



PROFITABILITY ANALYSIS OF MEDIA AND ENTERTAINMENT INDUSTRY IN INDIA- WITH SPECIAL REFERENCE TO NEW DELHI TELEVISION LTD

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ABSTRACT

Media and entertainment industry plays a crucial role in the development of an economy in the present scenario the importance of this industry is increasing rapidly. Profitability analysis of this industry is an important task as we and all directly and individually related with this industry. Present study is an attempt to analysis the profitability of media and entertainment with special reference to New Delhi television ltd from the year 2006-07 to 2015-16 with ratio analysis. It was found that advertisement income of the company contributed from than 60% of the total income during the study period and the net profit is fluctuating during the study period.



KEYWORDS : Media, Entertainment, Advertising, Profitability.

INTRODUCTION

Communication is essential for every human being in the world. In olden ages communication was used to communicate important messages through various modes. 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 corporate entered into the media and entertainment sector, since it is one of the progressing sectors and scope for further development in future is bright. In 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, 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, Film, Radio, Music, Out Of Home (OOH), Animation and VFX, Gaming and digital advertisement are the components 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 corporate have TV channels in various languages in the country. News channels are very popular among people. TV channels have news channels in various regional languages. But the common language, English news channels are being telecasted throughout India, Among them NDTV is very popular. Hence the researchers have selected the company for analysing. 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 the selected companies.

REVIEW OF LITERATURE

Chellamma A.V and Sornaganesh V (2016) 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 performed well in terms of earnings per share, operating profit margin and return on assets than other selected companies. The study also found that Zee enterprises had greater short term liquidity. Sadeep Goel (2009) in his study found that the pattern 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 (2015) analyzed 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 net worth and return on long term funds. Tech Mahindra had satisfied performance in term of return on net worth and return on long term funds.

STATEMENT OF THE PROBLEMS

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 competition. 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 Profit is the primary objective of any business organization. All business activities aim to profit, hence studying profitability analysis will help to know performance of a firm .Hence the researcher has analyzed profitability of the New Delhi Television Ltd.

OBJECTIVES

The study has been made with the following objective

1. To analysis profitability of New Delhi Television Ltd.

METHODOLOGY

The study has been undertaken to analyze the performance of New Delhi Television Ltd in terms of profitability. Since this company telecast news channel throughout the country. The period of the study spanned eleven years from 2006-07 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 retrieved from the official websites of the company. The study has been categorized into three parts, first part analyzed the trend and growth of total income and profit of the companies, second part analyzed major components of income of the companies and the third part analyzed 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) are used.

RESULTS AND DISCUSSION

The study has analyzed profitability of one major telecast company namely New Delhi Television Ltd. For the period of 10 years from 2006-07 to 2015-16 .Table 1 presents the results of total income, net profit and their trend of the company.

Table 1: Income, Net Profit and their Trend

Year	Total Income	Change %	Net Profit	Change %
2006-07	236.47		23.20	
2007-08	318.50	34.69	-21.63	-193.25
2008-09	340.94	7.05	-73.18	238.31
2009-10	321.47	-5.71	20.52	-128.03
2010-11	363.85	13.18	98.64	380.77
2011-12	408.68	12.32	19.15	-80.59
2012-13	401.86	-1.67	-20.34	-206.24
2013-14	363.16	-9.63	-53.55	163.27
2014-15	433.93	19.49	-25.58	-52.24
2015-16	434.15	0.05	-21.61	-15.50
Mean	362.30		-5.44	
SD	61.36		48.29	
CV	16.94		-887.74	
CAGR	6.26		NA	

Source : Computed from annual reports

It could be observed from table 1 that total income of New Delhi Television 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 2007-08 over the previous year and total income of the company increased considerably up to 2014-15. Total income of the company met a decrease during 2012-13 by 1.67 per cent over the previous year and during other years there was a considerable growth rate except during 2015-16. The results of Mean, SD and CV show moderate level of deviation in total income of New Delhi Television Ltd Net profit of NDTV ltd met wide fluctuations during the study period. Out of 10 years, the company suffered by loss during 6 years. The mean value of net profit of the company stood negative at Rs 5.44 crore, it shows poor earning capacity of the company. The calculated values of SD and CV indicate wide fluctuation in net profit from the mean value.

