

# MEDIA

## Ad factor: Will the glitter continue?

India Equity Research | Media

ZEE reported a spectacular 28.9% YoY ad growth in 9mFY16, triggering a flurry of investor queries to us whether such high ad growth is sustainable. Based on our deep dive analysis, we are glad to report, that the company's ad growth in coming quarters will be decent (aided by ZEE Anmol and increase in programming hours), albeit it may look optically lower as &TV is in the base and Viacom18 launches a movie channel *Rishtey Cineplex*. On the ad industry front, 2 major ad agencies have forecasted 15% YoY plus growth (impressive in current scenario) in CY16 in India. We believe heightened competition from Patanjali and high gross margins will keep FMCG ads ticking. Though higher competitive intensity and funding have fuelled ads from e-commerce companies in CY15, we estimate them to lose pace gradually due to high losses and slowdown in PE funding. However, 4G launch by Reliance Jio will aid ad growth. While TV broadcasters like ZEE, Sun TV and TV18 will gain from this robust ad growth, Jagran Prakashan, DB Corp and ENIL will gain in print/radio. Any cut in interest rate by RBI will further boost ad growth in CY16.

### Ads: E-com to slow, telecom to boom; FMCG to remain strong

High competitive intensity and PE funding forced online players (Amazon, Snapdeal, Flipkart) to up their ad spends in CY15. However, due to high losses and slowdown in PE funding we anticipate ad spending by e-commerce companies to cool down in H2FY17. But, we expect Reliance Jio launch (new entrant in 4G space) to compensate for tepid e-commerce. Gross margin benefit (HUL's gross margin improved 261bps YoY in Q3FY16) and Patanjali effect are boosting FMCG companies' ad spends. In fact, Patanjali was No.1 ad spender on TV for 1 week (January 23-29)! Patanjali's advertisements appeared 17,676 times beating traditional FMCG biggies. Fueled by new launches, higher competitive intensity and relaunch of Maggi Noodles, FMCG sector will continue to post double digit growth in ad spends.

### FTA to boost TV; election to drive print

With BARC rollout in rural areas, 4 FTA channels have featured in the top 10 Hindi GEC categories. We expect effective ad rate gap for 10 seconds to narrow between Pay TV and FTA (currently, FTA channels' effective ad rates are one-fifteenth of Pay TV channels). Upcoming elections in UP and Gujarat will lead to increased advertising in print segment. We expect likely interest rate cut by RBI in FY17 to gradually revive print ads (interest rate sensitive sectors contribute 24-25% to total print ad revenue).

### Pitch Madison and GroupM forecast double digit ad growth

The Pitch Madison Media Advertising Outlook (PMAO) 2016 report predicts ad industry to grow 16.8% YoY in CY16 driven by steep increase in ad spends on TV, while GroupM 2016 report pegs growth at 15.5% YoY. As per Pitch Madison, TV ad industry is expected to jump 20% YoY in CY16, while print segment is expected to rise 10% YoY. GroupM forecasts TV advertising growth to be 17.6% YoY in CY16.

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### FMCG ad spends: Key details

- Of the 10 FMCG companies which have reported Q3FY16 results, ad spends have grown by 15.4% YoY.
- Total ad spends by FMCG companies rose 22.8% YoY in Q2FY16.
- This was largely because of gross margin expansion. Ad spends by the entire FMCG pack had jumped 18.6% YoY in Q1FY16.
- Ad spends by 2 FMCG companies declined in Q3FY16, which are expected to pick up in Q4FY16.
- Maggi's market share has fallen to 42% from peak of 77-80% due to the ban. Nestle will try to widen the gap with its closest rival after the launch of new variants in the coming months backed by heavy advertisements.
- Increased competition from Patanjali will unleash an advertisement war amongst FMCG companies, boosting ad spends.

