

20/11/2009

MF Global Company Update

New Delhi Television Ltd

| The Harbinger of Good Times

MEDIA

NDTV IN

Upgrade to **BUY**

RS 133

- » **Sells 69% stake in NDTV Lifestyle for \$55mn, well above our expectation, buys back FCCBs:** NDTV said in a release that it has sold 69% stake in NDTV Lifestyle Ltd. to Scripps Network in a \$55mn transaction – implying a valuation of \$79mn for the entity, at 12.7x FY09 sales. NDTV will continue to hold a 31% stake in NDTV Lifestyle. The transaction is expected to be completed by 1QCY10. NDTV has also bought back outstanding \$100mn FCCBs, which were an overhang on the stock, for \$72.4mn.
- » **Just the beginning, NDTV Imagine on the slot:** While the stake sale itself is good news, we think the company is committed to sale of NDTV Imagine (talks on with Time Warner, as per media reports). NDTV Imagine offers the advantage of the attractive Hindi GEC market and could be valued aggressively by foreign players seeking entry into the Indian broadcasting market.
- » **Upgrade to BUY, raise price target to Rs 198:** The consideration paid by Scripps is well ahead of our expectation, and is certain to be viewed positively by the market. The sale, as well as the buy-back of FCCBs, provides a clear signal of the management intent. We raise our price target to Rs 198, and upgrade the stock to BUY. The rise in price target is on account of higher valuation for NDTV Lifestyle, and lower net debt on account of improved assumptions for FCCBs.
- » **Risks:** 1/ delays in sale of NDTV Imagine, 2/ higher than expected payout NBC Universal for buy-back of the stake.

TARGET RS 198 (+49%)

SECTOR RATING

OW	N	UW

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	63MN
MARKET CAP (RS) :	8.4BN
MARKET CAP (USD) :	180MN
52 - WK HI/LO (RS) :	189 / 69
AVG. DAILY VOL. (3MTH) :	0.6MN
FACE VALUE (RS) :	4

SHARE HOLDING PATTERN, %

PROMOTERS :	63.2
FII / NRI :	18.9
FI / MF :	3.9
NON PROMOTER CORP. HOLDINGS :	4.6
PUBLIC & OTHERS :	9.5

PRICE PERFORMANCE, %

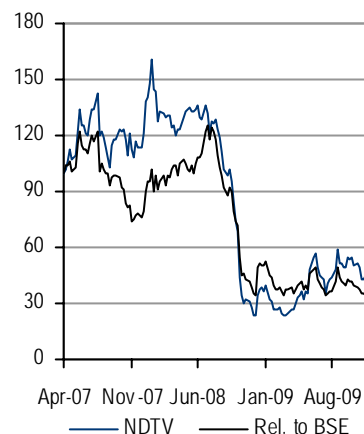
	1MTH	3MTH	1YR
ABS	-16.8	-17.4	71.03
REL TO BSE	-13.6	-30.8	-20.3

VALUATION SUMMARY (STANDALONE FINANCIALS)

Y/E MAR, RS MN	FY2008	FY2009	FY2010E	FY2011E
NET SALES	3,056	3,096	3,293	3,665
GROWTH, %	30%	1%	6%	11%
EBITDA	324	-840	368	411
EBITDA MARGINS, %	11%	-27%	11%	11%
NET PROFIT	43	-732	-60	-27
NET PROFIT GROWTH, %	-162%	-1808%	-92%	-54%
EPS, RS	0.7	-11.7	-1.0	-0.4
EPS GROWTH, %	-162.2%	-1808.2%	-91.8%	-54.4%
PER, X	193.8	-11.3	-137.7	-302.1
EV/EBITDA, X	28.4	-11.0	25.5	23.0
EV/NET SALES, X	3.0	3.0	2.9	2.6
PRICE/BOOK VALUE, X	3.5	5.1	4.2	4.3
ROIC, %	2.2	-40.2	13.4	-7.4
ROE, %	1.9	-36.5	-3.3	-1.4

Source: Company, MF Global India Research Estimates

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

VALUATION SUMMARY

SUM OF PARTS , NDTV LTD.	SALES FY11E	INPUTS (NDTV NON-NEWS)	APPRAISED	
			VALUE	VALUE/ SHARE
NDTV IMAGINE SALES	2797			
EV/ SALES MULTIPLE		4.0		
NDTV STAKE		70.0%		
VALUE, NDTV IMAGINE			7832	125
NDTV GOOD TIMES SALES				
EV/ SALES MULTIPLE				
NDTV STAKE				
VALUE, NDTV GOOD TIMES (20% DISCOUNT TO VALUATION PAID BY SCRIPPS)			2933	47
VALUE NDTV, OTHER			915	16
VALUE, NDTV NON-NEWS			11680	186
ADD: VALUE, NDTV STANDALONE			6282	100
ENTERPRISE VALUE			17962	286
LESS: NET DEBT (FY10 END)			5520	88
VALUE OF EQUITY			12442	198
VALUE PER SHARE			198	

