



**BUY**

Price	Rs94
Target Price	Rs111
Investment Period	12 months

**Stock Info**

Sector	Broadcasting
Market Cap (Rs cr)	542
Beta	0.8
52 WK High / Low	120 / 47
Avg Daily Volume	25,310
Face Value (Rs)	5

BSE Sensex	15,388
Nifty	4,571

BSE Code	532515
NSE Code	TV TODAY
Reuters Code	TVTO.BO
Bloomberg Code	TVTN@IN

**Shareholding Pattern (%)**

Promoters	55.9
MF/Banks/Indian FIs	33.1
FII/ NRIs/ OCBs	0.2
Indian Public	8.8

Abs.	3m	1yr	3yr
Sensex (%)	34.9	7.7	44.1
TV Today (%)	19.6	(12.5)	22.1

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**Performance Highlights**

- **Modest Top-line growth, up 11%:** For 1QFY2010, TV Today Network (TVTN) posted modest 10.8% yoy growth in Top-line to Rs71cr (Rs64.1cr) partially aided by the Election advertising spends. The economic slowdown was however reflected in the significant slowdown in the Ad-inventory utilisation for all media companies. TV Today's Domestic Subscription Revenues contributed Rs3-4cr to Total Revenues during the quarter. However, in terms of viewership, the company gained significant traction across its channels. *Aaj Tak*, its flagship channel, continues to maintain its leadership position in the Hindi News genre.
- **Bottom-line surprises, grows a whopping 81%:** Post the dismal 4QFY2009 performance, TV Today surprised and posted a whopping 81.4% yoy growth in Bottom-line to Rs16.6cr (Rs9.2cr) for 1QFY2010 aided by significant Margin expansion and higher Other Income (up 103% yoy to Rs9.2cr partially aided by maturity of FMPs). Higher Subscription Revenues also aided Bottom-line growth as there were no significant costs attached.
- **Sharp Margin expansion by 706bp:** For 1QFY2010, Margins spiked by 706bp yoy to 27.4% (20.3%) driving robust growth of 49.2% yoy in EBITDA to Rs19.5cr (Rs13cr). Margins expanded largely owing to the sharp 580bp decline in Advertising expenses (decline in carriage fees) and 281bp reduction in Staff costs (remained flat in absolute terms).

**Key Financials**

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>231.0</b>	<b>250.0</b>	<b>278.6</b>	<b>320.4</b>
% chg	22.3	8.2	11.4	15.0
<b>Net Profit</b>	<b>43.5</b>	<b>33.6</b>	<b>45.0</b>	<b>53.5</b>
% chg	40.1	(22.9)	34.0	19.0
OPM (%)	27.0	17.6	21.8	24.2
<b>EPS (Rs)</b>	<b>7.5</b>	<b>5.8</b>	<b>7.8</b>	<b>9.2</b>
P/E (x)	12.5	16.2	12.1	10.2
P/BV (x)	1.9	1.7	1.5	1.3
RoE (%)	14.9	10.4	12.4	13.1
RoCE (%)	15.7	7.6	10.1	12.3
EV/Sales (x)	1.7	1.5	1.3	1.1
EV/EBITDA (x)	6.2	8.5	6.1	4.5

Source: Company, Angel Research

### **Radio Today - 'Meowing its way in'**

TVTN, at its meeting held on July 30, 2009, has considered and approved proposal for demerger of its Radio Broadcasting Business of Radio Today Broadcasting (RTBL) and vesting thereof in TV Today Network ("the Company"), subject to the approval of the High Court and other Regulatory Authorities as may be required. The Board further approved the swap ratio of 1:6 ie. for every 6 shares of RTBL, 1 share of the Company will be issued to the shareholders of RTBL. RTBL and the Company are group Companies. This will result in marginal increase of approximately 1% in the Promoters holding in the Company and dilution of around 3.2% for TVTN. Currently, TVTN holds 10% stake in the fellow subsidiary.

Radio Today launched India's first talk-based, women-centric radio station under the banner of *Meow 104.8 FM* creating a niche for itself in the existing multitude of similar FM stations with low attention spans. *Meow* follows a unique "less music, more talk" format and has a potent mix of programming for the 'she' listener, which differentiates it from others. Its tag line 'Thodi Meethi, Thodi Catty' reflects the station's positioning.

First launched in Delhi in May 2007, the station has already extended its presence in metros like Kolkata and Mumbai. After selling *Red FM* to a clutch of investors, RTBL had acquired licenses for seven cities (Delhi, Mumbai, Kolkata, Amritsar, Patiala, Shimla and Jodhpur) for a period of 10 years by paying a one-time entry fee (OTEF) of Rs28.6cr under Phase II bidding. TVTN emerged as one of the lowest successful bidders for the three metros, which should facilitate faster break-even compared to its peers (lower amortisation of OTEF over the 10 year period).