**Table 1: EDEL AD tracker in Q3FY16**

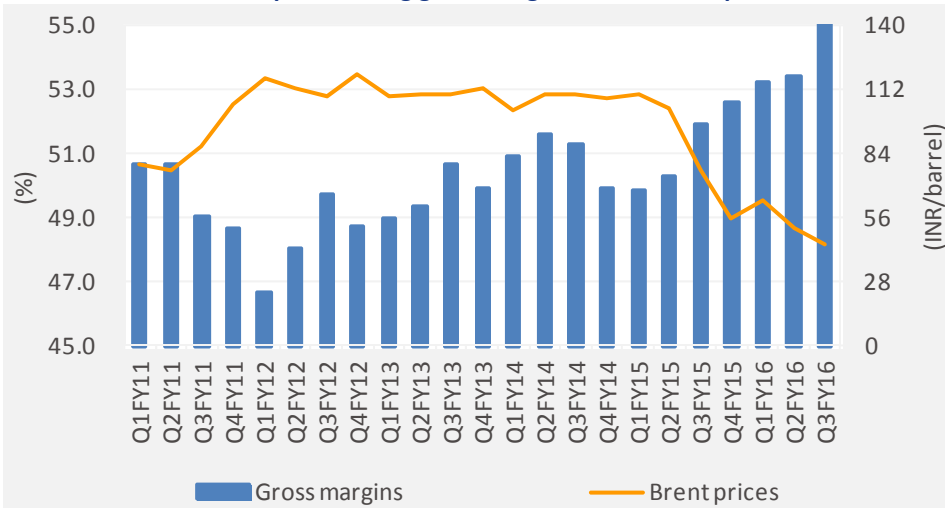
Company	Net sales (INR mn)	Ad spends (INR mn)	Ad spends (% of sales)	% ad spend growth (YoY)	YoY increase in ad spends (% of sales - bps)	Gross margins (%)	YoY gross margin expansion (bps)
HUL	79,810	11,378	14.3	16.4	169	53.1	261
Emami	7,885	1,497	19.0	44.0	176	70.8	351
Marico*	12,573	1,361	10.8	16.1	100	49.0	670
Dabur*	14,616	2,116	14.5	2.6	74	53.3	489
GCPL*	12,779	1,411	11.0	14.7	65	59.9	416
Agrotech	2,027	97	4.8	(0.5)	(20)	33.5	(96)
Bajaj Corp	2,132	153	7.2	(13.0)	(135)	65.9	333
Britannia	22,402	1,839	8.2	10.2	0	42.3	226
Zydus Wellness	1,102	240	21.8	22.1	657	70.7	(269)
Jyothy Labs	3,854	506	13.1	14.7	89	52.5	205
<b>Total</b>	<b>159,181</b>	<b>20,597</b>	<b>12.9</b>	<b>15.4</b>			

Source: Edelweiss research  
\*standalone numbers

**Table 2: EDEL AD tracker in Q2FY16**

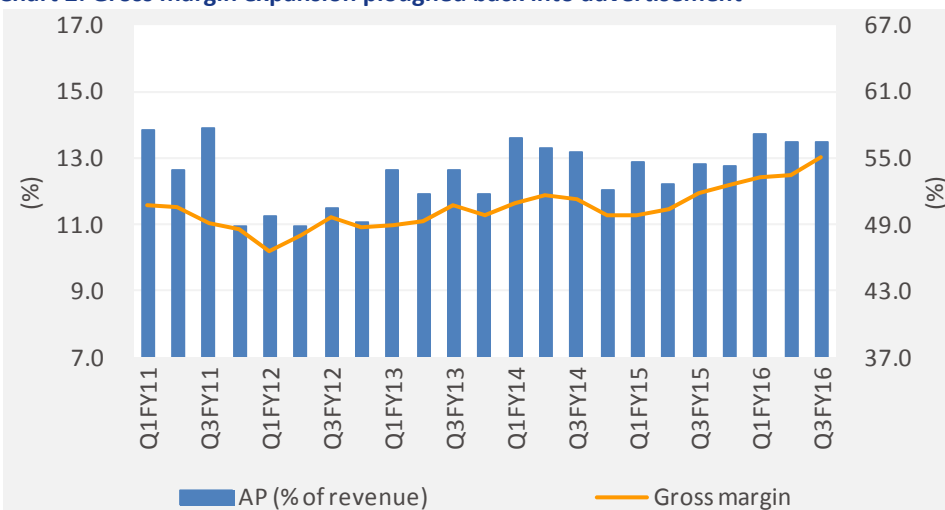
Company	Net sales (INR mn)	Ad spends (INR mn)	Ad spends (% of sales)	% ad spend growth (YoY)	YoY increase in ad spends (% of sales - bps)	Gross margins (%)	YoY gross margin expansion (bps)
HUL	79,554	11,450	14.4	23.8	228	51.0	281
Emami	5,746	1,115	19.4	23.8	100	70.6	439
Marico*	11,775	1,586	13.5	32.8	303	46.2	589
Dabur*	13,959	1,572	11.3	12.2	42	50.6	286
GCPL*	11,984	1,328	11.1	27.8	169	59.0	663
Agrotech	1,996	149	7.5	(15.7)	(149)	35.4	(151)
Bajaj Corp	2,082	109	5.2	(12.1)	(136)	64.9	345
Britannia	22,087	1,849	8.4	28.9	110	42.6	297
Zydus Wellness	1,053	201	19.1	11.0	153	72.2	236
Jyothy Labs	4,014	488	12.2	5.4	(43)	51.6	373
<b>Total</b>	<b>154,250</b>	<b>19,847</b>	<b>12.9</b>	<b>22.8</b>			

