

TELEVISION EIGHTEEN INDIA

INR 492

*Print foray through Infomedia acquisition*

ACCUMULATE

TV-18 has acquired 40% stake in Infomedia from ICICI Ventures for INR 1.78 bn, valuing the company at INR 4.5 bn. It has made an open offer at INR 237 to acquire another 20% stake in the company. In the event of open offer not garnering enough response, the company has retained the right to purchase additional stake from ICICI Ventures so as to take the overall shareholding in Infomedia to at least 53%.

Infomedia is a strong player in printing and publishing space with presence in diverse business areas, including business directories, magazine publishing, printing services and publishing outsourcing. It is the market leader in yellow pages and special interest publishing (b-2-b and b-2-c) and is one of the largest organized contract printers in the country. Its leading brands include *Infomedia Yellow Pages* and consumer magazines such as *Overdrive* and *Chip*. It is also one of the leading commercial printers of magazines, annual reports and publicity material. Infomedia had recently forayed into publishing BPO through acquisitions of Keyword Group of UK, International Typesetting and Composition, and Cepha Images.

Acquisition of Infomedia marks TV18's long-awaited foray into the print media space. It gives TV18 access to some very strong brands which TV18 will be able to leverage across its existing client base. In addition, it provides TV18 access to Infomedia's printing and distribution infrastructure which we believe it might use to launch a business newspaper. We view this acquisition as positive for TV18 and maintain our 'Accumulate' recommendation.

* Details of the acquisition

TV-18 has acquired 40% stake in Infomedia from ICICI Ventures for INR 1.78 bn (priced at 31.9x FY07 EPS), valuing the company at INR 4.5 bn. It has made an open offer at INR 237 to acquire another 20% stake in the company. In the event of open offer not garnering enough response, the company has retained the right to purchase additional stake from ICICI Ventures so as to take the overall shareholding in Infomedia to at least 53%. In addition, Infomedia will be issuing 5 mn warrants to TV-18 and 1 mn warrants to ICICI Ventures to raise fresh funds for future growth of the company.

Financials

Year to March	FY05 *	FY06 *	FY07 *	FY08E	FY09E
Revenues (INR mn)	984	1,520	2,471	3,114	4,049
Rev. growth (%)	83.4	54.4	62.6	26.0	30.0
EBITDA (INR mn)	459	753	749	1,314	1,888
Net profit (INR mn)	329	372	322	661	910
Shares outstanding (mn)	33.8	42.1	56.6	114.4	114.4
EPS (INR)	2.9	3.3	2.8	5.8	8.0
EPS growth (%)	(60.6)	13.2	(13.4)	105.1	37.6
P/E (x)	171.0	151.0	174.5	85.0	61.8
EV/EBITDA	122.7	74.3	74.4	41.9	29.1
ROE (%)	29.8	15.8	10.7	16.1	18.6

* Consolidated financials. For the remaining period, the financials pertain only to the news business

December 13, 2007

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Reuters : TVET.BO
Bloomberg : TLEI IN

Market Data

52-week range (INR) : 530 / 225
Share in issue (mn) : 114.4
M cap (INR bn/USD mn) : 56.3 / 1,429.3
Avg. Daily Vol. BSE ('000) : 73.6

Share Holding Pattern (%)

Promoters : 51.4
MFs, FIs & Banks : 13.8
FIs : 17.4
Others : 17.4



* **Infomedia – offers a diverse range of printing and publishing services**

Printing: Infomedia is one of India's largest commercial printers of magazines, annual reports, books, product brochures, and other publicity material. Its clients in the magazine segment include *Outlook* and *Elle* while the clients in the annual report segment include the Tata Group, AV Birla Group, Phillips, Glaxo P&G, SBI, ICICI Bank, IDBI, M&M, ACC, and Crompton Greaves. In addition, it also offers a broad range of sophisticated and customized gifting solutions—diaries, planners, folders, greeting cards, and leather accessories.

Publishing: In the publishing space, Infomedia has presence in business directories, and b-2-b and b-2-c special interest magazines.

