FY 2004 which declined to 2.09 times in the next FY 2005. **(Figure – 14)** The real cause of its decline is not the inefficiency of the company to utilize its assets but reduction in the prices of the goods delivered such as newspapers that cause higher sales revenue. Again, such reduction has been effected owing to increased competition in the print media sector.

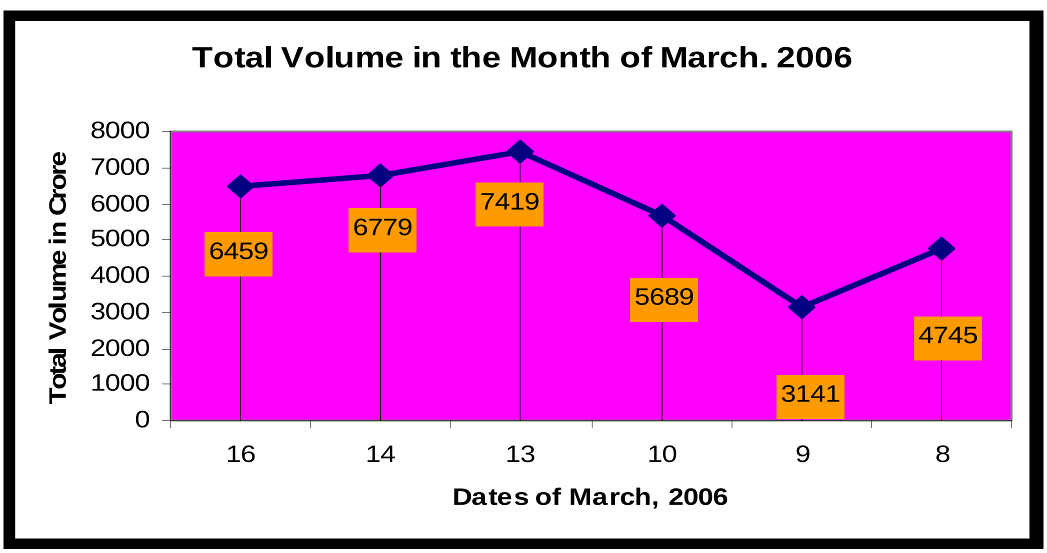
Figure – 14 Fixed Asset Turnover Ratio



Total Volume Traded in the Month of March, 2006

Total volume traded in the secondary market reveals the liquidity in the market for particular scrip. This liquidity in turn implies the convertibility of assets into the cash. Here, higher the volume, greater the liquidity and also easy convertibility into cash. **Figure – 15** reveals the overall volume of the company in the month of March from 8th March to 16th March, 2006. Total trade of H T Media happened in Bombay Stock Exchange (BSE) in that week is worth of **Rs. 28432 crore**.

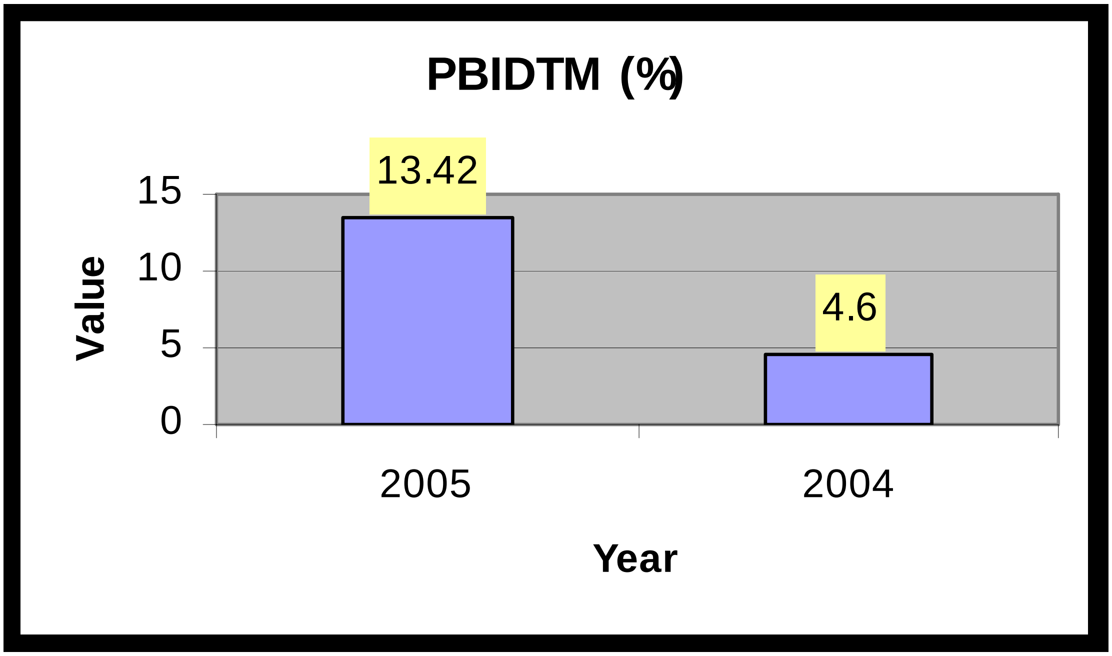
Figure – 15 Total Trading volume in the second week of March, 2006



Notwithstanding it is slightly oscillating, it really gives outstanding opportunity to investors to take benefits of current stock market boom since its average daily trading volume is **Rs. 4738.66 crore**.

PBIDTM

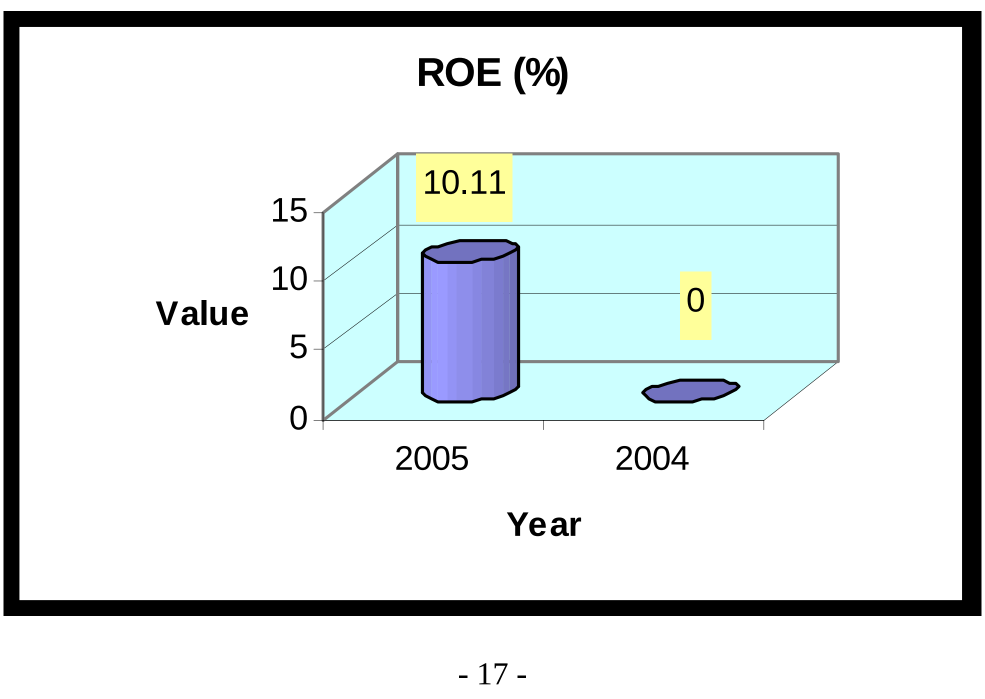
Figure-16 PBIDTM of HT Media



The profit before interest, depreciation and taxation for the **FY 2004** is **4.6%** that rose to **13.42%** in the **FY 2005 (Figure-16)**. This huge change shows positive results on the part of the company but on one hand this might also pose a problem because such drastic jump might relate to doubtful exaggeration of the operating figures.

Return on Equity

Figure-17 ROE of HT Media



Return on equity means the profit generated from the money invested by shareholders of the company. As seen from the above **figure-17, FY 2004**, the return on equity is 0 which means that the return on equity was nil. The return in **FY 2005** comes to **10.11%** which is an excellent return is considering the fact that the previous year, there was no return.

MID-DAY MULTIMEDIA

Mid-Day Mulimedia was incorporated in Mar.'81 as Mid-Day Publications PvtLtd. It has been promoted by Khalid Ansari and Tarique Ansari. The company was formed with the object to take over the newspaper publishing business of Inquilab offset Printers Pvt Ltd, which too was controlled by the same promoter family. Publications like, Daily Inquilab, Sportsweek, Mid-Day and Sunday Mid-Day were transferred to the new company.

Mid-Day Publications was converted into a deemed public entity in Jul.'89and in May, 2000, it was converted into a Public Ltd company. In Jun. 2000, its name was changed to Mid-Day Multimedia to reflect the diversification of its activities into other media fields and the changing nature of the business. Some of the other publications of the company include Mid-Day Good Food Guide to Mumbai, Mid-Day Mumbai Shopping Guide, The Mid-Day Millennium Horoscope , Mid-Day Good Food Guide to Pune.

The company launched Midday.com in 1999, to exploit the new media of internet. The site has been relaunched as chalomumbai.com with better contents and links. It was also the first private player to exploit Radio as a media and in a very short span of time it established Radio Mid-Day as a premium FM brand, programming and marketing radio in Bombay, Panaji, Madras, Bangalore and Delhi.

Mid-Day Multimedia entered into the business of outdoor advertising in 1998. The business was run by Mid-Day Outdoor Ltd but with effect from Apr.'2000, the operations have been taken over by Mid-Day Multimedia Ltd. The main revenue is earned from advertising on bus queue shelters, kiosks and in railway stations.

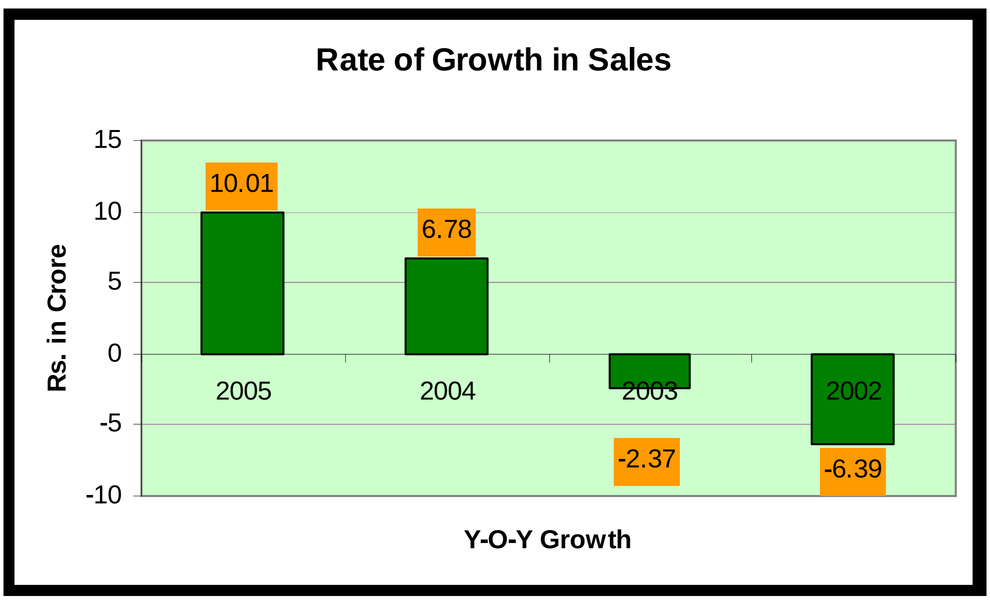
In Feb. 2001, the company came out with a Public Issue of Rs 50 cr with an object to invest in the growth of th publishing business and expand the outdoor business of the company. The total project cost is estimated to be Rs 53.95 cr.

