

# Joindre Capital Services Limited

## Corporate Research

(India)

TV Eighteen India Ltd.

11<sup>th</sup> May, 2007

CMP 718.14

### Shareholding Pattern (%)

Foreign Prom.	0
Indian Prom.	51.93
Institution	30.24
Non-Institution	17.82
Custodians	0

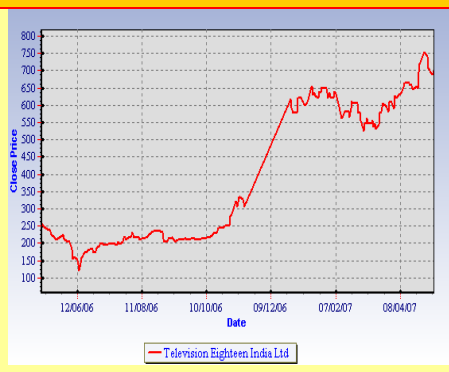
### Stock Data

BSE Code	532299
NSE Code	TV-18
Bloomberg	TLEI IN
Reuters	TVET.BO
Avg. Vol (No.)	49371

### Equity Details

MCap (Rs Cr)	4061.8
Eq. Cap (Rs Cr)	28.28
Face Value	5.00
52 wk High	798.15
52 wk Low	112.80

### Share Price Chart



### Investment Summary

- Television Eighteen (TV18) is India's No.1 News and Information Network, operating in the Television and Internet space. TV18 broadcasts four round-the-clock news channels and deploys content across multiple platforms like Television, Internet, Mobile and Voice.
- The company has its presence in all the New Age Media, which includes News Broadcasting, Internet Services, Live Newswire except for print. The diversified profile of the company helps it leverage the cross media convergence benefits of spreading its content.
- As per the FICCI-PwC Report, the Indian Entertainment and media industry is expected to outperform broad economic growth by 2x, it is expected to post a CAGR of 18% between 2007 and 2011 from the current size of US\$9.7bn to US\$ 22.2bn by 2011.
- FICCI PwC estimates the Indian television industry was worth around Rs191bn in 2006. Subscription revenue was the biggest contributor to this amount, at 60%, while ad revenue was around 35%.
- The TV18 group is always on the lookout for acquiring new business in the media space. The company eyes to capture all the innovative business and has developed itself into an integrated player in the media space. The TV18 group has hoards of acquisitions that feather up its hat from different genres.
- The company has attractive business models, the management has great execution skills, wherein it grows inorganically to add-on new business and turn them profitable. With multiple growth engines, and an insatiable hunger to add on new business to generate revenues in FY08 and FY09, we recommend a **BUY** on the stock at an adjusted P/E of 63.41 FY07.

(In Rs. Cr.)	FY05	FY06	FY07	FY08E
Net Sales	98.43	152.00	243.35	341.91
Op. Profit	44.21	69.53	82.63	129.92
Adj. PAT	32.95	42.60	64.04	63.74
OPM (%)	44.92	45.74	33.96	38.00
PATM (%)	33.48	25.17	21.61	18.64
EPS	19.50	18.18	9.30	11.27
Adjusted EPS	19.50	20.25	11.32	11.27

11<sup>th</sup> May, 2007

## Company Background

Television Eighteen (TV18) is India's No.1 News and Information Network, operating in the Television and Internet space. TV18 broadcasts four round-the-clock news channels and deploys content across multiple platforms like Television, Internet, Mobile and Voice. The group employs more than 2500 media professionals across the country and is one of the few listed companies in the Indian media business. Its robust infrastructure includes 23 national bureaus, 2 state-of-the-art broadcast centres in Delhi and Mumbai.

