

UTV Software (UTVSOF)

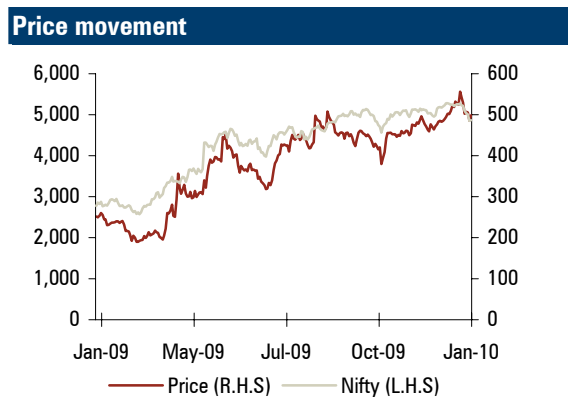
Rs 467

Rating matrix	
Rating	: Buy
Target	: Rs 520
Target Period	: 12 months
Potential Upside	: 11.2%

Key Financials				
(Rs Crore)	FY09	FY10E	FY11E	FY12E
Net Sales	606.6	681.2	986.6	1142.5
EBITDA	-82.9	64.5	159.9	189.1
Net Profit	36.5	53.3	95.2	120.1
EPS	10.7	13.1	23.4	29.5

Valuation summary				
	FY09	FY10E	FY11E	FY12E
PE (x)	43.7	35.5	19.9	15.8
Target PE (x)	48.7	39.6	22.2	17.6
EV/EBITDA (x)	-23.4	32.3	15.0	12.4
P/BV (x)	1.1	1.3	1.2	1.1
RoNW (%)	2.7	3.8	6.3	7.4
RoCE (%)	-4.6	2.3	5.8	7.2

Stock data	
Market Capitalisation	Rs 1895.7 Crore
Debt-Cons. (FY09)	Rs 470 Crore
Cash & Invst.-Cons. (FY09)	Rs 94.8 Crore
EV	Rs 1942.2 Crore
52 week H/L	577 / 307
Equity capital	Rs 40.6 Crore
Face value	Rs 10
MF Holding (%)	7.3
FII Holding (%)	5.6



Analyst's name	
Karan Mittal	karan.mittal@icicisecurities.com
Naval Seth	naval.seth@icicisecurities.com

WHAT'S CHANGED...

PRICE TARGET	Changed from Rs 471 to Rs 520
EPS (FY11E)	Changed from Rs 16.3 to Rs 23.4
EPS (FY12E)	Changed from Rs 26.6 to Rs 29.5
RATING.....	Unchanged

Riding high on Rajneeti...

On a consolidated basis, UTV Software reported its Q1FY11 results, which were slightly below our expectations. Total revenues stood at Rs 208.2 crore (I-direct estimate of Rs 217.2 crore) improving 131.8% YoY and 59.4% QoQ. The impressive growth was due to the low base effect as no movie was released in Q1FY10 due to the stand-off between producers and multiplex owners. The company reported an EBITDA of Rs 48.5 crore against Rs 40.7 crore in Q4FY10 and loss of Rs 31.8 crore during the same period last year. The EBITDA margin stood at 23.3%, down 786 bps QoQ. PAT for the quarter stood at Rs 41.2 crore as compared to a loss of Rs 23.3 crore in Q1FY10.

Highlights of the quarter

During the quarter, the company released its much-awaited movie, Rajneeti. The company has recorded revenues of more than Rs 80 crore as its share from the first release of the year. The average air time sale during the quarter was up by 15 hours per month to 125 hours from 110 hours in the last quarter.

The revenue growth can be attributed to the blockbuster Rajneeti and better-than-expected revenues from the broadcasting segment. Improving ad rates and inventory utilisation led to an improvement in broadcasting revenues.

Valuation

At the CMP of Rs 467, the stock is trading at 15.8x FY12E EPS of Rs 29.5. The company has lined up a pipeline of 10-12 movies in FY11E. The interactive segment is also expected to post exponential growth with handsome profitability once the owned IPs are launched.

We have valued the company on an SOTP basis at a target price of Rs 520. Our target price discounts the FY12 EPS by 17.6x. We are reiterating our view on the stock as **BUY**.

Exhibit 1: Performance Highlights						
(Rs Crore)	Q1FY11	Q1FY11E	Q1FY10	Q4FY10	QoQ (Chg %)	YoY (Chg %)
Net Sales	208.2	217.2	89.8	130.6	59.4	131.8
EBITDA	48.5	34.7	-34.1	40.7	19.2	-242.5
EBITDA Margin (%)	23.3	16.0	-37.9	31.2	-786 bps	6120 bps
Depreciation	1.9	2.1	1.8	0.6	190.1	2.7
Interest	6.3	17.3	6.1	10.1	-37.6	4.5
Reported PAT	41.2	16.3	-23.3	30.5	34.9	-276.5
EPS (Rs)	10.1	4.0	-6.8	7.5	35.0	-248.6

Source: Company, ICICIdirect.com Research

Segmental Analysis

■ Movies

During the quarter, the company released its much awaited movie, Rajneeti. The movie has garnered more than Rs 80 crore as the company's share from theatrical revenues. This movie alone contributed ~54% of the total movie revenue in Q1FY11. Revenues from the sale of satellite rights of Rajneeti are expected to accrue in Q2FY11E. UTV has generated revenues to the extent of Rs 38.0 crore through pre-sale of the rights of its second release (*I Hate Luv Storys*) of the year.