It is observed that even though total income of the company increased during the study period except 3 years, net profit of the company met drastic decline due to substantial increase in total expenses

As a services sector company, 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 of the company.

Table 2: Share of Major Incomes to Total Income

Year	Adv. Income	Sub. Income	Other Income
2006-07	88.53	6.71	4.76
2007-08	77.96	0.81	21.22
2008-09	64.27	10.55	25.18
2009-10	84.02	13.02	2.96
2010-11	71.93	13.97	14.09
2011-12	64.15	15.36	20.50
2012-13	61.38	15.81	22.82

2013-14	70.56	17.76	11.68
2014-15	72.62	12.24	15.14
2015-16	71.82	9.80	18.38

Source: Computed Annual Report

It was observed from table 2 that half of the total income of New Delhi Television Ltd., earned through advertisement. Percentage contribution of advertisement income to total income of the company ranged from 71.82 to 88.53 per cent. Contribution of subscription income of New Delhi Television Ltd. was increasing during the study period. It contributes one tenth to the total income. Percentage of contribution of subscription income of the company ranged between 6.71 and 9.80 per cent. Percentage contribution of other incomes to total income of the company ranged from 2.96 to 25.18 per cent during the study period, but contribution of other income to total income was fluctuating over the study period. Contribution of advertisement income of New Delhi Television Ltd. was increasing during the study period.

Table 3 reports the results of profitability ratios of NDTV Ltd with their mean, SD and CV.

Table 3: Profitability Ratios

Year	NPR	OPR	ROE	EPS
2006-07	9.81	-6.78	11.48	3.71
2007-08	-6.79	2.73	-10.63	-3.46
2008-09	-21.46	12.33	-34.28	-11.35
2009-10	6.38	0.81	9.02	3.18
2010-11	27.11	-9.44	18.31	15.30
2011-12	4.68	15.80	4.55	2.97
2012-13	-5.06	36.36	-4.86	-3.15
2013-14	-14.75	18.46	-14.67	-8.30
2014-15	-5.89	6.07	-7.53	-3.97
2015-16	-4.98	-2.43	-6.80	-3.35
Mean	-1.09	7.39	-3.54	-0.84
SD	13.71	13.76	15.18	7.50
CV	-1252.03	186.17	-428.58	-890.66

Source: Computed Annual Report

Table 3 shows that net profit ratio of New Delhi Television Ltd is poor during the study period, the ratio is negative during 6 years out of 10 years of the study period due to net loss. The mean value of the ratio is also negative, so profitability of the company in terms of net profit ratio is poor. Operating profit ratio of the company is negative during 3 years out of 10 years of the study period. Operating profit of the company during 2007-08, 2008-09 and during last five years is more than the net profit ratio, it shows large amount of non-operating expenses have been increased by the company during study period. The mean value of operating profit ratio of the company is 7.39 per cent .Where as mean value of net profit ratio is negative hence operating performance of the company is satisfactory. The Ratios of Return on Equity and Earnings per share are also poor during the study period. The calculate mean ratios are -3.54 per cent and Rs -0.84 respectively. Hence profitability of New Delhi Television Ltd is not good during the study period. The results of standard deviation and co-efficient of variation show that there are wide deviation in these ratios from the mean value.

CONCLUSION

The study has been undertaken to analyze profitability of one of the leading media and entertainment company, namely New Delhi Television Ltd. for the study of 10 years from 2006-07 to 2015-16. The company is found to be progressing in terms of size based on its total income. Compounded annual growth rate of total income of the company is at considerable level. Net profit of this company is highly fluctuating during the study period. Even though the growth rate of total income of New Delhi Television Ltd was higher. Growth rate of net profit was low for New Delhi Television Ltd. It was also found that advertisement income of the company contributed more than 60 per cent to the total income during the period of the study. Profitability was found to be poor for New Delhi Television Ltd. in terms of Net profit ratio, operating profit ratio, Return on Equity, Return on assets and Earnings per share. But it is evidenced that operating performance of the company is satisfactory.

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