National Research Journal of Business Economics
Volume-5, Issue-1, Year-2018 **ISSN: 2349-2015**

FINANCIAL ANALYSIS OF SELECTED MEDIA COMPANIES IN INDIA

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I. INTRODUCTION

Financial Analysis:

In today's scenario where the whole global market economy that is determined by its constant uncertainty, the business enterprises are faced with demanding economic conditions. They are subjected to continuous adjustments of environment as well as uncompromised pressure of competitors, who are striving every single day to boost the value of their products and services and moving constantly towards advancement. These circumstance results in an adverse blow on the entire performance of the enterprise. The enterprise, in order to be able to preserve a steady and competitive position in the market, to provide inputs for the management, to make important strategic decisions and to achieve their economic goals, is compelled to continuously analyze and observe their financial situation with which appears towards financial subjects and the surrounding's situation. A principal factor of effective financial management consists of financial situation knowledge. For this purpose, the financial analysis is used. With it the enterprise will be proficient enough to prevent the crunch, which would lead to remediation or even to bankruptcy.

Media Industry in India:

The Indian Media and Entertainment (M&E) industry is a sunrise sector for the economy and is making high growth strides. Proving its resilience to the world, the Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenues. The industry has been largely driven by increasing digitisation and higher internet usage over the last decade. Internet has almost become a mainstream media for entertainment for most of the people.

The Indian advertising industry is projected to be the second fastest growing advertising market in Asia after China. At present, advertising revenue accounts for around 0.38 per cent of India's gross domestic product.

Indian media and entertainment (M&E) industry grew at a CAGR of 10.90 per cent from FY17-18; and is expected to grow at a CAGR of 13.10 per cent to touch Rs 2,660.20 billion (US$ 39.68 billion) by FY23 from Rs 1,436.00 billion (US$ 22.28 billion) in FY18.The industry provides employment to 3.5-4 million people, including both direct and indirect employment in CY 2017.

Newspaper readership in India has increased by 40 per cent to 407 million in 2017 from 295 million in 2014.

India's advertising revenue is projected to reach Rs 1,232.70 billion (US$ 18.39 billion) in FY23 from Rs 608.30 billion (US$ 9.44 billion) in FY18.

The Foreign Direct Investment (FDI) inflows in the Information and Broadcasting (I&B) sector (including Print Media) in the period April 2000 – June 2018 stood at US$ 7.17 billion, as per data released by Department of Industrial Policy and Promotion (DIPP).

- As of August 2018, PVR Ltd acquired SPI Cinema for worth US$ 94.42 million.
- In H12018, 5 private equity investments deals were recorded of worth US$ 115 million.
- The Indian digital advertising industry is expected to grow at a Compound Annual Growth Rate (CAGR) of 32 per cent to reach Rs 18,986 crore (US$ 2.93 billion) by 2020, backed by affordable data and rising smartphone penetration.
- India is one of the top five markets for the media, content and technology agency Wavemaker where its services clients like Hero MotoCorp, Paytm, IPL and Myntra among others
- After bagging media rights of Indian Premier League (IPL), Star India has also won broadcast and digital rights for New Zealand Cricket up to April 2020.

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

The Government of India has supported 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 per cent to 100 per cent in cable and DTH satellite platforms, and granting industry status to the film industry for easy access to institutional finance.

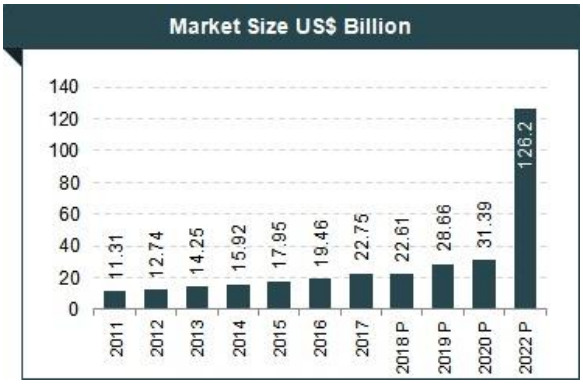

Figure 1: Market Size of Media Industry in US$ Billion

Zee Entertainment Enterprises Ltd

Zee Entertainment Enterprises Ltd (ZEEL) is one of India's leading television, media and entertainment companies. It is amongst the largest producers and aggregators of Hindi programming in the world, with an extensive library housing over 120,000 hours of television content. With rights to more than 3,500 movie titles from foremost studios and of iconic film stars, ZEEL houses the world's largest Hindi film library.

