

A Study on the Profitability Analysis of Media and Entertainment Industry in India - With Special Reference to Select Companies

G. Priyanga¹, Dr. L. Ganesamoorthy²

¹Doctoral Research Scholar, Department of Commerce, Annamalai University, Tamilnadu, India

²Assistant Professor in Commerce, Annamalai University, Tamilnadu, India

*Corresponding Author

Dr. L. Ganesamoorthy

Email: lganesh_cdm@yahoo.co.in

Abstract: The study has been undertaken to analyse the performance of two media and entertainment companies namely, Sun Network Ltd. and Zee Entertainment Ltd. for the period of eleven years from 2005-06 to 2015-16. The researchers used ratio analysis as financial tool and percentage, mean, standard, deviation, co-efficient of variation and compounded annual growth rate (CAGR) as statistical tools. The study used secondary data (accounting data), which were collected from annual reports of the respected companies retrieved from the official websites of the companies. The study found that both the companies are found to be progressing in terms of size based on its total income. CAGR of total income of these two companies are very high. Net profit of these two companies also increased at very high rate during the study period. Eventhough the growth rate of total income of Sun network was higher than Zee Entertainment Ltd., growth rate of net profit was higher for Zee than Sun. Advertisement income of both the companies contributed more than 50 per cent to the total income. Profitability of Sun was found to be good than Zee in terms of net profit ratio, operating profit ratio, Return on Equity, Return on assets and Earnings per share.

Keywords: Profitability, operating profit, ratio, equity and income

INTRODUCTION

Communication is essential for every human being in the world. In olden ages communication was used to communicate important messages. But in modern age communication is not only used for communicating messages and also used to know news, enjoying various programmes in television and so on. Many corporates entered into the media and entertainment sector, since it is one of the progressing sector and scope for further development in future the sector, television channels are very popular among people, so this field is considered as one of the profitable one. As per the reports of KPMG [4], FICCI Indian Media and Entertainment industry in India analysis, 2016, the size of media and entertainment industry in India was Rs 1,157 billion in 2015, it was Rs 1,026 billion during 2016, this increase accounted 12.8 per cent over the previous year. TV, Print, Flim, Radio, Music, Out Of Home (OOH), Animation and VFX, Gaming and digital advertisement are the componants of the industry. Among them TV is the biggest components with the size of Rs. 542.2 billion in 2015, it contributed 46.86 percent to total size of the industry. The size of TV business had grown by 14.2 per cent over the previous year. TV entertainment business is growing because, viewers of television is also growing the number of TV households in India was 175 million in 2015. The percent ratio of cable and satellite subscribers in India was 83 per cent in 2015. Many corporates have TV channels in various languages in

the country. Among them Sun Network Ltd. and Zee Entertainment Ltd. are leading companies, since both of the companies are telecasting programmes and news in various languages in the country through number of regional channels. Analysis the performance of leading industries is important in the point of view of both the management of the company and shareholders. Because good performance of a company will increase shareholders wealth. Analysis of financial aspect is very important; there are various aspects in analysis of financial performance of a company. All business activities aim to profit, hence analyzing profitability of a company will bring its performance. So the researchers have analysed profitability of these two companies.

LITERATURE REVIEW

Chellamma A.V and Sornaganesh V [1] took five media and entertainment companies to analyse financial performance. The study found that Sun direct had highest net profit margin than other selected companies. The company also perfomed will in terms of earnings per share, operating profit margin and return on assets than other selected companies. The study also found that Zee enterprices had greater short term liquidity. Sadeep Goel [2] in his study found that the patern of capital expenditure of Zee was not uniform, where as capital expenditure pattern of NDTV was stable and in increasing trend. Asma khan and Joyoti singhal [3] analysed profitability of selected IT

companies in India. The study found that performance of HCL technologies in terms of profitability was satisfactory. But they did not perform well in term of return on networth and return on long term funds. Thech Mahindra had satisfied performance in term of return on networth and return on long term funds.

STATEMENT OF THE PROBLEM

Media and entertainment industry is one of the growing industries in India and it provides more employment opportunities both directly and indirectly. Television channel companies, content providers, advertisement agencies, radio channels are coming under the industry. Among them the television channels are leading components of the industry. The entertainment industry has tough competition among the various media and entertainment companies, of which. TV entertainment companies have more on competit. Development of a company will help to increase shareholders' wealth and increase size of the firm. Performance analysis of such type of companies will bring current position and scope for future development. It also will help the investors of the company to take investment decisions. So it is important to assess performance of this type of progressing companies, to profit is the primary objective of any business organisation. All business activities aim to profit, hence studying profitability analysis will help to know performance of a firm .Hence the researcher has analysed profitability of the selected media and entertainment companies in India.

