

Global Broadcast News

Rs 230-250

Subscribe

16th Jan 2007

Issue Details	
Offer Price	Rs 230-250
Face Value	Rs 10
Shares Offered (lakhs)	42.0-45.6
Type	Fresh Issue
Promoter	Mr. Raghav Bahl
Listing (Stock Exchange)	NSE & BSE
Offer Open Date	Jan 15, 2007
Offer Close Date	Jan 18, 2007
Website: www.ibnlive.com	

Scrip Estimates (at Rs 250)	
Market Cap (Rs crores)	668.2
EPS - FY07 (E)	-
P/E(x) - FY07(E) (fully diluted)	-
Market Cap/Sales (x) FY07(E)	10.3

(at upper end of price-band)

Share Holding Pattern	Pre Offer	Post Offer
Promoters	70.3	59.2
Employees	-	0.7
Public	-	15.0
Others	29.7	25.1

Financials (Rs Crores)	FY06 (10mths)	H1FY07
Sales	5.9	24.2
EBITDA	(41.8)	(21.2)
Other Income	0.6	1.7
PBT	(46.2)	(25.5)
PAT	(46.5)	(25.8)
Equity	22.5	22.5
EPS (Rs)	-	-

Investors should read the risk factors and more detailed information in the Prospectus and the Application form before investing in the issue.

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Global Broadcast News (GBN), part of the TV18 Group, owns and operates one of India's leading 24-hour English language news and current affairs channel, CNN-IBN. The Company holds 15% equity of Web 18 Holdings, which operates the portal business of the TV18 Group.

Increasing reach and market share: According to TAM Viewership Data, since its launch in December 2005, CNN-IBN's share in the English language news genre has increased from 18.75% to 37.55% in the five weeks ended 2nd December 2006. Further, in this period, GBN had an average weekly reach of 11.17 million viewers and was available in 87.6% of the households, with access to cable and satellite.

Entry into the lucrative Hindi language news genre: GBN entered the Hindi language news genre through 'IBN 7'. IBN 7's average weekly market share increased from 7.61%, in the five-month period ended 3rd June 2006, to 9.14%, in the six-month period ended 2nd December 2006, according to TAM Viewership Data. The Company intends to assist Channel 7 in attaining the leadership position in the Hindi language news channel genre to leverage the size of the Hindi language news genre.

Synergies with TV18 Group and with its brand & content partner, CNN: The TV 18 Group of companies has over 10 years of experience in the news-broadcasting sector. GBN has an agreement with CNN for an exclusive, limited, non-transferable right to use and reproduce, inter alia, the CNN name and principal logo. The Company pays a licensing fee equivalent to either 3.5% of the net revenue of CNN-IBN or the minimum guarantee that is in the US\$ 5,00,000-8,50,000 range, whichever is less. Further, in consideration of the archived content licensed to the Company, GBN is required to pay US\$ 25,00,000 at the end of the third year of the contract.

Subscription revenue - potential revenue stream: GBN has entered into a memorandum of understanding (MoU) with Zee Turner Limited granting it the exclusive right to receive and distribute the service via cable, digital, DTH, IPTV and any other prevalent mode. With CAS rolled out, GBN would derive subscription revenue, which would flow directly to the bottomline. It is also foraying into international markets through its agreement with Univision Company Private Ltd., for transmission and distribution of channel content in Nepal.

Robust industry outlook: According to the Indian Entertainment and Media Industry Report by FICCI PWC, dated March 2006, the advertising revenue of the television industry is to grow to Rs 10,500 crores by 2010 and television subscription revenue projected to rise by 29%, compounded annually, to reach Rs 30,600 crores in 2010. Of the total television advertising pie of Rs 5,500 crores today, news channels are estimated to have a share of Rs 700-750 crores, up from Rs 645 crores at the end of 2005. Hindi news channels have the maximum share, while English news channels have ~25-30% share.

Investment Argument: GBN was operational on December 2005; it is yet to deliver profits. But considering its English news channel CNN-IBN gaining viewership and attaining the leadership position, the advertising revenues could see significant increase in the future. CAS, which is now a reality, would see subscription revenue flowing in; this is likely to benefit broadcasting companies, including CNN IBN. Also, GBN has entered the Hindi news genre through IBN 7, which is an attractive segment. One can subscribe to the issue, with a long-term perspective.

