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India Research

Sector: Media

Initiating Coverage

Television Eighteen India Ltd.

(TLEI.IN/TVET.BO)

Market Perform *(CMP: Rs.90.1, Mkt. Cap: Rs.10.8 bn, $0.23 bn, Oct 7, 2009)*

Relevant Index: Sensex: 16,807 Oct 7, 2009

Likely implementation of CAS in 2009 to be the key trigger for growth…Emergence of newer delivery platforms DTH & IPTV to drive increase in subscription revenues

Stock appears richly valued in view of intensifying competition in business news space & earnings dilution resulting from proposed rights issue…

October 8, 2009

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IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.

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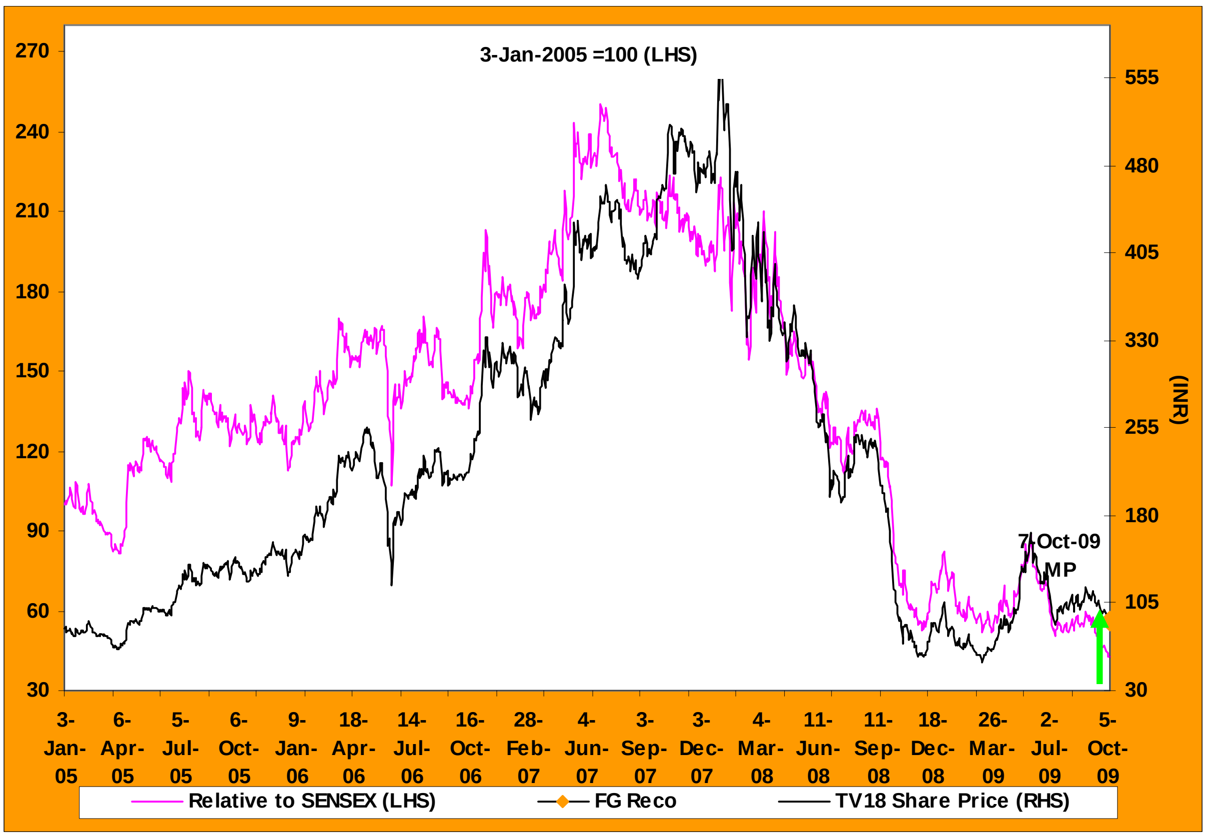
Price and Rating History Chart

Ratings Key

	B = Buy	BD = Buy at Declines	OP = Outperform
Positive Ratings	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term **MT: Medium Term** **LT: Long Term**

Television Eighteen India Ltd.



Represents an Upgrade

Represents a Downgrade

Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report

Financial Snapshot Consolidated

Key Financials

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Total Revenues	**2,478**	**3,981**	**4,898**	**5,467**	**6,235**
Revenue Growth (Y-o-Y)	*63.0%*	*60.6%*	*23.0%*	*11.6%*	*14.0%*
EBIDTA	**657**	**809**	**-1,240**	**176**	**486**
EBIDTA Growth (Y-o-Y)	*-5.5%*	*23.1%*	*NM**	*NM*	*176.9%*
Net Profit	**322**	**56**	**-1,664**	**-1,345**	**-974**
Net Profit Growth (Y-o-Y)	*-13.4%*	*-82.7%*	*NM*	*NM*	*NM*
Net Profit Excl. extra-ordinaries	**331**	**125**	**-2,226**	**-1,345**	**-974**
Net Profit Growth Excl. extra-ordinaries (Y-o-Y)	*-11.1%*	*-62.4%*	*NM*	*NM*	*NM*
Shareholders Equity	**3,060**	**5,286**	**5,853**	**10,893**	**10,893**
Number of Diluted shares (mn)	**113**	**120**	**120**	**180**	**180**

***NM-Not Meaningful**

Key Operating Ratios

YE March	FY07	FY08	FY09	FY10E	FY11E
Diluted EPS Excl. extra-ordinaries (Rs.)	**2.93**	**1.08**	**-18.6**	**-9.74**	**-5.41**
EPS Growth (Y-o-Y)	*-66.9%*	*-62.9%*	*-1813.6%*	*NM*	*NM*
CEPS Excl. extra-ordinaries (Rs.)	4.59	3.98	-14.6	-6.03	-2.32
EBIDTA (%)	**26.5%**	**20.3%**	**-25.3%**	**3.2%**	**7.8%**
NPM (%)	**13.4%**	**3.1%**	**-45.4%**	**-24.6%**	**-15.6%**
Tax/PBT (%)	-1.1%	77.7%	4.6%	-5.5%	-5.0%
RoE (%)	**12.0%**	**2.9%**	**-45.5%**	**-21.1%**	**-12.6%**
RoCE (%)	**10.3%**	**2.6%**	**-9.3%**	**-0.2%**	**1.4%**
Return on Operating Assets (%)	14.1%	2.5%	-24.9%	-4.1%	-0.8%
Book Value Per share (Rs.)	26.8	45.8	37.7	59.5	40.2
Debt/Equity (x)	**1.06**	**1.04**	**2.16**	**0.89**	**1.00**
Dividend Payout Ratio (%)	39.9%	488.6%	0.0%	0.0%	0.0%

Free Cash flow Analysis

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Operating Cash flow	89	751	-650	-542	332
Total Free Cash flow	310	-549	-11,148	-2,307	-1,031

Valuation Ratios

YE March	FY07	FY08	FY09	FY10E	FY11E
P/E (x)				**NM**	**NM**
P/BV (x)				1.5	2.2
P/CEPS (x)				NM	NM
EV/EBIDTA (x)				**99.4**	**45.6**
Market Cap./ Sales (x)				2.3	2.6
Net cash/Market Cap (%)				NM	NM
Dividend Yield (%)				0.0%	0.0%

Market Cap. and Enterprise Value Data as on Oct 7, 2009

Current Market Price (Rs.)		90.1
No. of Basic Shares (mn)		120.0
	Rs. bn	**US$ bn**
Market Cap.	**10.8**	**0.23**
Total Debt *	7.28	0.16
Cash & Cash Equivalents*	2.25	0.05
Enterprise Value	**15.8**	**0.34**

**** Debt & Cash & Cash Equivalents as of FY10,Exchange rate:US$1=Rs.46.66***

DuPont Model					
YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
EBIDTA/Sales (%)	**26.5%**	**20.3%**	**-25.3%**	**3.21%**	**7.80%**
Sales/Operating Assets (x)	0.74x	0.95x	0.74x	0.63x	0.69x
EBIDTA/Operating Assets (%)	**19.6%**	**19.3%**	**-18.8%**	**2.0%**	**5.4%**
Operating Assets/ Net Assets(x)	0.60x	0.47x	0.49x	0.51x	0.49x
Net Earnings/ EBIDTA (%)	50.4%	15.4%	179.5%	-765.5%	-200.2%
Net Assets/ Equity (x)	2.02x	2.10x	2.75x	2.66x	2.36x
Return on Equity (%)	**12.0%**	**2.9%**	**-45.5%**	**-21.1%**	**-12.6%**

Common Sized Profit & Loss Account					
YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Net Raw Material Consumed	0.0%	0.0%	6.2%	6.3%	6.2%
Manufacturing Expenses	18.0%	20.0%	20.8%	19.5%	19.0%
Personnel	23.2%	25.5%	39.4%	34.0%	33.0%
Selling, General & Administrative Expenses	27.5%	30.2%	37.5%	33.0%	30.0%
Miscellaneous Expenses	4.7%	4.0%	21.5%	4.0%	4.0%
EBIDTA	**26.5%**	**20.3%**	**-25.3%**	**3.2%**	**7.8%**
Depreciation and Amortization	7.6%	8.3%	9.8%	9.4%	8.9%
Interest Paid	9.9%	12.5%	22.3%	22.7%	18.1%
Non-Operating Income	4.2%	9.1%	7.9%	3.3%	2.8%
Extraordinary Income	0.1%	0.4%	13.8%	0.0%	0.0%
Extraordinary Expense	0.5%	2.1%	2.4%	0.0%	0.0%
Profit Before Tax	**12.9%**	**6.8%**	**-38.1%**	**-25.6%**	**-16.3%**
Tax	-0.1%	5.3%	-1.8%	1.4%	0.8%
Net Profit	**13.0%**	**1.4%**	**-34.0%**	**-24.6%**	**-15.6%**
Net Profit Excl. extra-ordinaries	**13.4%**	**3.1%**	**-45.4%**	**-24.6%**	**-15.6%**