OBJECTIVE

The study has been made with the following objective

1. To analysis profitability of selected media and entertainment companies in India.

METHODOLOGY

The study has been undertaken to analyse the performance of two selected media and entertainment companies in India in terms of profitability. For this purpose the researchers have selected two major companies from the industry namely Sun Network Ltd. and Zee Entertainment Ltd. Since these two companies telecast programmes throughout the country in various language through number of regional channels. The period of the study spanned eleven years from 2005-06 to 2015-16. The researchers used ratio analysis as financial tool for primary analysis. They also employed percentage, mean, standard, deviation, co-efficient of variation and compounded annual growth rate (CAGR) as statistical tools. The study required secondary data (accounting data). Accounting data were collected from annual reports of the respected companies retrived from the official websites of the companies. The study has been categorised into three parts, first pare analysed the trend and growth of total income and profit of the companies, second part analysed major components of income of the companies and the third part analysed profitability of the companies using ratio analysis. For this purpose Net Profit Ratio (NPR), Operating Profit Ratio (OPR), Return on Equity (ROE), Return on Assets (ROA) and Earnings per Share (EPS).

RESULTS AND DISCUSSION

The study has analysed profitability of two major telecast companies namely Sun Network Ltd. and Zee Entertainment Ltd. For the period of 11 years from 2005-06 to 2015-16 Table 1 presents the results of total income, net profit and their trend of the selected companies.

Table-1: Income, Net Profit and their Trend (Rs.in crore)

Year	SUN		ZEE		SUN		ZEE	
	Total Income	% Change	Total Income	% Change	NP	% Change	NP	% Change
2005-06	339.11		882.42		130.23		66.62	
2006-07	726.40	114.21	929.13	5.29	268.82	106.42	166.21	149.49
2007-08	925.99	27.48	1143.92	23.12	366.98	36.52	295.12	77.56
2008-09	1091.52	17.88	1315.33	14.98	437.11	19.11	309.74	4.96
2009-10	1437.52	31.70	1384.93	5.29	567.38	29.80	558.84	80.42
2010-11	1970.50	37.08	2234.25	61.33	772.22	36.10	576.42	3.14
2011-12	1831.57	-7.05	2332.90	4.42	694.65	-10.05	489.70	-15.04
2012-13	1837.15	0.30	2684.80	15.08	683.34	-1.63	640.70	30.84
2013-14	2105.13	14.59	3260.20	21.43	716.96	4.92	772.30	20.54
2014-15	2331.45	10.75	3653.50	12.06	737.23	2.83	831.80	7.70
2015-16	2493.30	6.94	4429.20	21.23	867.25	17.64	859.30	3.31
Mean	1553.60		2204.60		567.47		506.07	
SD	700.28		1198.88		234.55		268.24	
CV	45.07		54.38		41.33		53.01	
CAGR	19.89		15.80		18.81		26.17	

Source :Computed from annual reports

It could be observed from table 1 that total income of Sun Network Ltd. was in increasing trend during the study period. It increased 6 times during the study period. More than 100 percent increase was found during 2006-07 over the previous year and total income of the company increased considerably upto 2010-11. Total income of the company met a decrease during 2011-12 by 7.05 per cent over the previous year and during other years there was a considerable growth rate except during 2012-13. The results of Mean, SD and CV show moderate level of deviation in total income of Sun Network. Total income of Zee Entertainment Ltd. also increased during the study period, it accounted five times increase over the study period. Total income of the company increased at a substantial rate during 2010-11 by 61.33 percent. Moderate level of deviation was found in total income of the company as shown by Mean, SD and CV. The results of CAGR indicate that total income of both the companies increased substantially during the study period (19.89 and 15.80 per cent respectively), but growth rate of total income of Sun Network Ltd. was more than Zee Entertainment Ltd.

Net profit of Sun Network Ltd. met more than six time growth during the study period. This growth accounted 18.81 per cent as shown by the result of CAGR. Net profit of the company increased by 106.42 per cent during 2006-07 and the growth rate over their previous years was good upto 2010-2011. Net profit of

the company went down by 10.05 and 1.63 per cent respectively during 2011-12 and 2012-13. Moderate level of deviation was found in net profit of the company as shown by the results of Mean, SD, and CV. Net profit of Zee Entertainment Ltd. increased 13 times during the study period. The calculated value of CAGR of net profit was 26.17 per cent, it is considered high and therefore there was rapid growth in net profit of the company. Net profit of the company met high rate of growth during 2006-07, 2007-08 and 2009-10 by 149.49, 77.56 and 80.42 per cent respectively. During 2011-12, net profit of the company decreased by 15.04 per cent over the previous year. The calculated value of CAGR of net profit of Zee Entertainment Ltd. (26.17 per cent) showed rapid growth in net profit during the study period. It is observed from the table that growth rate of total income of Sun Network Ltd. was more than the growth rate of Zee Entertainment Ltd., where as, net profit of both the entertainment companies increased rapidly, but growth rate of Zee Entertainment Ltd. found to be higher than Sun Network Ltd.

