



Global Broadcast News

IPO Fact Sheet

Issue details

Issue opens:	January 15, 2007
Issue closes:	January 18, 2007
Issue size:	Rs105 crore
Reservation for employees:	Rs5 crore
Fresh issue to public:	Rs100 crore
Face value:	Rs10
Break-up of fresh issue to public	
- QIB's portion:	At least Rs60 crore
- Retail portion:	Up to Rs35 crore
- Non-institutional portion:	Up to Rs15 crore
Price band:	Rs230-250

Objects of the issue

Global Broadcast News (GBN) intends to use part (Rs34.35 crore) of the issue proceeds to pay the balance consideration for the stake acquired in BK Fincap Pvt Ltd (BK Fincap). GBN is acquiring 76,485 equity shares of BK Fincap for a total consideration of Rs68 crore. BK Fincap is the holding company (with an 82.1% stake) of Jagran TV Pvt Ltd (Jagran TV) that owns and operates the Hindi language news channel, *IBN 7*. GBN will infuse another Rs11.5 crore into BK Fincap by way of a loan to be used for raising the latter's holding in Jagran TV to 89.99%. Part of the proceeds (Rs25 crore) would also be used to repay a loan taken from ICICI Bank. The remaining issue proceeds would be used for general corporate purposes and to meet the issue expenses.

Expenditure items	Estimated amount to be financed from proceeds of the issue (Rs cr)
Finance the expansion into Hindi news genre by investing in BK Fincap	45.85
Repayment of ICICI Bank loan	25.00
General corporate purposes and issue expenses	34.15

Company background

GBN is part of the TV18 group, which owns and operates some of India's leading business channels, such as *CNBC-TV18* and *CNBC Awaaz*, as well as Internet portals, such as *moneycontrol.com*, *poweryourtrade.com* and *commoditiescontrol.com*. GBN, the group's relatively new

venture, owns and operates *CNN-IBN*, which is India's leading 24-hour English news and current affairs channel. Since its launch in December 2005 *CNN-IBN* has garnered a good chunk of the market share to come close to being the market leader in the English news genre with a market share of ~38%, an average weekly reach of 11.17 million viewers and availability in 87.6% of cable and satellite (C&S) households, as per TAM Viewership Data. GBN recently forayed into the Hindi news space by acquiring a 49% equity holding in BK Fincap (a Dainik Jagran group company) that owns *IBN 7* (erstwhile *Channel 7*) through its subsidiary, Jagran TV. After the initial lock-in period of 15 months GBN has an option to call upon the Gupta family to sell such number of equity shares of BK Fincap as would increase GBN's shareholding to 51%.

Shareholding pattern

	Pre-issue (%)	Post-issue (%)	
		at Rs230	at Rs250
Promoter group			
Network 18	46.2	38.4	39.0
#RVT Investments Pvt Ltd	20.8	17.3	17.6
Raghav Bahl	3.2	2.7	2.7
	70.3	58.4	59.2
Non-promoters			
IL&FS	9.4	7.8	7.9
Sameer Manchanda	9.5	7.9	8.0
Rajdeep Sardesai	4.8	3.9	4.0
Hareesh Chawla	4.8	3.9	4.0
Others	1.3	1.1	1.1
Employees	-	0.8	0.7
Public	-	16.0	15.0
	29.7	41.6	40.8

RVT Investments Pvt Ltd is a 100% subsidiary of TV18

Key positives

Highly experienced and professional management (promoters)

GBN belongs to the TV-18 group, which has an established track record in the media business having set up two of India's leading business news channels, *CNBC TV-18* and *CNBC Awaaz*. These two channels dominate the business news space with a combined market share of ~62%. The promoters

have also been able to demonstrate their ability to manage and successfully operate collaborations with international media entities such as CNBC. We expect GBN to have similar synergies with its brand and content partner, CNN, for its English news channel, *CNN-IBN*. Leveraging the journalistic expertise provided by the TV18 channels and the international content provided by CNN, GBN offers news viewers in India the coverage of global and local events from an Indian perspective.

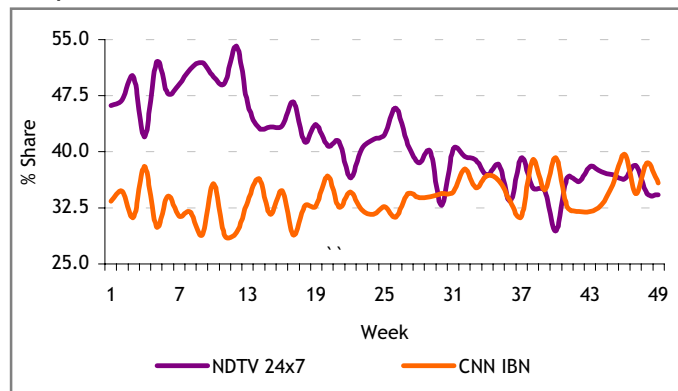
Team of renowned journalists

The company has a team of approximately 300 journalists and 250 stringers that give it a wide network for coverage of news and current affairs all over the country. It is ably led by persons of repute in the news media industry such as Rajdeep Sardesai, Editor-in-Chief, who has won several highly acclaimed awards as a news anchor; this lends the channels high editorial integrity.

