

RESULT UPDATE

SMALL CAP

Share Data

Reuters code	NDTV.BO
Bloomberg code	NDTV IN
Market cap. (US\$ mn)	171
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	63
Target price (Rs)	116

Performance (%) 1M 3M 12M

Absolute	(1)	(8)	20
Relative	(1)	(15)	(22)

Valuation ratios (Standalone)

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	(0.5)	1.3
+/- (%)	NA	NA
PER (x)	NA	96.6
PBV (x)	5.7	5.3
EV/Sales (x)	2.9	2.6
EV/EBITDA (x)	26.1	20.8

Major shareholders (%)

Promoters	61
FII's	18
MF's	3
Public & Others	18

Financial highlights (Standalone)

(Rs mn)	4QFY09	4QFY10	YoY (%)	3QFY10	QoQ (%)	FY10P	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Net Sales	819	792	(3.3)	823	(3.7)	3,047	5.5	3,197	4.9	3,542	10.8
EBITDA	(555)	73	NA	66	11.1	239	(131.2)	349	46.1	438	25.5
EBITDA Margin (%)	(67.8)	9.2	-	8.0	-	7.9	-	10.9	-	12.4	-
Depreciation	160	(62)	NA	(65)	(4.3)	(246)	223.9	(253)	3.0	(261)	3.0
Other Income	33	8	165.5	32	(76.1)	15	122.2	50	242.5	55	10.0
Interest	(37)	(47)	24.9	(50)	(6.6)	(195)	32.9	(180)	(7.6)	(132)	(26.7)
Non-recurring items	-	-	NA	-	-	-	(100.0)	-	-	-	-
PBT	(430)	(28)	(93.6)	(17)	66.9	(187)	(74.9)	(34)	(82.0)	101	(399.8)
Tax	(17)	(19)	6.9	-	-	-	(100.0)	-	-	(20)	-
PAT	(447)	(46)	(89.7)	(17)	178.9	(187)	(74.5)	(34)	(82.0)	81	(339.9)
Adjusted PAT	(447)	(46)	(89.7)	(17)	178.9	(187)	(80.8)	(34)	(82.0)	81	(339.9)
EPS (Rs)	(7.1)	(0.7)	(89.7)	(0.3)	178.6	(2.9)	(81.3)	-0.5	(82.0)	1.3	(339.9)
PAT Margin (%)	(54.6)	(5.8)	-	(2.0)	-	(6.1)	-	(1.1)	-	2.3	-

NDTV

Maintain Underperformer

Price: Rs 121

BSE Index: 17,559

30 April 2010

4QFY10 Result – Cost cutting welcome but ratings loss disconcerting...

NDTV took a series of steps towards consolidation and has almost exited the Hindi entertainment space (after selling majority stake in NDTV Imagine to Turner and NDTV Lifestyle to Scripps Network). This has turned NDTV into a net cash company of ~US\$ 60 mn. The strategy now is to focus on its news business. Although the overhang of the entertainment business is no more, NDTV's core business performance is below par with all three of its news channels (English, Hindi and English business) being non-leaders and face tough competition in their respective genres.

With enough cash at hand, it will be interesting to see the next step on which NDTV tries to build its growth momentum, we reckon that entering the regional news space could be value accretive in the long-term but the ride will not be easy as that space is very competitive. We do not perceive that going global (with its English news channel) will be a great idea. We maintain our Underperformer stance on NDTV while it tries to reinvent itself and gain dominance in ratings (like it once had in the English news genre) or it outlines its future growth strategy. We advise switching to TV Today, the only value stock in the media sector.

NDTV results (standalone) were below our estimates.

- Revenue declined 3% YoY to Rs 792 (B&K: Rs 884 mn) despite the budget season in 4QFY10 (whereas 4QFY09 had just an interim budget) hinting at loss of revenue market share because of non-dominancy in viewership market share.
- Cost cutting initiatives continued with operating costs down 26% YoY (on a comparable basis after removing one-time expenses in 4QFY09) as NDTV decreased its head-count and cut backs on administration costs. EBITDA stood at Rs 73 mn (B&K: Rs 149 mn) much below our expectation because of lower top line.
- High interest and depreciation charges coupled with a prior period tax provision of Rs 19 mn ensured losses of Rs 46 mn at the net level (B&K: Rs 48 mn profit).

Financial highlights (consolidated)

(Rs mn)	4QFY09	4QFY10	YoY (%)	3QFY10	QoQ (%)	FY09	FY10P	YoY (%)
Net Sales	1,248	1,420	13.8	1,645	(13.7)	4,946	5,841	18.1
EBITDA	(1,612)	(997)	(38.2)	(461)	116.1	(4,513)	(2,559)	(43.3)
EBITDA Margin (%)	(129.2)	(70.2)	-	(28.1)	-	(91.2)	(43.8)	-
Depreciation	117	(106)	(190.2)	(115)	(8.1)	(296)	(465)	57.2
Other Income	23	-	(100.0)	26	(100.0)	151	30	(80.3)
Interest	(148)	(77)	(48.2)	(13)	504.7	(530)	(486)	(8.2)
Non-recurring items	-	3,371	NA	1,298	NA	6,425	4,653	(27.6)
PBT	(1,620)	2,191	(235.3)	734	198.5	1,238	1,173	(5.2)
Tax	16	(50)	(406.7)	(1)	3769.2	(40)	(50)	25.1
Reported PAT	(1,435)	2,126	(248.2)	741	186.9	1,430	1,177	(17.7)
Adjusted PAT	(1,435)	(1,245)	(13.2)	(557)	123.7	(4,996)	(3,477)	(30.4)
PAT Margin (%)	(115.0)	(87.7)	-	(33.8)	-	(101.0)	(59.5)	-