The company has adopted a business model, wherein it pre-sells the music rights and satellite rights to de-risk the box office performance. The management has given a clear visibility of 10 more movies during FY11E. Three new movies would be released during Q2FY11E.

The movie segment reported revenues of Rs 110.8 crore contributing ~55.6% of the total revenues as compared to ~39.9% during Q4FY10. Syndication contributed 30% of the total movie revenues with ~95% margins. We expect the movie segment to contribute ~45% of the total topline in FY11E.

■ Broadcasting

The broadcasting segment outperformed during the quarter with better-than-expected revenues. This segment reported revenues of Rs 48.1 crore, up by 171.8% YoY and 14.0% QoQ. Broadcasting revenues were driven by an increase in inventory utilisation and ad rates. It reported EBITDA of Rs 3.8 crore and EBITDA margin of 7.8%. We expect this segment to generate an EBITDA margin of 12-15% by the end of FY11E.

■ Television

The television segment reported a 14.2% YoY decline in revenues to Rs 24.2 crore, primarily due to the absence of high budget TV shows like Dance India Dance on Zee, which was on air during Q4FY09. Nevertheless, the monthly average of air time sales was up by 15 hours per month. It stood at 125 hours as compared to 110 hours in Q4FY10.

The company had three shows on air during Q1FY11. It is currently working on a daily soap for Imagine TV, Rakth Sambandh, a daily soap for a leading Hindi GEC (a remake of the popular South daily Kolangal), a daily Marathi language fiction show for ETV (Maaylek) and the second season of Emotional Atyachaar for Bindass.

This segment reported revenues of Rs 24.2 crore in Q1FY11, contributing 12.1% to total topline. We expect the television revenues to grow in Q2FY11E as a couple of new shows have been launched in the southern regional channels.

■ Gaming

Revenues from this segment grew by 4.5% YoY and 56.1% QoQ to Rs 12.2 crore from Rs 7.8 crore in Q4FY10. With the increasing focus on the gaming segment, the company is now offering gaming on various platforms like DTH, online and iPad/iPhone. In the international market, the company launched War Chess, a 3D fantasy adaptation of the classic chess game with captivating visual effects and animation. IPL

Indiagames T20 Fever is the Official Indian Premier League Cricket game for iPads and iPhones. The games on demand business reported steady growth and reached a subscriber base of more than 50,000 users for the first time.

The company has lined up new games for release through each of its gaming company. True games has lined up the launch of three games *Mytheon, Heaven & Hell* and *Aerodrome* later in FY11E. According to the schedule, it plans to release two games developed by ignition starting from Q3FY11E. The company expects this segment to contribute ~23% of the total revenues by FY11E.

Exhibit 2: Segmental revenue

Particulars	FY07	FY08	FY09	FY10E	FY11E	FY12E	CAGR(09-12E) %
Television	76.7	100.6	131.7	101.3	119.7	133.6	0.5
Film	72.1	242.4	276.1	315.4	435.1	483.5	20.5
Gaming	27.4	95.6	110.5	95.1	220.0	307.7	40.7
New Media	-	-	18.0	11.9	20.3	21.0	5.2
Broadcasting	-	-	89.3	151.1	195.9	217.1	34.5
Total gross revenue	176.1	438.6	625.6	674.9	990.9	1,162.9	23.0
Inter-segmental	-1.2	-4.4	-18.4	-10.8	-13.2	-20.4	
Other Operating Income	-	0.9	0.0	17.2	-	-	
Net Revenue	174.9	435.0	607.2	681.2	977.7	1,142.5	

Source: Company, ICICIdirect.com Research

Outlook & Valuation

Outlook

UTV Software has become a complete media house by continuously expanding its reach and diversifying business operations. The company has adopted a unique business model for the movie business. It de-risks the box office performance by pre-selling satellite and music rights of movies. The management has lined up 10-12 movies for FY11E. Rajneeti, the first movie of FY11, has got an overwhelming response and is expected to generate revenues of more than Rs 80.0 crore.

With the increasing ad volumes and inventory utilisation, the broadcasting business is expected to outperform during FY11E. The gaming business is also poised for growth and full throttle growth would be visible once the AAA titles developed by Ignition for PS3 and XBOX 360 hit the markets during Q3FY11E while new launches have been lined up by True Games.