We believe merger of the Radio arm into TVTN will have positive implications for the company:

- It will help TVTN diversify its Revenue streams, which are highly dependent on a single category - News Genre and single medium - Television.
- It will bring in synergistic benefits in terms of garnering local advertising. Bundled with its bouquet of TV channels, particularly city-centric channels like *Dilli Aaj Tak*, TVTN can provide advertisers with an extensive platform in terms of varied audience including advertisers targeting women in particular.

We remain bullish on the future prospects of Radio Today owing to differentiated content and lower costs (less content costs + lower capex). **Nonetheless, we have not factored the same in our projections as we await clarity on the merger details.**

## Outlook and Valuation

Post the 1QFY2010 result, we have marginally tweaked our FY2010E Earnings estimates to account for - 1) lower Advertising expenses (reduction in carriage fees) and 2) higher Other Income. We estimate TVTN to post 13.2% CAGR in Top-line over FY2009-11E. Advertising Revenue is expected to post CAGR of 12.5% over FY2009-11E to Rs299cr. We estimate Subscription Revenues to contribute a mere 6% to Top-line in FY2011E. We have factored in overall Subscription Revenue (domestic and international) of Rs16.5cr and Rs20cr for FY2010E and FY2011E, respectively. On the Operating front, we expect Margins to improve by 650bp to 24.2% during FY2009-11E driven by low base, lower carriage fees (reflected in this quarter), higher operating leverage and savings in rental costs of Rs8-10cr (owing to shifting of office premises to Noida in FY2011E). Despite higher Depreciation (estimated capex of Rs70cr in FY2010E including shifting to new office complex over the mentioned period), we expect Earnings to post a modest CAGR of 26.3% over FY2009-11E owing to better Revenue traction and improvement in Margins.

While improved traction in terms of viewership of its channels and higher Subscription Revenues remain key growth drivers for the company, uncertainty in Ad-Revenues and heavy dependence on a single channel (85% Revenues from *Aaj-Tak*) remains a cause of concern. However, at the CMP of Rs94, TVTN is trading at 10.2x FY2011E EPS of Rs9.2, which is attractive given its strong 26% Earnings CAGR (upside risks would arise if Advertising Revenues revive in 2HFY2010), radio merger announcement and surplus Cash balance of Rs150cr+. Hence, **we upgrade the stock to Buy with a Target Price of Rs111 (Rs102) based on a P/E of 12x FY2011E Earnings.**

### Exhibit 1: 1QFY2010 Performance

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>71.0</b>	<b>64.1</b>	<b>10.8</b>	<b>250.0</b>	<b>231.1</b>	<b>8.2</b>
Employee cost	18.2	18.2	(0.2)	69.9	55.3	26.4
(% of Sales)	25.6	28.4		28.0	23.9	
Transmission & Prodn cost	6.9	6.4	7.3	26.9	26.8	0.2
(% of Sales)	9.7	10.0		10.8	11.6	
Adv, Mktg & Dist Cost	13.9	16.3	(14.6)	67.5	46.3	46.0
(% of Sales)	19.6	25.4		27.0	20.0	
Other expenditure	12.6	10.2	23.8	41.6	40.2	3.3
(% of Sales)	17.7	15.9		16.6	17.4	
<b>Total Expenditure</b>	<b>51.6</b>	<b>51.1</b>	<b>0.9</b>	<b>205.9</b>	<b>168.6</b>	<b>22.1</b>
<b>Operating Profit</b>	<b>19.5</b>	<b>13.0</b>	<b>49.2</b>	<b>44.1</b>	<b>62.4</b>	<b>(29.4)</b>
OPM (%)	27.4	20.3		17.6	27.0	
Interest	0.0	0.0		0.1	0.1	
Depreciation	4.6	4.1	12.1	19.4	16.0	21.3
Other Income	9.2	4.5	103.1	24.2	20.4	18.8
<b>PBT (excl. Ext Items)</b>	<b>24.0</b>	<b>13.4</b>	<b>78.6</b>	<b>48.7</b>	<b>66.7</b>	<b>(26.9)</b>
Ext Income/(Expense)	-	-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>24.0</b>	<b>13.4</b>	<b>78.6</b>	<b>48.7</b>	<b>66.7</b>	<b>(26.9)</b>
(% of Sales)	33.8	20.9		19.5	28.9	
Provision for Taxation	7.3	4.3	72.8	15.2	23.2	(34.4)
(% of PBT)	30.6	31.7		31.2	34.7	
<b>Recurring PAT</b>	<b>16.6</b>	<b>9.2</b>	<b>81.4</b>	<b>33.5</b>	<b>43.6</b>	<b>(23.0)</b>
PATM (%)	23.4	14.3		13.4	18.8	
<b>Reported PAT</b>	<b>16.6</b>	<b>9.2</b>	<b>81.4</b>	<b>33.5</b>	<b>43.6</b>	<b>(23.0)</b>

Source: Company, Angel Research


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**Ratings (Returns) :** Buy (Upside > 15%)  
 Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)  
 Sell (Downside > 15%)

Neutral (5 to -5%)