Company Background

General Broadcast News Ltd. (GBN) owns and operates one of India's leading 24-hour English language news and current affairs channel, 'CNN-IBN'. It was launched in December 2005 and since then has ranked as India's No. 1 English language news channel, with an average weekly market share of 37.55% (the closest competitor had 35.37%) for the five weeks ended Dec 2, 2006, according to TAM Viewership Data. GBN recently entered into a share subscription cum shareholders agreement with the Gupta family, BK Fincap Private Limited and others and has acquired significant equity shareholding in BK Fincap Private Limited, to mark its entry in the growing Hindi language news space; BK Fincap Private Limited is the holding company of Jagran TV Private Limited that owns Channel 7, a 24-hour Hindi language news and current affairs channel.

Objects of the Issue

The Company intends to utilise the proceeds of the issue for further investment in BK Fincap Pvt Ltd, which owns and operates the Hindi news channel IBN 7, apart from repaying a loan and for general corporate purposes.

Rs crores	Estimated cost of project
Further investment for expansion into Hindi news genre	48.8
Repayment of loan	25.0
General Corporate Purposes	*
Issue expenses	*
Total	105.0

Issue Details

Out of the total issue, equity shares aggregating upto Rs 5 crores are being reserved for allotment to eligible employees of the Company. The net offer to public would aggregate up to Rs 100 crores.

Business Details

GBN is a part of the TV 18 Group, which owns and operates India's leading business channels such as CNBC-TV18 and CNBC Awaaz and Internet portals such as moneycontrol.com and commoditiescontrol.com.

CNN-IBN was launched on December 17 2005 in partnership with GBN. The network has 20 bureaus with 600 employees in the country. GBN has entered into an agreement with CNN for an exclusive, limited, non-transferable right to use and reproduce, inter alia, the CNN name and principal logo. It also has a news service agreement with Zee Turner, for production and broadcasting services.

As part of group restructuring, certain portal businesses of the Group (Network 18) are being consolidated into Web 18 Holdings Limited, which would hold such businesses either directly or through its subsidiaries. In this regard, GBN has recently transferred its interactive internet portal, ibnlive.com, for real time news and current affairs to Web 18 Software Services Limited, which is a subsidiary of Web 18 Holdings Limited. As part of the arrangement, the Company would hold 15% equity share in Web 18 Holdings Limited. In addition to the portals of ibnlive.com, moneycontrol.com, poweryourtrade.com and commoditiescontrol.com, Web18 Holdings Limited has added indiaearnings.com, easymf.com, cricketnext.com, yatra.com, jobstreet.com, compareindia.com and tech2com to its portfolio over the past few months.

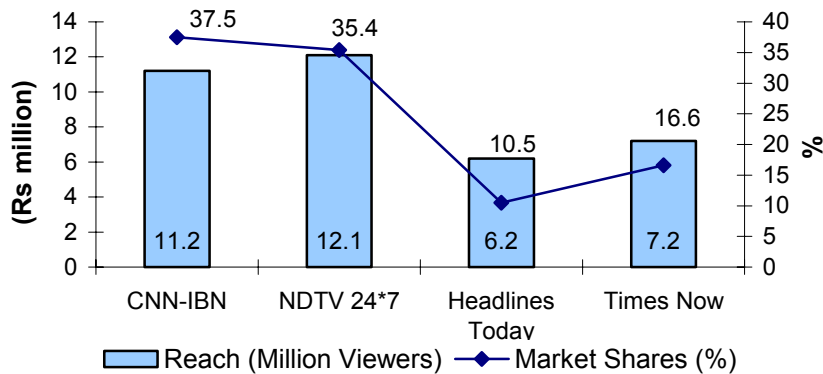
Awards and Recognition

The Company received numerous awards from industry experts in the very first year of its operations. Some of these are mentioned below.

- Hero Honda Indian Television Academy Awards 2006:
 - Best English News Channel: CNN-IBN
 - Best TV Host: Rajdeep Sardesai
 - Best Editing: Koteswar Rao
 - Best TV Documentary: 'Missing in Action'

- Indian Telly Awards 2006: 'Best News Anchor' - Rajdeep Sardesai
- Wildscreen Panda Award 2006: 'Best Wildlife Story' won by a CBB-IBN reporter for film 'Last Dance of the Sarus'
- All India Promo Awards 2006: 'Best Promotion' Jury Prize for the Citizen Journalist Promo on CNN-IBN
- Asian Telly Awards 2006: Nominated in 3 categories

The reach and market share of CNN-IBN is as under:



Source: TAM Viewership Data, All Day, All India, TG: 15+, Average of Five Weeks ending Dec 2, 2006

Since the launch in December 2005, CNN-IBN's share in the English language news genre has increased, from 18.75% to 37.55%, for the five weeks ended Dec 2, 2006, according to TAM Viewership Data. Additionally, in the five weeks ended Dec 2, 2006, it had an average weekly reach of 11.17 million viewers and was available in 87.4% of households, with access to cable and satellite.