The company has a strong presence worldwide and entertains over 730 million viewers across 169 countries. Some of the most well-known brands owned by ZEEL include: Zee TV, Zee Cinema, Zee Premier, Zee Action, Zee Classic, Ten Sports, Ten Cricket, and many more.

Dish TV

Dish TV, India’s pioneer and first direct-to-home entertainment service is a division of Zee Entertainment Enterprises, the largest media and general television entertainment network with a wide range of business.

Dish TV is Asia’s largest DTH company and on its way to becoming one of the top DTH companies in the world. It was the first company to launch DTH service in India, which changed the face of Indian television viewing by making digital entertainment accessible. Dish TV uses three satellites to broadcast Hi-Definition and Standard Definition signals, which provides enhanced viewing experience.

Dish TV revolutionized television viewing by not just providing superior technology but also giving complete control of selecting channels and paying for them. The various packs offered by the company provide immense freedom of choice to the subscriber to customize his/her channel bouquet to the maximum possible, with multiple permutations and combinations. It also offers other features such as radio channels, electronic programme guide, parental lock, capacity up to 400 channels, and movie on demand.

Apart from such services, Dish TV values relationships and has always stood by its promise of pioneering vision, adherence to quality, providing best in class service, technological innovations and breakthrough initiatives. It has consistently set benchmarks for the Indian DTH industry and has redefined business through marketing innovations, introduction of new generation value-added services and the highest standard of customer delivery.

PVR

PVR is the largest and the most premium film and retail entertainment company in India. Since its inception in 1997, the brand has redefined the way entertainment is consumed in India. It currently operates a cinema circuit comprising of 462 screens in 104 properties in 44 cities pan India. The subsidiaries range from the largest bowling chain in India, 'PVR bluO' to the two casual dining restaurants Mistral and Mr. Hong under PVR Leisure. The group under the arm of PVR Pictures is into film distribution of non-studio/ independent international films in India. The company is also known for cultivating and spreading international movie culture countrywide and supports independent filmmakers under the banner of 'Directors Rare'.

PVR acquired the Cinemax properties in 2012 and currently serves 60 million patrons at pan India level. From Gold Class and Mainstream Cinemas to Director's Cut, PVR has made exceptional technology like the IMAX and the Enhanced Cinema Experience (ECX) accessible to its audience. Currently amongst the top 10 cinema companies in the world with respect to admissions per screen, PVR has entered the World Economic Forum's List of Fastest-Growing 'Global Growth Companies'.

TV18 Broadcast Ltd

TV18 Broadcast Ltd. is an Indian entity belonging to Network 18 Group based in Mumbai. TV18 owns and operates various channels of the NBCUniversal group for the Indian viewers such as CNBC-TV18, CNBC Awaaz & CNBC-TV18 Prime HD as well as Time Warner - CNN-News18.

TV18 has also forayed into the Indian factual entertainment space through a joint venture with A+E Networks and operates History TV18 and fyi TV18. In the regional space, the group operates a Gujarati business news channel – CNBC Bajar, a Marathi general news channel – News18 Lokmat and operates ten regional news channels under the News18 umbrella and 3 regional entertainment channels under the News18 brand. The group also operates a 24-hour Indian news channel in English – News18 India, targeting global audiences.

TV18 and Viacom18 have formed a strategic joint venture called IndiaCast, a multi-platform 'content asset monetization' entity that drives domestic and international channel distribution, placement services and content syndication for the bouquet of channels from the group and third parties.

On 31 January 2018 TV18 increased its stake in the Viacom 18 joint venture to 51% taking operational control.

II. TITLE OF THIS PAPER

In this paper, research has been done of selected Indian Media companies' financial performance by Financial analysis. So, Title of this paper is, "**Financial Analysis of Selected Media Companies in India**."

