

TV Today Networks Limited

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Ad-Revs Growth Slows, Upside from Potential Cost Savings

TV Today reported its 4Q and year-end FY08 results. Revenues for 4Q08 were Rs 638mn, lower than our estimates of Rs 756mn, while PAT came in at Rs 135mn (MF Global estimate: Rs 161mn). We note the important issues of the results/conference call:

1. Advertising revenues witnessed slower growth (9% YoY) as compared with previous quarters, as inventory utilisation stayed low. The management has claimed that the lower utilisation is a result of the company's decision to keep viewer irritation low at a time when its channels were going encrypted.
2. Subscription revenues have not started to materialise as the company has decided to wait until 2Q09 before consumers are made to pay for TV Today's bouquet. International subscription revenues stood at ~Rs 100 million. For FY08, company has reported international revenues in the 'Other Income' head.
3. The company has affected a rate increase in advertisements (12-15%), and hopes to grow at par with the industry in FY09.
4. Premises of the company would be shifted to Noida in FY10, and this is expected to reduce rent expenses sharply, from Rs 250/sq. ft. now to Rs 50/ sq. ft.

We believe the slower growth in advertising could persist, and make changes to our estimates. We also make adjustments to our estimates to account for lower subscription revenues in FY09, and minor changes in carriage fees. We factor in the international subscription revenues into our model. We would like to wait for further clarity on rent expenses. Accordingly, we do not make any changes to these. Our DCF based price target changes slightly to Rs 153. We note that declines in rent, yet not incorporated, could provide an upside of Rs 9/ share in our value.

On our revised estimates, TV Today trades at 11.5 P/E FY09E. Our target price implies a multiple of 18.7xP/E.

Risks to our estimates and price target include: (1) the inability to realise subscription revenues due to high competition, (2) pressure on ad-rates due to increased competition, and (3) macroeconomic risks related to the high correlation of advertising with growth.

Valuation summary

Y/E Mar, Rs mn	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
Net Sales*	1,889	2,413	2,834	3,309	3,658
Growth, %	18%	28%	17%	17%	11%
EBITDA	521	727	772	824	801
EBIDTA margins, %	28%	30%	27%	25%	22%
Net profit	309	437	467	515	519
Net profit growth, %	14%	41%	7%	10%	1%
EPS, Rs	5.3	7.5	8.0	8.9	8.9
EPS Growth, %		41.3%	7.0%	10.3%	0.7%
PER, x	17.3	12.3	11.5	10.4	10.3
EV/EBIDTA, x	7.8	5.3	4.7	4.0	3.6
EV/Net Sales, x	2.1	1.6	1.3	1.0	0.8
Price/Book Value, x	2.1	1.8	1.6	1.4	1.3
ROIC, %	33.4	40.2	38.1	37.0	34.6
ROE, %	12.8	16.0	14.9	14.4	12.8

Source: Company, MF Global India Research Estimates

*Calculations above aggregate the revenues from international operations along with sales.

Maintain Buy / Rs 92
Target Rs 153 (+64%)

Sector Rating

OW	N	UW

Stock Rating

B	OP	N	UP	S
> 10%	5% to 10%	5% to -5%	-5% to -10%	< -10%

This note should be read for

- Quarterly results and conference call summary
- Change in estimates to reflect information as obtained in above

Bloomberg code : TVTN IN
Reuters code : TVTO.BO
www.aajtak.com

BSE Sensex : 14220
NSE Nifty : 4253

Company data

O/S shares :	58mn
Market cap (Rs) :	5bn
Market cap (USD) :	124mn
52 - wk Hi/Lo (Rs) :	200 / 73
Avg. daily vol. (3mth) :	93,092
Face Value (Rs) :	5

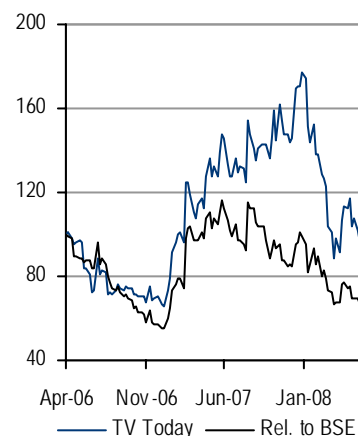
Share holding pattern, %

Promoters :	55.7
FII / NRI :	0.2
FI / MF :	17.8
Non Promoter Corp. Holdings :	17.8
Public & Others :	8.6