Source: Company Reports, FG Estimates

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Top Management Team

Name	Designation
Mr. G. K. Arora	Chairman
Mr. Raghav Bahl	Managing Director
Mr. Sanjay Ray Chaudhuri	Wholetime Director
Mr. Hari S. Bhartia	Director
Mr. Manoj Mohanka	Director
Ms. Vandana malik	Director

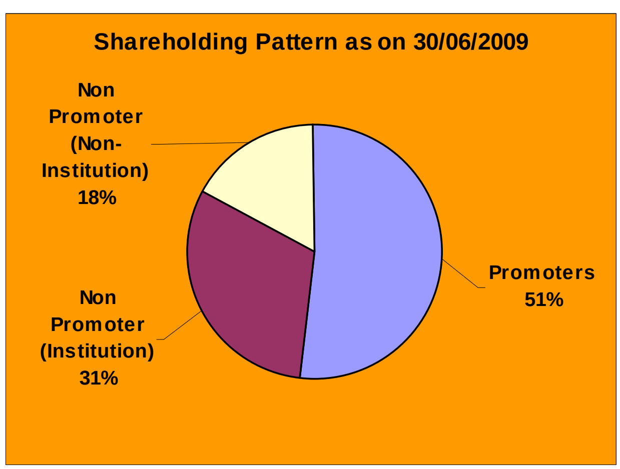
Capital Issue History

Date	Share Capital Post Issue (Rs in Mn.)	Mode of Capital Raising
24/03/1994	0.4	Equity shares issued
25/03/1994	1	Equity shares issued
01/0/1994	5	Equity shares issued
24/09/1994	16.5	Equity shares issued
30/09/1994	20.5	Equity shares issued
9/2/1995	25.3	Equity shares issued
30/03/1996	30	Equity shares issued
18/03/1998	34	Equity shares issued
25/08/1999	43.1	Private Placement & Debenture Conv.
9/9/1999	77.5	Bonus Issue
16/10/1999	78.6	Shares Issued To Promoters
20/10/1999	80.1	Shares Issued To Promoters
21/12/1999	109.4	Public Issue
1/4/2002	116.4	Preferential Issue Of Shares
22/09/2003	117.4	Preferential Issue Of Shares
13/11/2003	135.3	Debenture Conversion
31/12/2003	145.1	Preferential Issue Of Shares
30/06/2004	155.3	Debenture / Warrants conversion
18/08/2004	168.2	Rights Issue
29/09/2005	184.8	Conversion of Warrants
27/10/2005	210.4	Conversion of Warrants
27/11/2006	262.1	Scheme of Arrangement
13/02/2007	277.5	Preferential Issue Of Shares
17/10/2007	572	Bonus Issue
29/12/2007	579.8	Conversion of Warrants
18/03/2008	584.3	Conversion of Warrants
19/03/2008	597.8	Conversion of Warrants
30/06/2008	598.40	Issued under ESOP Scheme
02/09/2008	598.90	Issued under ESOP Scheme
22/09/2008	599.40	Conversion of Warrants
02/04/2009	600.10	Issued under ESOP Scheme

Key Statistics

Industry:	Media Sector
52 Week Hi:Lo:	Rs.165.2/54.0
CMP:	Rs.90.1
Avg Daily Vol (20 days):	0.48 mn
Avg Daily Val (20 days):	Rs.50.2 mn

Performance over 52 weeks:	
TV 18 India Ltd:	Down 39.3%
Nifty:	Up 43.7%



Key Ratios (Consolidated)

YE March	FY07	FY08	FY09	FY10E	FY11E
Raw Material / Sales (%)	0.0%	0.0%	6.2%	6.3%	6.2%
Other Income/EBT (%)	32.4%	134.0%	-20.7%	-12.7%	-17.3%
EBITDA Margin (%)	**26.5%**	**20.3%**	**-25.3%**	**3.2%**	**7.8%**
Tax / PBT (%)	-1.1%	77.7%	4.6%	-5.5%	-5.0%
Net Profit Margin (%)	13.0%	1.4%	-34.0%	-24.6%	-15.6%
RoE (%)	**12.0%**	**2.9%**	**-45.5%**	**-21.1%**	**-12.6%**
RoCE (%)	**10.3%**	**2.6%**	**-9.3%**	**-0.2%**	**1.4%**
Sales/Operating Assets (x)	0.74x	0.95x	0.74x	0.63x	0.69x
Optg. Assets/Total Assets (x)	0.60x	0.47x	0.49x	0.51x	0.49x
Return on Optg. Assets (%)	**14.1%**	**2.5%**	**-24.9%**	**-4.1%**	**-0.8%**
Debt/ Equity (X)	**1.06x**	**1.04x**	**2.16x**	**0.89x**	**1.00x**
Interest Coverage (x)	**2.69x**	**1.62x**	**-1.14x**	**0.14x**	**0.43x**
Interest / Debt (%)	9.6%	11.5%	14.3%	14.6%	15.5%
Growth in Gross Block (%)	35.4%	43.6%	75.7%	9.9%	9.0%
Sales Growth (%)	62.6%	60.9%	21.9%	12.7%	14.0%
Operating EBITDA Profit Growth (%)	-5.5%	23.1%	NM	NM	NM
Net Profit Growth (%)	-13.4%	-82.7%	NM	NM	NM
Debtors Days of net sales	241	178	128	130	130
Creditors Days of Raw Materials	126	116	116	116	116
Inventory Days of Optg. Costs	2	1	5	4	3
Current Ratio (x)	**4.84x**	**1.32x**	**1.82x**	**2.33x**	**2.00x**
Net Current Assets/Capital Employed (%)	53.0%	10.7%	15.5%	20.5%	16.1%
Number of Diluted Shares (mn)	113.12	114.82	119.78	138.01	180.01
Fully Diluted EPS (Rs.)	2.85	0.49	-13.9	-9.74	-5.41
Fully Diluted EPS Excl. extraordinaries (Rs.)	**2.93**	**1.08**	**-18.6**	**-9.74**	**-5.41**
EPS Growth Excl. extra-ordinaries (%)	-66.9%	-62.9%	NM	NM	NM
Dividend Payout (%)	39.9%	488.6%	0.0%	0.0%	0.0%
Fully Diluted CEPS (Rs.)	4.59	3.98	-14.6	-6.03	-2.32
Book Value Per Share (Rs.)	26.8	45.8	37.7	59.5	40.2

Television Eighteen's Business in Pictures…FY09 (Consolidated)

All figures are in Rs. Mn except where stated otherwise. All percentages are percent of revenues, unless stated otherwise

Operations/ Value added
Total Revenues: Rs. 4,849 mn (100%)

Q1 FY10
News Operations: Rs.568.6 mn (53.0%)
Web 18 Business: Rs.142.1 mn (13.2%)
Newswire18: Rs.74.5 mn (6.9%)
Infomedia 18: Rs.288.1 mn (26.8%)

Competition:
English Business News
NDTV Profit
UTVi
ET NOW

Competition:
Hindi Business News
Zee Business

Raw Materials
Rs 306 mn (6.3%)

Production Expenses: Rs. 3,904 mn (80.5%)
Personnel: Rs1, 928 mn (39.8%)

EBIDTA
Rs -1,240 mn (-25.6%)

Below Operating Line

Depreciation: Rs. 481 mn (9.9%)
Interest Paid: Rs. 1,091 mn (22.5%)
Non- Operating Income: Rs.1, 112 mn (22.9%)
Extraordinary Income: Rs.116 mn (2.4%)

Profit Before Tax
Rs.-1,864 mn (-38.4%)

Taxes: Rs. -86 mn (-1.8%)

Profit after tax before minority interest:
Rs. -1,778 mn (-36.7%)

Minority Interest Rs. 185 mn (3.8%)
Shares In loss of associate Rs. 71 mn (1.5%)

Profit After Tax
Rs. -1,664 mn (-34.3%)

Assets
Rs. 18,667 mn

Balance Sheet FY09

Liabilities
Rs. 18,667 mn

Secured:
Rs. 3,138 mn

Unsecured:
Rs. 6,637 mn

Fixed Assets: Rs.5, 898 mn (31.6%)
Capital WIP: Rs. 7 mn (0.04%)
Investments: Rs. 5,880 mn (31.5%)
Loans & Advances: Rs. 1,982 mn (10.6%)
Debtors: Rs.1, 702 mn (9.1%)
Inventory: Rs. 86 mn (0.5%)
Cash & Bank Balance: Rs. 1,636 mn (8.8%)
Misc. Assets: Rs.1, 333 (7.1%)
Other Non-Current Assets: Rs.142 (0.8%)

Debt: Rs.9, 775 mn (52.4%)
Sundry Creditors: Rs. 1,944 mn (10.4%)
Provisions: Rs. 136 mn (0.7%)
Reserves: Rs.5, 253 mn (28.1%)
Equity: Rs. 600 mn (3.2%)
Others: Rs. 893 mn (4.8%)
Minority Interest: Rs. 29 mn (0.2%)
Deferred Tax Liabilities: Rs. 37 mn (0.2%)

The Story…

It is hard to make real cash flow in any business in India (unless you are in politics)…and nothing exemplifies this better than the Indian news media space. The sector is awash in red ink, and we really can't see how this will change quickly, unless India's stock market starts doubling every three months (which it just did, in case you didn't notice), or start having national elections every year (which is *definitely* not happening for the next 20 years or so).

TV18 has been an outstanding success when it comes to eyeballs, but cash is quite another matter. To have negative EBITDA margin is quite a feat and TV18 achieved that in FY09.

The bewildering array of new initiatives like the portal, etc., are all really long shots. These will make some money…eventually. Maybe

Hmmm…now what should one rate a stock like this?