Other highlights

- NDTV has dropped its plans of de-merging the news and non-news businesses into two separate companies as it has significantly reduced its holding in non-news business during the course of FY10 (stake in Imagine reduced to 3% and in NDTV Lifestyle to 31%).
- NDTV plans to amalgamate all its left-over subsidiaries to simplify its holding structure.

Valuation

We value NDTV at Rs 116, valuing news operations at 1.2x EV/Sales a 25% discount to the multiple of TV Today, its holding in NDTV Lifestyle is valued at the valuation ascribed by Scripps Networks plus we add its ~US\$ 60 mn of net cash. Maintain Underperformer.

Income Statement (Standalone)

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Net sales	2,889	3,047	3,197	3,542
Growth (%)	(5.5)	5.5	4.9	10.8
Operating expenses	(3,657)	(2,808)	(2,847)	(3,103)
Operating profit	(767)	239	349	438
EBITDA	(767)	239	349	438
Growth (%)	(337.0)	n/a	46.1	25.5
Depreciation	(76)	(246)	(253)	(261)
Other income	7	15	50	55
EBIT	(837)	8	146	233
Interest paid	(146)	(195)	(180)	(132)
Pre-tax profit (before non-recurring)	(983)	(187)	(34)	101
Non-recurring items	241	0	0	0
Pre-tax profit (after non-recurring)	(742)	(187)	(34)	101
Tax (current + deferred)	10	0	0	(20)
Net profit (before Minority Interest, Pref. Dividend etc.)	(732)	(187)	(34)	81
Reported PAT	(732)	(187)	(34)	81
Adjusted net profit	(973)	(187)	(34)	81
Growth (%)	(2,373.0)	n/a	n/a	n/a

Balance Sheet (Standalone)

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash and Marketable sec.	36	49	37	37
Other current assets	1,823	1,985	2,205	2,277
Investments	494	514	554	594
Net fixed assets	2,070	1,929	1,805	1,664
Other non-current assets	112	112	112	112
Total assets	4,535	4,590	4,714	4,685
Current liabilities	1,219	1,402	1,624	1,879
Total debt	1,618	1,600	1,500	1,100
Total liabilities	2,836	3,002	3,124	2,979
Share capital	251	258	258	258
Reserves & surplus	1,448	1,330	1,332	1,449
Shareholders' funds	1,699	1,588	1,590	1,707
Total equity & liabilities	4,535	4,590	4,714	4,685
Capital employed	3,316	3,188	3,090	2,807

Cash Flow Statement (Standalone)

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Pre-tax profit	(742)	(187)	(34)	101
Depreciation	242	246	253	261
Change in working capital	469	21	2	49
Total tax paid	(36)	0	0	(20)
Cash flow from oper. (a)	(68)	80	221	390
Capital expenditure	(438)	(105)	(129)	(120)
Change in investments	(93)	(20)	(40)	(40)
Others	(153)	0	(0)	0
Cash flow from inv. (b)	(684)	(125)	(169)	(160)
Free cash flow (a+b)	(752)	(45)	52	230
Equity raised/(repaid)	28	94	36	36
Debt raised/(repaid)	687	(18)	(100)	(400)
Others	13	20	0	0
Cash flow from fin. (c)	729	96	(64)	(364)
Net change in cash (a+b+c)	(23)	52	(12)	(134)

Key Ratios (Standalone)

Yr end 31 Mar (%)	FY09	FY10E	FY11E	FY12E
Adjusted EPS (Rs)	(15.5)	(2.9)	(0.5)	1.3
Growth	(2,373.0)	n/a	n/a	n/a
Book NAV/share (Rs)	23.4	21.1	21.1	22.9
Tax	1.4	0.0	0.0	20.0
EBITDA margin	(26.6)	7.9	10.9	12.4
EBIT margin	(29.0)	0.3	4.6	6.6
RoCE	(25.3)	0.2	4.7	7.9
Net debt/Equity	93.1	97.7	92.0	70.1

Valuations (Standalone)

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
PER	n/a	n/a	n/a	96.6
PCE	n/a	131.9	35.5	22.8
Price/Book	5.2	5.7	5.7	5.3
EV/Net sales	3.2	3.0	2.9	2.6
EV/EBITDA	(11.9)	38.2	26.1	20.8

Du Pont Analysis - ROE (Standalone)

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
Net margin (%)	(33.7)	(6.1)	(1.1)	2.3
Asset turnover	0.7	0.7	0.7	0.8
Leverage factor	2.2	2.8	2.9	2.9
Return on equity (%)	(47.8)	(11.4)	(2.1)	4.9

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