Price performance, %

	1mth	3mth	1yr
Abs	-15.3	-2.3	-32.2
Rel to BSE	-0.7	10.0	-30.4

Price vs. Sensex



Source: Bloomberg, MF Global India Research

Reported Results

Rs mn	Non-Cumulative, Standalone			Cumulative, Consolidated		
	4Q08	4Q07	Gwth, y-o-y	4Q08	4Q07	Gwth, y-o-y
Revenues	638	585	9%	2311	1889	22%
Employee Cost	142	123	16%	552	444	24%
Transmission & Production Cost	68	67	2%	268	209	28%
Ad., Mktg & Distrbn. Expenses	138	92	50%	463	345	34%
Other Expenses	105	100	5%	402	370	9%
Total Expenditure	453	381	19%	1685	1368	23%
EBITDA	184	204	-10%	625	521	20%
<i>EBITDA Margin</i>	<i>29%</i>	<i>35%</i>		<i>27%</i>	<i>28%</i>	
Depreciation & Amortization	41	43	-5%	160	173	-8%
EBIT	144	161	-11%	465	348	34%
Interest & Finance Charges	0	0	-33%	1	1	-26%
EBT	144	161	-11%	465	346	34%
Other Income*	65	27	138%	204	135	51%
Profit Before Tax	208	188	11%	669	482	39%
Taxes	73	65	12%	232	170	36%
PAT before ESOPs	135	123	10%	437	312	40%
ESOP Expenses	0	1		1	1	48%
PAT	135	123	10%	435	311	40%

Source: Company, MF Global India Research

*Other Income includes revenues from international operations

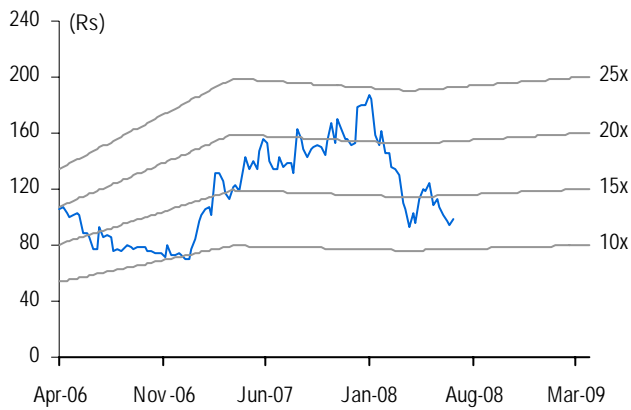
Summary of Revision to Estimates

Rs mn	Revised Estimates		Prior Estimates		Major Factors Involved
	2009E	2010E	2009E	2010E	
Revenues	2834	3309	2,837	3,270	Chg. In sub. Revs (FY09), cut in adv. Revs., adding international revs to revs from ops.
EBITDA	772	824	732	731	as above + lower expenses on carriage fee
PAT	467	515	442	465	as above