Offset printing press at Tardeo has been installed by the company during the year and the production of the press has been commissioned during the September 2000,The company has bagged licenses for FM radio in Mumbai, Chennai and Delhi. The major achievement in 2001-02 is the launching of free neighborhood newspaper-METRO, and the company is planning to slowly roll out across additional neighborhoods.

Rate of sales growth

Sales growth in Mid-Day Multimedia implies growth in circulation of its flagship brand "Mid Day", income from FM radio and outdoor media revenue. However, in the FY the company has decided to exit outdoor media business. The company has achieved remarkable sales growth from the FY 2004 **(Figure 18)**. Till FY 2003 the company's sales was really dwindling but the pace of decline was decreasing year on year. In FY 2002 sales growth was -6.39 % which became -2.37 % in 2003. However, suddenly due to its entrance into the FM radio market, the sale growth jumped 6.78 % in FY 2004 and 10.01 % in FY 2005.

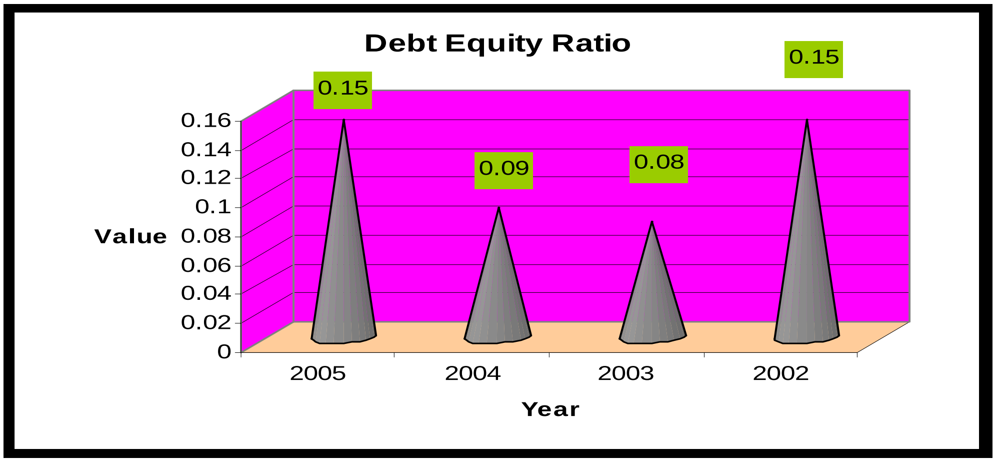
Figure – 18 Rate of Growth in Sales



Debt Equity Analysis

The company has not taken sufficient benefit of trading on equity since its debt/equity ratio is 0.15: 1 in the last financial year. **(Figure 19)** If one compares, the last four year ratios, it will be observed that company has not adequately used debt financing. However, a high debt/equity ratio commonly means a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense. So on this count the performance of the company is pretty well.

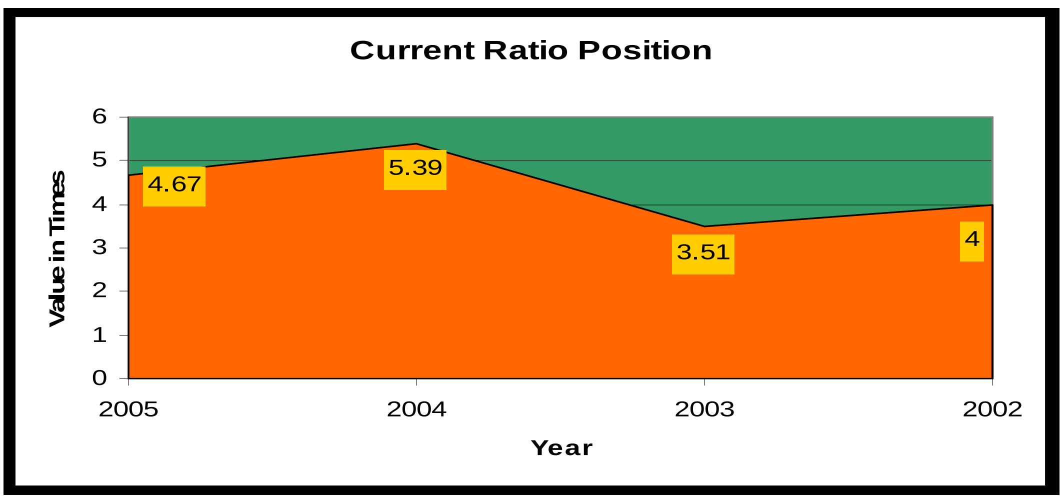
Figure – 19 Debt Equity Ratio



Current Ratio

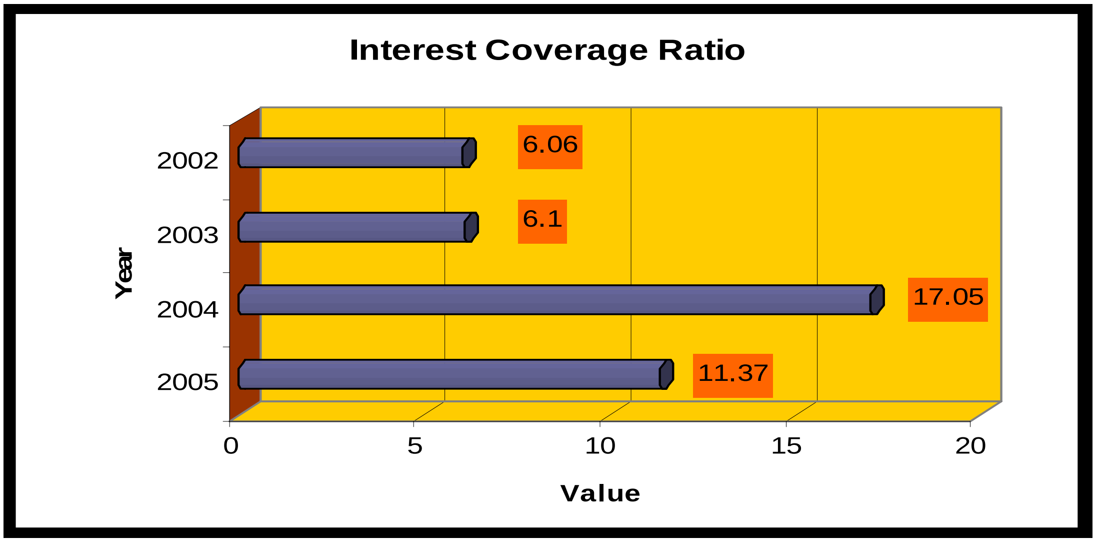
Current ratio of Mid Day multimedia is **4.39:1** on an average over the last four Financial Years.**(Figure – 20)**. In the FY 2003, its current assets are 3.51 times higher than its current liabilities. Then subsequently, it starts rising from **5.39 and 4.67** times from the financial year 2004 and 2005. It demonstrates that the company has more than enough current assets to repay its current liabilities. On the other hand, it can also be argued that its resources are remaining idle.

Figure – 20 Current Ratio



Interest Coverage Ratio

Figure – 21 Interest Coverage Ratio

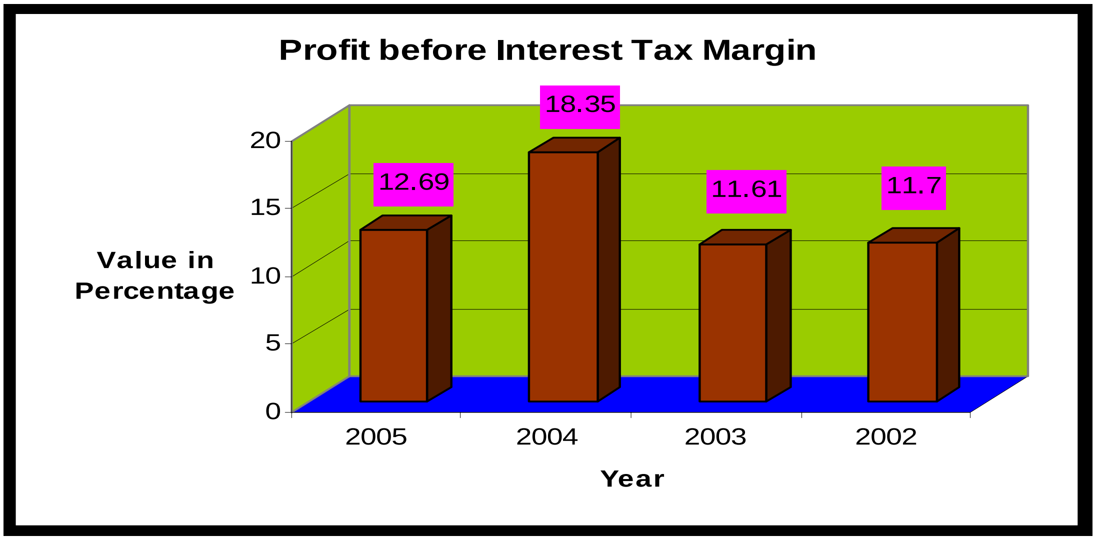


It is a common fact that the higher the interest coverage ratio, the lower the debt burden on a company because company will have more earning or cash resources to pay interest amount. **Ideally, an individual should not own a stock that has less than one interest coverage ratio because it indicates that the company has not sufficient earning to service its debt.** Nevertheless, Mid Day Multimedia has a robust interest coverage ratio. **(Figure – 21)** It is evident from the above figure that in the FY 2002, the company was able to pay interest 6 times. That rose to **6.1, 17.05 and 11.37** in the subsequent financial years. It's really a healthy sign whosoever judges the fundamentals of the company.

Profit before Interest and Tax Margin

Profit before interest and Tax is the indicator of the firm's operating efficiency. It reflects the efficiency in manufacturing and distribution of its products. It measures the rate at which the company under study has utilized its vital resources to generate the optimum revenue. **Figure – 22** reveals the profit margin of Mid Day Multimedia over the last four financial years. The company achieved highest profit in FY 2004 at the rate of 18.35 % which declined to 12. 69 % in the FY 2005. A company that boasts a higher gross profit margin than its competitors and industry is more efficient. Investors tend to pay more for businesses that have higher efficiency ratings than their competitors, as these businesses should be able to make a decent profit as long as overhead costs are controlled. In the case of Mid Day Multimedia, its PBITM if matched with the industry leader such as Zee Telefilms whose **EBIT is 37.25 %** in the FY 2005, we will found its performance relatively poor. **An interesting observation about Mid Day Multimedia is that its net profit was Rs. 38 lacs in the FY 2004 as compared to huge loss of Rs. 347 lacs in the FY 2003.** These dramatic improvements in the overall performance of the company are awarded to new product launch 'Morning Quick', converting its free and weekly community newspaper 'Metro' into subscription based newspaper, and higher audience share in FM radio.