We initiate with a Market Perform rating because no broker can anger a financial news network…

Television Eighteen India Ltd. TLEI.IN/TVET.BO, India's premier business and consumer news broadcaster and leading media content provider, has a presence in television through its two business news channels - CNBC-TV18 and CNBC-Awaaz - and in the Internet space through a number of web portals. Both these channels are dominant players in their respective genres, with the English business news channel commanding a consistent market share of 50% over the last five years, while the Hindi channel clearly dominates over its closest peer with a market share of over 68%. In the Internet space, the company has started/acquired a number of web portals Web 18 and has also launched Forbes Business magazine in India in collaboration with Forbes Media. It has also formed a 50:50 JV with Jagran Prakashan for launching a Hindi business daily in the Indian market, which, however, has been currently being put on hold. The company has been recording strong revenue growth since 2001, on the back of the country's fast paced economic growth, with consolidated revenues growing at a CAGR of 55.17% over the last five years. However, the initial start up costs for its business news channels and web portals and competition from new channels NDTV Profit and the recent launch of UTV I have taken a toll on TV18's profitability. The company's proforma profit declined from Rs.383 mn in FY06 to Rs.63 mn in FY08 and it reported a proforma net loss of Rs.2.4 bn for FY09. Moreover, the fortunes of all business news channels are closely linked to the condition of the capital market, which has been witnessing a downturn for the past one year, though it is now exhibiting some signs of a recovery, post the elections.

Initial start up costs for its business news channels and web portals and competition from new channels (NDTV Profit and the recent launch of UTV I) have taken a toll on TV18's profitability

In order to fund the company's mounting losses, working capital requirements and debt repayment, TV18 plans to raise Rs.5 bn through a rights issue. We expect the company's new ventures, particularly, those in the print media segment and web portals, to continue demanding the infusion of additional capital. On the positive side, the key trigger for TV18's growth will come from the implementation of the Conditional Access System CAS, which is likely to be implemented by 2009. This, coupled with the emergence of newer delivery platforms, such as Direct-To-Home DTH and Internet Protocol Television IPTV, is expected to result in an increase in the company's subscription revenues.

The key trigger for TV18's growth will come from the implementation of the Conditional Access System (CAS), which is likely to be implemented by 2009

Sum of parts valuation

Considering TV18's investments in multiple business ventures, some of which are yet to report profits, we have valued the stock using sum-of-parts method, based on our FY11 estimates.

Sum of parts valuation

Business	Stake	Basis	Rs. in mn	Multiple		Discount	Market Value in mn	Price per Share
News Business	100%	Sales	3,379	P/S	2.0	-	6,757	58
Web 18	85%	Sales	884	P/S	1.5	-	1,128	10
Newswire 18	100%	Sales	388	P/S	1.0	-	388	3
Infomedia 18	43%	Market Cap	1,630	TV18 Stake	43%	30%	495	4
IBN18 Broadcast	20%	Market Cap	16,778	TV18 Stake	20%	30%	2,359	20
Total								**95**

Source: FG Estimates

Our sum of the parts valuation for the stock stands at Rs.95.

Comparative Valuations – Indian peers

Company	Year	EPS (x)		P/E (x)		P/S (x)		P/BV (x)		EV/Sales (x)		EV/EBITDA (x)		EBITDA (%)	ROE (%)	ROCE (%)	Annual EPS Growth (%)	Annual Sales Growth (%)
	End	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY10E	FY11E	11E/10E	11E/10E
TV 18	**Mar**	**-9.74**	**-5.41**	**NM**	**NM**	**2.3**	**2.6**	**1.5**	**2.2**	**3.2**	**3.6**	**99.4**	**45.6**	**3.2%**	**-21.1%**	**-0.2%**	**NM**	**14.0%**
NDTV	**Mar**	-1.45	-1.67	NM	NM	2.7	2.3	8.1	8.8	3.4	3.0	41.1	34.6	8.3%	-6.7%	4.9%	NM	16.1%
TV Today	**Mar**	7.66	9.30	12.4	10.2	2.0	1.8	1.4	1.2	1.7	1.6	7.6	6.4	22.7%	12.3%	NA	21.5%	10.2%

Source: FG estimates for TV 18and NDTV, Bloomberg estimates for TV Today

We believe that the current uptrend in the stock market will result in more viewers returning to the company's business news channels, as well as drive an increase in visitors to its finance related web portals, thereby attracting advertisers, which will lead to higher advertisement revenues, going forward. On the valuation front, the stock currently trades at an EV/EBIDTA of 45.6x our FY11 estimates. In our view, the stock is richly valued, considering the intensifying competition in the business news space and earnings dilution on account of the proposed rights issue in order to meet the company's funding requirements. We initiate coverage on TV18 with a rating of Market Perform.

Outlook

Advertisements constitute a major component of TV18's news business, contributing 88% of news business revenues, while the remaining 12% come from subscription

Advertisements constitute a major component of TV18's news business, contributing 88% of news business revenues, while the remaining 12% come from subscription. We expect the company's ad revenues to step back on the growth trajectory on the back of an uptrend in the capital market.

Also, the rollout of CAS and the emergence of newer delivery platforms, such as Direct-To-Home DTH and Internet Protocol Television IPTV, the company's subscription revenues are expected to increase. The implementation of CAS in the remaining parts of the three metros and 55 other cities will be the next likely big positive trigger for the company as well as the stock, which is expected only in 2009. Although subscribers to channels may not increase in the near term due to the conditions prevailing in the capital market, there will be a decline in under reporting of subscribers, which will result in an increase in the company's subscriber base and consequently, higher revenues.

The implementation of CAS in the remaining parts of the three metros and 55 other cities will be the next likely big positive trigger for the company as well as the stock…

…there will be a decline in under reporting of subscribers, which will result in an increase in the company's subscriber base and consequently, higher revenues

The company's Web 18 business is a high growth one, which requires significant investments in the initial stage. Going forward, increased computer literacy will drive the revenues for Web18 in the form of higher ad sales. TV18 intends to ultimately list the web business and unlock their value, though the timing of this event is uncertain and a significant delay in listing of the subsidiary could pose a risk to the stock's performance. ***We believe that the company's foray into the print media sector with the acquisition of Infomedia India Ltd., launch of Forbes Business magazine and a JV to publish a Hindi business daily, will witness success once the economy improves.***

Considering the revival of the Indian capital market and the company's ability to maintain its leadership position despite increasing competition, we have modelled for consolidated revenues of Rs.5.47 bn up 11.6% Y-o-Y and an EBIDTA of Rs.176 mn in FY10, as against an EBIDTA loss of Rs.1.24 bn in FY09.

Company Background

Television Eighteen India Ltd. TV18 TLEI.IN/TVET.BO, is a part of the Network 18 Group, promoted by Raghav Behl and Sanjay Ray Chaudhary, and is one of India's leading full play media conglomerates, with interests in television, print, internet, filmed entertainment, mobile content, and allied businesses. TV18 was incorporated on September 24, 1993 as Television Eighteen India Private Ltd. and became a public limited company on November 2, 1994 to be subsequently renamed as Television Eighteen India Ltd. on January 2, 1995. Over the last decade, the company has provided prime time television content to almost all the leading satellite channels in India, including BBC, Star Plus, Sony Entertainment Television, Zee, MTV, and Discovery.

In 1996, TV18 launched Asia Business News India ABNi, India’s first dedicated 24-hour business news information channel, which quickly achieved leadership position in the business news broadcasting segment current market share of 68.9%. In 1997, ABNi was taken over by CNBC Asia. In FY03, due to a change in government guidelines, CNBC sold its holding in the news channel to TV18, which now holds a 100% stake in CNBC-TV18. The company has to pay a royalty of 5-7% depending upon the revenues to CNBC for using its brand name.

In FY00, TV18 acquired the finance portal, moneycontrol.com, which provides financial data on the Indian corporate and financial sector, and has emerged as the 22nd most visited website in India. In 2005-06, the company launched CNBC Awaaz, the Hindi business news and consumer finance channel, which has also emerged as the leader in its niche segment current market share of 55.5%. TV18 also launched CNN-IBN in 2005-06, an English general news channel, in a 74:26 joint venture between the TV18 Group and leading media professionals. In 2006-07, the company went on to acquire a 50% stake in Channel 7, a Hindi general news channel, and re-launched it as IBN 7. However, post the company’s restructuring, both these channels were transferred to Global Broadcasting News GBN, which was rechristened as IBN18 Broadcast Ltd. in May 2008.

Over the last two years, TV18 has acquired a holding in a number of companies, including a 50% stake in Asia’s leading e-recruiter, jobstreet.com and a 20% stake in India's first integrated online travel services company, yatra.com. The company also launched a subscription based investment advisory portal, poweryourtrade.com, which currently has over 75,000 paid subscribers. TV18 holds around 20 web portals through its subsidiary WEB 18, which have different revenue models, ranging from content based, subscription based and transaction based. TV18 has also acquired Crisil Marketwire from Crisil and has renamed it as NewsWire18, which provides real time market data and news related to the financial space.

TV18 recently forayed into the print media by acquiring a majority stake in Infomedia India Ltd., India's leading player in the B2B publishing and printing operations space from ICICI Ventures. The company has also launched Forbes business magazine in India in collaboration with Forbes Media and has entered into a 50:50 JV with Jagran Prakashan to launch a Hindi business daily for the Indian market.