### Network channels:

- **CNBC-TV18:** CNBC-TV18 is a joint venture between TV18 and CNBC, the global leader in business television. CNBC Asia Pacific holds a strategic equity stake in the Indian registered broadcaster along with Television 18.
- **CNBC Awaaz:** CNBC AWAAZ is India's first and largest business and consumer-focused Hindi channel. CNBC AWAAZ is the second most watched Hindi News channel amongst all decision makers.
- **CNN IBN:** TV18 and Time Warner have joined hands to bring CNN-IBN, India's first and very own world class English news channel.
- **IBN7 - Khabar har keemat par:** The channel is backed by a strong force of 4800 news professionals in India and spearheaded by the stars of TV news journalism, such as Rajdeep Sardesai and Ashutosh. With bureaus in every state capital and state of the art broadcast centres in Delhi and Mumbai, it also gets news from other channels of TV18 - such as political news from CNN-IBN, business news from CNBC-TV18, and the consumer angle from CNBC Awaaz.
- **HomeShop18:** HomeShop18 (HS18) is a new venture from the TV18 Group, operating in the TV & internet space. HS18 is a nationally televised home shopping service, selling credible brands through interactive electronic media, primarily through cable TV and internet.

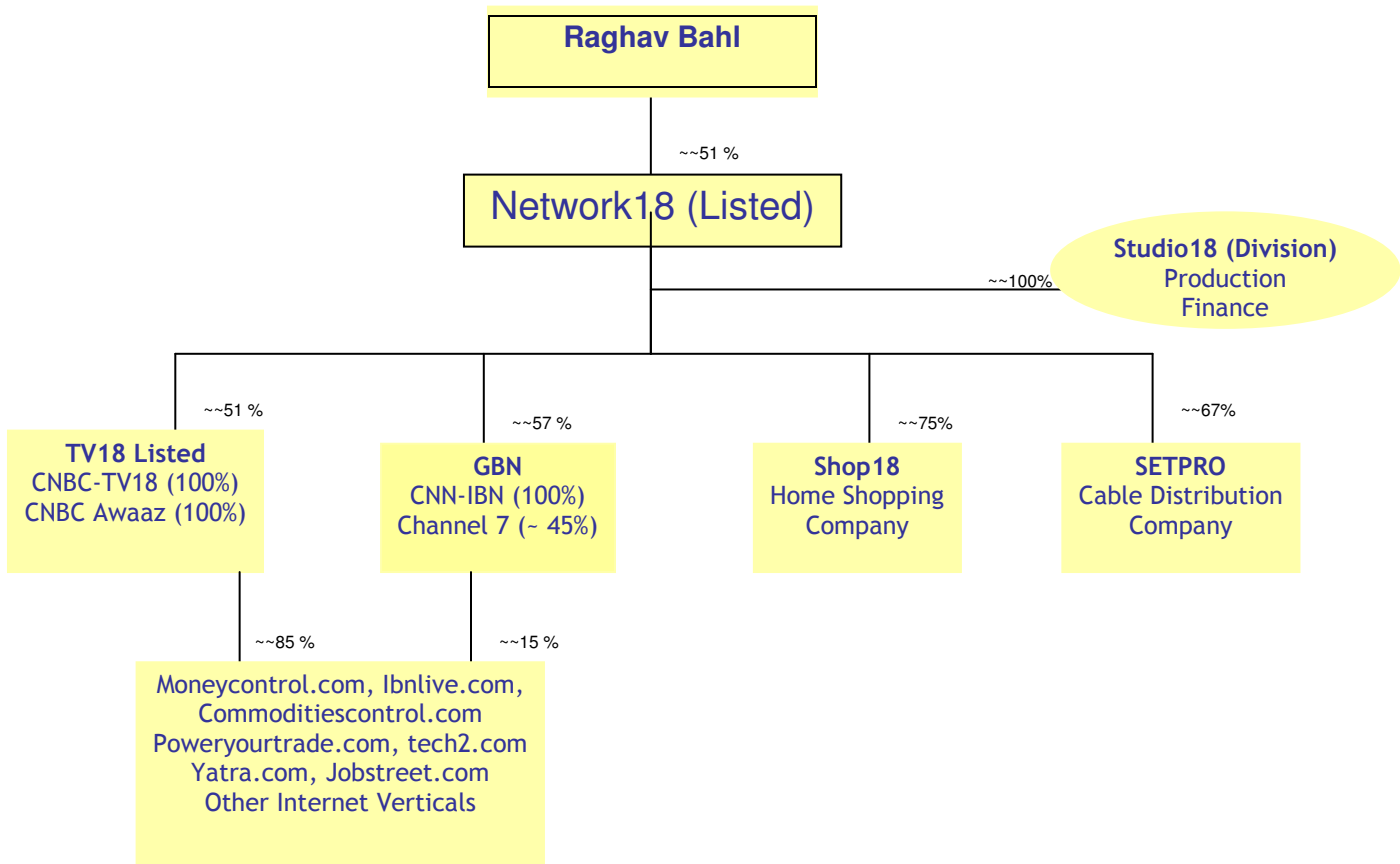
### Online services:

- **Moneycontrol.com:** Moneycontrol.com was launched in 1999 and acquired by TV18 in the year 2000, and it has been growing at a breathtaking rate ever since. It is the country's No.1 online financial destination. It is also comparable to the world's largest financial destinations like the Wall Street Journal's online edition (wsj.com), Fool.com and Yahoo Finance. More than 6 million unique users, 120 million + page views and the highest time spent of 29 minutes per user (as against an Indian average of 9 minutes) make it peerless in the country.
- **Ibnlive.com:** CNN-IBN's definitive news portal, www.ibnlive.com provides streaming video feeds, downloadable tickers, and gives news alerts on cell phones ensuring that viewers are always the first to know even when they aren't near their TV sets.
- **Poweryourtrade.com:** Poweryourtrade.com is a portal that brings the trader the "investor" on the same platform. The prime feature of the site is its trading calls - four top chartists.
- **Commoditiescontrol.com:** Commoditiescontrol.com brings to its users understanding of the Indian commodities space with coverage of real-time market information and the interplay between various market participants - live.Commoditiescontrol.com is live with real-time price data, information and news flowing in from more than 100 commodity mandis and markets across India and globally.
- **Jobstreet.com:** A comprehensive recruitment services and solutions provider, Jobstreet.com has over 5,000 corporate clients in India and 20,000 worldwide. And it has 1.5 million jobseekers in India and 5 million worldwide. More than 20,000 live jobs in India across sectors available at any given time.
- **Yatra.com:** Yatra.com is the travel offering from Web18 and it provides travel-related information, pricing, availability and reservations for airlines, hotels, railway, buses and car rentals across 5000 large cities and small rural areas throughout India.
- **CricketNext.com:** CricketNext.com was launched in 2000 by Walchand CricketNext.Com Limited and has been recently acquired by TV18 Network and also forms part of Web18. It offers volumes of information and opinion, not to speak of contests and loads of fun.

- **Compareindia.com:** Compareindia.com was recently acquired by TV18 Network & forms a part of Web18. The uniqueness of the portal lies in the fact that it operates at two levels: at the back-end, it is a research organization & at the front-end, it is a free information service.
- **Tech2.com:** Tech2.com is Television 18's integrated technology media brand. It includes the website, www.tech2.com, the Tech Shows on CNBC-TV18 and CNN-IBN, and in the near future, Events as well as a Mobile Platform.
- **2622 Mobile Service:** 2622 is TV18's mobile short code, which is powered by the in-depth and real time content of the entire group. This mobile platform uses robust and scalable state-of-the-art technology to deliver millions of messages every month on news and information.

*The company has its presence in all the New Age Media, which includes News Broadcasting, Internet Services, Live Newswire except for print. The diversified profile of the company helps it leverage the cross media convergence benefits of spreading its content. The TV18 group has rich content development which the company is able to deliver on time to the market across all the various mediums.*