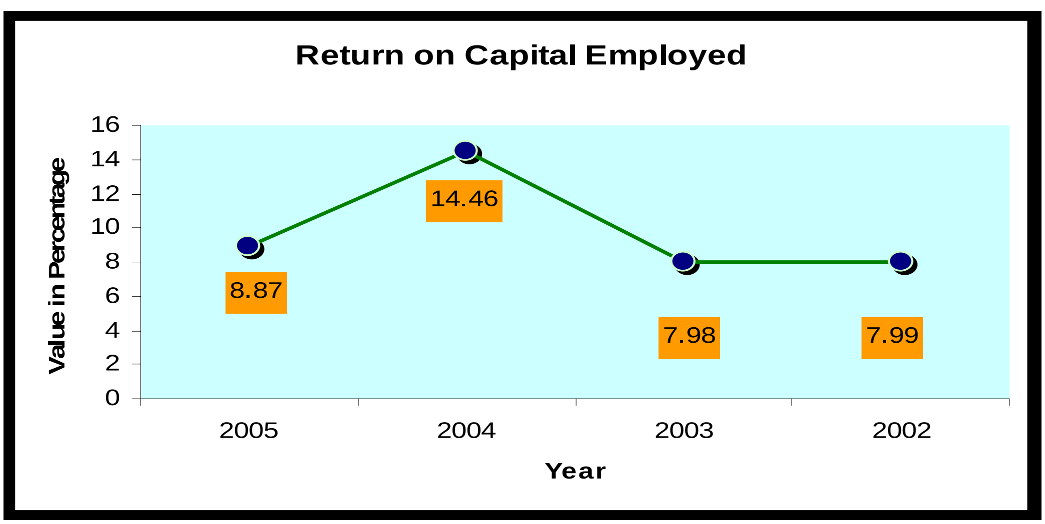
Figure – 22 Profits before Interest and Tax Margin



Return on Capital Employed

The single most important indicator of the inherent excellent of business is the return on capital employed which measure the proportion of earning in percentage as compared to its total capital employed. As far as Mid-Day Multimedia is concerned, it ROCE has reached to 14.46 % in the FY 2004 as compared to nearly 8 % in the previous two financial years **(Figure – 23).** However, it declines to 8.87 % in FY 2005 mainly due to its exit from the outdoor business.

Figure – 23 Return on Capital Employed



Earning Per Share

Figure – 24 EPS of Mid Day Multimedia

Figure – 24 reveals the Earning per Share (EPS) of the company over the last four financial years. Essentially, EPS reflects the earning capacity of the firm over the each share issued, subscribed and paid. EPS is positively impacted by increase in profitability and negatively impacted by rise in capital. Here, company's EPS was higher in 2004 but it declined due to issue of new equity shares evident from the fact that in FY 2004 EPS was 2.66 Rs. which declined to 1.44 Rs. in 2005 fiscal year. However, it should be taken into consideration that EPS is not the ultimate measure of profitability of the firm or indicator of maximization of shareholder's value. Since cash profit available per equity share attracts maximum attention in the "Dalal Street" nowadays, it has become the major indicator to judge the company for investment purpose. If operating cash flow per share (operating cash flow divided by the number of shares used to calculate EPS) is greater than reported EPS, earnings are of a high quality because the company is generating more cash than is reported on the income statement.

ZEE TELEFILMS

Zee Telefilms Limited was founded in October 1992 as a content supplier for Zee TV - India's first Hindi satellite channel. It was promoted by Subhash Chandra, one of India's leading entrepreneurs, who sought to establish Zee as an 'infotainment' company focused on the convergence of media and communications.

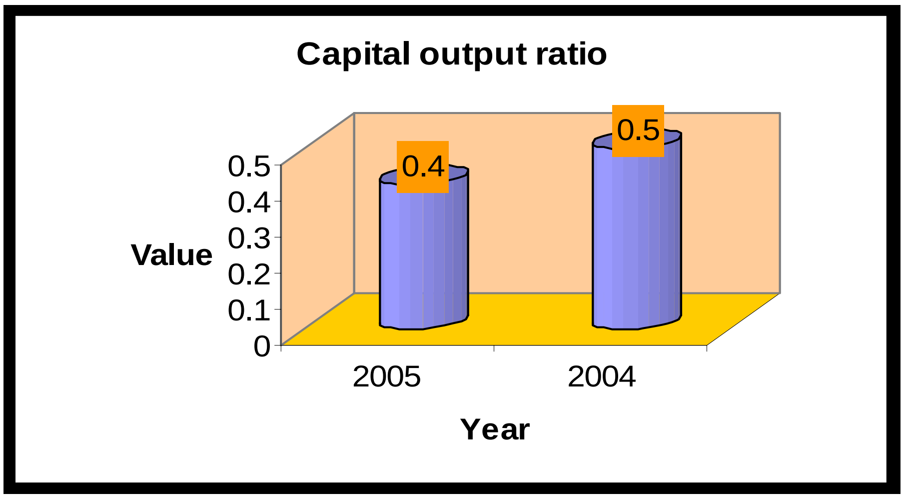
Early in Zee's history, Subhash Chandra and the STAR group of companies entered into a joint venture for television broadcasting in India. When News Corp Limited acquired the satellite distribution business of Star, News Corp de facto became a partner of Zee. To further develop the relationship, News Corp and Zee subsequently co-founded Siticable one of the leading cable MSOs. In March 2000, after a six-year joint venture, Zee bought News Corp's stake in both the broadcasting business and Siticable.

People at Zee have built a diverse portfolio of leading businesses over time and have taken a host of strong Company-wide initiatives that drive growth and increases efficiency. Zee has a very strong consumer-connect and a set of common values that allows it to face any environment with confidence.

CAPITAL OUTPUT RATIO

Denotes units of capital required to produce one unit of output. This indicates how efficiently investments are contributing to economic growth of the company. In the case of Zee telefilms, the **FY 2004** showed production that is **0.5 times** the capital employed which dropped down to **0.4 times** the capital employed in the **FY 2005**.**(Figure- 25)**

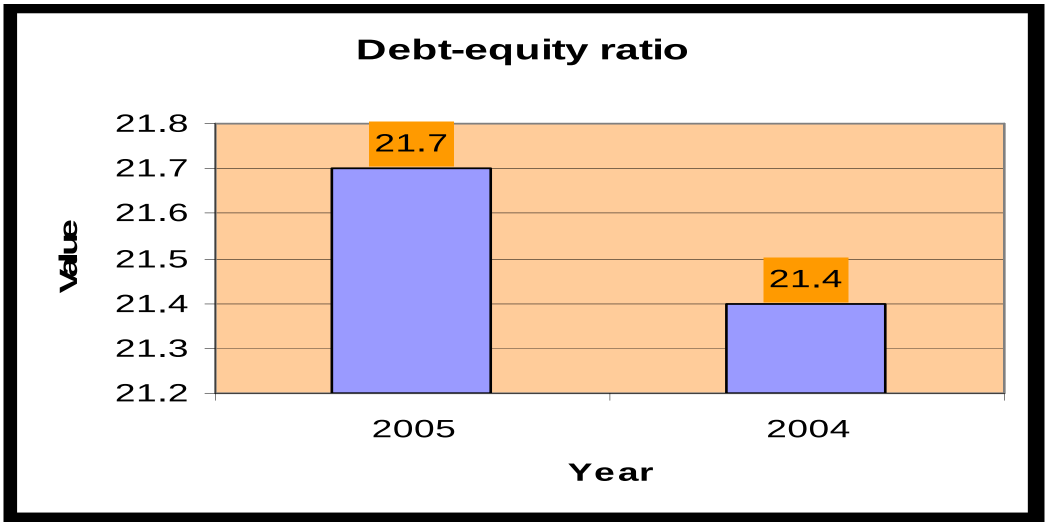
Figure-25 Capital Output ratio of Zee Telefilms



DEBT EQUITY RATIO

The debt to equity ratio (D/E) is a financial ratio debt divided by shareholders equity. It is used to calculate a company's "financial leverage" and indicates what proportion of equity and debt the company is using to finance its assets. In this case, Zee Tele films has shown an increase in this ratio from **21.4%** in FY 2004 to **21.7%** in FY 2005 **(Figure- 26)** that is it has borrowed a few more funds from public which led to increase in their debt in relation to stable equity.

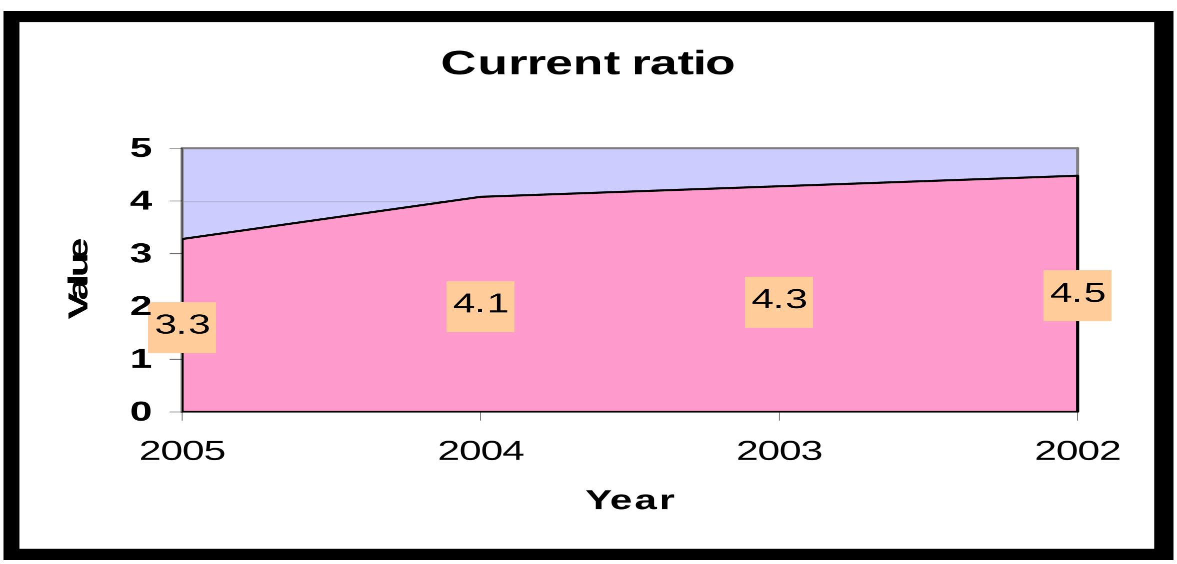
Figure: 26 Debt equity ratios for Zee Telefilms



CURRENT RATIO

Current ratio basically is a comparison between a firm's current assets and current liabilities. It is an indication of a firm's market liquidity and ability to meet short term debt obligations. Acceptable current ratios vary from across all industries; in this case the current ratio for Zee telefilms is pretty stable as seen in the last 3 years data except falling down this year which is a result of increase in current liabilities when the current assets are stable. In this **Figure-27**, the values for the FY 2002, 2003 and 2004 are **4.5, 4.3, 4.1** times respectively and in the FY 2005 it is **3.3 times.** Though it has shown a downward trend every year, the company had taken no measures to keep it stable.

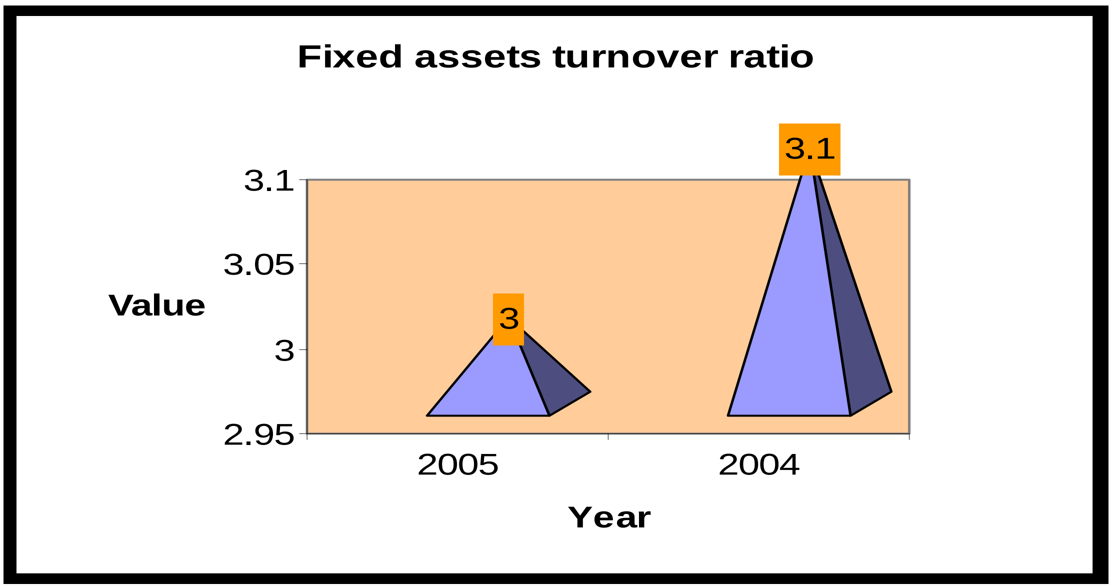
Figure-27 Current Ratio of Zee Telefilms



FIXED ASSETS TURNOVER RATIO

Fixed asset turnover ratio indicates the efficiency of a company in terms of its capability to utilize its assets in order to create maximum sales of its products or services. It sometimes even reveals the pricing strategy of the company. As a bottom line, higher the ratio, more efficient the company is. In this case, sales were **3.1 times** the fixed assets but in the **FY 2004**, this dropped to **3 times** the Assets in **FY 2005 (Figure-28)** which is a result of factors such as increase in cost of production and other operating expenses.