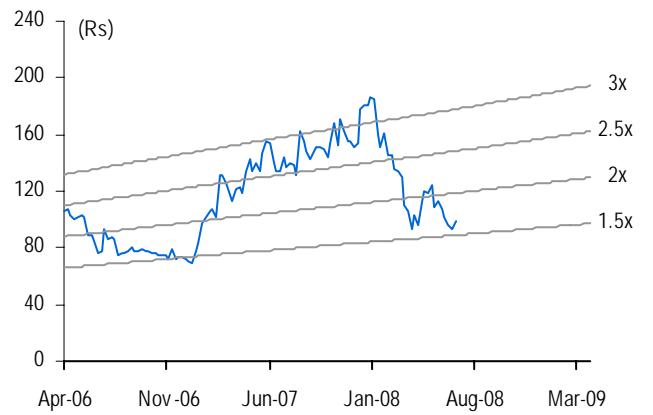
Source: MF Global

ABSOLUTE ROLLING VALUATION BAND CHARTS

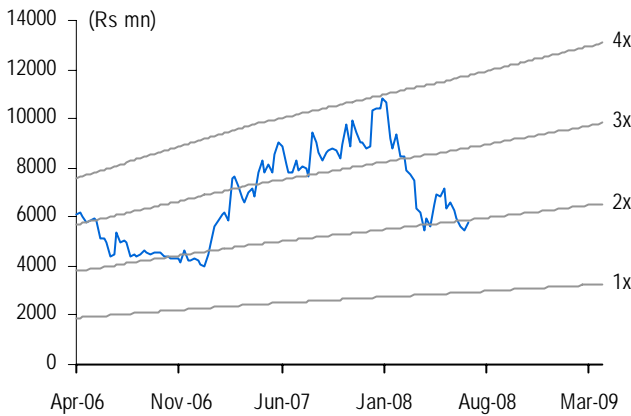
PE band



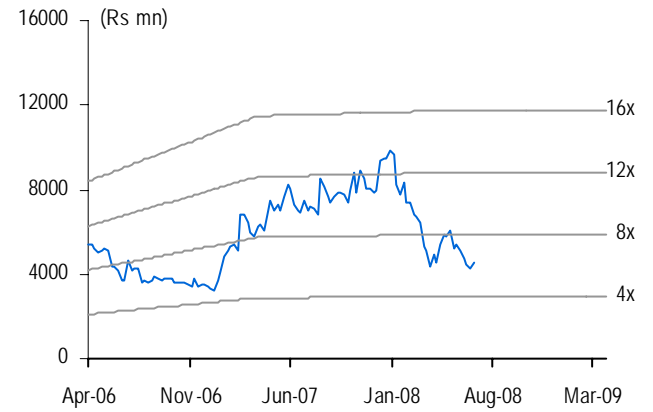
PBV band



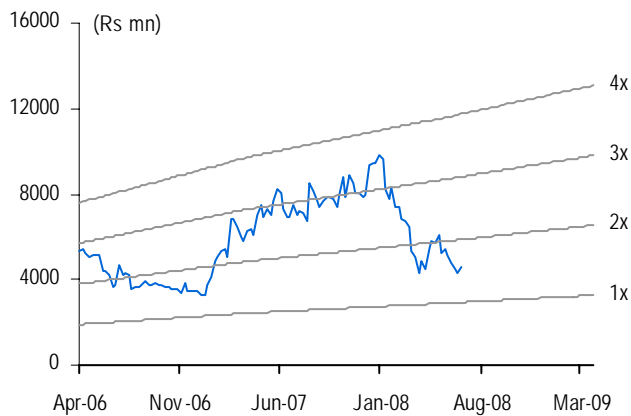
MCap/Sales band



EV/EBIDTA band



EV/Sales band



Source: MF Global India Research

FINANCIALS

Income Statement

Y/E Mar, Rs mn	FY2007	FY2008	FY2009E	FY2010E	FY2011E
Net sales*	1,889	2,413	2,834	3,309	3,658
<i>Growth, %</i>	18	28	17	17	11
Other operating income	0	0	0	0	0
Total income	1,889	2,413	2,834	3,309	3,658
Operating expenses	-1,368	-1,685	-2,063	-2,484	-2,857
EBITDA	521	727	772	824	801
<i>Growth, %</i>	-1	40	6	7	-3
<i>Margin, %</i>	28	30	27	25	22
Depreciation	-176	-160	-185	-187	-188
EBIT	345	567	587	637	612
<i>Growth, %</i>	-2	28	8	6	-2
<i>Margin, %</i>	37	37	34	31	27
Interest received/(paid)	58	101	131	155	186
Other Income	76	0	0	0	0
Pre-tax profit	479	669	718	793	798
Tax provided	-170	-232	-251	-277	-279
Profit after tax	309	437	467	515	519
Minorities	0	0	0	0	0
MF Net profit	309	437	467	515	519
<i>Growth, %</i>	14	41	7	10	1
Extraordinary items: Gains/(Losses)	0	0	0	0	0
Unadj. shares (m)	58	58	58	58	58

*Net sales FY08 onwards include the international operations. This causes net sales above in 2008 to differ from the reported numbers.

Cash Flow

Y/E Mar, Rs mn	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
Pre-tax profit	479	669	718	793	798
Depreciation	176	160	185	187	188
Chg in working capital	-18	-55	-74	-83	-61
Total tax paid	-165	-232	-251	-277	-279
Other operating activities	0	0	0	0	0
Cash flow from operating activities	472	542	578	619	646
Capital expenditure	-154	-300	-300	-200	-200
Chg in investments	0	0	0	0	0
Chg in marketable securities	-153	0	0	0	0
Other investing activities	0	0	0	0	0
Cash flow from investing activities	-307	-300	-300	-200	-200
Free cash flow	165	242	278	419	446
Equity raised/(repaid)	104	0	0	0	0
Debt raised/(repaid)	-3	0	0	0	0
Dividend (incl. tax)	-51	-52	-51	-51	-51
Other financing activities	0	0	0	0	0
Cash flow from financing activities	50	-52	-51	-51	-51
Net chg in cash	214	190	227	368	395