Increasing market share leading to brand recognition

Since its launch in December 2005 *CNN-IBN's* share in the English news genre has increased from 18.75% to 37.55%. The channel had an average weekly reach of 11.17 million viewers and is available in 87.6% of the C&S households (source: TAM Viewership Data, Prospectus). The increasing viewership assumes a high degree of significance as it endorses the channel's competitive strengths to attract viewers and advertisers, thereby achieving better advertising and subscription revenues.

Comparative market share



Source: TAM Viewership Data and Sharekhan Research

Mammoth changes in content distribution to be a boon for broadcasters

Television media for long has suffered on account of under declaration of subscriber base (estimated at 90%) to the broadcasters by the cable operators. This resulted in low subscription revenues for the broadcasters, thereby

affecting their ability to invest in content enhancement, which in turn affected their ad-rates. With the conditional access system (CAS) coming into effect from January 1, 2007 in the southern parts of Mumbai, Delhi and Kolkata, we see the subscription revenues for broadcasters improving substantially going forward. The subscription revenues would become better with the digitisation of cable and the expansion of CAS in the other parts of the country. Alternate distribution platforms such as direct-to-home (DTH) TV, mobile TV and IPTV are likely to add to the subscription revenues of the broadcasters.

Increase in cable penetration and advertising spending

India has approximately 68 million C&S households and the number is expected to grow to 90 million by 2010 (source: FICCI PwC report, Prospectus). This increase in the number of the C&S households is expected to fuel growth for the television media in general.

The increase in ad-spending is related to a range of factors including the overall economic growth, a competitive landscape, the growth stage of various industries and the availability of effective media vehicles. The current high growth rate of the Indian economy with several rapidly growing and competitive industries, such as real estate, retail and automobiles, is expected to favour higher ad-spending.

Key negatives

Competition

The news broadcasting space has been prone to fierce competition in recent times. The competition has intensified of late primarily because of the entry of many new players, including the regional players. This has affected the market share and the revenues of the existing channels. It has been noticed that competition has resulted in increased marketing and distribution expenditure for some of the players which has adversely affected their margins. Apart from raising the marketing cost, competition may affect the advertising prices and lead to an increase in the capital expenditure of the players who may have to spend more in order to differentiate themselves from the other news broadcasters.

Ability to retain journalistic and production talent

A news broadcaster's success is highly dependent on its editorial and production team. The inability to recruit and retain high quality human resources at a reasonable cost may adversely affect the business performance and financial condition of the company.

Valuations

The viewership of *CNN-IBN* is almost similar to that of *NDTV 24X7*. If we strip the built-in valuations of the non-news broadcasting ventures from NDTV's total market cap, NDTV's news business trades at a market cap to sales multiple of ~4x. We expect *CNN-IBN* to achieve revenues close to those of *NDTV 24X7* for FY2008E. Although the current ad-rates garnered by *CNN-IBN* are lower compared with that of *NDTV 24X7*, yet we believe the same would catch up with the growing market share, albeit with some time lag. Thus we value *CNN-IBN* at 4x the revenues for FY2008E. Its 15% stake in Web 18 (the TV18 group company holding the Internet properties) and 49% stake in BK Fincap also add to the scrip value. Apart from this, we believe that with the implementation of CAS and alternative distribution platforms like DTH TV gathering momentum, its subscription revenues would increase substantially, resulting in better earnings and valuation of the stock. Since foreign investment is not permitted in the IPO, the expected buying interest of the foreign investors (headroom of ~18% of equity capital) after the issue is a possible trigger for the stock.

Particulars	(Rs cr)	Comments
CNN-IBN	540	Based on 4x FY08E revenues
49% stake in BK Fincap Pvt Ltd	77	Based on the latest acquisition cost for GBN
15% of Web 18	105	At ~Rs 700cr valuation for Web18
Total value	722	
Nos of shares	2.67	At higher end of price band
Expected value per share	270	

Financials

Earnings table (Rs cr)

Particulars	FY2006	H1FY07
Income from operations	5.9	24.2
Total expenditure	47.7	45.4
EBIDTA	(41.8)	(21.2)
Other income	0.6	1.7
Interest	1.6	3.4
Depreciation	3.4	2.5
PBT	(46.2)	(25.5)
Tax	(0.4)	(0.3)
PAT	(46.5)	(25.8)

Balance sheet (Rs cr)

Particulars	FY2006	H1FY07
Share capital	10.0	22.5
Reserves and surplus	(46.5)	19.1
Net worth	(36.5)	41.7
share application money	30.9	0.0
Total debt	72.4	68.5
Capital employed	66.7	110.2
Net fixed assets	45.9	45.0
CWIP	0.0	0.1
Investments	9.3	36.9
Net current assets	11.5	27.8
Misc exp not w/off	0.0	0.4
Capital deployed	66.7	110.2

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