Figure-28 Fixed asset turnover ratio of zee Telefilms

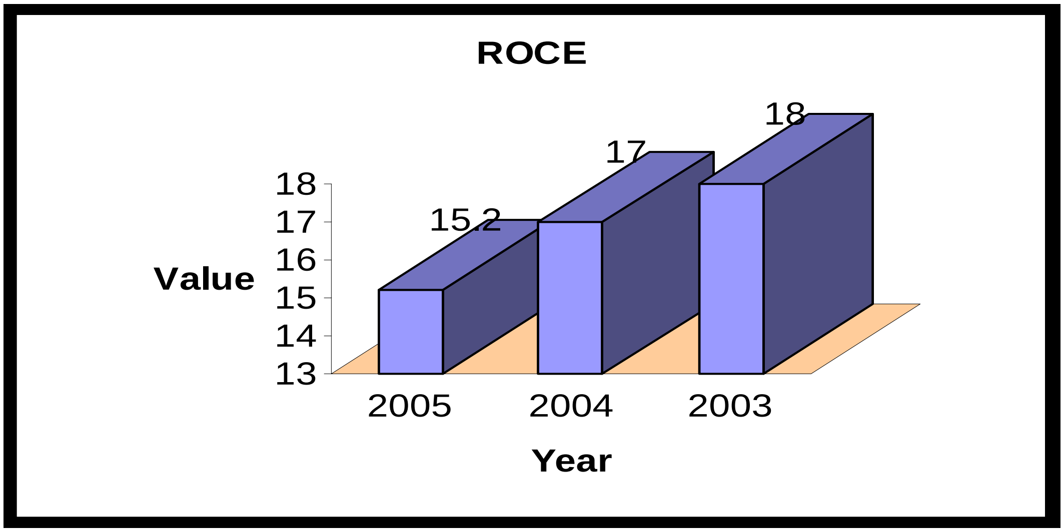


RETURN ON CAPITAL EMPLOYED

Return on Capital Employed (ROCE) is used as a measure of the returns that a company is accruing from its capital that is employed. The ratio can also be seen as representing the efficiency with which capital is being utilized to generate revenue. It is commonly used as a measure for comparing the performance between companies and for assessing whether a company generates enough returns to pay for its cost of capital.

In this case, the ratio is decreasing year on year, from **18 %** in **FY 2003** to **15.2%** in **FY 2005 (Figure-29)**, reason being inefficient use of capital that lies with the company. This decreasing ratio can be very dissatisfying for the share holders that actually yearn for more returns from the resources employed.

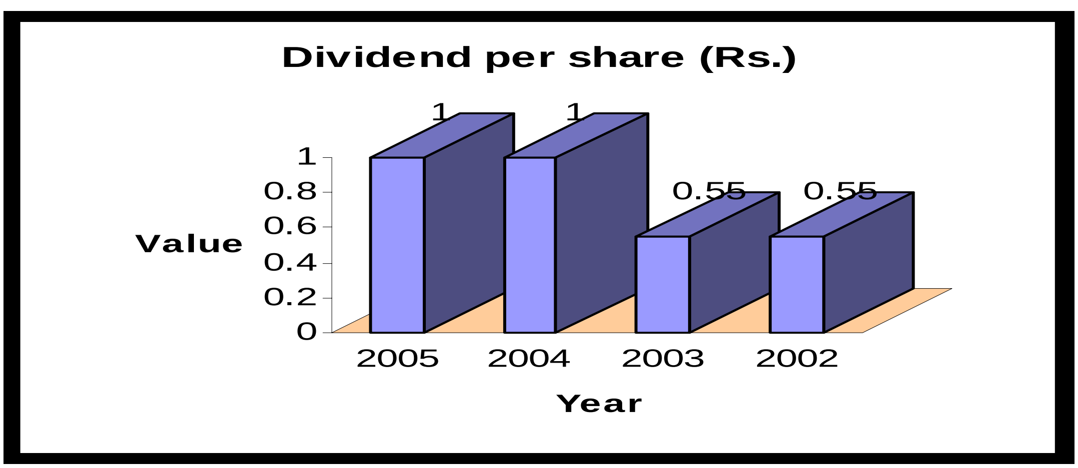
Figure-29 Return on Capital Employed for Zee Telefilms



DIVIDEND PER SHARE

A dividend is distribution or sharing of profits with the shareholders. In this case of Zee telefilms, the dividend has been stable over the years with an upsurge in the FY 2004 again staying stable for the FY 2005. This is due to operational efficiency and increase in profits of the company over the years.
The **Figure-30** shows **0.55** in the **FY 2002** & **FY 2003** which grew to around **1** Rs (in millions) in the **FY 2004 & 2005**.

Figure-30 Dividend per share of Zee Telefilms

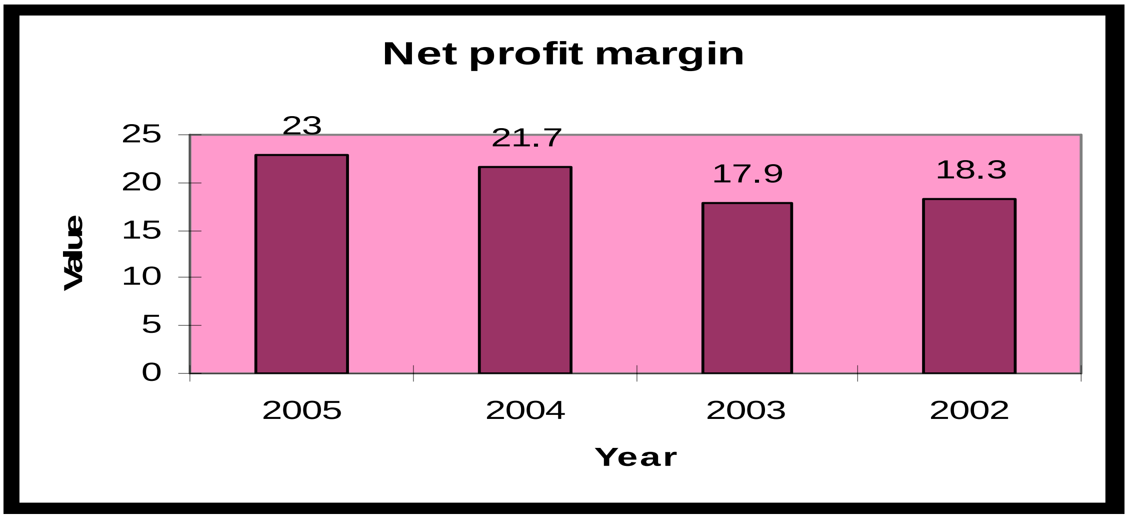


7. NET PROFIT MARGIN

Net profit margin shows the profitability of the firm. It is usually calculated in percentage to compare the increase over the years. In the case of Zee Telefilms, the profit margin is increasing substantially over the years with an exception of a decrease in FY 2003 which was due to increase in cost of production and less revenue. The margins again jumped to

21.7% in FY 2004 and then **23%** in **FY 2005. (Figure- 31)**

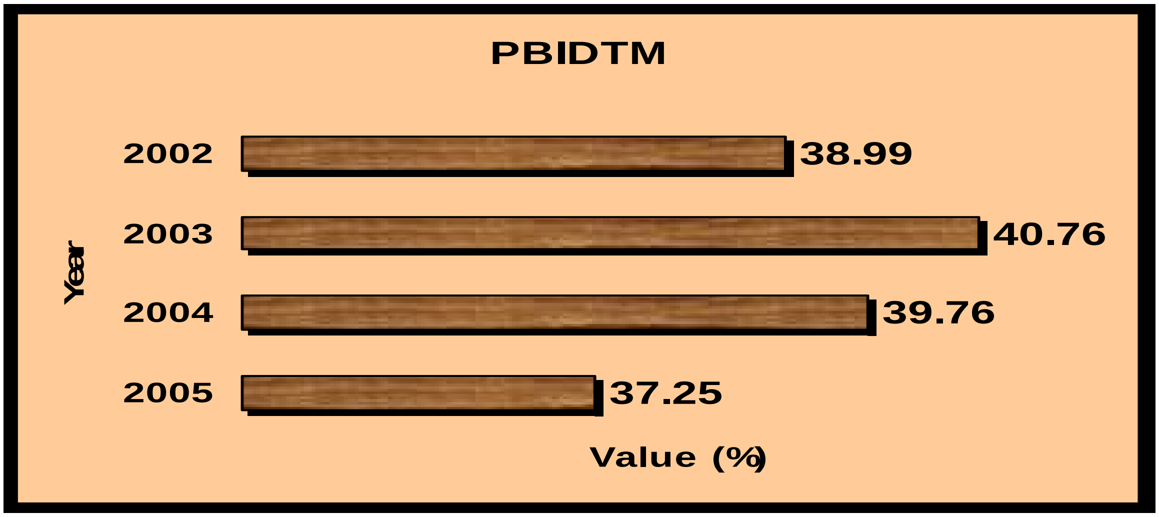
Figure- 31 Net profit margin of Zee Telefilms



8. PROFIT BEFORE INTEREST, DEPRECIATION AND TAX MARGIN

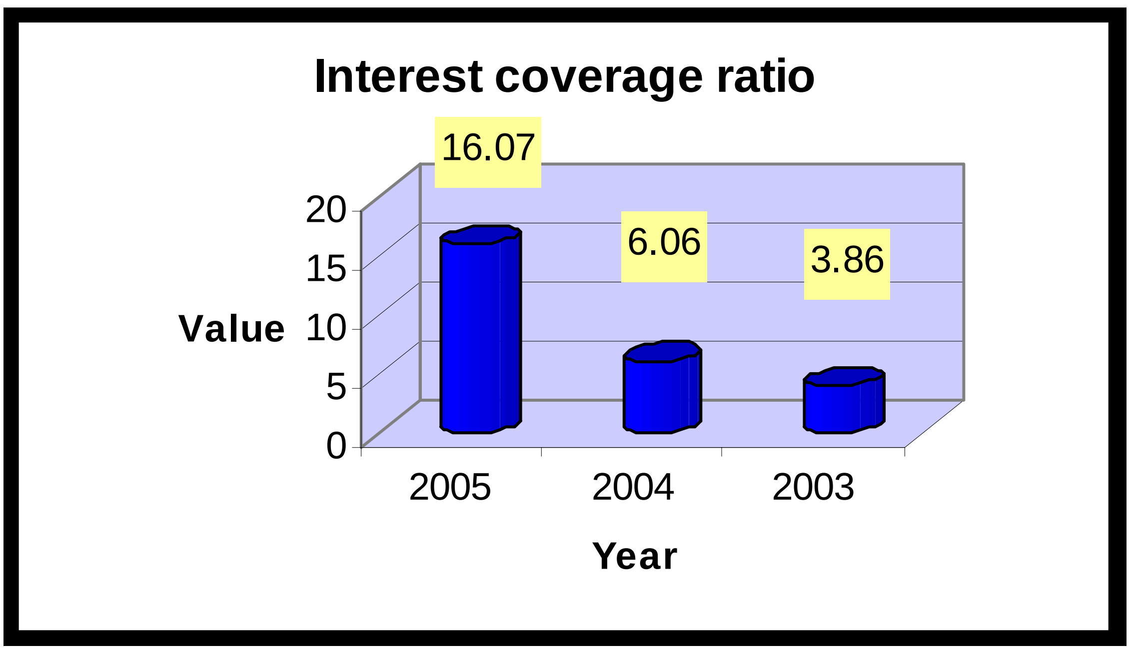
PBIDTM is a gross profit margin calculated to compare the operational efficiency over the years. In the case of Zee telefilms, the PBIDTM increased from **38.99%** in **FY 2002** to **40.76%** in **FY 2003**. It dropped down in the **FY 2004** due to increase in costs and has even been lesser to **37.25%** in the **FY 2005 (Figure-32)** though the net profit margin has increased by a few percentages.