Source: MF Global India Research Estimates

RECOMMENDATION HISTORY

RECOMMENDATION	TARGET, RS	CMP, RS	DATE
BUY	198	133	19/11/2009
NEU	141	132	3/11/2009
SELL	112	133	24/7/2009
SELL	70	104	5/5/2009
SELL	69	85	28/1/2009
SELL	123	130	16/10/2008
SELL	261	385	4/8/2008
SELL	285	400	16/06/2008

Source: Mf Global India Research

Financials

INCOME STATEMENT (STANDALONE)

Y/E MAR, RS MN	FY2008	FY2009	FY2010E	FY2011E
NET SALES	3,056	3,096	3,293	3,665
<i>GROWTH, %</i>	<i>30</i>	<i>1</i>	<i>6</i>	<i>11</i>
TOTAL INCOME	3,056	3,096	3,293	3,665
OPERATING EXPENSES	-2,732	-3,936	-2,926	-3,254
EBITDA	324	-840	368	411
<i>GROWTH, %</i>	<i>19</i>	<i>-359</i>	<i>-144</i>	<i>12</i>
<i>MARGIN, %</i>	<i>11</i>	<i>-27</i>	<i>11</i>	<i>11</i>
DEPRECIATION	-204	-242	-247	-266
EBIT	120	-1,082	121	146
<i>GROWTH, %</i>	<i>28%</i>	<i>-1002%</i>	<i>-111%</i>	<i>21%</i>
<i>MARGIN, %</i>	<i>392%</i>	<i>-3495%</i>	<i>367%</i>	<i>397%</i>
INTEREST RECEIVED/(PAID)	167	174	-141	-127
OTHER INCOME	0	0	0	0
PRE-TAX PROFIT	92	-742	-20	19
TAX PROVIDED	-49	10	-40	-46
PROFIT AFTER TAX	43	-732	-60	-27
MINORITIES	0	0	0	0
MF NET PROFIT	43	-732	-60	-27
<i>GROWTH, %</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>	<i>NM</i>
EXTRAORDINARY ITEMS: GAINS/(LOSSES)	0	0	0	0
UNADJ. SHARES (M)	62	62	62	62
WTD AVG SHARES (M)	62	62	62	62

CASH FLOW (STANDALONE)

Y/E MAR, RS MN	FY2008	FY2009	FY2010E	FY2011E
PRE-TAX PROFIT	92	-742	-20	19
DEPRECIATION	204	242	247	266
CHG IN WORKING CAPITAL	257	-124	-557	-139
TOTAL TAX PAID	-31	76	-40	-46
OTHER OPERATING ACTIVITIES	-1	0	0	0
CASH FLOW FROM OPERATING ACTIVITIES	521	-549	-370	99
CAPITAL EXPENDITURE	-614	134	-147	-166
CHG IN INVESTMENTS	-276	0	0	0
CHG IN MARKETABLE SECURITIES	0	0	0	0
OTHER INVESTING ACTIVITIES	10	250	0	0
CASH FLOW FROM INVESTING ACTIVITIES	-880	384	-147	-166
FREE CASH FLOW	-359	-164	-517	-66
EQUITY RAISED/(REPAID)	135	1	388	0
DEBT RAISED/(REPAID)	215	200	600	0
DIVIDEND (INCL. TAX)	-58	0	0	0
OTHER FINANCING ACTIVITIES	0	0	0	0
CASH FLOW FROM FINANCING ACTIVITIES	292	201	988	0
NET CHG IN CASH	-67	36	470	-66

BALANCE SHEET (STANDALONE)