As a services sector companies, entertainment companies earn income through services. Advertisement income and subscription income are the major incomes of the companies. Table 2 gives the results of contribution of advertisement, subscription and other incomes to total incomes to total income of the sample companies.

Table-2: Share of Major Incomes to Total Income

Year	SUN			ZEE		
	Adv. Income	Sub. Income	Other Income	Adv. Income	Sub. Income	Other Income
2005-06	59.46	12.96	27.58	37.40	40.89	21.70
2006-07	49.98	23.01	27.01	55.01	17.84	27.16
2007-08	50.39	24.77	24.85	63.58	14.94	21.48
2008-09	52.47	19.71	27.82	59.71	17.02	23.27
2009-10	54.87	23.64	21.49	58.54	24.56	16.90
2010-11	49.24	25.49	25.27	64.39	22.73	12.88
2011-12	51.62	27.06	21.32	58.29	26.74	14.97
2012-13	57.14	27.87	14.99	60.21	29.24	64.54
2013-14	50.69	30.61	18.70	61.42	26.70	11.89
2014-15	48.73	31.65	19.62	60.96	25.88	13.16
2015-16	48.56	32.70	18.74	65.06	24.31	10.63

Source: Computed from Secondary Data

It was observed from table 2 that half of the total income of Sun Network Ltd., earned through advertisement, percentage contribution of advertisement income to total income of the company ranged from 48.56 to 59.46 per cent. Contribution of subscription income of Sun Network Ltd. was increasing during the study period. It contributes one fourth to the total income. Percentage of contribution of subscription income of the company ranged between 12.96 and

32.70 per cent. Percentage contribution of other incomes to total income of the company ranged from 14.99 to 27.82 per cent during the study period, but contribution of other income to total income was decreasing over the study period. Contribution of advertisement income of Zee Entertainment Ltd. was increasing during the study period. It was lower than 50 per cent during the first year and during rest of the years contribution of advertisement income to total income

was more than a half. The percentage contribution of advertisement income to total income ranged from 37.40 to 65.06 per cent. Percentage contribution of subscription income to total incomes of the company ranged between 14.94 and 40.89 per cent. In most of the years its contribution accounted more than one fifth of the total income. It was observed from the table that advertisement income was the major income of the selected companies followed by subscription income.

Contribution of advertisement income was little more in case of Zee Entertainment Ltd. than Sun Network Ltd.

Profitability of a company could be brought out by employing ratio analysis. The researchers have analysed profitability of the selected companies by calculating net profit ratio, operating profit ratio, Return on equity, Return on assets and Earning per share. These results along with Mean, Standard Deviation and Co-efficient of variation are presented in table 3.

Table-3: Profitability Ratios

year	SUN					ZEE				
	NPR	OPR	ROE	ROA	EPS	NPR	OPR	ROE	ROA	EPS
2005-06	38.40	35.25	42.02	21.53	21.00	7.55	3.35	4.31	3.28	1.61
2006-07	37.01	30.63	22.60	20.09	39.02	17.89	13.31	8.59	7.59	3.83
2007-08	39.63	33.22	24.95	23.16	9.31	25.80	20.65	13.87	12.60	6.81
2008-09	40.05	32.77	24.39	21.82	11.09	23.55	21.48	13.22	12.26	7.14
2009-10	39.47	36.60	28.16	24.30	14.40	40.35	33.95	19.78	18.91	12.88
2010-11	39.19	36.91	32.37	31.82	19.60	25.80	23.71	19.85	19.73	5.89
2011-12	37.93	34.18	26.26	24.01	17.63	20.99	15.49	16.35	13.90	5.11
2012-13	37.20	36.39	23.62	21.34	17.34	23.86	19.48	19.11	16.05	6.72
2013-14	34.06	33.88	22.60	20.61	18.19	23.69	18.25	19.46	16.37	8.04
2014-15	31.62	27.95	21.81	20.53	18.71	22.77	16.60	18.13	14.86	8.66
2015-16	34.78	31.29	24.70	23.06	22.01	19.40	14.44	17.05	13.93	8.95
Mean	37.21	33.55	26.68	22.93	18.94	22.88	18.25	15.43	13.59	6.88
SD	2.68	2.79	5.90	3.27	7.73	7.75	7.52	5.07	4.76	2.93
CV	7.21	8.31	22.13	14.27	40.81	33.86	41.21	32.84	35.03	42.67