Figure- 32 PBIDTM for Zee telefilms



<u>Interest coverage ratio</u>

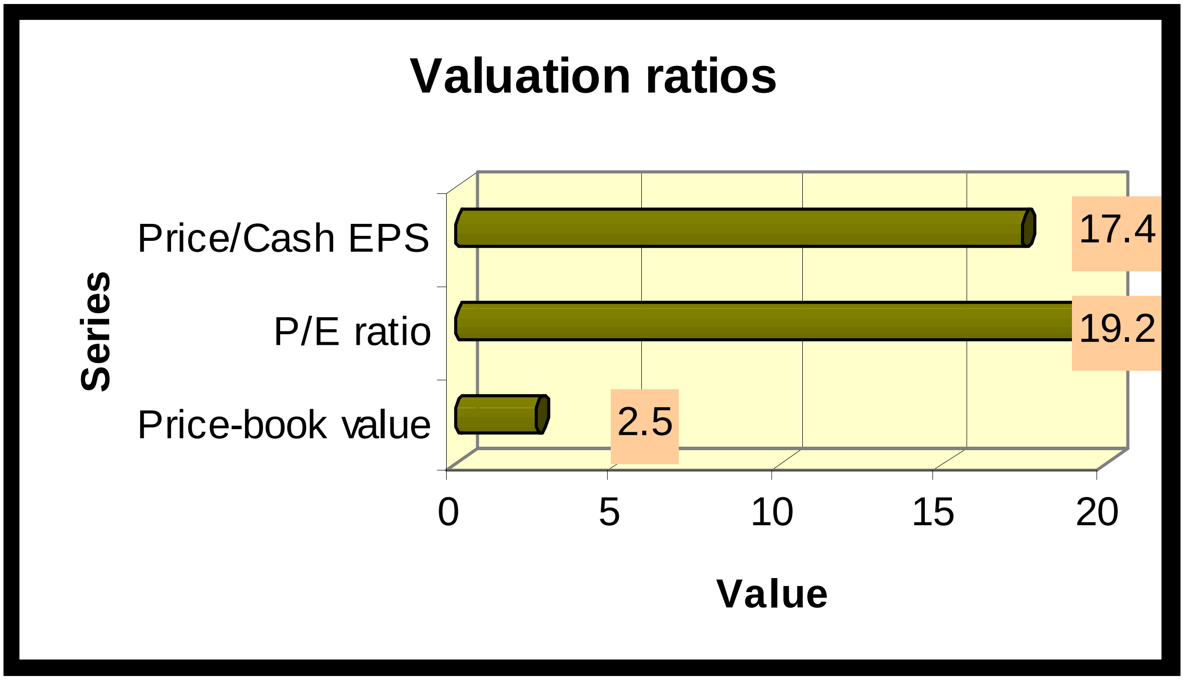
Figure -33 Interest coverage ratio of Zee Telefilms



The above F**igure-33** shows the interest coverage ratio for the last three years for Zee telefilms Ltd. The ratio is on the increasing side with the percentage rising from 3.86% in the FY 2003 to 16.07% in the FY 2005. This ratio shows the ability of the firm to pay the interest on the debt. It shows how many times the interest can be paid on the debt. The above ratio shows that the company is doing well in this aspect and is highly credit worthy when it comes to clearing off the debts.

<u>Valuation ratios</u>

Figure 34 Valuation ratios of Zee Telefilms



Price to Cash EPS ratio, Price to Earning Ratio, Price to Book Value (Valuation Ratios) of the year 2003-05 (Figure 34)

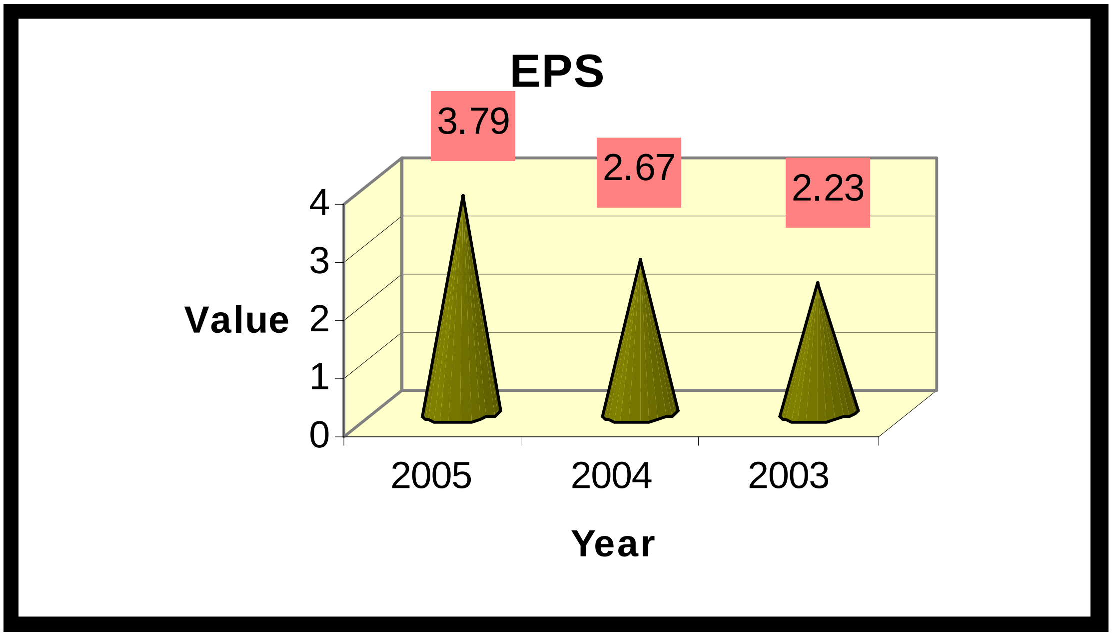
Liquid cash_is an important factor in the successful running of any business. Price to cash EPS ratio shows the relationship between market price and cash earned per share. Thus in the ratio simply put, the market price is in direct relation to the cash earned on the share. In this case, 17.4 shows the company has a pretty good cash return on the investment. This can be either a really trust worthy performance or the company has a doubtful performance considering that the earnings are low but the shares are traded at a high price.

Price to Earning Ratio shows the willingness of the investors to pay per rupee earning. The ratio shows the comparison between the company's earnings and market prices. It sometimes happens that the company that in spite of higher earning, the company does not have good market price. These kinds of stocks are low valued stocks and it takes a lot of patience and foresightedness to invest in these shares. In the case of Zee telefilms, 19.2 % is a pretty good earning considering the comparison with other companies in the industry.
As compared to industry P/E ratio which is 37.43 %, the company has very low P/E ratio. It simply means that when industry earns 100 Rs. Zee telefilms Ltd. can earn only 51 Rs. This fact needs to be seen before investing in the company.

Price to Book Value ratio is the proportion of market price of a company's share price to the book value of equity. A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value (book value is simply total assets minus intangible assets and liabilities). In the case of Zee telefilms Ltd., the ratio is 2.5 times that might be because of either over valuation or undervaluation of the company's assets.

Earning per share

Figure 35 Earnings per share of Zee telefilms



EPS means the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share (EPS) is generally considered to be the single most important variable in determining a share's price. It is also a major component of the price-to-earnings valuation ratio. In the case of Zee telefilms Ltd., the EPS shows an increasing trend in the past three years.**(Figure 35)** In the above case, it is increasing every year which is a good sign but to analyze it properly, it should be compared with the operating cash flows and reported EPS. EPS should be in a trend that is not very fluctuating as investors get apprehensive about investing in that particular stock.

AD LABS FILMS LTD.

Ad labs Films Ltd was founded by Mr. Manmohan Shetty and Mr. Vasanji Mamania in 1978 for setting up a motion picture processing laboratory in Mumbai. The company was incorporated as private company in 1987.At present the company has allotted on preferential basis 1,10,00,000 equity shares and 38,00.000 warrants to Reliance Land Pvt Ltd by which 51% of the companies shares are being held by Reliance Group of Anil Ambani. Adlabs Films Ltd is a well equipped film processing laboratory and pre-view theatre with Dolby digital facilities at film city-Mumbai. The company initially catered to the ad film market hence the company has Adlabs in its name. The company has since evolved into processing full-length feature films controlling 70% of the market in Western India. At present the company generates revenue from Film Processing and Theatres Adlabs Films Ltd has Entertainment One India Ltd, Gemini Exhibitors Ltd, and Runwal Multiplex as its subsidiaries. Adlabs Films Ltd entered the capital market with the companies' maiden public offering of Rs.52.80 crores in 2000. The Initial Public Offer was 44 lakhs equity shares at Rs.120/- per share (face value of Rs.5/- per share & premium of Rs.115/- per share) aggregating Rs.52.80 crores. Adlabs Films Ltd started its Adlabs Multiplexes in the year 2000 with the opening of the world's largest IMAX dome theatre The Theatre was opened for public screening from March 2001. A 4 Screen Multiplex was successfully completed at Wadala, Mumbai with the commissioning of first two screens on 26th October 2001 and the remaining 2 screens on November 2001.
Adlabs Films Ltd entered into the film production business in the year 2002 through the companies 100% subsidiary Entertainment one India Ltd. Adlabs in a 50-50 JV with Mukta Arts (A listed movie production company) named Mukta Adlabs Digital Exhibition Limited (MADEL) has introduced the digital distribution

concept since 2003.

During 2003-2004, Adlabs acquired 6% stake in Prime Focus Ltd, a closely held public limited company engaged in providing post production services like editing, special effects, computer graphics etc to the film and advertising industry. Adlabs Multiplexes also opened Divya Adlabs a 3 screen multiplex at Nashik in May 2004. The companies new four screen multiplex theatre, R-Adlabs started operations at Mulund in July 2003 through Runwal Multiplex Pvt Ltd, a subsidiary formed in association with Runwal Developers Ltd. The company is also in the process of acquiring 49.99% stake in Swanston Multiplex Cinemas Pvt Ltd, which operates the Multiplex Fame Adlabs at Andheri. The companies front end processing lab at Chennai in association with Vijaya Labs, Chennai has commenced since April 2005 and the kolkata lab is to be started in December 2005. In 2005, Adlabs Multiplexes opened Gold Adlabs, a 3 screen Multiplexes at Pune, Maharashtra. Adlabs Films Limited today is a large integrated professionally managed entertainment company with various business divisions that now establish an extended presence across different points of the value chain within the film segment. Hence the divisions for production to processing to exhibition.