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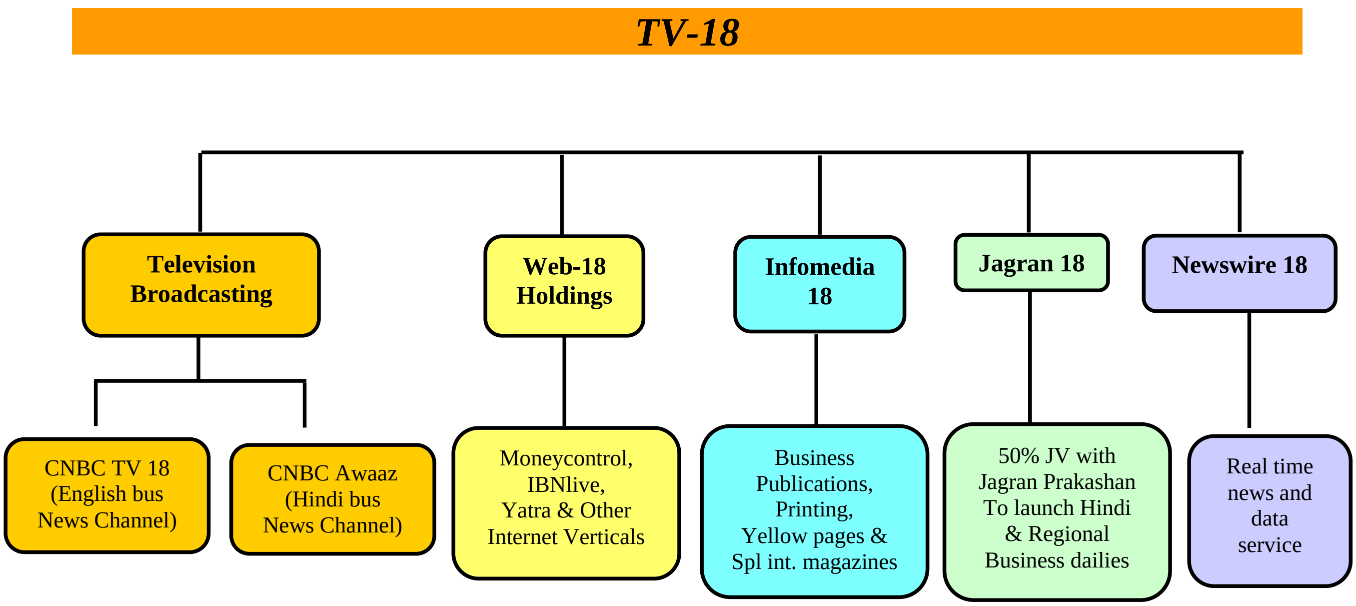
In FY07, the company came out with Qualified Institutional Placement and raised Rs.2 bn by issuing 3,076,923 equity shares of Rs.5 each at a premium of Rs.645 per share. The funds will be used for funding its diverse businesses as well as gestation losses.

TV18 operates its various businesses through a number of subsidiaries and itself is a subsidiary of Network 18 Media & Investments Ltd.

TV18's Business break up



Section I

Business Highlights

Television Broadcasting – Leadership position in business news space to remain intact

- ***Diversified advertising revenue base***

One of TV18's greatest achievements has been the diversification of its advertising base. Generally, the channel is an ideal advertising platform for financial services firms. However, TV18's marketing team has established relationships with automobile, telecom, technology, consumer staple and consumer durable companies. A buoyant stock market generally leads to an increase in advertising revenues for business news channels such as CNBC TV18. However, the global slowdown has also impacted the Indian economy, which also affected TV18's ad revenues from some of these sectors, particularly the primary capital market, on account of the withdrawal of some public issues and a delay in the release of IPOs by other companies.

- ***Wider content coverage reduces business risk***

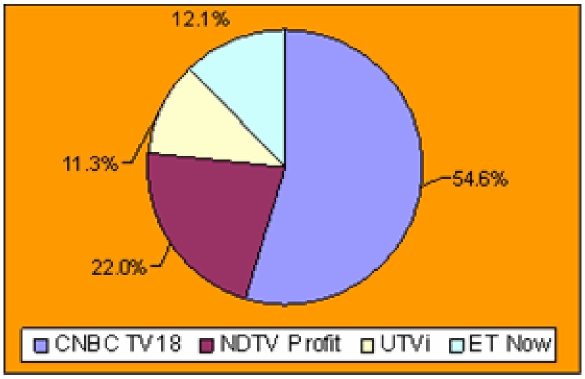
The widening of programme coverage was primarily intended to reduce the business risk arising from over-concentration on the stock market

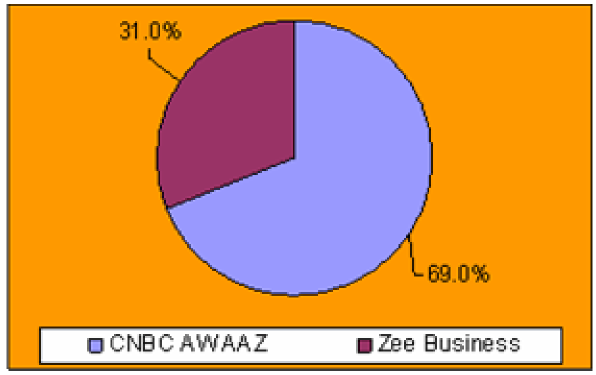
Over the past three years, TV18 has widened its programming range, from mainly stock market coverage, to include features, events, commodities, interviews and fine arts. Infomedia's auto magazine 'Overdrive' was launched as a TV show on CNBC-TV18. The company's stock market coverage has also been expanded to include mutual fund investments, investments in debt and issues related to housing finance and personal insurance. The widening of programme coverage was primarily intended to reduce the business risk arising from over-concentration on the stock market.

- ***Competition intensifying in business news segment***

TV18 has already created a niche for itself in the television business news space through its mother brand news channel, CNBC TV18 English business channel and CNBC Awaaz Hindi business channel. Both these channels are dominant players in their respective genres, with the English business news channel commanding a consistent market share of 50% over the last four years, while the Hindi channel clearly dominates over its closest peer with a market share of 68%. TV18 is set to face increasing competition ahead, with more players entering the business news segment. For instance, UTV Software Communication launched a business news channel, UTVi, while Times Group launched business news channel ET Now.

Market share of English business news channels





Source: Telepedia, Period: Week 36, 2009 30 August, 09 - 05 September, 09

However, we expect both the channels to maintain their leadership position, despite the increasing competition, due to the loyal audience built over the past eight years, and a clear competitive edge in terms of a quality editorial team and strong backend infrastructure. We also expect the channels to benefit from a content licensing agreement with a globally renowned partner like CNBC, which, we believe, will be a tough task for any new entrant to replicate.

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Web 18 – Increase in active Internet users & e-commerce users in India augurs well

TV18 entered the Internet space in 2000 with the acquisition of Moneycontrol. At last count, the company had 20 properties catering to a diverse target audience. All its web initiatives are under Web 18 Holdings, which is an 85% subsidiary of TV18. The company's success in the Internet business can be gauged by the performance of its mother website, Moneycontrol, which breached the 35 mn page views mark on Union Budget day and is currently the country's 23rd most visited website, while its newly launched beta site In.com is the 17th most visited website in the country. WEB 18 is a high growth business, which requires significant investments in the initial stage.

The company's success in the Internet business can be gauged by the performance of its mother website, Moneycontrol, which breached the 35 mn page views mark on Union Budget day and is currently the country's 23rd most visited website

Web 18 website portfolio

Website	Genre
Moneycontrol.com	Financial news and services
Ibnlive.com	General news portal
Indiaearnings.com	Financial news and services
Commoditiescontrol.com	Portal for commodities news and services
Poweryourtrade.com	Subscription-based financial website
Homeshop18.com	Home shopping
Yatra.com 20%	Travel and tourism related portal
Jobstreet.com 50%	Online job search website
Cricketnext.com 80%	Cricket news dedicated website
Compareindia.com	Provides easy access to compare various products online
Tech2.com	Software and technology related
Bookmyshow.com	Provides movie, plays, concert ticket booking services online
Buzz18.com	Entertainment
Indiwo.com	Women oriented
Biztech2.com	Enterprise technology portal
Easymf.com	Financial news and services on mutual funds
Josh18.com	General Hindi portal
Storeguru.com	Transaction-based e-commerce portal

Source: Company

TV18 derives its revenues from advertising, subscription, and transactions based websites. The company runs a strong franchise in terms of advertising revenues from Moneycontrol and IBNLive.com. However, it is in the process of ramping up its offerings in the subscription and transaction-based models with Poweryourtrade.com and Storeguru.com.

Moneycontrol introduced the Instant 'Stock Messaging Service', which allows users to track stocks and portfolios on their cell phones. *'Markets on Mobile'* - Moneycontrol's mobile application providing real time data and news on financial markets - is now one of the country's largest mobile applications. The company also launched 'Mutual Fund Meter', which provides real time analysis on the performance of all open-ended mutual fund schemes.

We believe that the increasing number of active Internet users in the country and the rise in number of e-commerce users augur well for Web 18. Advertisers are generally attracted to advertising on web properties when the number of pages viewed per day increases. The increase in computer literate population will only provide a further boost to Internet usage.

TV18 intends to ultimately list the web business and unlock their value, although the timing of this event is uncertain and a significant delay in listing the subsidiary could pose a risk to the stock's performance.

NewsWire 18 – Competing globally

In order to enter the field of real-time news and data services, TV18 acquired the assets of Crisil Marketwire and rechristened it as Newswire18. This was the first of its kind of product by an Indian company and is designed to take on the global information majors, such as Reuters and Bloomberg. Until Q2 FY08, the company distributed terminals on a trial basis, covering 1500 equity brokers. However, from Q3 FY08 onwards, the company became quite aggressive in acquiring customers and recorded its highest subscriber addition in Q1 FY09 and the second highest subscriber addition in Q4 FY08 since the launch of the business.

Newswire18 encountered some challenges in FY09 on account of the meltdown in the global financial markets, as well as the resulting economic slowdown. However, the company managed to achieve a stupendous growth both in revenues as well as unit sales despite subscription cancellations totalling 35% of the new business generated in FY09.

Foray into print media a positive development

TV18 has forayed into the print media sector by acquiring a 40% stake in Infomedia India Ltd. at a cost of Rs.1.78 bn in December 2007 from ICICI Ventures and has made an open offer to acquire an additional 20% equity from the market. The stake shall be purchased in a staggered manner - 40% immediately, followed by an open offer for 20%. Since the open offer did not garner enough response, TV18 has a right to purchase such number of shares from the ICICI Venture managed fund, in order to augment its stake to at least 53%.

Infomedia is in the publishing & printing business and publishes the Yellow Pages as well as various other special interest magazines. The acquisition will provide TV18 with state-of-the-art printing infrastructure, along with a strong distribution network, and some of the best magazine titles in the country.

