

RESULT NOTE

Mkt Cap: Rs26.1bn; US\$651m

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Result: FY08

Comment: Value Unlocking Begins...

Last Report: 18 January 2008 (Price Rs445; Recommendation: Outperformer)

Key valuation metrics

Year to March 31 (Rs m)	Net revenues	yoy chg (%)	Net profit	EPS (Rs)	yoy chg (%)	PER (x)	EV / EBITDA (x)
FY06	2,210	25.5	275	4.2	(28.1)	97.5	58.3
FY07	2,354	6.5	226	3.6	(14.1)	113.5	91.9
FY08	3,053	29.7	158	2.5	(31.1)	164.7	78.6
FY09E	3,806	24.7	289	4.5	82.9	90.1	39.2
FY10E	4,643	22.0	505	7.9	74.5	51.6	24.6

* Standalone entity

NDTV (consolidated) has reported revenue growth of 32% at Rs3.7bn, EBITDA loss of Rs1.4bn and net loss (pre ESOP) of Rs1.7bn in FY08. Revenue growth during the year was driven by 30% growth in core news operations, while new channels (NDTV Imagine, NDTV Lifestyle, Metro Nation) beginning to contribute to the topline. As expected, operating expenditure has almost doubled to Rs5bn on account of heavy investments towards content and marketing on new launches (NDTV Imagine in particular). What excites us in NDTV is the sustained high growth momentum in the core news broadcasting property as indeed the fact that new channels have begun to contribute within the very first few quarters of operations.

In line with our thesis, NDTV is rapidly scaling up as a comprehensive media conglomerate with presence spanning across multiple genres of broadcasting (news broadcasting, GEC, lifestyle, regional), Media Process Outsourcing, International consulting, internet, new media, etc. Sensing the urgency of execution, NDTV in the current year has added 5 broadcasting properties including the GEC venture – NDTV Imagine and lifestyle channel – NDTV Good Times, besides various regional and international channels. NDTV is further enthusing confidence in its execution ability with NDTV Imagine grossing GRPs of over 80 within first quarter of launch and fighting neck to neck with Sony for number three position in the genre. To further strengthen its endeavour to emerge as a leading media conglomerate, NDTV has roped in NBC Universal as a strategic investor in NDTV Networks (USD150m invested for 26% stake). NBC, we believe, would bring immense strategic value for NDTV for the broadcasting as well as proposed film and sports broadcasting operations. NDTV, with over USD270m of fund raise in the last one year, is fully funded for its expansion. With a view to rope in strategic partner in the step down properties as also unlock value, NDTV is proposing demerger of the news operations from non news businesses. Our positive bias on the business model and confidence in NDTV's execution prompt us maintain NDTV as our top pick in the sector. Reiterate Outperformer.

HIGHLIGHTS OF FY08 RESULTS

□ Core business showing momentum, new channels in execution phase

- NDTV (consolidated) has reported revenue growth of 32% at Rs3.7bn, EBITDA loss of Rs1.4bn and net loss (pre ESOP) of Rs1.7bn in FY08.
- Revenues for the quarter have grown by 50% at Rs1.2bn, mainly driven by new channel launches. However, initial costs with regards to these channels have led to EBITDA loss of Rs1bn and net loss of Rs1.14bn.
- Core news properties continue to show a strong traction as revenues grow by 30%. NDTV Imagine and NDTV Lifestyle have also started contributing to the revenues from the current quarter.
- As expected, operating expenditure has almost doubled to Rs5bn on account of heavy investments towards content and marketing on new launches (NDTV Imagine in particular).
- NDTV in the current year has added 5 broadcasting properties including the GEC venture – NDTV Imagine, lifestyle channel – NDTV Good Times, International channels – NDTV Arabia and Astro Awani and city centric channel – Metro Nation Delhi.
- NDTV Imagine, has within first quarter of launch grossed GRPs of over 80 and is fighting neck to neck with Sony for number three slot
- NDTV has roped in NBC Universal as a strategic investor in NDTV Networks (USD150m invested for 26% stake).