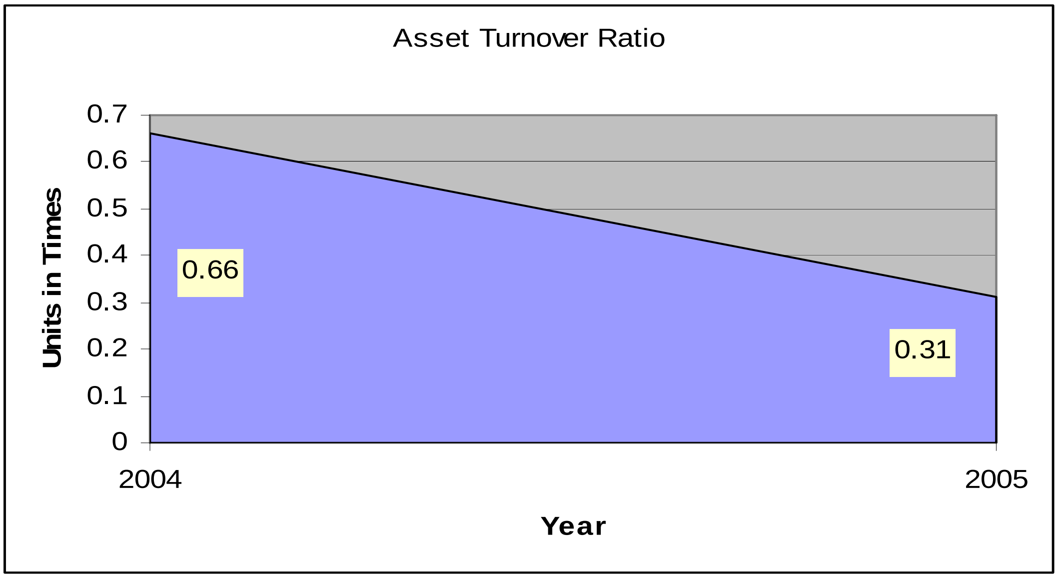
Ratio Analysis

Asset Turnover Ratio

As the Adlabs Films Ltd. is in the business of film processing trading & trading, theatrical exhibition and film production and distribution, it has to employ its assets in such a way that could fetch maximum sales. However from the **figure-36,** it is visible that its efficiency of generating business from the assets employed has declined from 0.66 to 0.31 in the FY 2004-05 and FY 2005-06. It gives an impression that efficiency has been reduced by its half. But when anyone takes a look at the financial data from the annual report of the company, he would find that more assets have been created as compared to increase in the earnings from the sales. Elaborating it further, the company's net capital employed (total assets used to generate revenue) was Rs. 13174.98 lacs which rose to Rs. 36799.1 lacs registering the growth of net Rs. 23624.12 lacs of assets. This constitutes the net 179 % increase in total capital employed in the FY 2005-06 as compared to previous year. Now, the sales revenue has increased from Rs. 8755.52 lacs to Rs. 11320.46 lacs registering growth in revenue of net Rs. 2564.94 the growth rate of 29 % only. This is the underlying reason for fall in asset turnover ratio despite increase in revenue as compared to previous year FY 2004-05

Asset turnover ratio

Figure 36 Asset turnover ratio of ADLABS Ltd.

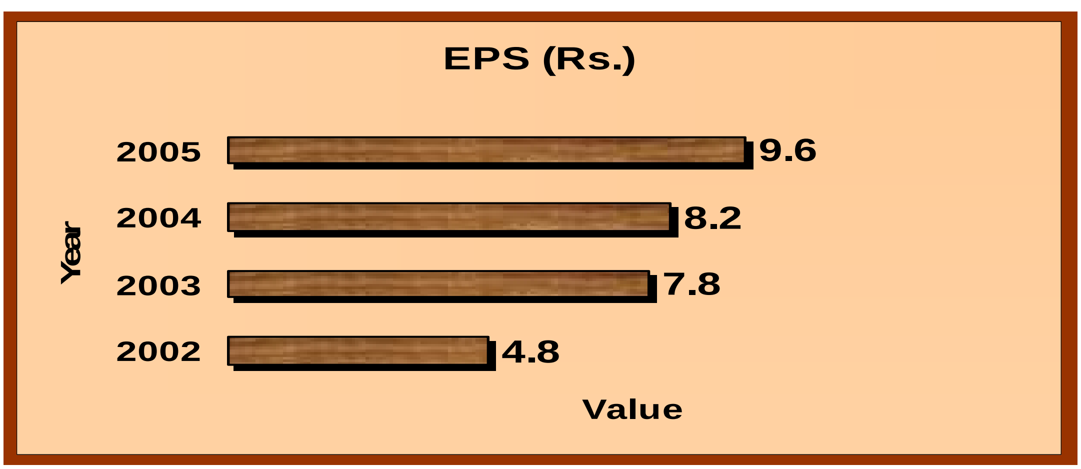


EPS

Earnings per share show the return on money invested by the share holder. They are the earnings returned on the initial investment amount.

In the case of Ad labs Films, the EPS has been increasing over the years which mean the share holders are increasing their own worth by investing in the company's shares. The EPS in the **FY 2002** was **4.8 Rs.** per share that increased to **9.6 Rs.** in the **FY 2005 (Figure-37).**

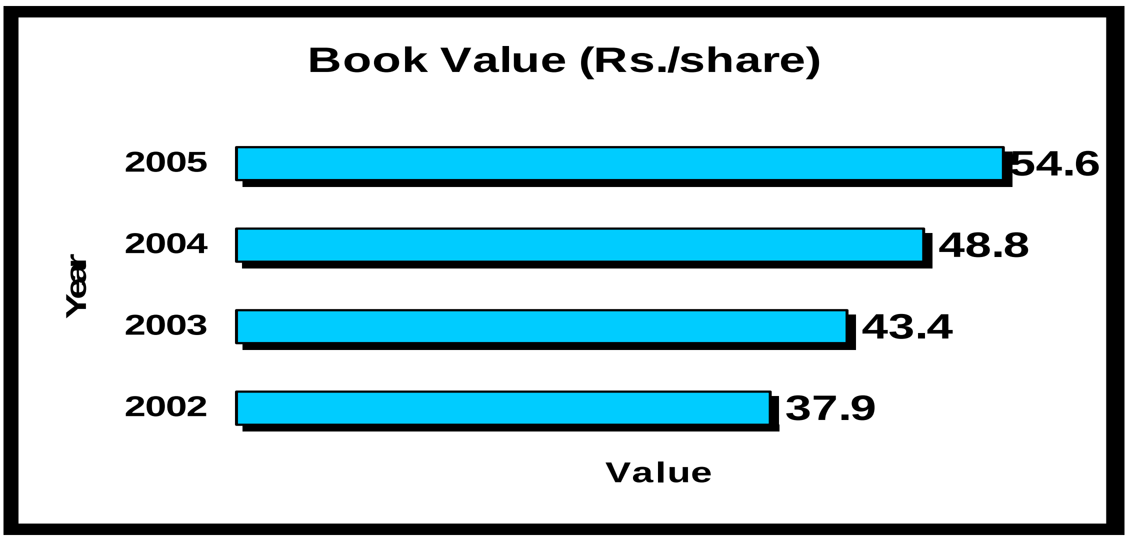
Figure-37 Earnings per share of Ad labs Films Ltd



BOOK VALUE

Book value of shares is the price at which they were originally acquired which in many cases is equal to the purchase price. Ad labs films shares book value i.e. the purchase price was **37.9 Rs/ share** in **FY 2002**, which increased to Rs. **54.6 Rs**. in **FY 2005. (Figure-38)** which shows that the value of the shares in the minds of the consumers has increased and they are getting pretty fair return trading it the market which leads to higher returns and higher the value.

Figure-38 Book value of Ad labs Films Ltd.

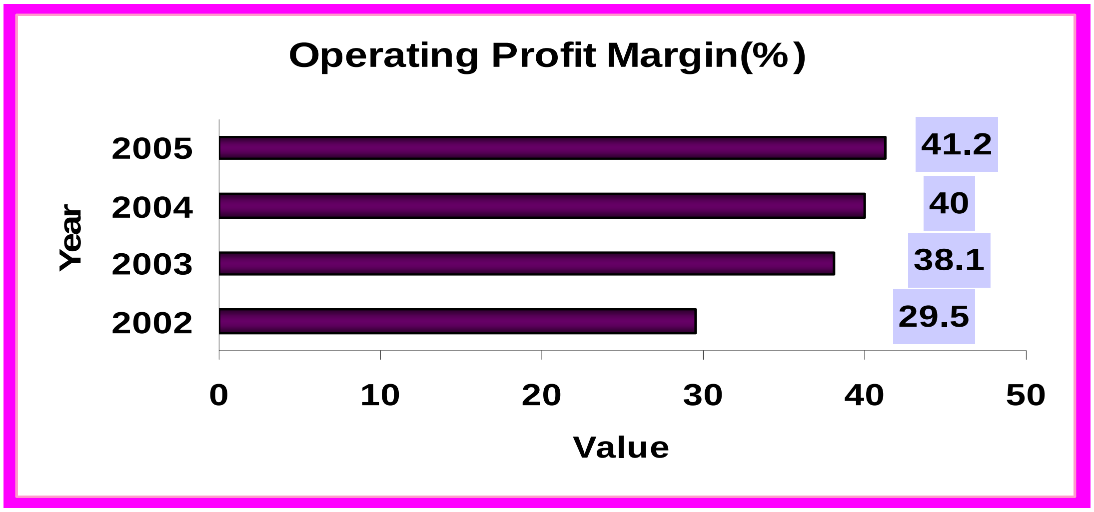


OPERATING PROFIT MARGIN

Profit margin is a measure of profitability. And operating profit is the measure of operating profit. The operational ratio of the company shows the efficiency in which the company utilizes its resources and how effective can the usage be.

In the case of Ad labs, the efficiency is increasing though at a decreasing rate. It has grown from **29.5%** in **FY 2002** to **41.2 %** in **FY 2005. (Figure-39)**

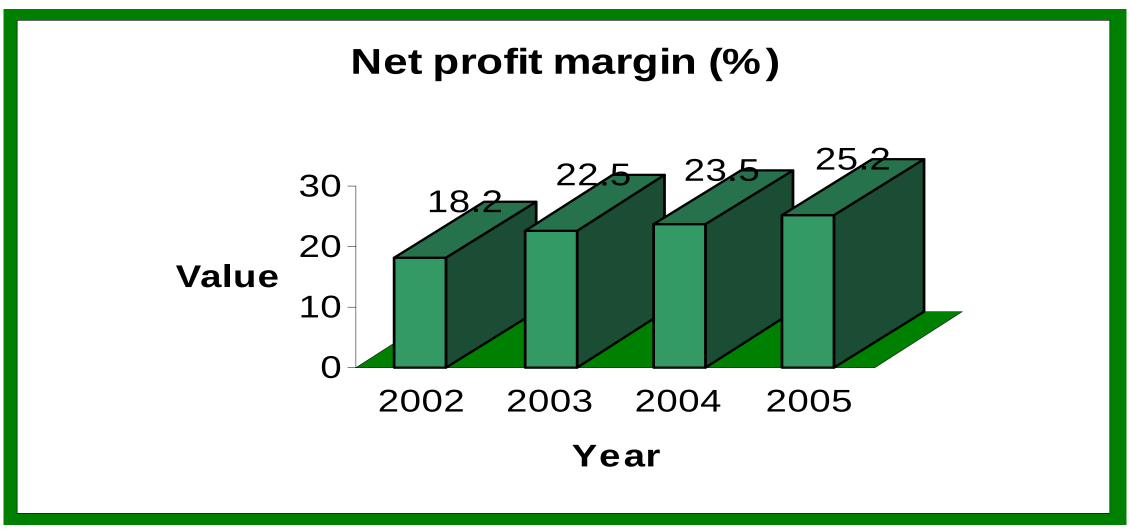
Figure-39 Profit Before Depreciation Tax Margin (PBDTM)



NET PROFIT MARGIN

Net profit margin shows the profitability of the firm. It is usually calculated in percentage to compare the increase over the years. In the case of Ad labs films, the profit margin is increasing substantially over the years with no exceptions of a decrease. It was **18.2%** in **FY 2002** and increased to **25.2%** in **FY 2005. (Figure-40)**

Figure-40 Net Profit Margin of Ad labs Films Ltd.