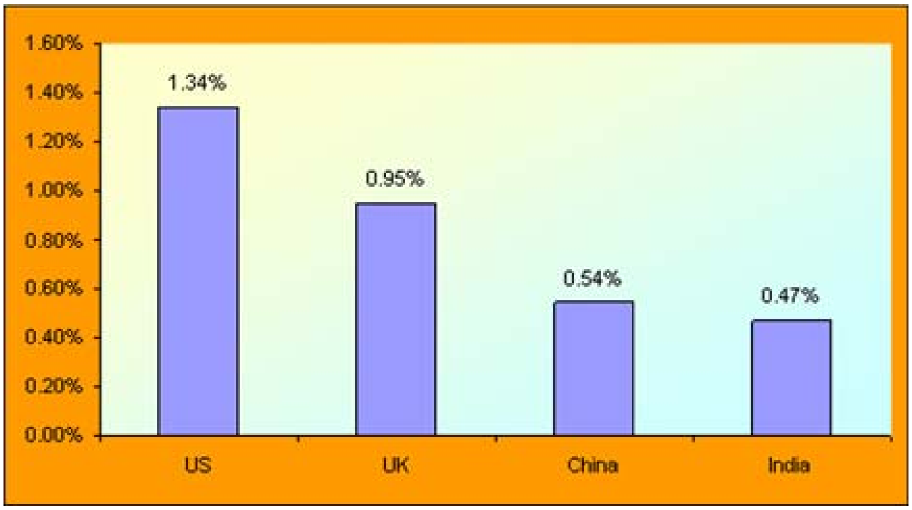
After the acquisition of Infomedia, TV18 strengthened its position in the print media sector by entering into a JV with Forbes Media and launch a business magazine that will syndicate content from the global player. TV18 has also entered into a JV with Jagran Prakashan for launching Hindi and regional language business dailies. However, the company's project to launch regional business dailies has been postponed due to adverse market conditions. Presently, the business newspaper daily market is dominated by Bennett Coleman's Economic Times. English appears to be the preferred language for business news dailies, although TV18's business newspaper will compete with the Hindi editions of Economic Times and Business Standard. We view TV18's entry into the print media as a positive development. ***The company already has a proven track record in the television business news space and can now leverage its expertise in news gathering due to the strength of its JV partners.*** Along with this foray, ***the company is now present in the television, Internet and print media sectors, which will constitute 72% of the revenues of the Indian media & entertainment industry in 2011.***

Macro Drivers

Low ad spend as a percentage of GDP holds huge growth potential

The total ad spend, as a percentage of India's GDP, stands at around 0.47%, which is quite low in comparison to 1.34% for the US, 0.95% for UK and 0.54% for China.

Ad spend as a percentage of GDP



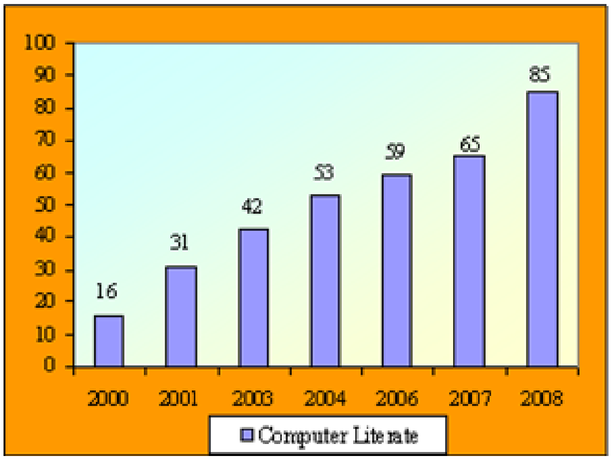
Source: KPMG-FICCI

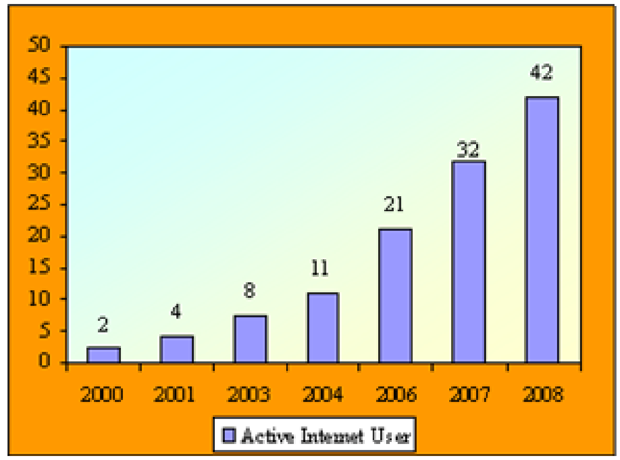
We believe that India's ad spend, as a percentage of the GDP, will rise, on the back of the country's huge economic growth, increasing disposable income, growing consumerism, and changing demographics. The Indian Television advertisement industry is estimated to have achieved a size of Rs.82.5 bn in CY08 and is expected to grow at a CAGR of 13.5% to Rs.155.5 bn by CY13.

Growth in computer literacy to drive ad revenues for Web 18

Since most of the content available over the Internet is in English, familiarity with the language acts as a key driver of Internet usage. Low exposure to computer usage acts as another limiting factor for the growth of Internet users in India. A significant increase is expected in Internet penetration in India due to increasing focus on computer literacy, computer education, and vernacular content in the coming years. Computer literacy in India has witnessed a steady Y-o-Y growth since 2004. Various initiatives taken by the government and other private players, coupled with the growth of the Indian IT/ITES industry, have contributed to the spectacular growth in computer literacy and increase in the active Internet user population in 2008.

Demographics of computer literate & active internet user population in mn





Source: IAMAI

The increase in computer literate population will provide a boost to Internet usage. Advertisers are generally attracted to advertising on web properties when there is an increase in the number of pages viewed per day on the site. Higher computer literacy will drive the revenues for Web18, going forward, by way of higher ad sales.

Arrival of new delivery platforms to drive faster growth in subscription revenues

Subscription revenues are expected to grow at a faster pace than advertising revenues, on the back of the government-mandated transition to Conditional Access System CAS in cable and the emergence of the Direct-To-Home DTH satellite industry. The transition to digital provides a solution to the perennial under declaration of subscribers, which has been negatively impacting broadcasters for years.

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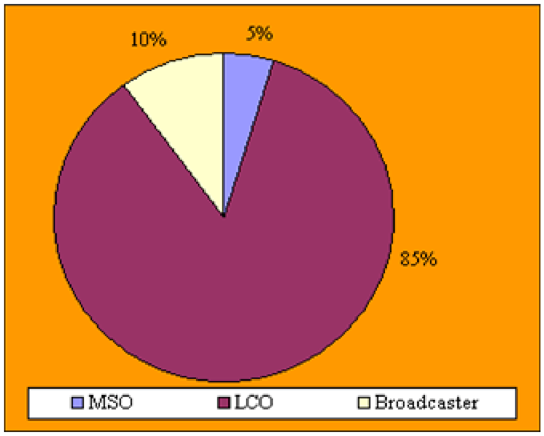
Distribution of subscription revenues



Source: Company

Currently, only 10% of subscription revenue reaches the broadcaster, while the remaining is pocketed by cable operators. The arrival of new delivery platforms, like CAS and DTH, provides broadcasters with the chance to cash in on the lost opportunity.

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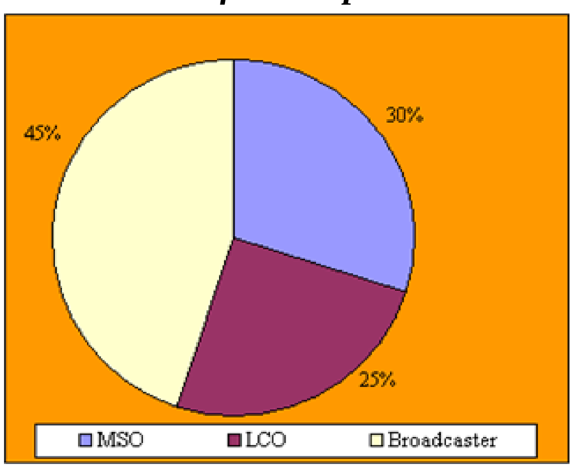

Source: Company

As per the TRAI's notification on interconnection agreements in the CAS notified areas, broadcasters will receive 45% of the subscription revenues while Multi System Operators MSO will receive 30% and Local Cable Operators LCO will receive 25%. The move will increase the revenue streams for broadcasters, as the precise number of subscribers will be revealed, and they will also command a higher revenue share.

Section II

Financial Highlights

Revenue Mix

TV18 recorded consolidated revenues of Rs.4.9 bn, up 23% Y-o-Y in FY09. However, the company has not provided a break up of the revenues from its various businesses for Q4 FY09 and FY09. In Q1 FY10, TV18 reported consolidated revenues of Rs.1.1 bn, out of which News operations, consisting of advertisement and subscription revenues, contributed 53%. The company expects subscription revenues, driven by an increase in DTH subscribers, to be the next growth driver. Revenues will begin flowing from higher ad sales of Web18 operations and the increasing subscriber base of NewsWire18 business. Infomedia 18 was consolidated from Q2 FY09 onwards and contributed significantly to the company's topline.