Viewership profile

➤ Leadership position in North and West

Regional Market Shares

Channel – English News (Regional)	North (%)	South (%)	East (%)	West (%)
CNN-IBN	38.6	36.4	29.0	36.8
NDTV 24*7	34.1	38.2	38.7	34.2
Headlines Today	9.1	9.1	16.1	13.2
Times Now	18.2	16.4	16.1	15.8

Source: TAM Viewership Data, Regional Market Shares, TG: 15+, 0700 hours to 2400 hours, Weekly average for the five weeks ended Dec 2, 2006

➤ Key SEC Wise Market Shares (leadership in all)

SEC-wise Market Shares

Channel – English News (SEC Wise)	25+, SEC A (%)	25+, SEC AB (%)	25+, SEC ABC (%)
CNN-IBN	36.6	35.7	36.4
NDTV 24*7	32.4	33.9	36.4
Headlines Today	11.3	10.7	9.1
Times Now	19.7	19.6	18.2

Source: TAM Viewership Data, Key SEC Wise Market Shares, TG: 25+, 0700 hours to 2400 hours, weekly average for the five weeks ended Dec 2, 2006

➤ Leaders in all the genres

Leadership in Key Genres

Channel – English News (All India)	All 15+, Sec AB (%)	Male 25+ (%)	All, 15-34, SEC AB (%)	Male, 25-44, SEC AB (%)
CNN-IBN	40.3	38.7	44.3	50.6
NDTV 24*7	28.4	34.4	27.9	31.6
Headlines Today	8.9	11.8	9.8	7.6
Times Now	22.4	15.0	18.0	10.1

Source: TAM Viewership Data, All India, 0700 hours to 2400 hours, five weeks ended Dec 2, 2006

CNN-IBN is the Number One English-language news channel, in terms of viewership, in almost all categories considered to be important by advertisers. According to TAM Viewership Data for the five weeks ended Dec 2, 2006, for the category of viewers between the 15 and 35-year age group, it has a share of 38.7 % as compared to 34.4% of the nearest competitor.

Competition- The competitors for CNN IBN are NDTV 24X7, Times Now and Headlines Today.

Financials

YE March 31 (Rs Crores)	10 months ended FY06	H1FY07
Net Sales	5.9	24.2
EBITDA	(41.8)	(21.2)
PBT	(46.2)	(25.5)
PAT	(46.5)	(25.8)
Equity Paid Up	22.5	22.5
EPS (Rs)	-	-
CEPS (Rs)	-	-

GBN made a loss of Rs 46.5 crores on revenue of Rs 5.9 crores for the 10 months ended FY06 and a loss of Rs 25.8 crores on revenue of Rs 24.2 crores for H1FY07. 93.6% of the revenue generated is from advertising. The number of advertisers on CNN-IBN has gone up from 65 in March 2006 to 200 in H1FY07. Inventory utilisation at September 2006-end was around 70%.

Investment Argument

According to the Indian Entertainment and Media Industry Report by FICCI PWC, dated March 2006, the overall revenue of television broadcasters is expected to register a CAGR of approximately 24% from Rs 14,800 crores in 2005 to Rs 42,700 crores by end of 2010. The advertising revenue of the industry is to grow to Rs 10,500 crores by 2010 and television subscription revenue projected to rise by 29% compounded annually to reach Rs 30600 crores in 2010. Of the total television advertising pie of Rs 5,500 crores today, news channels are estimated to have a share of Rs 700-750 crores, up from Rs 645 crores at the end of 2005. Hindi news channels have the maximum share, while English news channels have ~25-30% share.

GBN was operational on December 2005; it is yet to deliver profits. But considering its English news channel CNN-IBN gaining viewership and attaining the leadership position, the advertising revenues can see significant increase, going forward. CAS, which is now a reality, would see subscription revenue flowing-in, which is likely to benefit broadcasting companies, including CNN IBN. Currently, GBN derives subscription of Rs 5 per viewer. GBN has entered the Hindi news genre through IBN 7, which is an attractive segment. One can Subscribe to the issue, with a long-term perspective.

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