

UTV Software (UTVSOF)

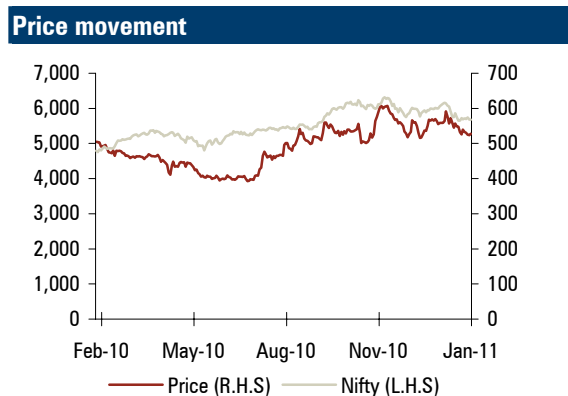
₹ 534

Rating matrix	
Rating	: Add
Target	: ₹ 565
Target Period	: 12 months
Potential Upside	: 6%

Key Financials				
(₹ Crore)	FY09	FY10	FY11E	FY12E
Net Sales	606.6	664.0	963.2	1268.0
EBITDA	-82.9	47.3	204.9	298.0
Net Profit	36.5	53.3	149.7	208.7
EPS (₹)	10.7	13.1	36.9	51.4

Valuation summary				
	FY09	FY10	FY11E	FY12E
PE (x)	48.7	39.6	14.1	10.1
Target PE (x)	53.0	43.1	15.3	11.0
EV/EBITDA (x)	-25.6	63.1	14.3	9.5
P/BV (x)	1.3	2.7	2.3	1.9
RoNW (%)	2.7	6.9	16.4	18.6
RoCE (%)	-4.6	2.3	10.0	14.7

Stock data	
Market Capitalisation	₹ 2112.9 Crore
Debt-Cons. (FY10)	₹ 962.7 Crore
Cash & Invst.-Cons. (FY10)	₹ 72 Crore
EV	₹ 2983.6 Crore
52 week H/L	582 / 372
Equity capital	₹ 40.6 Crore
Face value	₹ 10
MF Holding (%)	4.9
FII Holding (%)	9.7



Analyst's name

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WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 568 to ₹ 565
EPS (FY11E)	Changed from ₹ 34.7 to ₹ 36.9
EPS (FY12E)	Changed from ₹ 37.7 to ₹ 51.4
RATING.....	Changed from Reduce to Add

Impressive performance...

On a consolidated basis, UTV Software reported a topline of ₹ 255.9 crore (I-direct estimate of ₹ 293.0 crore) improving 16.0% YoY and 6.7% QoQ. The growth was on the back of improving revenue from the television and gaming segment, which grew 15.3% and 116.9% YoY, respectively. The company reported EBITDA of ₹ 53.4 crore against ₹ 37.7 crore in Q3FY10. EBITDA margins stood at 20.9%, improving 379 bps YoY and 174 bps QoQ. PAT for the quarter stood at ₹ 40.0 crore (I-direct estimate of ₹ 29.2 crore) as compared to ₹ 37.8 crore in Q3FY10. PAT was higher than our estimates due to lower interest and tax outgo during Q3FY11.

■ **Highlights of the quarter**

UTV released Guzaarish and Tees Maar Khan during the quarter. The television segment has shown significant traction driven by growth in advertisement in the broadcasting and content business with 14 shows on air. It has managed a monthly average of approximately 115 hours of content under management across all channels.

The company completed the development of El Shaddai and would launch the game in Japan on April 28, 2011 (long holiday week in Japan). The company has also finalised a couple of merchandising deals with a jeans company and a toy company in Japan.

Valuation

At the CMP of ₹ 534, the stock is trading at 10.1x FY12E EPS of ₹ 51.4. The company has a strong movie pipeline slated for FY12E. The interactive segment is also expected to post exponential growth with handsome profitability once the owned IPs are launched.