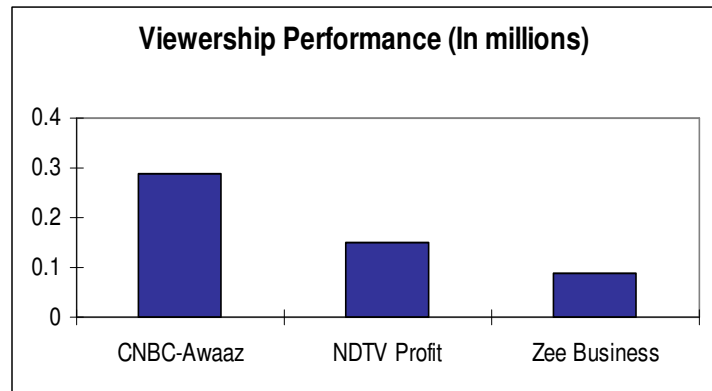
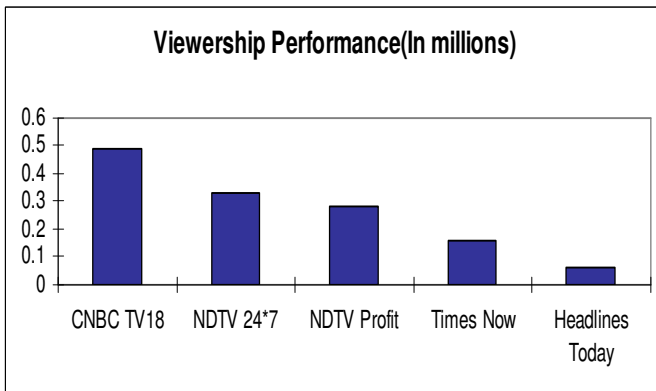
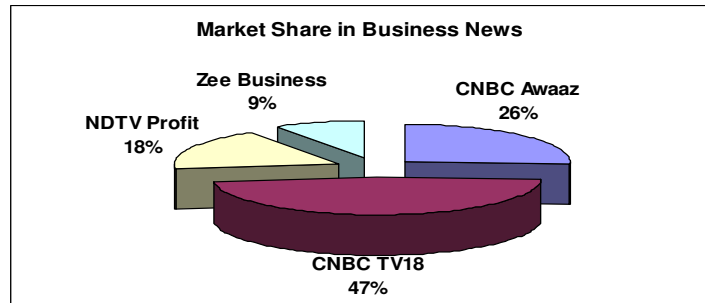
### Corporate structure



## Investment Arguments

### Well Captured Market Share

The TV18 group is providing news across different genres. It has developed a definitive market share and is a forerunner across the various channels where it is present. It has a reach all over India, and currently is present over 28 millions homes. The group has tie ups with international news broadcasting companies and has rich resource of news content which has enabled it to carve a niche as a market leader in business news.



### Subscription Revenues with the implementation of CAS, DTH, and IPTV

FICCI PwC estimates the Indian television industry was worth around Rs191bn in 2006. Subscription revenue was the biggest contributor to this amount, at 60%, while ad revenue was around 35%. Currently the Cable operators give a share of this subscription revenue to cable and satellite broadcasters, based on the number of reported consumer households. As on date Indian broadcasters receive approximately 10% of the total subscription revenue, while in developed markets such as the U.S. broadcasters get close to 45%. This indicates the potential for subscription revenues that can accrue to Indian broadcasters with greater addressability. The subscription revenue accruing to broadcasters represented approximately 10% of the Rs. 8,650 crores gross subscription revenue that was being collected by the cable industry from cable and satellite households during the year 2005, according to the FICCI PwC report. India has approximately 68 million cable and satellite households at the end of September, 2006 as compared to approximately 0.4 million households in 1992. According to the FICCI PwC Report, the television and cable and satellite households are expected to increase to 128 million and 90 million respectively by 2010. With the implementation of CAS and DTH the leakage in this revenue would decrease and would add on the bottom line of the company. As the current penetration level of the company is high, the TV18 group news channels have a reach into 28 million homes. This Subscription revenue is bound to increase exponentially.

Penetration of CAS-C&S Homes (Stipulated)	
Kolkata	28%
Delhi	40%
Mumbai	30%

## Growth Via Inorganic Growth

The TV18 group is always on the lookout for acquiring new business in the media space. The company eyes to capture all the innovative business and has developed itself into an integrated player in the media space. The TV18 group has hoards of acquisition that feathers up its hat from different genres. In the recent times TV18 has acquired a few of these companies and set up these ventures.

- The Newswire 18 platform is a combination of the strengths of the erstwhile CRISIL MarketWire news service that has powered Money line Telerate in India for the past five years and the technology, reach and content of the Television Eighteen Group (TV18).
- Ambit, Web18 and Centurion Bank of Punjab announced a partnership to pursue stock broking business with a strong Internet presence in India.
- Network 18, the holding company of TV 18, Global News Broadcast, Web 18 and Studio 18, is investing \$10 million in a news entertainment company - The Indian Film Company, to be listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Indian Film Company will be a film asset owning firm, would acquire rights of at least 40 films a year. The new company will also finance films and enter into co-production tie-ups with directors.
- TV 18 acquired Bigtree Entertainment Pvt Ltd., the industry leader in Movie and Entertainment Ticketing. This investment will strengthen the Group's position in the Internet and Mobile Transactions space.