Cost Structure – FY08

	Standalone	% of sales	Consolidated	% of sales
Revenues	3,056.2		3,661.3	-
Production Expenses	606.1	19.8	1,216.5	33.2
Personnel Expenses	957.5	31.3	1,484.5	40.5
Special employee bonus	1.4	0.0	90.6	2.5
Marketing, Distribution & Promotional Expenses	609.4	19.9	1,256.0	34.3
Operating & Administrative Expenses	558.1	18.3	992.4	27.1
Total Expenditure	2,732.4	89.4	5,040.0	137.7
EBITDA	323.8	10.6	(1,378.7)	(37.7)

Source: IDFC SSKI

□ NDTV Imagine – strong pick up

NDTV launched its long awaited GEC property – NDTV Imagine in the current quarter. The brand equity of NDTV as indeed the proven track record of Sameer Nair always enthused confidence of NDTV Imagine becoming a strong force in the GEC space. This is vindicated by the early viewership ratings of the channel. On the back of shows like *Raamayan*, *Nach Le with Saroj Khan*, *Ek Packet Umeed*, *Jasuben Jayantilal Joshi Ki Joint Family*, *Dhoom Macha De*, etc, NDTV Imagine has managed to garner GRPs of over 80 within the first quarter of operations and is also fighting neck to neck with Sony for the number three position. NDTV Imagine's top content – Raamayan has viewership rating of over 2.4, ahead of any of the shows on Sony Entertainment. Like any competition, NDTV Imagine has managed to move ahead of the tail and is competing with number three player, as it sustains the momentum and continues to invest on content, we expect NDTV Imagine to bridge the gap with the leaders. Strong viewership has also ensured strong inventory booking by big advertisers like Hindustan Unilever, Vodafone, etc. As NDTV Imagine becomes a number three player in the first year of operations, we believe that it can potentially rake in around Rs2.5bn of advertising revenues.

NDTV Imagine – making inroads

Time Slot	NDTV's show	TRP for slot leader	Top TRP for NDTV	Sony's TRP	NDTV's TRP /Sony relative
7-7.30pm	Nachle with Saroj Khan	1.6	0.8	1.9	42.1
7.30-8pm	Nachle with Saroj Khan	2.2	0.8	0.5	160.0
8-8.30pm	Dharamveer	6.0	1.2	1.9	63.2
8.30-9pm	Radhaa Ki Betiyaan Kuch Kar Dikhayegi	4.6	1.1	0.4	250.0
9-9.30pm	Radhaa Ki Betiyaan Kuch Kar Dikhayegi	5.4	1.1	1.2	91.7
9.30-10pm	Raamayan	5.4	2.4	0.4	685.7
10-10.30pm	Jasuben Jayantilal ki Joint Family	4.8	1.3	1.7	76.5
10.30-11pm	Main teri Parchhain Hoon	6.5	0.9	Nil	

Source: IDFC SSKI Research

□ NBC acquires 26% stake in NDTV Networks – a perfect partner

GE owned NBC Universal, USD16bn media conglomerate, has acquired 26% stake in NDTV Networks Plc, a subsidiary of NDTV. NBCU has invested USD150m, valuing the company at USD577m. NDTV Networks Plc, a subsidiary of NDTV, pans across businesses like GEC broadcasting, lifestyle broadcasting, internet, Media Process Outsourcing, etc. NBC has an option to increase its stake to 50% in the next three years. NBC is a leading global entertainment conglomerate (revenues of USD16bn in 2006) panning across television broadcasting, cable distribution, film production and studio and theme parks and resorts. NBC Universal owns a plethora of media labels like Universal Television, NBC News, NBC Sports, CNBC, Universal Pictures, Universal Studios, etc. NBC's television production content library includes likes of *Deal or no Deal* and *1 vs 100* (game shows), *The Office* (comedy show), *Heroes*, *The Tonight Show with Jay Leno*, etc. NBC's sports broadcasting business owns rights for all Olympics broadcasting in America till 2012, National Football League, Wimbledon, French Open and US Open and many more sports rights. In the filmed entertainment business, Universal Pictures and Universal Studios have strong infrastructure of filmed entertainment – studio and distribution channels (theatrical, digital, home video) and has produced movies like *A Beautiful Mind*, *King Kong*, *Meet the parents*, *Schindler's List*, *Brokeback Mountain*, *Ray*, etc.

Besides funding NDTV Networks for its gestation period, we foresee NBC bringing in immense strategic value for NDTV and opening up new vistas for monetization of its business.

- **Funding:** USD150m of funding would take care of NDTV Networks' requirement to fund the capex as also gestation losses in the new ventures, NDTV Imagine in particular.
- **NBC's general entertainment content:** NDTV Imagine can explore the option of getting rights for NBC's wide range of content for Indian market. NBC Entertainment content is considered to be one of the most preferred content in the US for the age group 18-49 years.
- **Filmed Entertainment library:** NDTV can get access to Universal Studios' library of over 4000 international film titles. Potential to capitalize upon filmed entertainment labels of Universal in Indian markets, opening up an avenue for NDTV to foray into filmed entertainment.
- **Access to NBC's infrastructure – Piggyback on the distribution** bouquet of NBC and thereby strengthen its proposition for international distribution stream of revenue. NBC Universal has a distribution reach of over 90m homes in the US.