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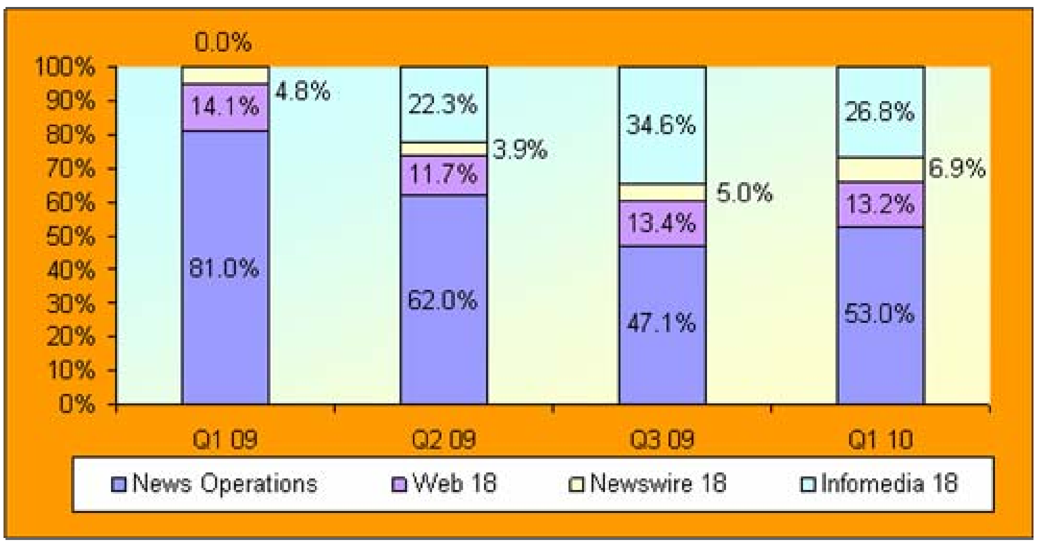
TV18's revenue mix



Source: Company
The company's Q4 FY09 revenue mix is not displayed as they are not disclosed by the management

Heavy promotional expenditure pulls down margins

Over the last four years, TV18's overall sales performance picked up due to the buoyant Indian economy. In FY08, the company's sales grew 60.6% Y-o-Y, but slowed down to 23.0% in FY09, on account of the economic downturn, while its total costs, as a percentage of sales, rose from 73.5% in FY07 to 79.7% in FY08 and 125.3% in FY09.

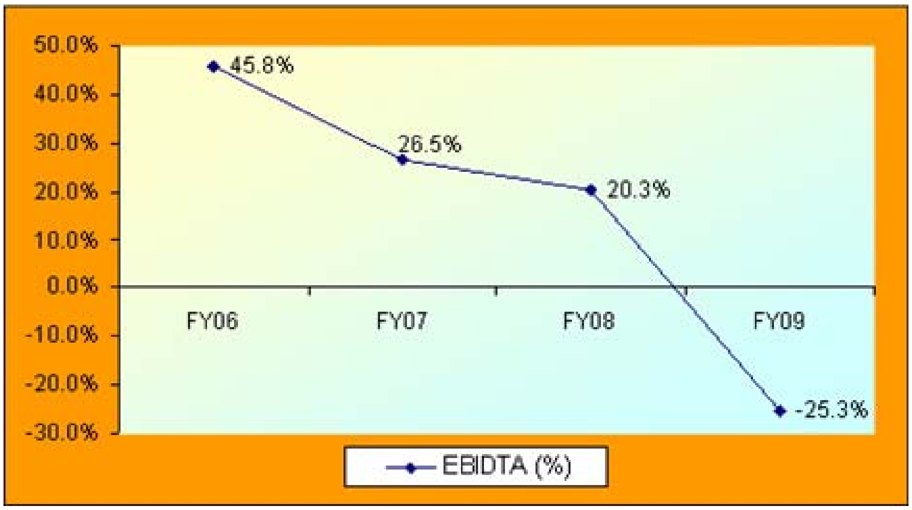
Revenue & EBIDTA margin trend

	FY 06	FY 07	FY 08	FY 09
Revenue Growth %	54.4%	63.0%	60.6%	23.0%
Total Cost	54.2%	73.5%	79.7%	125.3%
EBITDA Margin %	45.8%	26.5%	20.3%	-25.3%

Source: Company

TV18 went on an expansion mode and incurred heavy promotional expenditure in order to cash in on its Web18 business, which resulted in a negative EBIDTA of 25.3% in FY09, as against 20.3% in FY08.

EBIDTA Margin Trend



Source: Company

Return Ratios

The increase in the company's operating costs, coupled with the declining proportion of operating assets to net asset, resulted in the Return on Equity declining from 21.5% in FY06 to merely 2.9% in FY08 and negative 45.5% in FY09.

DuPont Model

YE March (Rs. mn)	FY 06	FY 07	FY 08	FY 09
EBIDTA/Sales %	45.8%	26.5%	20.3%	-25.3%
Sales/Operating Assets x	0.65x	0.74x	1.21x	0.86x
EBIDTA/Operating Assets %	29.9%	19.6%	24.5%	-21.8%
Operating Assets/ Net Assets x	0.72x	0.60x	0.37x	0.42x
Net Earnings/ EBIDTA %	53.6%	50.4%	15.4%	179.5%
Net Assets/ Equity x	1.86x	2.02x	2.10x	2.75x
Return on Equity %	**21.5%**	**12.0%**	**2.9%**	**-45.5%**

Source: Company

EBITA losses partially offset by decline in working capital requirements negatively impacts operating cash flows

The broadcasting business is generally a working capital-intensive business, mainly due to its long debtor collection period and the need for huge content backup. The company is not required to store huge contents, as the usability of contents is valid only for a few hours/days in the news business, leading to insignificant inventory days.

Working capital ratios

	FY 06	FY 07	FY 08	FY 09
Debtors Days	233	241	178	128
Creditors Days	182	126	116	116
Inventory Days	2	2	1	5
Cash Cycle	**53**	**117**	**62**	**18**
Net Current assets	1,591	3,587	1,201	2,434
Growth in Net Current assets	173%	125%	-67%	103%
Net Current Assets/Capital Employed %	36%	53%	11%	16%

Source: Company

The company's cash cycle improved from 62 days in FY08 to 18 days in FY09, primarily due to a decline in debtor days from 178 in FY08 to 128 in FY09, partially offset by an increase in inventory days from 1 in FY08 to 5 in FY09. However, its net current assets increased by 103% Y-o-Y to Rs.2.4 bn in FY09 on the back of an increase in loans & advances and a decline in other current liabilities. This, coupled with EBITA losses of Rs.1.72 bn in FY09, adversely impacted the company's operating cash flows, which came in at negative Rs.650 mn in FY09, as against Rs.751 mn in FY08. The net current assets/capital employed increased from 11% in FY08 to 16% in FY09.

Free cash flow

YE March (Rs. mn)	FY 06	FY 07	FY 08	FY 09
EBITA	**560**	**469**	**476**	**(1,721)**
Less: Adjusted Taxes	139	(5)	370	(80)
NOPLAT	**421**	**474**	**106**	**(1,642)**
Depreciation	136	188	332	481
Gross Cash flow	**557**	**662**	**438**	**(1,160)**
Increase in Working Capital	696	573	(312)	(510)
Operating Cash flow	**(140)**	**89**	**751**	**(650)**
Net Capex	335	417	718	767
Increase in Net Other Assets	(115)	(301)	(565)	6,456
FCF From Operation	**(360)**	**(27)**	**598**	**(7,873)**

Source: Company

The increase in the company's net capex to Rs.767 mn can be attributed mainly to the operations of its new ventures. The huge increase in net other assets on account of goodwill and refund of warrant application money resulted in the free cash flow from operations coming in at a negative Rs.7.87 bn in FY09.

Key Concerns

Business heavily dependent on capital market

TV18 operates in the niche segment of providing business news and financial services through all mediums of the media. Although the company has a diversified revenue base, all its businesses are directly or indirectly linked to the performance of the capital market. The company has diversified its advertiser base, though the poor performance of the capital market can lead to a reduction in the number of viewers for its channels, which will pull down its subscription revenues, and also impact its advertisement sales. The company's plan to launch Hindi business daily through a joint venture with Jagran is linked to the capital market. TV18's most successful web portal, moneycontrol.com, is also related to the capital markets. Thus, a prolonged bear market could adversely impact the company's topline as well as bottomline.

Subscription fees capped by TRAI

Broadcasters receive subscription fees from subscribers through cable operators, DTH operators, and IPTV operators. Currently, the TRAI has fixed subscription fees for pay channels at up to Rs.5.35 per channel on a la carte basis for cable operators providing service through CAS. However, broadcasters are charging higher subscription fees from DTH operators for providing their channels. Following the failure to come up with any solution on pricing of channels to DTH operators, the TRAI recently issued a notification stating that broadcasters cannot charge more than 50% of the price that they charge cable operators in non-CAS areas. Any further intervention can lead to more price control by the TRAI, which will cap the company's subscription revenues.

Quarterly Result Analysis (Consolidated)

YE March (Rs. mn)	Q1 FY10	Q1 FY09	*Y-o-Y change %*	Q4 FY09	*Q-o-Q change %*
Net Sales	**1,073**	**930**	***15.4%***	**1,361**	***-21.1%***
Total Expenditure	**1,065**	**800**	***33.0%***	**2,563**	***-58.5***
EBIDTA	**9**	**130**	***-93.2%***	**-1,203**	***NM***
Less: Depreciation	122	73	*67.0%*	167	*-26.5%*
EBIT	**-114**	**56**	***NM***	**-1,369**	***NM***
Less: Interest	317	222	*43.0%*	263	*20.9%*
Add: Other income	37	153	*-75.7%*	437	*-91.5%*
Add: Extraordinary Income	0	(65)	*NM*	57	*-100.0%*
Profit Before Tax	**-394**	**-77**	***NM***	**-1,138**	***NM***
Less: Total Tax	27	14	*87.0%*	-100	*NM*
Profit After Tax Before Minority Interest	**-421**	**-91**	***NM***	**-1,037**	***NM***
Minority Interest	2	1	*66.4%*	116	*-98.0%*
Share of Loss/ Profit of Associate	-12	0	*NM*	71	*NM*
Profit After Tax	**-407**	**-90**	***NM***	**-992**	***NM***
Proforma Net Profit	**-407**	**-25**	***NM***	**-1,050**	***NM***
Weighted Average Shares Outstanding mn	120	120		120	
Reported EPS Rs.	**-3.39**	**-0.75**	***NM***	**-8.27**	***NM***
Proforma EPS Rs.	**-3.39**	**-0.21**	***NM***	**-8.75**	***NM***
EBIDTA Margin	0.8%	14.0%		-88.4%	
EBIT Margin	-10.6%	6.1%		-100.6%	
Proforma NPM	-37.9%	-2.7%		-77.2%	
Effective Tax Rate	-6.9%	-18.8%		8.8%	

Source: Company Reports, FG Estimates

- Total sales increased by 15.4% Y-o-Y in Q1 FY10 to Rs.1.07 bn, while total costs grew 33.0% Y-o-Y to Rs.1.07 bn. The higher than proportionate increase in the total costs led to a decline of 93.2% Y-o-Y in the EBIDTA profit to Rs.9 mn in Q1 FY10 and the company reported an EBIDTA margin of 0.8% for the quarter.