Source : Computed from annual reports

Table 3 shows that net profit ratio of Sun Network Ltd. found to be high during all the years of the study period. Net profit ratio of the company ranged between 31.62 and 40.05 per cent during the study period. Mean value of the ratio also stood high. The ratio was more than 30 per cent during all the years, it shows very high rate of net profit of the company. Net profit ratio of Zee Entertainment Ltd. was fluctuating during the study period. The ratio ranged from 7.55 to 40.35 per cent during the study period, mean value of the ratio was 22.88 per cent, except 2005-06, during all other years net profit ratio of the company was good. The results of SD and CV showed very low level of deviation in the ratio of Sun Network Ltd., but deviation was at moderate level in case of Zee Entertainment Ltd. Operating profit ratio of a company will exhibit operating performance. Table 3 shows that operating profit ratio of Sun Network Ltd. found to be high during the study period. The ratio ranged from 27.95 to 36.91 per cent. Operating profit ratio of the company was lower than net profit ratio during all the years of the study period, its shows more non-operating expenses incurred by the company. But the results of Mean ratio indicated good operating performance of the company. Operating profit ratio of Zee Entertainment Ltd, was at considerable level. The ratio ranged from 3.35 to 33.95 per cent. High non-operating expenses are

found in case of Zee, since operating profit ratio was lower than net profit ratio during all the years of the study period. The results of SD and CV showed very low level of deviation in the ratio for Sun Network Ltd. and moderate level of deviation was found in case of Zee Entertainment Ltd

Return on equity of Sun Network Ltd. was found to be high during the study period. It ranged between 21.81 and 42.02 per cent. Profitability of Sun Network in terms of ROE was good. ROE of Zee Entertainment Ltd. was low during the first two years and it was at considerable level during rest of the years. The ratio ranged between 4.31 and 19.85 per cent. The ratio was higher in case of Sun Network Ltd than Zee Entertainment Ltd. The ratio of Return assets of Sun Network Ltd was found to be high during the study period. It was more than 20 per cent during all the years. The ratio ranged from 20.09 to 31.82 per cent. Return on assets of Zee Entertainment Ltd. ranged from 3.28 to 19.73 per cent during the study period. The ratio was found to be low during first two years and it was high during other years. Profitability of Sun Network was good compared to Zee Entertainment Ltd in terms of Return on assets. Earnings per share is the measure of profitability from the side of shareholders. Earnings per share of Sun Network Ltd. ranged from Rs. 9.31 to

Rs. 39.02 per share, Mean value of the ratio stood at Rs. 18.94. Earnings per share of Zee Entertainment Ltd. was low during all the years of the study period. It ranged between Rs. 1.61 and Rs. 12.88 per share. Except during 2009-10, the ratio was less than Rs. 10 for Zee Entertainment Ltd. Moderate level of deviation was found in the ratio in case of both the selected companies as shown by the results of SD and CV.

CONCLUSION

The study has been undertaken to analyse profitability of two leading media and entertainment companies, namely Sun Network Ltd. and Zee Entertainment Ltd. for the study period of 11 years from 2005-06 to 2015-16. Both the companies are found to be progressing in terms of size based on its total income. Compounded annual growth rate of total income of these two companies are very high. Net profit of these two companies also increased at very high rate during the study period. Eventhough the growth rate of total income of Sun network was higher than Zee Entertainment Ltd., growth rate of net profit was higher for Zee Entertainment than Sun Network. It was also found that advertisement income of both the companies contributed more than 50 per cent to the total income during the period of the study. Profitability of Sun Network Ltd. was found to be good than Zee Entertainment Ltd. in terms of net profit ratio, operating profit ratio, Return on Equity, Return on assets and Earnings per share.

REFERENCES

1. Chellamma AV, Sornaganesh V. Fundamental analysis of media and entertainment industry in India. *International journal of informative & futuristic Research*. 2016; 3(8): 3076-3089.
2. Goel S. Investment practices of media sector in India: A comparative analysis of NDTV and ZEETV. *Management Insight*. 2009; 5(1): 30-37.
3. Khan A, Singhal J. Growth and Profitability Analysis of Selected IT Companies. *International Journal of Commerce, Business and Management*. 2015; 4(3): 1189-1195.
4. KPMG. Report on FICCI Indian media and entertainment industry in india. 2016.