Source: Edelweiss research  
\*standalone numbers

**Chart 1: Decline in brent prices aiding gross margin for FMCG companies**

Source: Edelweiss research

Includes Bajaj Corp, Britannia, Colgate, Dabur India, Emami, GCPL, GSK Consumer, HUL, Marico

**Chart 2: Gross margin expansion ploughed back into advertisement**

Source: Edelweiss research

Includes Bajaj Corp, Britannia, Colgate, Dabur India, Emami, GCPL, GSK Consumer, HUL, Marico

**Patanjali: Competitiveness ensures higher ad spends**

Patanjali Ayurved's (Patanjali) Food and Herbal Park is one of the largest food and herbal company in the world equipped with world-class manufacturing machinery and R&D facility. The company is also working on plugging gaps in the supply chain and distribution and consolidating its online presence. Strong innovation and new product pipeline, pricing discounts to peers (15-30%), ayurvedic and natural propositions lend Patanjali's products an edge over competition. Further, the company has increased advertisements to increase brand recall value. With Patanjali trying to gain foothold in the FMCG category, we expect incumbent players to up their advertising spends.



#### EDEL CASE STUDY | Competition increasing in honey segment

Recently, Patanjali has increased advertising on honey highlighting the product's ayurvedic benefits. **The company was declared No. 1 spender on TV advertisements for one week!** Its advertisements appeared 17,676 times between January 23 and 29, beating all traditional FMCG biggies such as HUL and Cadbury. To counter the rising competition from *Patanjali Honey*, Dabur has come up with an advertorial in a national newspaper. The ad claims that *Dabur Honey* is ranked No.1 in purity and warns consumers of cheap honey that is available in the market. However, Patanjali has already captured ~2% market share in honey in a small span of time riding pricing advantage (priced 42% lower than Dabur). The honey segment is dominated by *Dabur Honey* which has close to 60-65% market share. Further, such advertorials from the market leader (Dabur India) show that Patanjali is causing concern with disruptive pricing and increased advertising. We expect Dabur to up the ante in this segment (to come up with more value-added offerings) to gain and protect its market share which will also lead to higher ad spends. **This is likely to happen across sectors.**

Fig. 1: Patanjali promoting is honey

**PATANJALI®**  
*Prakriti ka Ashirwad*

**The Goodness of Natural Honey From Patanjali**

Pure and natural Patanjali honey is a natural energy booster which strengthens your immune system and builds your body's resistance power against diseases. It is economically priced at 40% lesser than other brands and each 250 gm of Patanjali honey is available for Rs. 70 only.

OTHER BRANDED HONEY	PATANJALI HONEY
250 grams ₹122	250 grams ₹70

Divya Pharmacy's Ayurvedic Medicines for B.P, Sugar, Obesity, Cardiac ailments etc., are available only at Patanjali Dispensaries and Cure Centers which are run by Divya Yog Mandir Charitable Trust. There are more than 500 products of Patanjali Ayurved. These pure edible products and herbal beauty products are available at Patanjali stores as well as other retail outlets.

Source: Industry, Edelweiss research

Fig. 2: Advertisement by Dabur India

**ADVERTORIAL**

## DABUR HONEY RANKED No.1 IN PURITY

Dabur Honey has been ranked No. 1 in purity by Consumer Voice, a Govt. of India approved testing organisation. Consumer Voice found Dabur Honey to adhere to all FSSAI standards\*.

As Mr. Ashim Sanyal, Head of Consumer Voice puts it, "Dabur Honey is the purest of all, in terms of meeting not only the FSSAI standards: In fact it has crossed the FSSAI standards and met the EU standards as well. And in terms of antibiotic presence, it has zero antibiotic presence in honey so we ranked Dabur Honey as the No. 1 product. \*\*\*

religious texts and by philosophers, thinkers and scientists the world over. All such benefits depend however on the quality of honey. And of late, with a multiplicity of new honey offerings at really low prices, the question of quality is a pertinent one.

whether it stands up to the severest of quality checks with flying colours? Unlike other light-coloured and less viscous honey that has high moisture or water content with less goodness of honey in them; Dabur Honey is processed in state-of-the-art facilities. Dabur is the only company to have high-end machines to do C3 & C4 analysis which detects any kind of sugar or adulteration in honey. This is the reason why Dabur Honey is pure and the most consumed honey in India. While there are innumerable benefits of honey, what matters is whether your brand has the stamp of purity and trust as endorsed by the experts – like Dabur Honey.

