

June 25, 2008

Rating	Outperformer
Price	Rs91
Target Price	Rs140
Implied Upside	53.8%
Sensex	14,107

(Prices as on June 24, 2008)

Trading Data

Market Cap. (Rs bn)	5.3
Shares o/s (m)	58.0
Free Float	44.3%
Avg. Daily Vol ('000)	34.6
Avg. Daily Value (Rs m)	3.8

Major Shareholders

Promoters	55.7%
Foreign	0.2%
Domestic Inst.	17.5%
Public & Others	26.6%

Stock Performance

(%)	1M	6M	12M
Absolute	(16.0)	(48.7)	(32.8)
Relative	0.0	(19.1)	(29.0)

Price Performance (RIC: TVTO.BO, BB: TVTN IN)



Source: Bloomberg

■ **Results:** TV Today Network's (TVT) Q4FY08 results were marginally below our estimates. The company reported revenue of Rs638m, growing by 8.9% YoY. Operating profit for the quarter declined by 9.5% YoY to Rs184m with OPM of 28.9%. However, higher other income of Rs65m resulted in 10.2% YoY growth in net profit to Rs135m.

Consolidated revenue for the year grew by 22.3% to Rs2,311m. OPM declined by 35bps. However, higher other income and relatively lower depreciation resulted in 40.1% growth in net profit to Rs436m.

■ **Aaj Tak still the leader, HT sees uptick in viewership:** *Aaj Tak* continues to maintain its leadership with 20.1% average market share for FY08 (source: Telepedia). The channel claims to have a viewership of 43.8 million. *Tez* has played its role well as a flanker to *Aaj Tak*, whereas *Headlines Today* (HT) has gradually garnered viewership of 11.9 million.

The improvement in network viewership has helped 15% ad rate hike effective from April 2008.

■ **New initiatives:** With Rs1.7bn of cash on books, TV Today is considering rolling out new channels, but is deterred by the current environment of high carriage fees on new channel launches. The company is also awaiting approval for consolidating its group radio business.

■ **Outlook & valuation:** Considering TVT's ability to retain market share and monetise existing properties by way of subscription revenue (we have built-in for Rs119m and Rs135m of subscription revenue for FY09 and FY10 respectively). The scrip appears attractive at valuations of 10.7x FY09 and 8.7x FY10 estimated earnings. We upgrade our rating for TVT from Market Performer to Outperformer.

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenue (Rs m)	1,889	2,311	2,823	3,271
Growth (%)	18.4	22.3	22.2	15.9
EBITDA (Rs m)	517	624	818	977
PAT (Rs m)	311	436	545	665
EPS (Rs)	5.3	7.5	8.5	10.4
Growth (%)	11.7	40.1	13.5	22.0
Net DPS (Rs)	0.8	0.8	1.0	1.3

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	27.4	27.0	29.0	29.9
RoE (%)	12.9	15.9	17.1	17.8
RoCE (%)	12.7	15.8	17.1	17.9
EV / sales (x)	2.1	1.5	1.1	0.8
EV / EBITDA (x)	7.6	5.6	3.9	2.6
PE (x)	16.9	12.1	10.7	8.7
P / BV (x)	2.1	1.8	1.5	1.3
Net dividend yield (%)	0.8	0.8	1.1	1.4

Source: Company Data; PL Research

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Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q4FY07	YoY gr. (%)	Q3FY08	FY07	FY08	YoY gr. (%)
Net sales	638	585	8.9	694	1,889	2,311	22.3
Employee cost	142	123	15.9	145	445	552	24.2
Transmission & production cost	68	67	1.8	73	209	268	28.4
Advertisement and promotion cost	138	92	49.9	121	345	463	34.2
Other expenses	105	100	5.2	112	373	402	7.7
Employee stk. compensation cost	0.1	0.5	(80.0)	0.4	0.7	1	
Total expenditure	453	382	18.7	450	1,372	1,686	22.9
Operating profit	184	204	(9.5)	243	517	624	20.7
<i>% of sales</i>	28.9	34.8		35.1	27.4	27.0	
Other income	65	27	137.9	54	135	204	50.5
EBITDA	249	231	7.9	297	653	828	26.9
<i>% of sales</i>	39.0	39.4		42.8	34.5	35.8	
Depreciation	41	43	(5.4)	40	170	160	(5.9)
PBIT	208	188	10.9	257	482	668	38.5
Interest	0	0.3		0.3	1.2	0.9	
PBT	208	188	11.0	257	481	667	38.7
Total tax	73	65	12.5	90	170	232	36.1
<i>Tax rate (%)</i>	35.1	34.6		35.0	35.4	34.7	
PAT	135	123	10.2	167	311	436	40.1



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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