□ Sense of urgency – Comprehensive model in execution mode

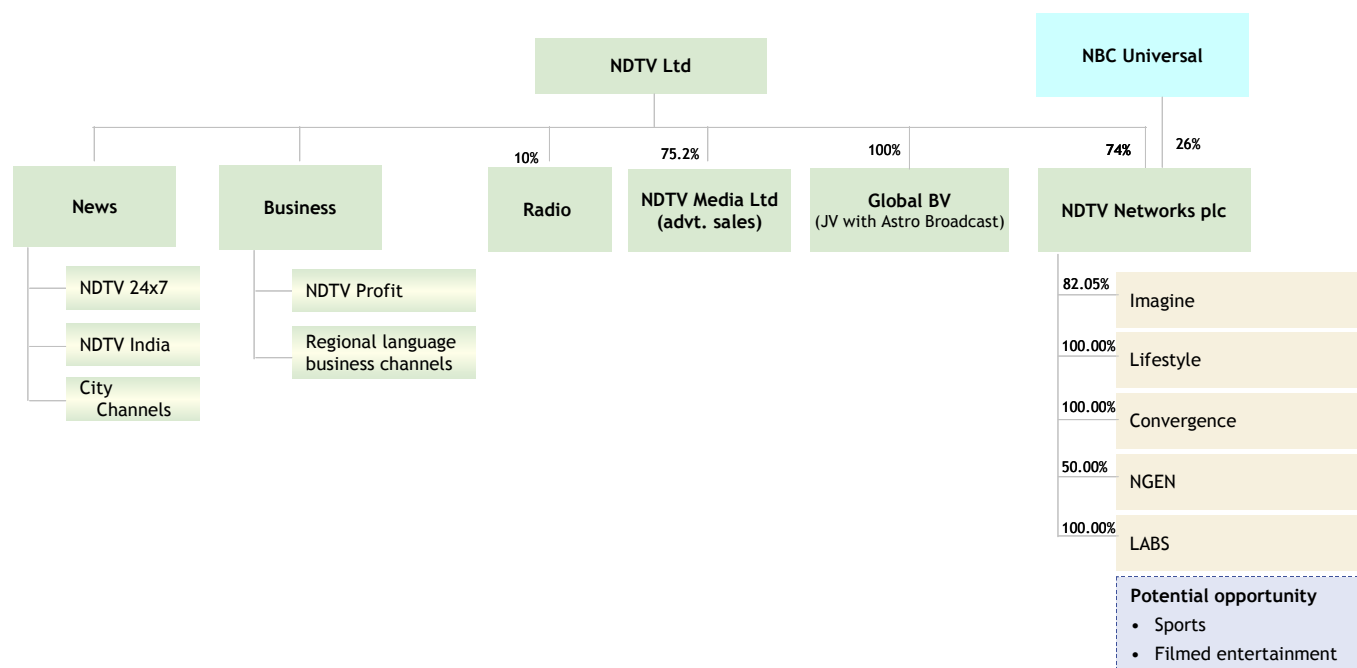
While we have maintained our bullish stance on NDTV on the back of its comprehensive media model panning across broadcasting genres, internet, MPO, convergence, global consulting, etc., the business concept has rapidly stepped into execution phase. Sensing the need of urgency, NDTV has in the last one year added 5 new broadcast properties – NDTV Imagine (GEC Channel), NDTV Good Times (lifestyle channel), NDTV MetroNation Delhi (city centric channel), NDTV Arabia and Astro Awani (international channels). NDTV is also expected to launch few more lifestyle channels (food, travel, wellness and fashion) and metro nation channels, besides movie channels. NDTV would launch its international movie channel – NDTV Lumiere in the next few months. NDTV is also expected to distribute channels from NBC's international bouquets. Given the strong brand equity of NDTV and strong content, NDTV has already managed to garner relevant viewership share, which is beginning to get monetized. NDTV has struck a smart deal for its lifestyle channel – NDTV Good Times, roping in UB Group (owner of Kingfisher brand) as an anchor

sponsor at Rs1bn for 5 years. With broadcast operations well on track, we believe that NDTV would start to focus on the internet and convergence business. NGEN, the Media Process Outsourcing business, has also started to contribute to the revenues.