**Beware of cheap honey!**

- ★ It may have added rice sugar and/or sugar syrup.
- ★ It may be poor quality of honey.
- ★ It may have more moisture.
- ★ It might be adulterated with Chinese Honey.
- ★ Please check whether it adhere to all FSSAI Standards or not.

Are you buying honey that has very harmful antibiotic content? Are you having substandard & low quality honey that does more harm than good? Do you know that cheap honey might be adulterated? They may contain sugar or sugar syrup wherein, they taste the same but can't be differentiated from pure honey. How does one vouch for the quality of honey and

Honey is an integral part of every household in India and forms a regular part of our daily intake for its healing benefits along with its anti-viral, anti-microbial and medicinal benefits. The advantages of honey have been talked about for thousands of years in

Log on to: [www.knowyourhoney.in](http://www.knowyourhoney.in) to know more.  
 \*[www.consumer-voice.org](http://www.consumer-voice.org) and [www.consumeraffairs.nic.in](http://www.consumeraffairs.nic.in)  
 \*\*\*Log on to: <http://bit.ly/daburhoneyqualityvideo>

Source: Industry, Edelweiss research

Table 3: Price comparison of Honey

Products	Company	Normalised w <sup>1</sup>	Nov-15
Patanjali honey	Patanjali	250 g	70.0
Dabur honey	Dabur	250 g	122.0
Safa honey	Safa	250 g	125.0
Zandu Pure Honey	Emami	250 g	165.0

Source: Edelweiss research

Also, Emami has come out with *Zandu Honey* and is positioning it on quality by guaranteeing no added sugar in its product, unlike other companies in the market which make no such claims (including Dabur and Patanjali). Emami has already started advertising its product on main stream TV channels as well as print media. We believe entry of players like Emami and Patanjali, which are putting comparable advertisements against another honey brands, will certainly put some pressure on Dabur India which will also roll out advertisements, which will be a boon for the advertising industry.



Fig. 3: Emami's Zandu pure honey ad



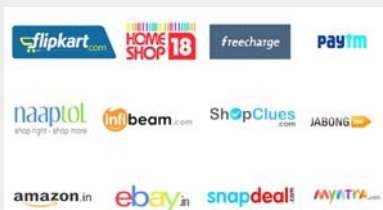
Source: Industry, Edelweiss research

After increasing advertisements on honey, Patanjali is also promoting its toothpaste *Dant Kanti*. Since launch, *Dant Kanti* has already taken 4-5% market share from other players backed by heavy spending in Hindi GECs. Further, Patanjali can also up its aggressive stance in the hair oil space. In a recent press interview, Baba Ramdev has taken on all hair oil companies by claiming the harm their products are causing to hair. As per him, these hair oils contain paraffin (LLP – derivative of crude) which is harmful for the scalp. Paraffin is a key ingredient of hair oil (used by all companies including Marico, Dabur India and Bajaj Corp). Patanjali is planning to advertise harmful effects of Paraffin soon. The company will promote its hair oil *Kesh Kanti* which does not contain paraffin.

Table 4: Pricing of Patanjali products versus other consumer goods companies

Product Name	Qty	Patanjali Comparable		Comparable Company	Discount
		Products Prices	Price		
Special Chyawanprash	500 gm	115	160	Dabur Chyawanprash	28.1%
Pineapple Juice	1 Ltr	85	99	Dabur Real Juice	14.1%
Cow Ghee	1 Ltr	450	710	Parsi dairy farm Cow ghee pure	36.6%
Honey	500 gm	135	199	Dabur Honey	32.2%
Patanjali Saundraya Face Wash	60 gm	60	80	Pears Face Wash	25.0%
Patanjali Kesh Kanti Anti Dandruff Shampoo	200 gm	110	159	Head & Sholders Anti Dandruff Shampoo	30.7%
Patanjali Dant Kanti (Tooth Paste)	200 gm	68	84	Pepsodent Germicheck	19.0%
Patanjali Kanti Neem Bathing Soap	75 gm	15	24	Himalaya Neem & Turmeric	37.5%
Patanjali Super Dish Wash Bar	175 gm	10	15	VIM Dish was Bar	32.8%
Patanjali Corn Flakes Mix	500 gm	145	182	Kelloggs Corn Flakes - Original	20.2%
Patanjali Detergent Powder Popular	250 gm	13	19	RIN Detergent Powder	31.6%

Source: Edelweiss research



### E-commerce ad spends: Key details

- Biggest spenders in the online space were Amazon, Flipkart, Snapdeal and Paytm.
- **We expect e-commerce companies to moderate ad spends in traditional media in H2FY17 due to high losses and slowdown in PE funding.**
- Startups will continue to proliferate in India; however, they may not add to advertising growth in India.
- However, e-commerce and startups will continue to spend on digital media due to targeted advertising.