Balance Sheet

As at 31st Mar, Rs mn	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
Cash & bank	803	992	1,219	1,586	1,981
Marketable securities at cost	537	537	537	537	537
Debtors	654	793	932	1,088	1,203
Inventory	0	0	0	0	0
Loans & advances	107	132	155	181	200
Other current assets	7	9	11	13	14
Total current assets	2,108	2,463	2,853	3,405	3,935
Investments	13	13	13	13	13
Gross fixed assets	1,605	1,905	2,205	2,405	2,605
Less: Depreciation	-725	-885	-1,070	-1,257	-1,445
Add: Capital WIP	97	97	97	97	97
Net fixed assets	976	1,116	1,231	1,245	1,256
Non-current assets	0	0	0	0	0
Total assets	3,097	3,592	4,097	4,662	5,204
Current liabilities	402	513	603	704	778
Provisions	78	78	78	78	78
Total current liabilities	481	591	681	782	856
Non-current liabilities	73	73	73	73	73
Total liabilities	554	665	754	855	930
Paid-up capital	290	290	290	290	290
Reserves & surplus	2,256	2,640	3,056	3,520	3,987
Shareholders' equity	2,543	2,927	3,343	3,807	4,274
Total equity & liabilities	3,097	3,592	4,097	4,662	5,204

Per-share data

	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
MAN EPS (INR)	5.3	7.5	8.0	8.9	8.9
<i>Growth, %</i>		41%	7%	10%	1%
Book NAV/share (INR)	43.8	50.5	57.6	65.6	73.7
FDEPS (INR)	5.3	7.5	8.0	8.9	8.9
CEPS (INR)	8.4	10.3	11.2	12.1	12.2
CFPS (INR)	6.8	9.3	10.0	10.7	11.1
DPS (INR)	0.8	0.8	0.8	0.8	0.8

Financial structure

	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
Total debt/Equity (%)	1.71	1.48	1.30	1.14	1.02
Net debt/Equity (%)	-29.87	-32.41	-35.16	-40.53	-45.34

Profitability, Productivity, Liquidity and Valuation Ratios

	FY2007	FY2008E	FY2009E	FY2010E	FY2011E
Return on assets (%)	10.5	13.1	12.2	11.8	10.5
Return on equity (%)	12.8	16.0	14.9	14.4	12.8
Return on Invested capital (%)	33.4	40.2	38.1	37.0	34.6
RoIC/Cost of capital (x)	2.4	2.9	2.7	2.7	2.5
RoIC - Cost of capital (%)	19.5	26.4	24.2	23.2	20.7
Return on capital employed (%)	12.1	15.1	14.2	13.8	12.4
Cost of capital (%)	13.9	13.9	13.9	13.9	13.9
RoCE - Cost of capital (%)	-1.9	1.3	0.4	0.0	-1.5
Asset turnover (x)	1.4	1.7	1.7	1.9	2.0
Sales/Total assets (x)	0.6	0.7	0.7	0.8	0.7
Sales/Net FA (x)	1.9	2.3	2.4	2.7	2.9
Working capital/Sales (x)	0.2	0.2	0.2	0.2	0.2
Fixed capital/Sales (x)	0.5	0.5	0.4	0.4	0.3
Receivable days	126.4	120.0	120.0	120.0	120.0
Inventory days	0.0	0.0	0.0	0.0	0.0
Payable days	77.3	80.1	76.9	74.5	71.7
Current ratio (x)	5.2	4.8	4.7	4.8	5.1
Quick ratio (x)	5.2	4.8	4.7	4.8	5.1
Interest cover (x)	n/a	n/a	n/a	n/a	n/a
Dividend cover (x)	7.1	9.9	10.6	11.7	11.8
PER (x)	17.3	12.3	11.5	10.4	10.3
PEG (x) - y-o-y growth	n/a	0.3	1.6	1.0	14.8
Price/Book (x)	2.1	1.8	1.6	1.4	1.3
Yield (%)	0.8	0.8	0.8	0.8	0.8
EV/Net sales (x)	2.1	1.6	1.3	1.0	0.8
EV/EBITDA (x)	7.8	5.3	4.7	4.0	3.6
EV/EBIT (x)	5.9	4.4	3.8	3.2	2.9
EV/NOPLAT (x)	9.1	6.7	5.9	5.0	4.5
EV/CE	1.5	1.3	1.0	0.8	0.6
EV/IC (x)	3.0	2.7	2.2	1.8	1.5

Source: Company, MF Global India Research Estimates

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