## Increasing Advertisement Revenues

According to FICCI PwC report the level of advertising spending in India, as a percentage of GDP was 0.34% in 2005, which is relatively lower as compared to a global average of 0.98 Advertising spends, as percentage of GDP in some of the other Asian countries is much higher. For example, 1.60% in Thailand; 1.38% in New Zealand and 1.12% in Singapore. This indicates a huge potential for growth in Indian advertising spend.

<b>% Share of different genres in TV viewership and ad revenue</b>				
<b>Category</b>	<b>2004</b>		<b>2005</b>	
	<b>Viewership</b>	<b>Ad revenue</b>	<b>Viewership</b>	<b>Ad revenue</b>
Hindi general entertainment	33	47	34	39
Regional language	41	20	36	24
News channels	5	10	7	12
Hindi Movies channels	5	4	8	6
English entertainment	2	5	1	4
Sports	9	10	8	9
Others	5	4	6	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Industry

As per the FICCI-PWC Report, the Indian Entertainment and media industry is expected to outperform broad economic growth by 2x, it is expected to post a CAGR of 18% between 2007 and 2011 from the current size of US\$9.7bn to US\$ 22.2bn by 2011. The front runners to this growth would be TV growing at 22%, radio at 28% and other media like animation, mobile gaming internet, OOH and live growing at an average 22%. According to the 2006 NRS figures India is the third-largest cable television viewing nation in the world after China and the US with approximately 68 million cable television household

<b>Growth in News channels (Nos.)</b>			
<b>News Channel</b>	<b>2002-03</b>	<b>2004-05</b>	<b>2006-07</b>
<b>English</b>	<b>3</b>	<b>4</b>	<b>6</b>
<b>Hindi</b>	<b>2</b>	<b>6</b>	<b>9</b>
<b>Business</b>	<b>1</b>	<b>4</b>	<b>4</b>

## Valuation and Outlook

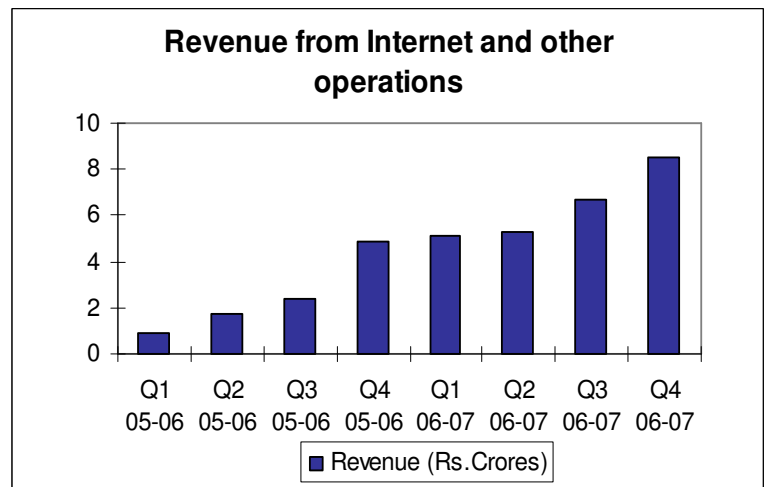
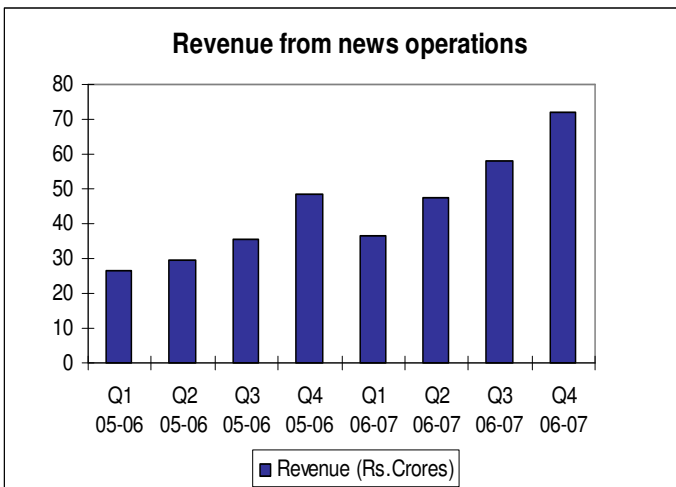
The company has multiple revenue streams Advertising revenue, Subscription revenue, International revenue, Content syndication, Value added services through non-traditional platforms. The presence of the company across various new age media services would enable it to increase its revenues, this would create a safe net for the company. The company has attractive business models the management has great execution skills, wherein it grows inorganically to add-on new business and turn them profitable. With multiple growth engines, and an unsatiable hunger to add on new business to generate revenues in FY09 we recommend the stock at P/E of 63.71 FY08E.