**Table 5: Snapdeal financial**

Sanpdeal (INR mn)	FY14	FY15
Sales	1,682	9,377
Employee cost	870	3,670
Advertising cost	710	4,260
Business promotion cost	1,040	6,330
Transportation cost	1,190	5,750
Other expenses	522	2,557
Total expenses	4,332	22,567
Net profit	(2,650)	(13,190)

Source: trak.in, Edelweiss research

**Table 6: Amazon India financial**

Amazon India	FY14	FY15
Sales	1,690	10,219
Advertising and promotional expenses	900	14,060
Delivery charges	550	4,360
Employee cost	1,180	2,020
Others	2,270	7,016
Total expenses	4,900	27,456
EBITDA	(3,057)	NA
Net profit	(3,210)	(17,237)

Source: trak.in, Edelweiss research

**Table 7: Funding in Feb 2016**

Startup Name	Industry/ Vertical	City / Location	Amount (in USD)
Snapdeal	eCommerce	New Delhi	200,000,000
ZenDrive	Technology	Bangalore / SFO	13,500,000
Xpressbees	ECommerce	Pune	12,500,000
The Viral Fever	Consumer Internet	Mumbai	10,000,000
Aasaanjobs	Consumer Internet	Mumbai	5,000,000
Avanti Learning	Education	New Delhi	5,000,000
Jaypore	ECommerce	New Delhi	5,000,000
Altizone	Technology	Pune	4,000,000
RKSV	Consumer Internet	Mumbai	4,000,000
icustommadeit	eCommerce	Pune	4,000,000
Affinity	Consumer Internet	Bangalore	1,200,000
Mazkara	Consumer Internet	Pune / Dubai	1,000,000
Gingercrush	Ecommerce	Vadodara	1,000,000
Heads Up For Tails	Ecommerce	New Delhi	1,000,000
Bonhomia	Food & Beverage	New Delhi	1,000,000
iGrenEnergi	Technology	Mumbai	1,000,000
TableHero	Consumer Internet	Bangalore	1,000,000
BetterPlace	Technology	Bangalore	970,000
Buddy	Finance	Bangalore	500,000
Advantage Club	Consumer Internet	Gurgaon	400,000
GameZop	Technology	New Delhi	350,000
Ark Robot	Technology	Bangalore	350,000
RentSher	Consumer Internet	Bangalore	300,000
Careongo	ECommerce	New Delhi	300,000
Capzest	Consumer Internet	Mumbai	200,000
Anandakanda	Technology	Pune	150,000
ActOnMagic	Technology	Bangalore	125,000
RoadGods	ECommerce	New Delhi	100,000
Pindropmusic	Consumer Internet	Noida	100,000
iStyleYou	Consumer Internet	Gurgaon	100,000
AdUrCup	Consumer Internet	New Delhi	100,000

Source: trak.in, Edelweiss research

### Robust telecom to compensate tepid e-commerce

The telecom sector continues to be at the epicenter of growth, innovation, and disruption. A recent development is the pick-up in 4G services. **We anticipate the entry of Reliance Jio in 4G to increase competitiveness among telecom players.** In FY11, Airtel went through a rebranding exercise and launched a new logo and theme across markets. The company incurred INR3400mn on rebranding across India, South Asia and Africa. Hero Honda had also set aside INR1000mn in FY11 to create a new brand identity and corporate logo in India. We expect similar spending by Reliance Jio once it launches its 4G services in India. While Reliance Jio is expected to advertise heavily being a new entrant to attract market share, existing players will also be forced to advertise heavily to maintain their market shares. Hence, we expect advertising spends to pick up in the telecom sector.

As per Pitch Madison report, telecom/dth sector has already seen 34% YoY ad growth in CY15 compared to FMCG (20% YoY ad growth in CY15) and e-commerce (23% YoY ad growth in CY15). We expect ad growth for telecom/dth sector to remain above 30% YoY in CY16 driven by Reliance Jio launch.