- A rise of 67.0% Y-o-Y in depreciation expense due to an increase in the asset base and an increase of 43.0% Y-o-Y in interest costs due to higher debt, coupled with a decline of 75.7% Y-o-Y in Other income, resulted in a proforma net loss of Rs.407 mn in Q1 FY10, as against a proforma net loss of Rs.25 mn in Q1 FY09.

- The company reported a proforma negative EPS of Rs.3.39 for the quarter.

Financials (Consolidated)

Earnings Model (Consolidated)

YE March (Rs. mn)	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	FY FY09	Q1 FY10	Q2 FY10E	Q3 FY10E	Q4 FY10E	FY FY10E
Total Revenue	**930**	**1,303**	**1,305**	**1,361**	**4,898**	**1,073**	**1,288**	**1,416**	**1,690**	**5,467**
Total Cost	**800**	**1,324**	**1,450**	**2,563**	**6,138**	**1,065**	**1,262**	**1,359**	**1,605**	**5,291**
EBIDTA	**130**	**-22**	**-145**	**-1,203**	**-1,240**	**9**	**26**	**57**	**84**	**176**
Less: Depreciation	73	115	126	167	481	122	126	131	133	513
EBIT	**56**	**-137**	**-272**	**-1,369**	**-1,721**	**-114**	**-101**	**-74**	**-49**	**-337**
Interest Paid	222	252	355	263	1,091	317	327	306	291	1,241
Non-operating Income	153	134	69	437	385	37	41	47	53	178
Extraordinary Income	-65	-34	196	57	678	0	0	0	0	0
Extraordinary Expense	0	0	0	0	116	0	0	0	0	0
Profit Before Tax	**-77**	**-288**	**-361**	**-1,138**	**-1,864**	**-394**	**-387**	**-333**	**-287**	**-1,400**
Profit Before Tax Excl. extra-ordinaries	**-12**	**-255**	**-557**	**-1,195**	**-2,427**	**-394**	**-387**	**-333**	**-287**	**-1,400**
Tax	14	30	-31	-100	-86	27	19	17	14	77
Profit After Tax before Minority Interest	**-91**	**-319**	**-331**	**-1,037**	**-1,778**	**-421**	**-406**	**-349**	**-301**	**-1,478**
Minority Interest	1	39	29	116	185	2	41	42	15	100
Share of Loss/ Profit of Associate	0	0	0	71	71	-12	-8	-7	-6	-33
Profit After Tax	**-90**	**-280**	**-302**	**-992**	**-1,664**	**-407**	**-358**	**-301**	**-280**	**-1,345**
Profit After Tax Excl. extra-ordinaries	**-25**	**-246**	**-497**	**-1,050**	**-2,226**	**-407**	**-358**	**-301**	**-280**	**-1,345**
Weighted Average Shares Outstanding (mn)	120	120	120	120	120	120	120	180	180	138
Diluted EPS Rs.	**-0.75**	**-2.33**	**-2.52**	**-8.27**	**-13.9**	**-3.39**	**-2.98**	**-1.67**	**-1.56**	**-9.74**
Diluted EPS Excl. extraordinaries Rs.	**-0.21**	**-2.05**	**-4.15**	**-8.75**	**-18.6**	**-3.39**	**-2.98**	**-1.67**	**-1.56**	**-9.74**
Margins										
EBIDTA Margin %	14.0%	-1.7%	-11.1%	-88.4%	-25.3%	0.8%	2.0%	4.0%	5.0%	3.2%
EBIT Margin %	6.1%	-10.5%	-20.8%	-100.6%	-35.1%	-10.6%	-7.8%	-5.2%	-2.9%	-6.2%
PBT Margin %	-8.3%	-22.1%	-27.7%	-83.6%	-38.1%	-36.7%	-30.0%	-23.5%	-17.0%	-25.6%
NPM %	-9.7%	-21.5%	-23.1%	-72.9%	-34.0%	-37.9%	-27.8%	-21.2%	-16.6%	-24.6%
NPM Excl. extra-ordinaries %	-2.7%	-18.9%	-38.1%	-77.2%	-45.4%	-37.9%	-27.8%	-21.2%	-16.6%	-24.6%
Effective Tax Rate %	-18.8%	-10.5%	8.5%	8.8%	4.6%	-6.9%	-5.0%	-5.0%	-5.0%	-5.5%

Note: Q4FY09 numbers are derived by subtracting the sum of the first three quarters from FY09 numbers due to non disclosure of Q4 FY09 numbers by the management.

Profit & Loss A/c

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**2,478**	**3,981**	**4,898**	**5,467**	**6,235**
Less:					
Cost of Raw material Net	0	0	306	344	387
Manufacturing Expenses	446	795	1,017	1,066	1,185
Personnel	576	1,017	1,928	1,859	2,057
Selling, General & Administrative Expenses	681	1,202	1,835	1,804	1,870
Miscellaneous Expenses	117	158	1,053	219	249
Total Operating Expenditure	**1,821**	**3,172**	**6,138**	**5,291**	**5,748**
EBIDTA	**657**	**809**	**-1,240**	**176**	**486**
Less: Depreciation	188	332	481	513	556
EBIT	**469**	**476**	**-1,721**	**-337**	**-70**
Interest Paid	244	499	1,091	1,241	1,125
Non-operating Income	104	362	385	178	176
Extraordinary Income	3	15	678	0	0
Extraordinary Expense	12	84	116	0	0
Profit Before tax	**319**	**270**	**-1,864**	**-1,400**	**-1,019**
Tax	-3	210	-86	77	51
Minority Interest	0	18	185	100	75
Share in loss of associates	0	22	71	-33	-21
Net Profit	**322**	**56**	**-1,664**	**-1,345**	**-974**
Net Profit Excl. extra-ordinaries	**331**	**125**	**-2,226**	**-1,345**	**-974**

Commonsized Profit & Loss A/c

YE March	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Less:					
Cost of Raw material Net	0.0%	0.0%	6.2%	6.3%	6.2%
Manufacturing Expenses	18.0%	20.0%	20.8%	19.5%	19.0%
Personnel	23.2%	25.5%	39.4%	34.0%	33.0%
Selling, General & Administrative Expenses	27.5%	30.2%	37.5%	33.0%	30.0%
Miscellaneous Expenses	4.7%	4.0%	21.5%	4.0%	4.0%
Total Operating Expenditure	**73.5%**	**79.7%**	**125.3%**	**96.8%**	**92.2%**
EBIDTA	**26.5%**	**20.3%**	**-25.3%**	**3.2%**	**7.8%**
Less: Depreciation	7.6%	8.3%	9.8%	9.4%	8.9%
EBIT	**18.9%**	**12.0%**	**-35.1%**	**-6.2%**	**-1.1%**
Interest Paid	9.9%	12.5%	22.3%	22.7%	18.1%
Non-operating Income	4.2%	9.1%	7.9%	3.3%	2.8%
Extraordinary Income	0.1%	0.4%	13.8%	0.0%	0.0%
Extraordinary Expense	0.5%	2.1%	2.4%	0.0%	0.0%
Profit Before tax	**12.9%**	**6.8%**	**-38.1%**	**-25.6%**	**-16.3%**
Tax	-0.1%	5.3%	-1.8%	1.4%	0.8%
Minority Interest	0.0%	0.4%	3.8%	1.8%	1.2%
Share in loss of associate	0.0%	0.6%	1.4%	-0.6%	-0.3%
Net Profit	**13.0%**	**1.4%**	**-34.0%**	**-24.6%**	**-15.6%**
Net Profit Excl. extra-ordinaries	**13.4%**	**3.1%**	**-45.4%**	**-24.6%**	**-15.6%**

Balance Sheet

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Liabilities					
Equity Capital	283	598	600	900	900
Reserves & Surplus	2,777	4,688	5,253	9,993	9,993
Equity	**3,060**	**5,286**	**5,853**	**10,893**	**10,893**
Net Worth	**3,060**	**5,286**	**5,853**	**10,893**	**10,893**
Minority Interest	438	449	29	27	19
Deferred tax liability	50	35	37	37	37
Total Loans	**3,219**	**5,464**	**9,775**	**7,275**	**7,275**
Capital Employed	**6,766**	**11,233**	**15,694**	**18,232**	**18,225**
Assets					
Gross Block	1,600	2,299	4,038	4,438	4,838
Less: Depreciation	499	833	2,236	2,749	3,306
Net Block	**1,101**	**1,466**	**1,801**	**1,688**	**1,532**
Capital WIP	36	57	7	22	24
Investments	**1,964**	**7,104**	**5,880**	**5,880**	**5,880**
Intangible Assets	37	1,356	4,097	4,097	4,097
Others - A	13	20	142	122	102
Current Assets					
Inventories	9	5	86	58	47
Sundry Debtors	1,635	1,937	1,702	1,947	2,221
Cash and Bank Balance	1,847	1,729	1,636	2,248	1,321
Loans and Advances	1,032	1,248	1,945	2,279	2,278
Other Current Assets	0	47	37	27	17
Total Current Assets	**4,522**	**4,967**	**5,407**	**6,559**	**5,884**
Less: Current Liabilities & Provisions					
Sundry Creditors	631	1,009	1,944	1,682	1,827
Provisions	27	159	137	39	25
Other Current Liabilities	278	2,598	893	1,094	1,093
Total Current Liabilities & Provisions	**935**	**3,766**	**2,974**	**2,814**	**2,946**
Miscellaneous Assets	28	30	1,333	2,678	3,651
Capital Applied	**6,766**	**11,233**	**15,694**	**18,232**	**18,225**