AS AT 31ST MAR, RS MN	FY2008	FY2009	FY2010E	FY2011E
CASH & BANK	42	78	549	482
MARKETABLE SECURITIES AT COST	0	0	0	0
DEBTORS	1,446	1,400	1,489	1,657
INVENTORY	11	17	500	500
LOANS & ADVANCES	559	310	329	366
OTHER CURRENT ASSETS	0	0	0	0
TOTAL CURRENT ASSETS	2,058	1,805	2,867	3,006
INVESTMENTS	401	401	401	401
GROSS FIXED ASSETS	2,424	2,566	2,713	2,878
LESS: DEPRECIATION	-979	-1,221	-1,468	-1,734
ADD: CAPITAL WIP	276	0	0	0
NET FIXED ASSETS	1,721	1,344	1,244	1,144
NON-CURRENT ASSETS	2,188	1,496	1,396	1,296
TOTAL ASSETS	4,246	3,300	4,262	4,301
CURRENT LIABILITIES	1,502	1,169	1,204	1,271
PROVISIONS	82	0	0	0
TOTAL CURRENT LIABILITIES	1,584	1,169	1,204	1,271
NON-CURRENT LIABILITIES	290	490	1,090	1,090
TOTAL LIABILITIES	1,874	1,660	2,295	2,361
PAID-UP CAPITAL	250	251	251	251
RESERVES & SURPLUS	2,122	1,390	1,717	1,689
SHAREHOLDERS' EQUITY	2,372	1,641	1,968	1,940
TOTAL EQUITY & LIABILITIES	4,246	3,300	4,262	4,301

PER-SHARE DATA (STANDALONE)

	FY2008	FY2009	FY2010E	FY2011E
MF EPS (INR)	0.7	-11.7	-1.0	-0.4
GROWTH, %	-162.2	-1808.2	-91.8	-54.4
BOOK NAV/SHARE (INR)	38.0	26.3	31.5	31.1
FDEPS (INR)	0.7	-11.7	-1.0	-0.4
CEPS (INR)	3.9	-7.8	3.0	3.8
CFPS (INR)	1.6	-9.8	-5.9	1.6
DPS (INR)	0.8	0.0	0.0	0.0

FINANCIAL STRUCTURE (STANDALONE)

	FY2008	FY2009	FY2010E	FY2011E
TOTAL DEBT/EQUITY (%)	39.21	62.79	82.85	84.02
NET DEBT/EQUITY (%)	37.46	58.01	54.96	59.16

PROFITABILITY, PRODUCTIVITY, LIQUIDITY AND VALUATION RATIOS (STANDALONE)

	FY2008	FY2009	FY2010E	FY2011E
RETURN ON ASSETS (%)	1.9	-16.9	1.2	1.8
RETURN ON EQUITY (%)	1.9	-36.5	-3.3	-1.4
RETURN ON INVESTED CAPITAL (%)	2.2	-40.2	13.4	-7.4
ROIC/COST OF CAPITAL (X)	0.2	-3.4	1.1	-0.6
ROIC - COST OF CAPITAL (%)	-10.0	-52.1	1.6	-19.2
RETURN ON CAPITAL EMPLOYED (%)	2.6	-26.2	1.7	2.5
COST OF CAPITAL (%)	12.2	12.0	11.8	11.8
ROCE - COST OF CAPITAL (%)	-9.6	-38.2	-10.1	-9.3
ASSET TURNOVER (X)	1.2	1.2	1.2	1.3
SALES/TOTAL ASSETS (X)	0.8	0.8	0.9	0.9
SALES/NET FA (X)	2.0	2.0	2.5	3.1
WORKING CAPITAL/SALES (X)	0.2	0.2	0.3	0.3
FIXED CAPITAL/SALES (X)	0.6	0.4	0.4	0.3
RECEIVABLE DAYS	172.7	165.0	165.0	165.0
INVENTORY DAYS	1.3	2.0	55.4	49.8
PAYABLE DAYS	104.7	51.1	73.2	73.2
CURRENT RATIO (X)	1.4	1.5	2.4	2.4
QUICK RATIO (X)	1.4	1.5	2.0	2.0
INTEREST COVER (X)	N/A	N/A	0.9	1.1
DIVIDEND COVER (X)	0.9			
PER (X)	193.8	-11.3	-137.7	-302.1
PEG (X) - Y-O-Y GROWTH	-1.2	0.0	1.5	5.6
PRICE/BOOK (X)	3.5	5.1	4.2	4.3
YIELD (%)	0.6	0.0	0.0	0.0
EV/NET SALES (X)	3.0	3.0	2.9	2.6
EV/EBITDA (X)	28.4	-11.0	25.5	23.0
EV/EBIT (X)	76.7	-8.6	77.8	64.9
EV/NOPLAT (X)	164.5	-8.7	26.2	-44.1
EV/CE	3.4	4.3	3.1	3.1

Source: Company, MF Global India Research Estimates

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