### Sports to drive ad growth in CY16

In CY16, increased advertising spends on non-cricket leagues will be one of the key developments. IPL's success has led to creation of several other league-format sporting events such as Indian Badminton League, Hockey India League and the recently launched Pro Kabaddi League (two times a year). A new sports league, if successful, increases ad growth for the industry.

Further, flourishing of sports channel will also aid ad growth. STAR Sports has procured licenses from MIB for 10 sports channels, apart from the 8 sports channels it already has. These 10 channels are expected to include one standard-definition and one HD channel each in Marathi, Bengali, Malayalam, Tamil and Telugu. This further strengthens industry ad growth. Also re-entry of ESPN with Sony after 3 years will be another key development in the sports industry which will continue to aid ad growth.

**Table 8: IPL ad revenues**

Season	Year	No. of team	Ad revenues due to IPL
IPL Season 1	CY08	8	2,400
IPL Season 2	CY09	8	4,360
IPL Season 3	CY10	8	7,030
IPL Season 4	CY11	10	9,880
IPL Season 5	CY12	9	5,480
IPL Season 6	CY13	9	8,250
IPL Season 7	CY14	8	8,000
IPL Season 8	CY15	8	10,000
IPL Season 9	CY16	10	*12000

Source: Industry, Edelweiss research

**Fig 4: Leagues photos**



Source: Industry, Edelweiss research

### Elections to drive print ad growth

Government ads contribute ~10% to total advertising pie of print companies. In November 2013, the central government announced 19% increase in advertising rate for print companies, which augurs well for players. State governments spend nearly ~INR20mn on print advertisements in a calendar year as per a FICCI-KPMG report. During elections, government spending stops; however, election spending adds to the advertising pie. Upcoming elections in Uttar Pradesh, Gujarat and Uttarakhand will boost ad growth for print companies.

**Table 9: Upcoming elections in India**

State	Year
ASSAM	FY17
GOA	FY17
KERALA	FY17
MANIPUR	FY17
UTTARAKHAND	FY17
WEST BENGAL	FY17
TAMIL NADU	FY17
GUJARAT	FY18
HIMACHAL PRADESH	FY18
MEGHALAYA	FY18
NAGALAND	FY18
UTTAR PRADESH	FY18
PUNJAB	FY18
TRIPURA	FY18
CHHATISGARH	FY19
KARNATAKA	FY19
MADHYA PRADESH	FY19
MIZORAM	FY19
ANDHRA PRADESH	FY20
ARUNACHAL PD.	FY20
ODISHA	FY20
RAJASTHAN	FY20
SIKKIM	FY21
TELANGANA	FY21

Source: Election commission, Edelweiss research

### BARC ratings to drive advertising in FTA channels

BARC started reporting rural viewership data for the first time on a weekly basis from week 41 (October 10-16, 2015). With this rollout, the pecking order of Hindi GEC genre has seen a major shift towards FTA channels. Zee Anmol (FTA channel of ZEE), Rishtey (FTA channel of Viacom18), STAR Utsav (FTA channel of STAR India) and DD National have gained in viewership and features in the top 10 Hindi GEC categories.

Effective ad rates per 10 seconds for FTA channels are one-tenth compared to effective ad rates of pay TV channels. Given this major development in viewership, we expect broadcasters to increase quality content in FTA channels, which will lead to higher ad rates.

Table 10: Hindi viewership across FTA and Pay TV

Year 2015		Weekly ratings (mn)									
Week	Pay Star Plus	Pay Colors	FTA Zee Anmol	Pay Zee TV	FTA STAR Utsav	Pay Life Ok	FTA DD National	Pay Sony	Pay SONY SAB	FTA Rishtey	FTA Sony Pal
Wk 41	804	709	609	588	501	459	382	371	280	270	NA
Wk 42	735	651	652	595	474	496	523	348	327	269	NA
Wk 43	786	652	722	647	497	509	366	333	374	314	NA
Wk 44	788	695	730	695	511	534	NA	342	336	264	253
Wk 45	748	657	718	638	499	442	NA	302	338	283	306
Wk 46	796	709	719	648	519	478	NA	389	357	319	360
Wk 47	813	714	755	633	544	458	NA	397	372	284	316
Wk 48	796	764	756	677	562	516	NA	412	397	305	367
Wk 49	752	747	780	719	569	474	NA	429	356	306	302
Wk 50	707	726	753	677	507	438	NA	366	329	273	239
Wk 51	677	726	713	670	514	437	NA	343	323	287	240
Wk 52	712	745	743	651	465	397	NA	314	329	380	323