We have valued the stock at 11x FY12 EPS to arrive at a target price of ₹ 565. This implies an upside of 6%. We are upgrading the stock from REDUCE to **ADD**.

Exhibit 1: Performance Highlights

(₹ Crore)	Q3FY11	Q3FY11E	Q3FY10	Q2FY11	QoQ (Chg %)	YoY (Chg %)
Net Sales	255.9	293.0	220.7	239.9	6.7	16.0
EBITDA	53.4	52.2	37.7	45.9	16.4	41.7
EBITDA Margin (%)	20.9	17.8	17.1	19.1	174 bps	379 bps
Depreciation	2.2	2.5	1.8	2.1	5.4	24.1
Interest	9.8	14.8	10.4	4.3	128.9	-5.7
Reported PAT	40.0	29.2	37.8	40.2	-0.5	5.7
EPS (₹)	9.8	7.2	11.1	9.9	-0.5	-11.0

Source: Company, ICICIdirect.com Research

Segmental Analysis

■ Movies

The movie segment continued on the momentum gained in the last quarter. The company released two movies – Guzaarish and Tees Maar Khan. Though the overall performance of the movies may not be as expected, the company had largely de-risked itself with a combination of pre-sales and committed revenues on account of music, home video, TV and ancillary revenues prior to the release of these movies.

The movie segment reported revenues of ₹ 107.6 crore contributing ~42.2% of the total revenues as compared to ~50.7% during Q2FY11. EBIT margins for the quarter were at 25.1% as compared to 37.0% in Q2FY11 and 40.1% in Q3FY10. We expect the movie segment to contribute 45.7% and 39.0% of the total topline in FY11E and FY12E, respectively.

The company has already released two movies – Dhobi Ghat and No One Killed Jessica in Q4FY11 and would be shortly releasing Saat Khoon Maaf. The management has guided for a healthy movie slate for release in FY12.

■ Television

The television segment has shown good traction this quarter both in terms of revenue as well as profitability growth. In terms of content, the company had 14 shows on air on various channels. It has managed a monthly average of approximately 115 hours of content under management across all channels. The broadcasting segment has seen robust advertisement growth backed by increasing viewership and the festive season.

This segment reported revenues of ₹ 101.6 crore as compared to ₹ 88.2 crore during the same period last year, growing 15.3% YoY and 24.7% sequentially. Contribution from this segment to the total topline was 39.8%. The EBIT margin stood at 20.4% as compared to 5.4% in Q3FY10 and 6.0% in Q2FY11 reflecting that strong ad growth is directly impacting the profitability.

We expect this segment to report revenues of ₹ 348.5 crore and ₹ 421.3 crore with a contribution of 36.7% and 33.4% to the total topline in FY11E and FY12E, respectively.

■ Gaming and interactive

The gaming segment contributed ₹ 45.9 crore to the topline as compared to ₹ 35.7 crore in Q2FY11 and ₹ 21.2 crore in Q3FY10. The revenue improved 28.6% sequentially and 116.9% YoY. The EBIT from the segment stood at ₹ 10.6 crore while the margin stood at 23.1%.

The company completed the development of El Shaddai and would launch the game in Japan on April 28, 2011 (long holiday week in Japan). The company has also finalised a couple of merchandising deals with a jeans company and a toy company in Japan.

We expect this segment to report revenues of ₹ 147.1 crore and ₹ 335.7 crore, contributing 15.5% and 26.6% in FY11E and FY12E, respectively.