❑ Demerger on cards – rope in strategic partners and unlock value

NDTV has proposed a demerger of the news operations from non news businesses i.e. NDTV News and NDTV Networks. While primarily it would help unlock value, we believe that the key rationale is to rope in strategic partners at the individual properties like lifestyle channels, convergence, etc. We also believe that NDTV would look at demerging the business news channel – NDTV Profit from the general news business with a viewer to rope in strategic partner like Reuters or Bloomberg, given the increasing competition in the space (launch of new business news channels by UTV and Times of India Group).

NDTV – all encompassing



Source: IDFC SSKI Research, Company

❑ Reiterate Outperformer

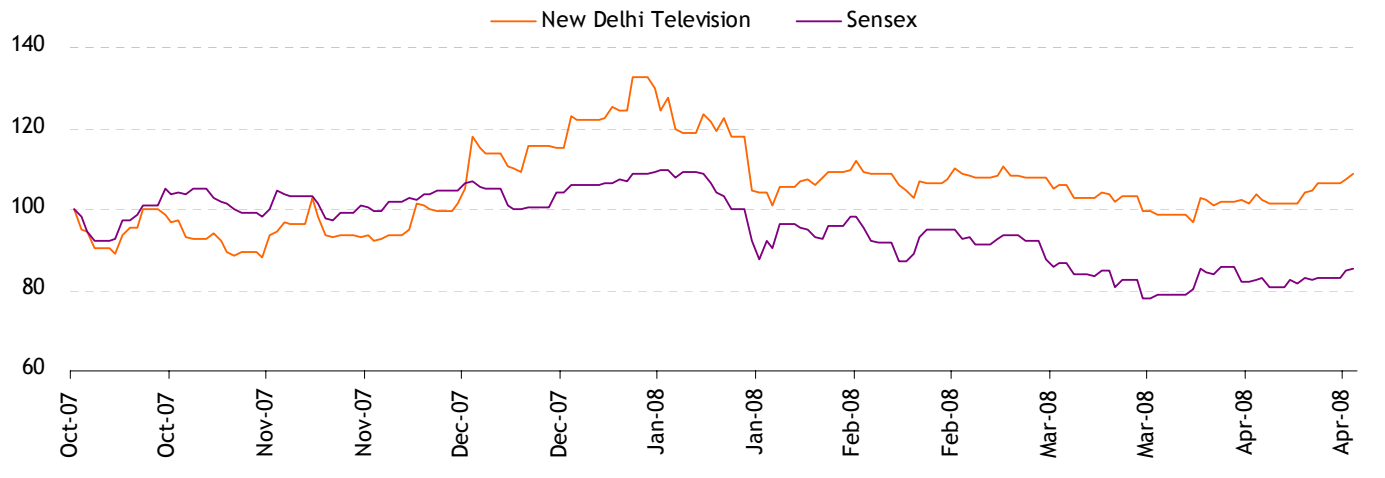
Our bullish stance on NDTV is prompted by the emerging comprehensive model of NDTV. As NDTV steps up on execution mode (initial signs demonstrate successful execution), we see immense value creation in NDTV. While, we believe that NDTV would continue to report losses given the initial investments on NDTV Imagine and plethora of new channels lined up in the next few quarters, NDTV is fully funded for the capex as also the operational bleed – has raised USD270m in last one year, including USD150m invested by NBC Universal. Our positive bias on the business model and confidence in NDTV's execution prompt us maintain NDTV as our top pick in the sector. Reiterate Outperformer.

Quarterly Results

Rs M	Q4FY07	FY07	Q1FY08	Q2FY08	Q3FY08	Q4FY08	FY08E	FY09E	FY10E
Net Sales	815	2,354	702	717	1,020	1,222	3,053	3,806	4,643
%yoy growth	16.4	6.5	10.2	32.3	29.0	50.0	29.7	24.7	22.0
Expenditure	745	2,082	776	884	1,130	2,251	2,733	3,172	3,653
EBITDA	69	272	(74)	(166)	(109)	(1,029)	321	634	990
Margin (%)	8.5	11.6	(10.6)	(23.2)	(10.7)	(84.2)	10.5	16.7	21.3
Other Income	3	11	35	58	65	60.6	129	26	31
Interest	6	10	21	58	87	76	39	35	25
Depreciation	54	178	50	52	61	68	204	229	243
PBT	12	95	(109)	(219)	(193)	(1,112)	207	396	753
Tax	19	(131)	7	(3)	60	25	49	107	249
Minority Interest & share of associate profits	(2)		(2)	12	28	(9)			
PAT	(6)	226	(114)	(227)	(281)	(1,128)	158	289	505

* Quarterly results are for consolidated entity, annual numbers for standalone

Relative price performance



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2. Neutral: Within 0-10% to Index
3. Underperformer: Less than 10% to Index

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