Year 2016		Weekly impressions (mn)									
Week	Star Plus	Colors	Zee Anmol	Zee TV	STAR Utsav	Life Ok	DD National	Sony	SONY SAB	Rishtey	Sony Pal
Wk 1	699	757	720	681	462	422	NA	328	334	390	352
Wk 2	728	762	683	637	507	426	NA	326	324	366	339
Wk 3	682	701	638	647	437	427	329	NA	361	394	395
Wk 4	712	703	665	692	487	411	339	NA	341	417	420
Wk 5	724	713	541	684	355	425	NA	339	335	289	331
Wk 6	711	689	670	686	438	437	348	350	NA	344	397

Source: BARC- HSM (U+R): NCCS All, Edelweiss research

Fig 5: FTA channels

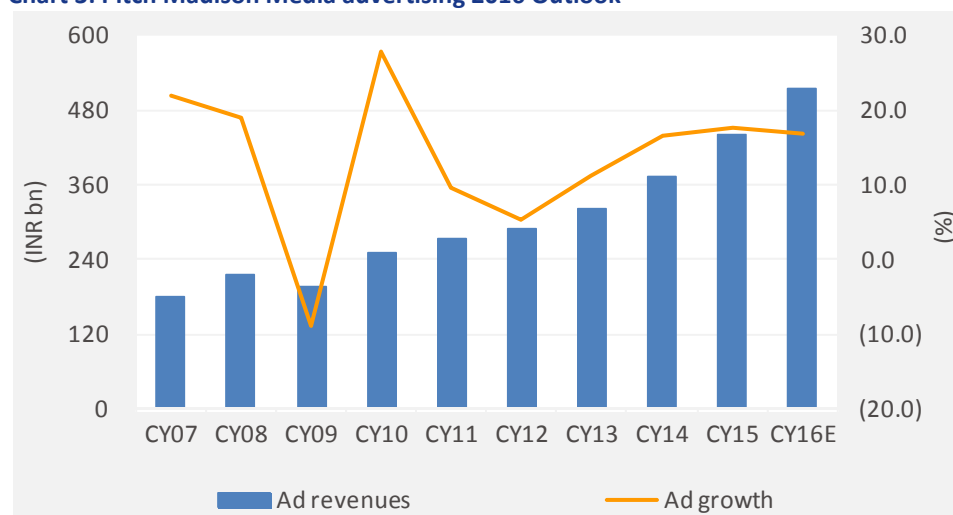


Source: Industry, Edelweiss research

### Pitch Madison 2016 forecast: Key details

- The Pitch Madison Media Advertising Outlook (PMAO) 2016 report predicts that advertising industry will grow 16.8% YoY to INR514bn.
- Television will continue to remain the favourite medium in CY16 and is expected to report robust 20% YoY growth (up 109bps YoY in CY16).
- Growth in television will be driven by FMCG (highest spender), telecom, mobile hand-sets, e-commerce and auto players.
- Print is expected to report 10% YoY increase in ad growth (down 223bps YoY) driven by new editions by regional publishers which will attract new advertisers.
- Digital advertisement will continue to outperform and is expected to grow 30% YoY (up 132bps YoY) in CY16. Programmatic buying has seen some traction in CY15 and is likely to strengthen further in CY16.

**Chart 3: Pitch Madison Media advertising 2016 Outlook**



Source: Pitch Madison, Edelweiss research

**Table 11: Break up of ad revenues**

INR bn	CY14	CY15	CY16E	YoY growth
TV	141	173	207	20.0
Print	153	169	186	10.0
Digital	40	51	67	30.0
Radio	13	15	18	18.0
OOH	23	27	30	12.9
Cinema	4	5	5	15.1
<b>Total</b>	<b>374</b>	<b>440</b>	<b>514</b>	<b>16.8</b>

Source: Pitch Madison, Edelweiss research

**Category contribution leading to higher ad growth in CY15**

- FMCG, e-commerce, auto and telecom/dth categories contributed the most to overall ad growth in CY15.
- FMCG continues to be the most dominant sector with 28% share (up 56bps YoY) of the overall advertising industry pie. The sector contributed INR21bn to overall growth in CY15.
- E-commerce is the second largest contributor with 10% share (up 42% YoY) in overall advertising industry. It contributed INR7.9bn in CY15.
- Auto is the third largest contributor to ad spends with 9% share (up 76bps YoY) in overall advertising industry. It contributed INR9bn in CY15.