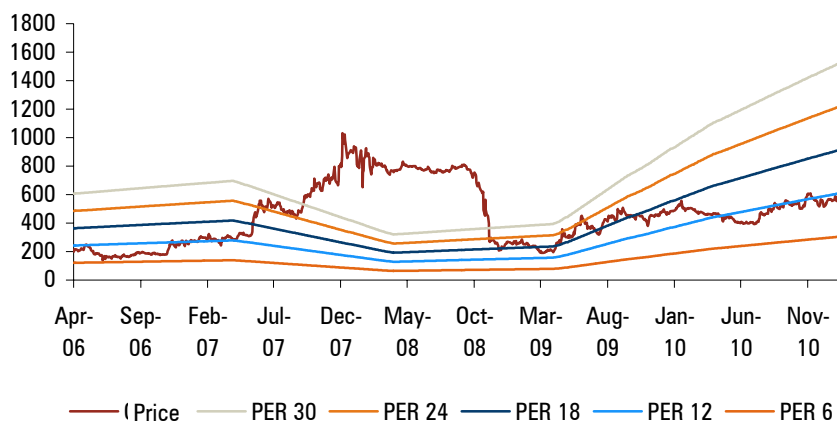
Outlook & Valuation

Valuation

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We have valued the stock at 11x FY12 EPS to arrive at a target price of ₹ 565. This implies an upside of 6%. We are upgrading the stock from REDUCE to **ADD**.

Exhibit 2: One year forward P/E chart



Source: Company, ICICIdirect.com Research

Exhibit 3: Valuation table

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	606.6	39.4	10.7	-54.0	48.7	-25.6	2.7	-4.6
FY10	664.0	9.5	13.1	23.0	39.6	63.1	6.9	2.3
FY11E	963.2	45.0	36.9	180.8	14.1	14.3	16.4	10.0
FY12E	1268.0	31.7	51.4	39.4	10.1	9.5	18.6	14.7

Source: Company, ICICIdirect.com Research

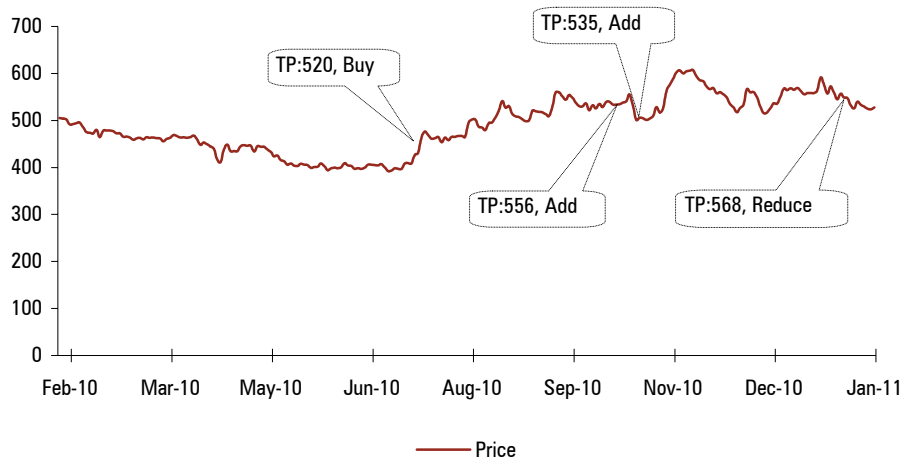
ICICIdirect.com coverage universe (Media)

Sun TV				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	SUNTV		FY09	1039.4	9.3	53.3	26.3	21.2	28.1
		CMP	498.4	FY10	1452.8	13.2	37.8	17.6	37.7
		Target	494.2	FY11E	1939.0	17.3	28.7	12.9	41.1
MCap (₹ Cr)	19,640.9	% Upside	-0.9%	FY12E	2049.4	20.6	24.2	11.9	40.5

UTV Software				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	UTVSOF		FY09	606.6	10.7	50.0	-26.2	2.7	-4.6
		CMP	534.0	FY10	664.0	13.1	40.7	6.9	2.3
		Target	565.1	FY11E	963.2	36.9	14.5	16.4	10.0
MCap (₹ Cr)	2,169.6	% Upside	5.8%	FY12E	1268.0	51.4	10.4	18.6	14.7

Source: Company, ICICIdirect.com Research

Exhibit 4: Recommendation history



Source: Reuters, ICICIdirect.com Research

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Strong Buy: 20% or more;
Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

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