Valuation

We have used the SOTP method to value the company. We value the different segments as explained below:

Film: We are valuing this business at an EV/EBITDA of 5.9x FY12E EBITDA. We value movies at par with the global filmed entertainment universe, which are trading at an average multiple of 5.9x. We feel the multiple is justified given the growth and business model adopted by the company.

Gaming: The gaming business is valued at one-year forward EV/EBITDA multiple of 4.3x. This is in line with global peers. We believe this multiple is justified given the huge growth prospects for this segment.

New media: We value this business at 1.5x FY12E EV/sales.

Broadcasting: We have valued the broadcasting business at 5.9x FY12E sales. This multiple is at a 5% discount to domestic peers. We believe this discount is justified given the niche target audience for UTV's channels.

Television: We have valued this business at EV/sales of 2.5x FY12E sales. This is at a 5% discount to Balaji Telefilms.

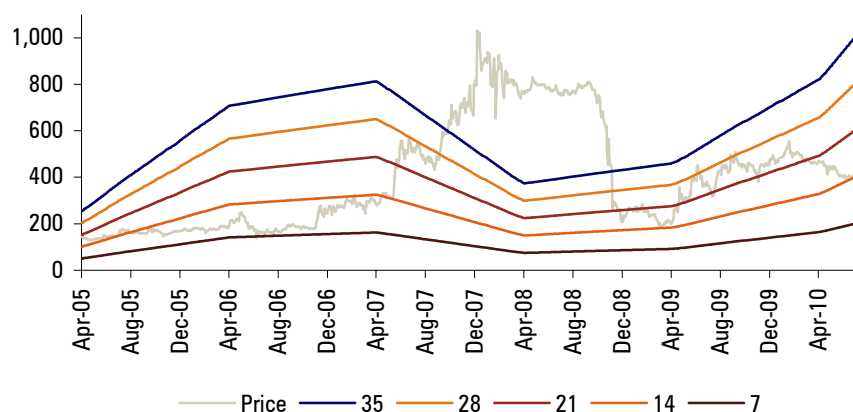
At the CMP of Rs 467, the stock is trading at 15.8x FY12E EPS of Rs 29.5. The company has lined up a pipeline of 10-12 movies in FY11E. The interactive segment is also expected to post exponential growth with handsome profitability once the owned IPs are launched.

We have valued the company on an SOTP basis at a target price of Rs 520. Our target price discounts the FY12 EPS by 17.6x. We reiterate our view on the stock as **BUY**.

Exhibit 3: SOTP valuation

Segment	Multiple			Value	
	EV/EBITDA Multiple	FY12 EBITDA	EV	EV adjusted for MI	
Film	5.9	132.6	783.2		783.2
Gaming	4.3	46.9	201.2		156.2
	EV/Sales Multiple (x)	FY12 Sales	EV	EV adjusted for MI	
New Media	1.5	21.0	31.5		31.5
Broadcasting	5.9	217.1	1,281.3		1,281.3
Television	2.5	133.6	327.6		317.8
Total EV for the Firm					2,570.0
Less: Net Debt					457.6
Equity Value					2,112.4
Number of Equity Shares					4.1
Fair Value per share					520

Source: Company, ICICIdirect.com Research

Exhibit 4: One year forward P/E chart

Source: Company, ICICIdirect.com Research

Exhibit 5: Valuation table

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	606.6	39.4	10.7	-54.0	43.7	-23.4	2.7	-4.6
FY10E	681.2	12.3	13.1	23.0	35.5	32.3	3.8	2.3
FY11E	986.6	44.8	23.4	78.5	19.9	15.0	6.3	5.8
FY12E	1142.5	15.8	29.5	26.1	15.8	12.4	7.4	7.2

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe

Sun TV				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	SUNTV		FY09	1039.4	9.3	48.3	23.7	21.2	28.1	
		CMP	451.0	FY10E	1452.8	13.2	34.2	16.2	27.0	38.1
		Target	440.6	FY11E	1768.1	17.4	25.9	13.1	30.2	41.5
MCap (Rs Cr)	17,773.0	% Upside	-2.3%	FY12E	2037.1	20.0	22.5	11.0	29.0	40.2

UTV Software				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	UTVSOF		FY09	606.6	10.7	43.7	-23.4	2.7	-4.6	
		CMP	466.6	FY10E	681.2	13.1	35.5	3.8	2.3	
		Target	519.9	FY11E	986.6	23.4	19.9	6.3	5.8	
MCap (Rs Cr)	1,895.7	% Upside	11.4%	FY12E	1142.5	29.5	15.8	12.4	7.4	7.2

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Add, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

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

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
 ICICI Securities Limited,
 7th Floor, Akruiti Centre Point,
 MIDC Main Road, Marol Naka
 Andheri (East)
 Mumbai – 400 093**

research@icicidirect.com

ANALYST CERTIFICATION

We */I, Karan Mittal MBA Naval Seth MBA* research analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Karan Mittal MBA Naval Seth MBA* research analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its subsidiaries collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Karan Mittal MBA Naval Seth MBA* research analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.