III. REVIEW OF LITERATURE

Manish Mittal and Arunna Dhademade (2005) they found that higher profitability is the only major parameter for evaluating sector performance from the shareholders point of view. It is for the companies to strike a balance between commercial and social objectives. They found that public sector companies are less profitable than private sector companies. Foreign companies top the list in terms of net profitability. Private sector companies earn higher income than public sector companies. Thus, there is urgent need for public sector companies to provide such products and services to stand in competition with private sector companies.

I.M. Pandey (2005): An efficient allocation of capital is the most important financial function in modern times. It involves decision to commit the firm's funds to the long-term assets. The firm's value will increase if investments are profitable and add to the shareholders wealth. Financial decisions are important to influence the firm's growth and to involve commitment of large amount of funds. The types of investment decisions are expansion of existing business, expansion of new business and replacement and modernization. The capital budgeting decisions of a firm must decide the way in which the capital project will be financed. The financing or capital structure decision. The assets of a company can be financed either by increasing the owners claims on the creditors' claims. The various means of financing represent the financial structure of an enterprise.

Medhat Tarawneh (2006) financial performance is a dependent variable and measured by Return on Assets (ROA) and the intent income size. The independent variables are the size of company as measured by total assets of company, assets management measured by asset utilization ratio (Operating income divided by total assets) operational efficiency measured by the operating efficiency ratio (total operating expenses divided by net income)

Dangwal and Kapoor (2010) also undertook the study on financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance, five banks had good performance and six banks had poor performance. Thus, the performance of nationalized banks differs widely

Prasana Chandra (2010): Fundamental of financial management covers all the aspects of the subject from the basics overview of the financial environment to the financial analysis and financial planning. The basic consists of forms of business organization which gives detailed information about the financial management of the organization. After the analysis part budgeting of capital and fundamental valuation of concept is in detail. It introduces the financial management and to the financial environment. The fundamental of financial management provides a good coverage of the basic concepts relating to the financial environment. The topics are explained with various examples like the tax system, financial institution, banking arrangement & the regulatory framework. All the concepts are explained using numerous examples & illustration besides the illustration given within the chapter, additional concepts, tools & technique with illustration are provided at the end of chapter section. The book takes an analytical approach and explains the various analytical methods in context.

Debashish Sur (2012) a financial statement is a collection of data organized interims of some laid down accounting procedures. Financial statements are blue print of the working or performance of any organization. The users of financial statements are direct users and indirect users

The direct users are

- Owners of business
- Management
- Creditors
- Tax authorities
- Customers

Indirect users are

- Stock exchanges
- Financial analysis
- Trade associations
- Competitors
- Financial press
- General public.

Dr Richa Jain, Prof. Mitali Amit Shelankar & Prof Bharti Sumit Mirchandani, (2015): Tools / Techniques of financial statement analysis: - The various tools and techniques of financial statement analysis are

- Trend Percentage Analysis: It is also known as Intra firm comparison in which the financial statements of the same company for few years are compared for some important series of information.
- Comparative Statement: These are the statement of financial positions at different periods of time. The financial position is shown in a comparative form over two period.
- Common Size Statements: The common size statements, balance sheet and income statements are shown in terms of percentages. The data is shown as percentage of total assets, liabilities and sales.
- Ratio Analysis: It is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various financial ratios for helping in taking decisions.
- Funds Flow Statements: It is a statement of studying the changes in the financial position of a business enterprise between the beginning and the end it is a statement indicating rises of funds for a period.
- Cash Flow Statements: It shows the changes in cash flow between two periods

IV. OBJECTIVES OF THE STUDY

1) To know the financial position of the selected companies.
2) To know the Liquidity and profitability position of the selected companies.
3) To know the financial strength and weakness of the selected companies.

V. RESEARCH METHODOLOGY

Research is a structured enquiry that utilizes acceptable scientific methodology to solve problems and create new knowledge that is generally applicable. Research Methodology is a way to solve the research problem in a systematic manner. The path to finding answers to your research questions constitutes research methodology. The sequence or steps, which will be followed, are explained under in detail.