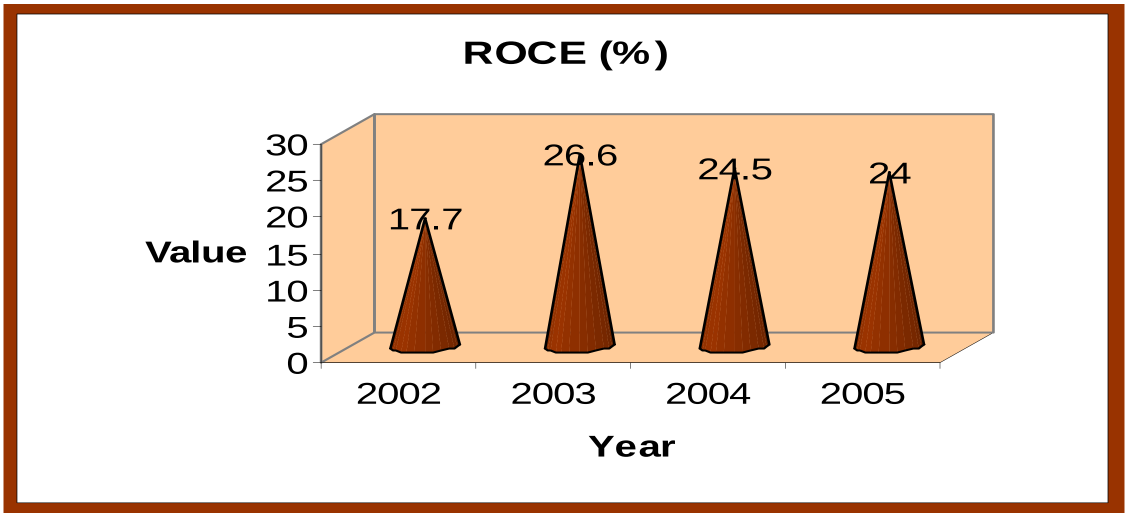


RETURN ON CAPITAL EMPLOYED

Percentage earnings on capital invested in the business by the shareholders. This measure is used to estimate the return the company has achieved on the assets it uses. The calculation uses average capital employed over a period (usually the financial year), attributable to funds provided by the shareholders.

In this case, the returns have been pretty fluctuating but the fluctuations have been less to make a huge gap along the operating years. The return was around **17%** in **FY 2002** which went up to **26.6%** in the **FY 2003** and again dropped down to **24.5%** in the **FY 2004** and reduced still to **24%** in **FY 2005.(Figure-41)**

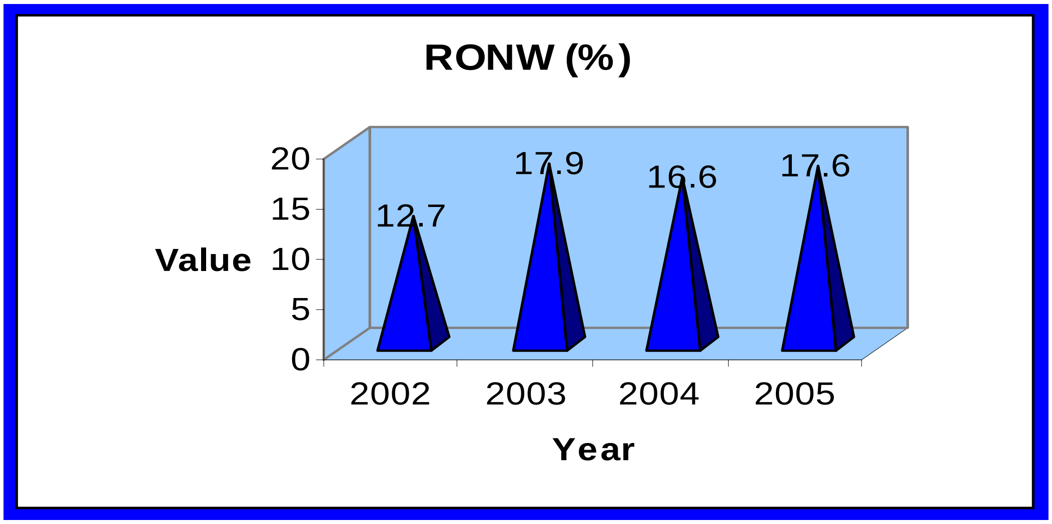
Figure-41 Return on capital employed of Ad labs Films Ltd,



Return on Equity OR Return on Net worth

Percentage earnings on capital invested in the business by the shareholders. This measure is used to estimate the return the company has achieved on the assets it uses. The calculation uses average capital employed over a period (usually the financial year), attributable to funds provided by the shareholders. In this case the return of the last few years shows an over all increase even though there was an exception in FY 2004. **(Figure-42)**

Figure-42 Return on Net worth of Ad labs Films Ltd.



BALAJI TELEFILMS

Balaji Telefilms (BTL) was incorporated as a Private Limited Company and subsequently converted to a Public Limited Company in Feb 2000. The Company is promoted by Ravi Kapoor alias Jeetendra, Shobha Kapoor and Ekta Kapoor. It came out with an initial public offer in Oct., 2000 of 28,03,250 equity shares of Rs 10 each at a premium of Rs 120 per share there-by raising Rs 36.44 crore. The Company began its operations in the year 1995 with a fiction thriller "Mano Ya Na Mano" aired on Zee TV. Balaji is currently providing content to most of the Hindi satellite channels, Gemini in Telugu and Udaya in Kannada. Nearly 85 percent of its Revenue from Hindi Programming, 8 percent from Telugu, 5 percent from Kannada and 4 percent from Tamil and Malayalam. Balaji's maximum programmes are titled with the letter 'K'. BTL content caters to a wide spectrum of audience through its diverse software which includes Sitcoms, Soaps, Game shows, Fantasy and Adventure, Suspense and Thriller and children's programmes in Hindi as well as regional languages. The Company's success in Television Software market is attributed to its early entry into the market complemented by its local presence at Mumbai, Chennai & Bangalore. The Company plans to set up state of the art studio and post production facilities at all its centers. Recently the Merger of Nine Network Entertainment India Pvt Ltd., a wholly owned subsidiary of HFCL Nine Broadcasting India Ltd., with the company was called off by both the companies since it was in their respective commercial interests and the anticipated synergies no longer exist. In 2004, The Company entered into languages Tamil and Malayalam and is planning to enter into Bengali and Gujarathi markets. During 2004-05, The Company is also diversified into production of small budget films and "Kya Kool Hain Dum" will be the first of many films. During 2004-05, the company entered into a strategic alliance with Asian Broadcasting FZLLC (ABF).

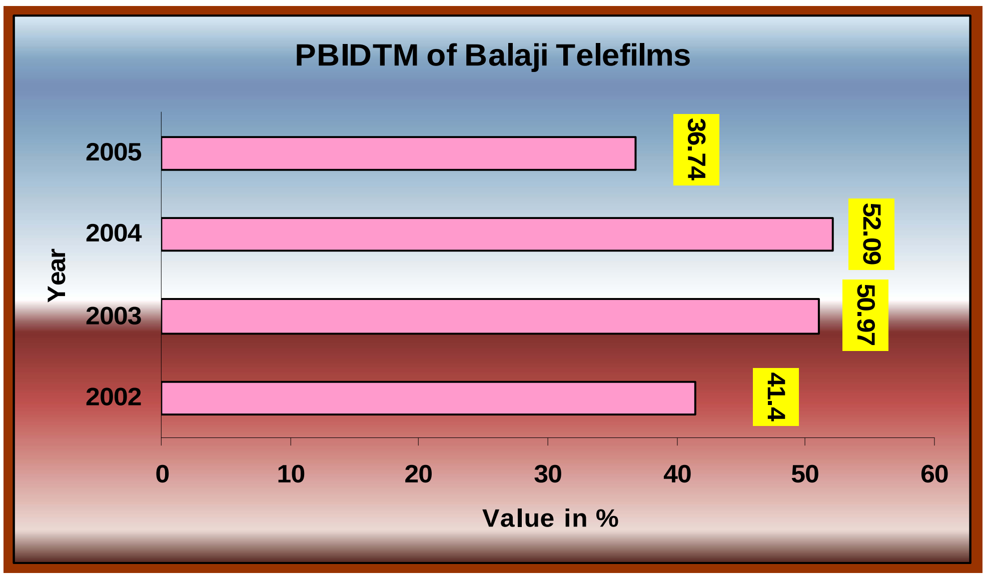
Ratio Analysis

PBIDTM

Profit before Interest Depreciation and Tax Margin

The Balaji Telefilms, the industry leader has an impressive profit margin before calculating depreciation, interest and tax. On a whole, it imparts the real picture of the operational efficiency of the business unit. In the FY 2004, the company has the highest PBIDTM of 52.09 % **(Figure – 43)** of its total revenue/sales. In very layman language, it can be articulated that half of the sales of the company turns into its profit. Additionally, an important and interesting fact is that the company has zero debt so that its net interest expense will also be zero. Although it deprives the company to take benefits of the debt as a prominent source of capital, it cut down its interest burden on the company. Thus, depreciation (which does not result into the cash outflow) and tax proceed will be deducted from this profit margin. All in all, the company has outstanding performance as far as profitability measurement is concerned.

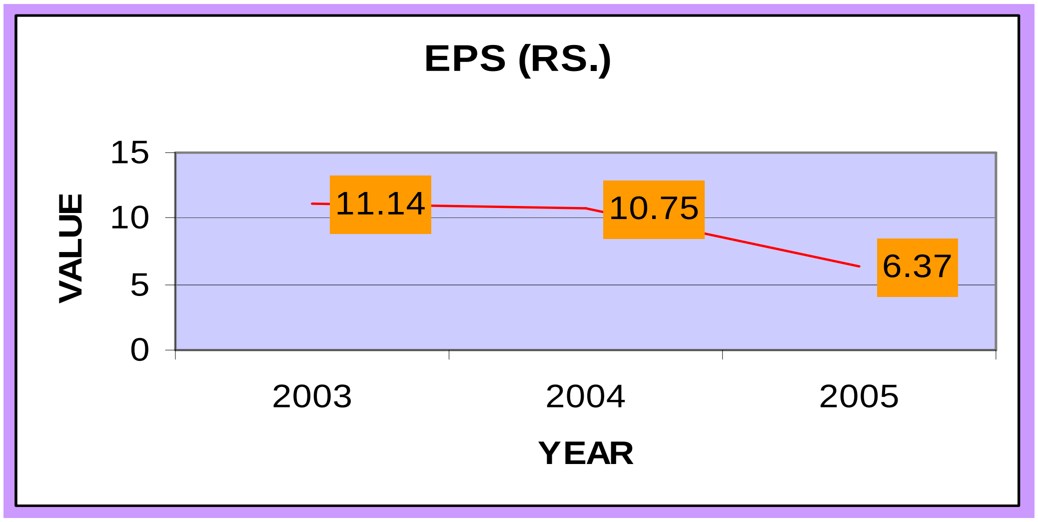
Figure – 43 PBIDTM



Earning Per Share

With the help of the EPS or rather to say by dividing the profit after tax to the number of share outstanding, profitability of the shareholder's investment can be measured. Here, in the case of Balaji Telefilms whose share's face value is Rs. 2 has more than 100 % Earning Per Share over the last three years. **(Figure – 44)**. The equity share of the company got split from Rs. 10 to Rs. 2 in 2002-03. EPS has found declining trend over the years. The reason is not that its earning is declining but its equity base is surmounting.