**Table 12: Category-wise details leading to higher ad growth in CY15**

INR bn	CY14	CY15	YoY growth
FMCG	103	124	20.0
Ecommerce	34	42	23.0
Auto	32	41	28.0
Telecom/DTH	25	33	34.0
Real Estate & Home improvement	22	23	5.0
Clothing, Fashion, Jewellery	19	22	18.0
Education	17	19	16.0
BFSI	16	18	13.0
HH Durables	14	18	29.0
Travel & Tourism	10	14	47.0
Retail	10	12	18.0
Media	5	5	12.0
Corporate	5	5	9.0
Alcoholic Beverages	2	2	35.0
Others	62	61	(2.0)
<b>Total</b>	<b>374</b>	<b>440</b>	<b>17.6</b>

Source: Pitch Madison, Edelweiss research



### GroupM 2016 forecast: Key details

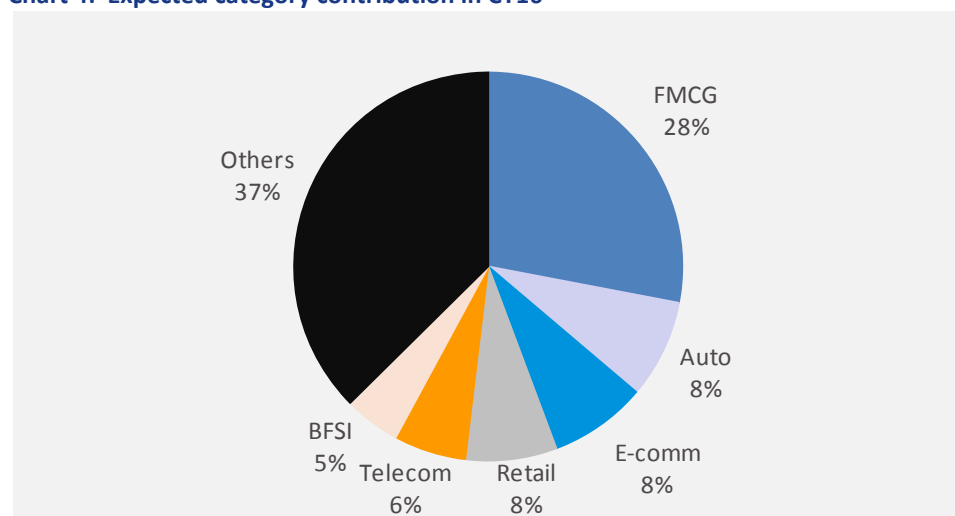
- The WPP-owned global media management investment company GroupM 2016 report predicts advertising industry to grow 15.5% YoY to INR575bn.
- FMCG, e-commerce and auto sectors will continue to report robust ad growth in CY16
- Further, events like T20 World Cup, Indian Premier League (IPL) and election will be additional triggers for advertising growth in CY16.
- TV advertising growth is expected to be 17.6% YoY in CY16 driven by FMCG, e-commerce and auto sectors.
- Regional advertising of telecom and FMCG brands will benefit regional print companies and is expected to report 6% YoY ad growth.
- Digital advertising will continue to remain the fastest growing medium and will report robust 47.5% YoY ad growth in CY16.
- In CY16, e-commerce advertising spends are expected to be high on account of increasing competition, market expansion and new players entering the space.
- With the launch of 4G services in India, telecom companies are expected to roll out extensive marketing campaigns across media, thus boosting ad growth.

**Table 13: India advertising revenue forecast**

Advertising (INR bn)	CY11	CY12	CY13	CY14	CY15	CY16E	YoY growth
TV	140	148	169	194	230	271	17.6
Radio	15	15	16	18	20	22	9.9
Newspaper	133	136	142	153	161	171	6.0
Magazines	8	8	8	8	7	6	(14.8)
Cinema	2	2	3	3	4	5	25.0
Out of Home	21	22	23	25	26	27	5.8
Digital	15	19	25	34	50	73	47.5
Media Total	334	351	386	436	498	575	15.5

Source: GroupM, Edelweiss research

**Chart 4: Expected category contribution in CY16**



Source: GroupM, Edelweiss research

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### Coverage group(s) of stocks by primary analyst(s): Media

DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enter

#### Recent Research

Date	Company	Title	Price (INR)	Recos
15-Feb-16	<b>Hathway Cable &amp; Datacom</b>	Activation revenue drives stellar show; <i>Result Update</i>	35	Buy
12-Feb-16	<b>Sun TV Network</b>	Floods drown ads, outlook favorable; <i>Result Update</i>	330	Buy
04-Feb-16	<b>Den Networks</b>	Activations score high, but soccer fails to strike; <i>Result Update</i>	78	Hold

#### Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	145	54	15	214
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	147	61	6	

#### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

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