- ◆ **Business directories (Yellow Pages):** These provide commercial information to Indian as well as international manufacturers and service providers across sectors. Circulated from over 22 sales offices across the country, it is the no.1 yellow pages in India, with over 3.1 mn copies distributed annually and more than 56,000 advertisers.
- ◆ **Special interest magazines:** Infomedia has 12 b-2-b publication titles, each of which is aimed at educating its stakeholders in key business verticals, thus bringing together buyers and sellers in those verticals. It also has eight b-2-c publications anchored in fast-growing special interest areas like interiors, cricket, audio-video industry, photography, cars, and technology. Some of its brands include *Overdrive*, *Chip*, *Search*, *Cricinfo*, *Auto Monitor*, *Photo Imaging*, and *Better Interiors*, among others. The company's 'Bright Sparks' division produces a range of children's books. It also has strategic partnership with global players like Reed, Disney and Future Media for publication of special interest magazines.

Publishing BPO: Infomedia had recently forayed into the Publishing BPO segment, which is estimated to be a USD 250 mn industry, through acquisition of Keyword Group of UK, International Typesetting and Composition, and Cepha Images. Its clients in this space include names such as McGraw-Hill and Thomson Learning.

The company had consolidated revenues, EBITDA and PAT of INR 1887 mn, INR 243 mn and INR 139 mn, respectively in FY07.

* **Acquisition marks entry into print media**

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* **Maintain 'ACCUMULATE'**

After adjusting for INR 1.9 bn for the value of ~10.5% stake in Network 18 (held in a trust), INR 4.1 bn for the value of ~17.5% stake in GBN and INR 18.1 bn for value of its web subsidiary (valued at 25x FY09E sales), the stock trades at a P/E of 34.1x FY09E. We maintain our '**ACCUMULATE**' recommendation on the stock.

Company Background

Television Eighteen (TV 18) is the leading broadcaster in the business news genre in India. It owns and operates, *CNBC-TV18*, the leading channel in the English business news space and *Awaaz*, a Hindi language consumer channel. In addition, its 85% subsidiary, Web 18, has a wide range of portals including *moneycontrol.com*, *commoditiescontrol.com*, *poweryourtrade.com*, *easymf.com*, *tech2.com*, *compareindia.com*, *ibnlive.com*, *yatra.in* and *jobstreet.com*.

Investment Theme

With ad spends expected to grow at more than 15% CAGR over FY06-09E and positive outlook on subscription revenues due to implementation of CAS and higher penetration of DTH, we believe that TV-18 with its strong leadership position in the business news genre is well placed to exploit this opportunity. In order to capitalize from the emerging internet opportunity, the company has built a vast bouquet of portals under Web 18. The company had recently acquired the newswire business of Crisil Marketwire and had also announced a JV with Ambit Capital and Centurian Bank of Punjab for stock broking services. The management of TV-18 has demonstrated excellent execution capabilities by venturing into new businesses to drive future growth of the company.

Key Risks

A slowdown in economy resulting in lower growth in advertising spend, loss of viewership share, increase in competitive activity resulting in higher costs, or slower than expected offtake of subscription revenues are key risks to our recommendation.

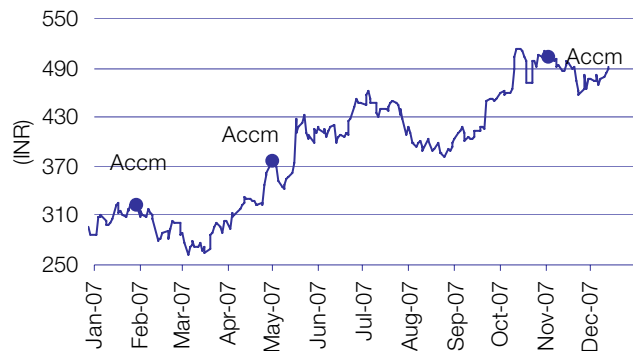
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Coverage group(s) of stocks by primary analyst(s): Media:

Inox Leisure, MIC Electronics, PVR, Shringar Cinemas, Television Eighteen India, TV Today Network, Zee Entertainment Enterprise

Television Eighteen India



Recent Research

Date	Company	Title	Price (INR)	Recos
02-Nov-07	TV18	New business losses pull down margins; <i>Result Update</i>	505	Accu.
30-Oct-07	PVR	Good quarter; <i>Result Update</i>	178	Buy
30-Oct-07	TV Today	Going pay; <i>Result Update</i>	168	Accum.
25-Oct-07	Shringar Cinemas	Results in line; <i>Result Update</i>	61	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	103	47	22	3	190

* 13 stocks under review / 2 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	96	65	29

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 20% over a 12-month period
Accumulate	appreciate up to 20% over a 12-month period
Reduce	depreciate up to 10% over a 12-month period
Sell	depreciate more than 10% over a 12-month period

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