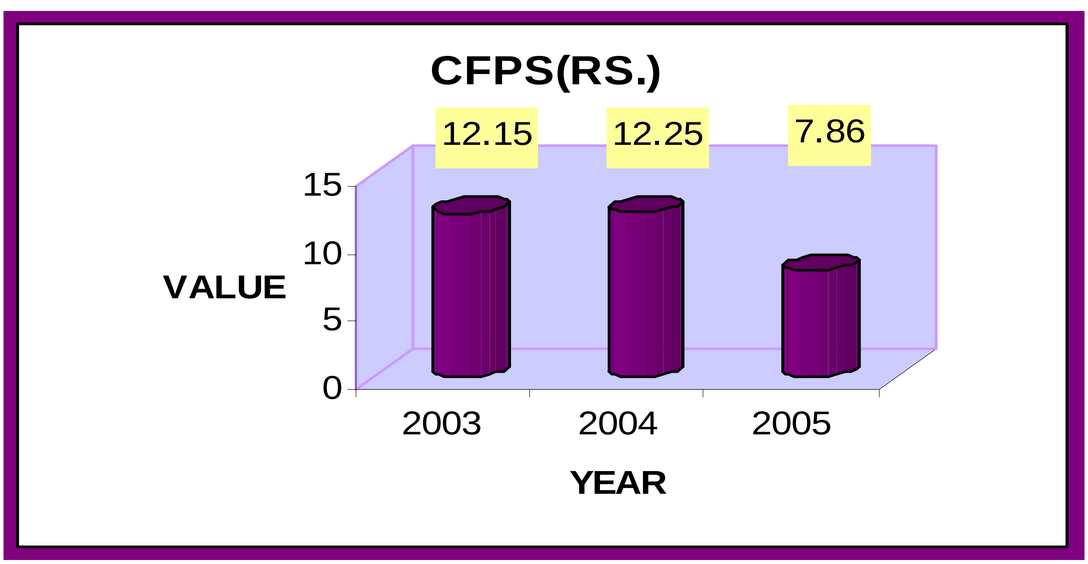
Figure – 44 EPS



CFPS

Cash Flow Per share is a measure of a firm's financial strength calculated as cash flow from operations minus preferred stock dividends, divided by the number of common shares outstanding. It is the real measure of cash profit available to the share holders. It avoids the accounting gimmicks played to window dress the financial statements. As far as cash flow per share of Balaji Telefilms is concerned, it is pretty good over the last three years. Every share holder has cash earning of Rs. 12.15, 12.25 and 7.86 in the FY 2003, 2004, and 2005 respectively. **(Figure –45)** Many analysts as well as some of the greatest investors of all time place more weight on cash flow per share than earnings per share. Because earnings are more easily manipulated and its reliability can, at times, be questionable. Cash is difficult, if not impossible, to fake. You either have cash or you don't. Therefore, cash flow per share is a useful measure for the strength of a firm and the sustainability of its business model. So we can infer that business performance of Balaji Telefilms is on right path.

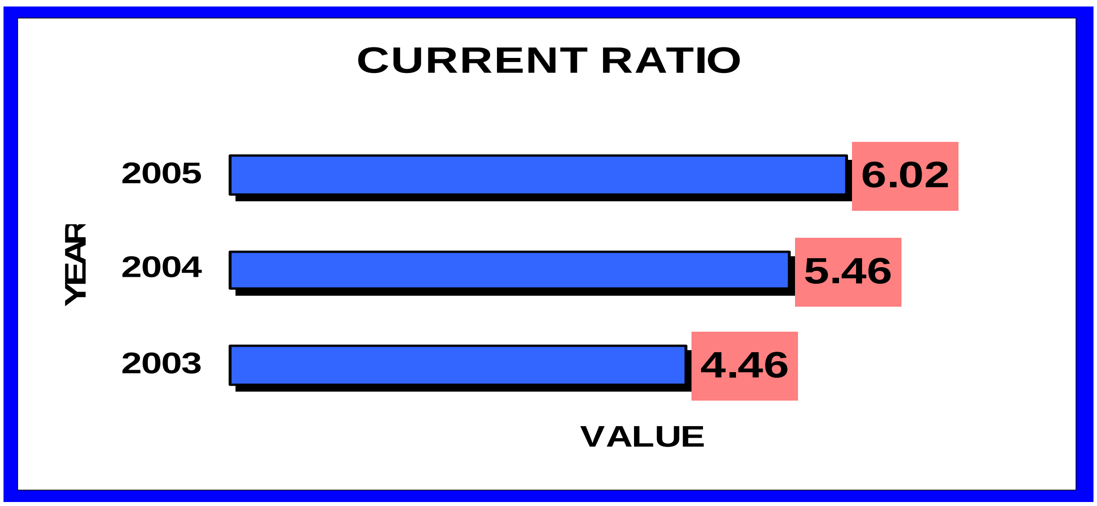
Figure-45 CFPS for Balaji Telefilms



CURRENT RATIO

Current ratio represents the excess of the current assets over the current liabilities in the company under study. As per industry norm, current ratio should be 1.5: 1 that means the company should have 1.5 times of its liquid assets over its liquid or current obligations. However, in Balaji Telefilms, the ratio is excellent and more than industry norm. **Figure – 46** reveals that its current ratio has increased from 4.46 to 5.46 in FY 2003 and FY 2004. It reached to 6.02 times in the FY 2005. In the business of the television and media, availability of liquid assets has its own importance. Since the company is the industry leader and pursuing a number of projects at a time, it requires a huge amount of liquid assets. Summing up, the company has marvelous liquid position on this count.

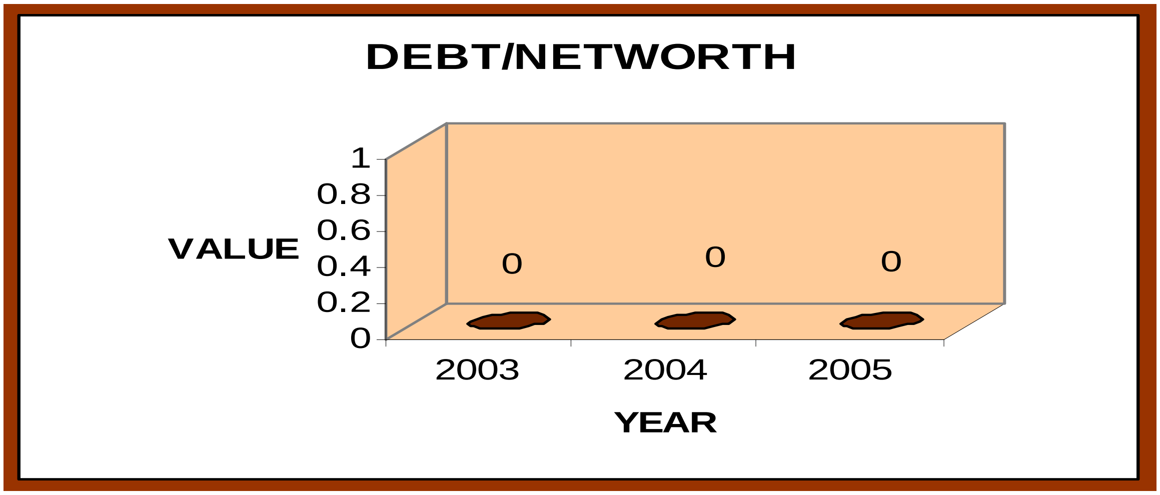
Figure-46 Current ratio of Balaji Telefilms Ltd.



DEBT/NET WORTH

It is really surprising that the company has zero debt equity ratio over the last three financial years**.(Figure -47)** The reader would be apprehensive about the fact that it pass on all risk to the owners. But there could be other reasons such as the company's financial standing is so sound that it has never used debt financing either from loans and advances from financial institutions, debenture holders or international financial instruments like FCCB.

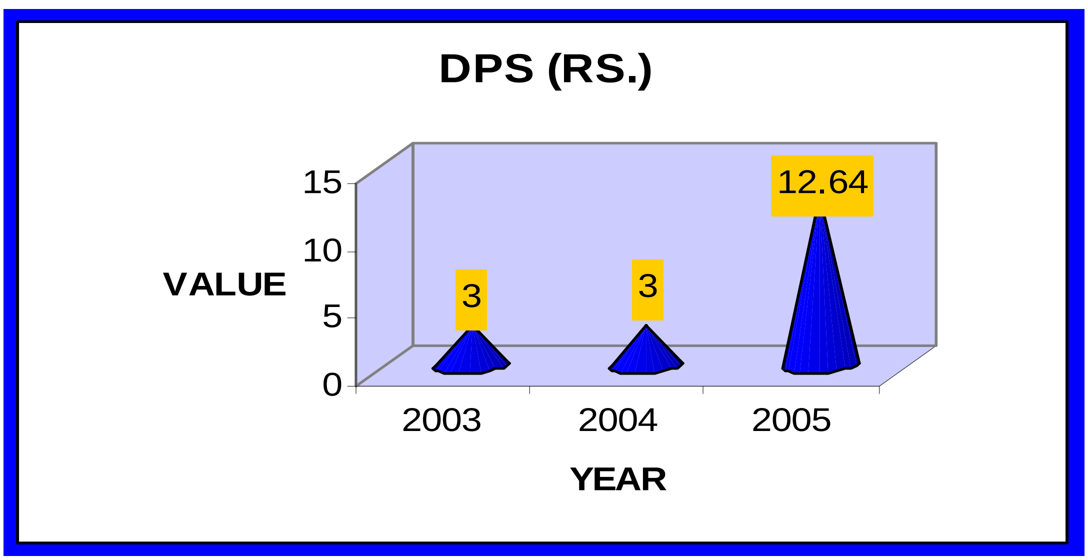
Figure-47 Debt/Net wroth of Balaji Telefilms LTd.



6. DPS

The dividend payout ratio provides an idea of how well earnings support the operational expenses. More mature companies tend to have a higher payout ratio. The dividend distributed in the **FY 2003** and **2004** is **3 Rs** which shows that the earnings are pretty stable for these two years. Whereas, in the **FY 2005**, the dividend boosted to **12.64 Rs**. that shows a high growth in the operational level. **(Figure -48).**

Figure 48 Dividend per share of Balaji Telefilms Ltd.



CONCLUSION

After analyzing sample companies, authors found that the stock market upward movements up to March, 2005 to March 2006 on year to year basis were very surprising. The Sensex was around 5700 points in May, 2005 which doubled to 11400 points in April, 2006.

The objective behind this survey was to dig out whether the media giants are actually delivering shareholders value or not. This objective came out from a fundamental analysis of 6 sample media companies. The authors, while studying the details of these samples found out that the apprehension in the investors' mind about their expected returns being not met properly in print media companies proved right in case of H T Media and Deccan Chronicle since its fundamentals are relatively weak as compared to electronic media and amusement park segments of the Media and Entertainment Industry. Secondly, in an answer to the question that are these companies better investment options in an IPO, the author infer that investors with a long-term perspective should take cautious approach while taking exposures in an IPOs from the companies in media and entertainment sector barring a few like Balaji Telefilms and Zee Telefilms as they have been significant under-performers to the broad market indices. H T Media, Deccan Chronicle Holdings Ltd, Jagaran Prakashan, and TV Today are quoting below their offer price. Investors seeking to profit from listing gains could employ their funds more efficiently by investing in other lucrative companies in other sectors. Having said this, it is pertinent to mention here that in general, IPOs have delivered the maximum returns at the time of listing over the last two years of 2004-06 but they started performing lackluster on the bourses after two-three months of listing.[4] So as a long-term rational investor, an individual need to focus on the fundamentals of the company rather than speculative bubble of the stock market especially at the time of listing of the securities.

The limitations of the study have been two points namely, the sample taken to study from the industry as a whole and authors have assumed the reported results by the company as facts.

In all, the industry has been showing a very positive growth trend in terms of revenue generation, employment opportunities, return on the equity and investment opportunities for the public at large. Though there have been few black sheep's in the industry just like in any other group or family of related companies. Still a word of caution is required for an amateur investor to invest in print media segment considering the overall performance of the sample companies.

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