1) Sample:

Indian media industry will be considered as the sample under study. The Indian Media and Entertainment industry is on an impressive growth path. The industry is expected to grow at a much faster rate than the global average rate. 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. So, that is why I have selected this sector and 4 major companies’ analysis will be done which are listed on the stock exchange.

2) Time Period:

The study will be of 2 consecutive years starting from 2016-17 to 2017-18.

3) Data Collection:

The research study will be totally based on secondary data, which will be collected through:

- Published annual financial reports of the sample companies
- Some other related data will also be collected through different sites for example: capital line, prowess, and money control.com etc. and from other related publications, bulletins, periodicals.

4) Data analysis:

For making the paper scientific and accurate following tools will be used:

1. Ratio Analysis

5) Hypothesis:

Corresponding to the objectives of the paper, the following hypothesis has been formulated and tested.

1) Ho = There is no significant different among ratios of selected units.

2) Ha = There is significant different among ratios of selected units.

6) Limitations of Study:

One of the major limitations of the paper is that the study will be based on 2 years' data of selected companies from the Indian Media industries. So, findings will cannot be applicable to whole industry for a long period. Because sample may not be representing all the common characteristics of universe.

VI. CALCULATION OF RATIOS

Liquidity ratios, Leverage ratios, Activity ratios and Profitability ratios.

Liquidity Ratio: These ratios portray the capacity of the business unit to meet its short-term obligation from its short-term resources (e.g.) current ratio, quick ratio. Current Ratio: Current ratio may be defined as the relationship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current liabilities. Current assets are those, which can be realized with in a period of one year. Current liabilities are those amounts, which are payable with in a period of one year.

Current Ratio = current Assets/ Current liabilities.

CURRENT RATIO	2018	2017
ZEE	3.08	5.46
DISH TV	0.91	0.81
PVR	0.74	0.76
TV 18	0.76	2.93

Table 1: Current Ratio

Interpretation: Ideally speaking the current ratio of the company should be 2: 1. In the above scenario we can say that Zee is having excess of current assets, which are not optimally utilized. In all other companies the current assets are not enough pat the current liabilities they should work on improving their short-term liquidity position otherwise they might face liquidity crunch.

Liquid Ratio: The term "liquid" refers to the ability of a firm to pay its short-term obligation and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

Liquid ratio = Liquid assets/ Liquid liabilities

LIQUID RATIO	2018	2017
ZEE	3.08	5.46
DISH TV	0.96	0.78
PVR	0.94	1.05
TV 18	3.31	0.06

Table 2: Liquid Ratio

Interpretation: Ideally the Liquid ratio should be 1:1, zee again is having excessive liquid assets with it, that are not optimally utilized. Dish TV and PVR have done a good job to maintain this ratio close to ideal ratio. TV18 is unable to maintain a balance, in 2017 it was too less, putting the company in danger and on the other hand in 2018 the have too much of liquid assets.

Leverage Ratio: Many financial analyses are interested in the relative use of debt and equity in the firm. The term "solvency" refers to the ability of a concern to meet its long-term obligation. According to, long-term solvency ratios indicate a firm's ability to meet the fixed interests, costs and repayment schedules associated with its long-term borrowings. (E.g.) debt equity ratio, proprietary ratio, etc.

Debt Equity Ratio: This ratio expresses the relationship between the external equities and internal equities or the relationship between borrowed funds and „owners" capital. It is a popular measure of the long-term financial solvency of a firm. This relationship is shown by the debt equity ratio. This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. This ratio is computed by dividing the total debt of the firm by its equity (i.e.) net worth.

Debt equity ratio = Outsider's funds / Proprietor's funds

DEBT-EQUITY RATIO	2018	2017
ZEE	0.00	0.07
DISH TV	0.02	0.00
PVR	0.63	0.77
TV 18	0.10	0.06

Table 3: Debt-Equity Ratio

Interpretation: As such there is no Ideal ratio for debt-equity but 1:1 is generally acceptable. Zee has almost reduced it debt to zero. Thus, we can say that it is not using the benefit of debt as a cheaper source of finance. Whereas PVR has taken a good advantage of debt in their capital structure.