Common sized Balance Sheet

YE March	FY07	FY08	FY09	FY10E	FY11E
Liabilities					
Equity Capital	4.2%	5.3%	3.8%	4.9%	4.9%
Reserves & Surplus	41.0%	41.7%	33.5%	54.8%	54.8%
Equity	**45.2%**	**47.1%**	**37.3%**	**59.7%**	**59.8%**
Net Worth	**45.2%**	**47.1%**	**37.3%**	**59.7%**	**59.8%**
Minority Interest	6.5%	4.0%	0.2%	0.1%	0.1%
Deferred tax liability	0.7%	0.3%	0.2%	0.2%	0.2%
Total Loans	47.6%	48.6%	62.3%	39.9%	39.9%
Capital Employed	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Assets					
Gross Block	23.6%	20.5%	25.7%	24.3%	26.5%
Less: Depreciation	7.4%	7.4%	14.3%	15.1%	18.1%
Net Block	16.3%	13.0%	11.5%	9.3%	8.4%
Capital WIP	0.5%	0.5%	0.0%	0.1%	0.1%
Investments	**29.0%**	**63.2%**	**37.5%**	**32.3%**	**32.3%**
Intangible Assets	0.6%	12.1%	26.1%	22.5%	22.5%
Others - A	0.2%	0.2%	0.9%	0.7%	0.6%
Current Assets					
Inventories	0.1%	0.0%	0.5%	0.3%	0.3%
Sundry Debtors	24.2%	17.2%	10.8%	10.7%	12.2%
Cash and Bank Balance	27.3%	15.4%	10.4%	12.3%	7.2%
Loans and Advances	15.3%	11.1%	12.4%	12.5%	12.5%
Other Current Assets	0.0%	0.4%	0.2%	0.2%	0.1%
Total Current Assets	**66.8%**	**44.2%**	**34.5%**	**36.0%**	**32.3%**
Less: Current Liabilities & Provisions					
Sundry Creditors	9.3%	9.0%	12.4%	9.2%	10.0%
Provisions	0.4%	1.4%	0.9%	0.2%	0.1%
Other Current Liabilities	4.1%	23.1%	5.7%	6.0%	6.0%
Total Current Liabilities & Provisions	**13.8%**	**33.5%**	**18.9%**	**15.4%**	**16.2%**
Miscellaneous Assets	0.4%	0.3%	8.5%	14.7%	20.0%
Capital Applied	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Cash Flow Statement

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Cash Inflows					
From Operations					
Profit Before Tax	319	270	(1,864)	(1,400)	(1,019)
Depreciation	188	332	481	513	556
Less:					
Dividend Payout	129	272	0	0	0
Tax Paid	(3)	210	(86)	77	51
Operating Cash flow	**382**	**120**	**(1,297)**	**(965)**	**(514)**
Changes in Capital Structure					
Increase in Equity Share capital	72	315	2	300	0
Increase in Share premium	671	1,814	693	4,740	0
Increase in Other reserves	(267)	309	1,650	1,478	1,070
Increase in Others	(63)	(15)	2	0	0
Inc/(Dec) in Loans	1,369	2,245	4,311	(2,500)	0
Inc/(Dec) in Minority Interest	424	11	(420)	(2)	(7)
Inc/Dec in Equity/Loans/MI	**2,206**	**4,679**	**6,239**	**4,016**	**1,063**
Adjustments					
Diff. in Depreciation	22	1	922	0	(0)
Total Inflows	**2,611**	**4,801**	**5,864**	**3,051**	**549**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	(46)	133	(23)	(98)	(13)
Inc/(Dec) in Current Liabilities	360	2,698	(770)	(61)	145
Less:					
Inc/(Dec) in Inventory	4	(3)	81	(28)	(11)
Inc/(Dec) in Debtors	664	302	(235)	245	273
Inc/(Dec) in Loans & Advances	242	217	697	334	(1)
Inc/(Dec) in Other Current Assets	0	47	(10)	(10)	(10)
Inc/(Dec) in Working Capital	**595**	**(2,268)**	**1,325**	**700**	**120**
Capex/Investments					
Inc/(Dec) in Investments	176	5,140	(1,224)	0	0
Addition to Gross Block	418	698	1,739	400	400
Inc/(Dec) in Capital WIP	20	21	(50)	15	2
Inc/(Dec) in Other Assets	(1)	1,325	2,863	(20)	(20)
Inc. in Misc. Assets	2	2	1,303	1,345	974
Inc/(Dec) in Fixed Assets/ Investments	**615**	**7,187**	**4,631**	**1,740**	**1,356**
Inc/(Dec) in Cash/Bank Balance	1,401	(118)	(92)	611	(927)
Total Outflows	**2,611**	**4,801**	**5,864**	**3,051**	**549**

Commonsized Cash Flow Statement

YE March	FY07	FY08	FY09	FY10E	FY11E
Cash Inflows					
From Operations					
Profit Before Tax	12.2%	5.6%	(31.8%)	(45.9%)	(185.7%)
Depreciation	7.2%	6.9%	8.2%	16.8%	101.4%
Less:					
Dividend Payout	4.9%	5.7%	0.0%	0.0%	0.0%
Tax Paid	(0.1%)	4.4%	(1.5%)	2.5%	9.3%
Operating Cash flow	**14.6%**	**2.5%**	**(22.1%)**	**(31.6%)**	**(93.6%)**
Changes in Capital Structure					
Increase in Equity Share capital	2.8%	6.6%	0.0%	9.8%	0.0%
Increase in Share premium	25.7%	37.8%	11.8%	155.3%	0.0%
Increase in Other reserves	(10.2%)	6.4%	28.1%	48.4%	194.9%
Increase in Others	(2.4%)	(0.3%)	0.0%	0.0%	0.0%
Inc/(Dec) in Loans	52.4%	46.8%	73.5%	(81.9%)	0.0%
Inc/(Dec) in Minority Interest	16.2%	0.2%	(7.2%)	(0.1%)	(1.4%)
Inc/Dec in Equity/Loans/MI	**84.5%**	**97.5%**	**106.4%**	**131.6%**	**193.6%**
Adjustments					
Diff. in Depreciation	0.8%	0.0%	15.7%	0.0%	(0.0%)
Total Inflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	(1.8%)	2.8%	(0.4%)	(3.2%)	(2.4%)
Inc/(Dec) in Current Liabilities	13.8%	56.2%	(13.1%)	(2.0%)	26.4%
Less:					
Inc/(Dec) in Inventory	0.1%	(0.1%)	1.4%	(0.9%)	(2.0%)
Inc/(Dec) in Debtors	25.4%	6.3%	(4.0%)	8.0%	49.8%
Inc/(Dec) in Loans & Advances	9.3%	4.5%	11.9%	10.9%	(0.2%)
Inc/(Dec) in Other Current Assets	0.0%	1.0%	(0.2%)	(0.3%)	(1.8%)
Inc/(Dec) in Working Capital	**22.8%**	**(47.3%)**	**22.6%**	**22.9%**	**21.9%**
Capex/Investments					
Inc/(Dec) in Investments	6.7%	107.1%	(20.9%)	0.0%	0.0%
Addition to Gross Block	16.0%	14.5%	29.7%	13.1%	72.9%
Inc/(Dec) in Capital WIP	0.8%	0.4%	(0.9%)	0.5%	0.4%
Inc/(Dec) in Other Assets	(0.0%)	27.6%	48.8%	(0.7%)	(3.6%)
Inc. in Misc. Assets	0.1%	0.1%	22.2%	44.1%	177.4%
Inc/(Dec) in Fixed Assets/ Investments	**23.6%**	**149.7%**	**79.0%**	**57.0%**	**247.0%**
Inc/(Dec) in Cash/Bank Balance	53.7%	(2.5%)	(1.6%)	20.0%	(168.9%)
Total Outflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Free Cash Flow

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
EBITA	**469**	**476**	**(1,721)**	**(337)**	**(70)**
Less: Adjusted Taxes	(5)	370	(80)	19	4
NOPLAT	**474**	**106**	**(1,642)**	**(356)**	**(74)**
Plus: Depreciation	188	332	481	513	556
Gross Cash flow	**662**	**438**	**(1,160)**	**157**	**483**
Less: Increase in Working Capital	573	(312)	(510)	699	151
Operating Cash flow	**89**	**751**	**(650)**	**(542)**	**332**
Less: Net Capex	417	718	767	415	402
Less: Increase in Net Other Assets	(301)	(565)	6,456	1,350	961
FCF From Operation	**(27)**	**598**	**(7,873)**	**(2,307)**	**(1,031)**
Less: Inc./Dec. in Investment	(346)	1,132	3,811	0	0
FCF after Investment	**319**	**(534)**	**(11,685)**	**(2,307)**	**(1,031)**
Plus: Gain/loss on Extraordinary Items	(9)	(15)	536	0	0
Total FCF	**310**	**(549)**	**(11,148)**	**(2,307)**	**(1,031)**

IMPORTANT DISCLOSURES

Price Target

Price targets if any are derived from a subjective and/or quantitative analysis of financial and non-financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, and its stock price history.

The risks that may impede achievement of the price target/investment thesis are –

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- **More than expected increase in Viewership share**
- **Decrease in the competition of business news channels**
- **Faster than expected off take in subscription revenues**

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Rating in this report is relative to: Sensex

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(i) Buy B – *This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

(ii) Buy at Declines BD – *This rating means that we expect the stock to provide a better lower entry price and then move up and achieve our specified price target, if any, over the specified time period.*

(iii) Outperform OP – *This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

Neutral Ratings

(i) Hold H – *This rating means that we expect no substantial move in the stock price over the specified time period.*

(ii) Marketperform MP – *This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

Negative Ratings

(i) Sell S – *This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

(ii) Sell into Strength SS – *This rating means that we expect the stock to provide a better higher exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

(iii) Underperform UP – *This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

(iv) Avoid A – *This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*

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