## Financial Analysis

The company is reported a growth in the sales in FY07 at Rs.243.35crs, on a y-o-y basis the sales have increased by 60.10%. The net profits have increase by 37.5% in FY07 and were Rs.52.59 crs. The Operating Margins in FY07 declined and were at 33.96% as compared to 45.74%. The PAT margins in FY07 were at 21.61% lower than 25.17% FY06. There is a reduction in the margins due to aggressive acquisitions of the company. These business would start reaping in the coming times.

In the current quarter the topline results were phenomenal the Business News Operations divison Q4 2006-07 revenues at Rs 71.89 crs was up 48% y-o-y. The operating profit improved to Rs 37.48 crs from Rs 28.35 mn y-o-y. At the Web18 front the revenues were Rs 8.49 crs which was up 75% y-o-y the Operating loss at Rs 3.15crs. The Adjusted Profit of the company depicts a better picture.

This goes to state that management has vision as well as acumen to acquire business and scale them up from the current levels.



## Earnings Model

In Rs cr.	FY05	FY06	FY07	FY08 E	Q4 FY06	Q4 FY07
Net sales	98.43	152	243.35	341.91	53.51	80.38
Growth %		54.42	60.10	40.5		50.21
Total Expenditure	54.22	82.47	160.72	211.98	28.37	52.91
Operating profit	44.21	69.53	82.63	129.92	25.14	27.47
Operating margins (%)	44.92	45.74	33.96	38	46.98	34.18
Growth %		57.27	18.84	57.24		-27.26
Other income	0	0	0.35	0.15	0	0.18
EBDITA	44.21	69.53	82.98	130.07	25.14	27.65
Interest	2.37	5.1	12.98	16.87	0.84	2.01
Depreciation	9.54	13.56	18.45	22.14	3.58	5.48
PBT	32.3	50.87	51.55	91.06	20.72	19.98
Tax	-0.65	12.61	-1.04	27.32	4.88	0.66
Net Profit	32.95	38.26	52.59	63.74	15.84	19.32
Growth %		16.12	37.45	21.21		21.97
PAT Margin (%)	33.48	25.17	21.61	18.64	29.60	24.04
Extraordinary items	0	-4.34	-11.45	0	-2.62	-3.74
Net Profit after Extraordinary items	32.95	42.60	64.04	63.74	18.46	23.06
Extraordinary PAT Margins(%)	33.48	28.03	26.32	18.64	34.50	28.69
Equity	16.9	21.04	28.28	28.28	28.28	21.04
Reserves	92.55	195.98	217.02	254.46	0	0
EPS (Rs)	19.50	18.18	9.30	11.27	2.80	9.18
Adjusted EPS	19.50	20.25	11.32	11.27	3.26	5.48
CEPS (Rs)	25.14	24.63	25.12	30.37	N.A	N.A
Dividend (%)	20	25	25	25	N.A	N.A
Book Value (Rs)	10	10	5	5	N.A	N.A
Price	718.14	718.14	718.14	718.14	N.A	N.A
PER (X)	36.83	39.48	77.22	63.71	N.A	N.A
CPER (X)	28.56	29.15	28.58	23.64	N.A	N.A
Adjusted PER(X)	36.83	35.46	63.41	63.71	N.A	N.A
PBR (X)	71.8	71.8	143.6	143.6	N.A	N.A

\*The company has declared an interim dividend of Rs.2 per share.

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