Activity Ratio: These ratios evaluate the use of the total resources of the business concern along with the use of the components of total assets. They are intended to measure the effectiveness of the asset's management the efficiency with which the assets are used would be reflected in the speed and rapidity with which the assets are converted into sales. The greater the rate of turnover, the more efficient the management would be the stock turnover ratio, fixed assets turnover ratios etc.

Fixed Assets Turnover Ratio: This ratio is an indicator of how the resources of the organization utilized for increasing the turnover. It shows the ratio between the fixed assets and the net sales of the company. From this ratio one can understand how the assets are performing and being utilized in achieving the objectives of the company.

Fixed assets turnover ratio = Net Sales / Average Fixed Assets

FIXED ASSET TURNOVER RATIO	2018	2017
ZEE	3.23	2.93
DISH TV	2.39	2.86
PVR	2.00	2.04
TV 18	2.24	1.96

Table 4: Fixed Asset Turnover Ratio

Interpretation: There is no Ideal ratio, almost all the companies are having similar asset turnover ratio. We can say that Zee is doing much better as compared to other companies. On the other hand, PVR and Dish Tv have performed lower as compared to their previous year performance.

Debtor Turnover Ratio: This ratio is an indicator of how quickly the company can recover the dues from its debtors. It also shows that how credit sales are utilized for increasing the turnover. It shows the ratio between the credit sales and average debtors of the company. From this ratio one can understand how good the company's policies are in recovering timely payments from its debtors.

Debtor turnover ratio = Credit Sales / Average Debtors

DEBTOR TURNOVER RATIO	2018	2017
ZEE	3.31	3.48
DISH TV	27.37	26.73
PVR	19.99	23.56
TV 18	3.70	3.53

Table 5: Debtor Turnover Ratio

Interpretation: In this ratio, we can see that again that zee and TV18 are having fast recovery from their debtors. On the other hand, Dish TV and PVR are performing poor in managing their Debtors. They need to work on their credit policies.

Profitability Ratio: The profitability ratios of a business concern can be measured by the profitability ratios. These ratios highlight the end result of business activities by which alone the overall efficiency of a business unit can be judged. (E.g.) gross Profit ratios, Net profit ratios.

Gross Profit Ratio: This ratio expresses the relationship between Gross profit and sales. It indicated the efficiency of production or trading operation. A high gross profit ratio is a good management as it implies that the cost of production is relatively low.

Gross profit ratio = Gross profit / Net sales x 100

GROSS PROFIT RATIO	2018	2017
ZEE	38.18	38.28
DISH TV	1.89	14.83
PVR	10.88	8.58
TV 18	20.22	18.38

Table 6: Gross Profit Ratio

Interpretation: Zee is leading the industry with highest Gross profit ratio, taking advantage of its goodwill in the market. Dish TV has declined in terms of its performance as compared to previous year. PVR should also find it difficult in the coming time in terms of sustainability if it does not improve on its profit margins.

Net Profit Ratio: Net profit ratio establishes a relationship between net profit (after taxes) and sales. It is determined by dividing the net income after tax to the net sales for the period and measures the profit per rupee of sales**.**

Net profit Ratio = Net profit/ Net sales x 100

NET PROFIT RATIO	2018	2017
ZEE	31.16	27.14
DISH TV	1.16	8.63
PVR	5.40	4.64
TV 18	13.10	15.22

Table 7: Net Profit Ratio

Interpretation: Zee is leading the industry with highest Net profit ratio. Dish TV has declined in terms of its performance as compared to previous year. The net profit of PVR has improved from previous year, which shows its control over indirect expenses. The ratio of TV 18 has decreased, showing increase in indirect expenses of TV18 as compared to previous year.

VII. CONCLUSION

The financial analysis has helped to compare the performance of these companies. Zee has shown good profitability in terms of gross and net profits. But it is not taking advantage of the financial leverage by including debt in their capital structure. TV18 is striving hard to take position next to Zee. But, Dish TV and PVR can be seen struggling for their position in the Industry. On general basis Zee is recommended to use current assets optimally as they are having excess of current assets then required. Dish Tv and PVR are recommended to work on its profitability, they might face problems relating to survival in the coming times. Dish TV and PVR are also suggested to have a good credit policy implemented in their company.

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