Company report

Retail And Consumer
Media
Equity – India

HSBC
Global Research

Television Eighteen India

Overweight (V)

Target price (INR)	1121
Share price (INR)	916
Potential total return (%)	22.6

Mar	2007a	2008e	2009e
HSBC EPS	10.55	16.81	24.70
HSBC PE	86.8	54.5	37.1
Performance	**1M**	**3M**	**12M**
Absolute (%)	9.5	46.2	132.6
Relative^ (%)	7.8	24.7	68.0

Note: (V) = volatile (please see disclosure appendix)

5 July 2007

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Everything seems to be going right

- **We increase our 12-month target price by a dramatic 81% as the company shifts from investment to harvest mode in TV**
- **Subscription revenue and operating leverage to drive profit CAGR of 52% in TV18's TV news business FY07-10e. We also now value the internet businesses at USD625m**
- **Our new target price of INR1,121 (previously INR621) implies 22.6% potential total return. We upgrade our rating from Neutral (V) to Overweight (V)**

We believe that the full value of TV18's internet businesses and growth from television subscription revenues is not yet priced in. We dramatically increase our target price by 81% (from INR621 to INR1,121 per share), driven by a combination of:

- TV18's business news segment will see ad revenues grow by a CAGR of 27% FY07-FY10e. We estimate that television subscription revenue will grow at a CAGR of 69% FY07-10e with the ramp up of digital cable and satellite television. Our profit estimate for FY08e news business profit increases from INR725m to INR1034 and our valuation from INR484 to INR731 per share
- Web 18 is building up its portfolio of web businesses, and plans to create an integrated portal offering travel, jobs, and possibly online trading in shares and commodities. We value the internet business using DCF and conclude that on-line properties account for almost 30% of our 12 month target price for the company, and increase our valuation from INR160 per share to INR312 per share
- We value GBN at the current market price to arrive at a fair value of INR78 per share for TV18's 18% stake. This was not included in our valuation earlier

FY07 saw group EBITDA margin contraction of 1166bps inter alia, due to the ramp up of CNBC Aawaz, the Hindi news channel. We believe that cost increases will be much milder going forward as the television business shifts from investment to harvest mode, resulting in EBITDA margin expansion of 1436bps FY07-10e.

TV18 has outperformed the market, gaining 46% so far this year, but we think there is further upside to the stock. Our SOTP methodology values TV18 at INR1,121 per share, implying a 22.6% total potential return. We upgrade from Neutral (V) to Overweight (V).

Index^	BOMBAY SE IDX
Index level	14806.51
RIC	TVET.BO
Bloomberg	TLEI IN

Source: HSBC

Enterprise value (INRm)	50790
Free float (%)	81.1
Market cap (USDm)	1,278
Market cap (INRm)	51,827

Source: HSBC

Financials & valuation

Financial statements

Year to	03/2007a	03/2008e	03/2009e	03/2010e
Profit & loss summary (INRm)				
Revenue	2,434	3,532	5,167	7,624
EBITDA	830	1,491	2,221	3,695
Depreciation & amortisation	-185	-216	-264	-312
Operating profit/EBIT	645	1,275	1,958	3,383
Net interest	-130	-148	-148	-148
PBT	516	1,127	1,810	3,235
Taxation	10	-164	-384	-815
Net profit	521	951	1,397	2,316
Cash flow summary (INRm)				
Cash flow from operations	647	962	1,359	2,223
Cash flow from investment	-400	-400	-400	-400
Dividends	-73	-122	-202	-327
Change in net debt	-241	-427	-728	-1,393
FCF equity	236	549	945	1,808
Balance sheet summary (INRm)				
Tangible fixed assets	1,124	1,309	1,445	1,533
Current assets	2,945	4,035	5,749	8,625
Cash & others	687	1,114	1,842	3,234
Total assets	5,935	7,209	9,060	12,024
Operating liabilities	1,037	1,471	2,113	3,073
Gross debt	1,852	1,852	1,852	1,852
Net debt	1,165	738	10	-1,383
Shareholders funds	2,909	3,737	4,932	6,922
Invested capital	2,397	2,811	3,292	3,903

Ratio, growth and per share analysis

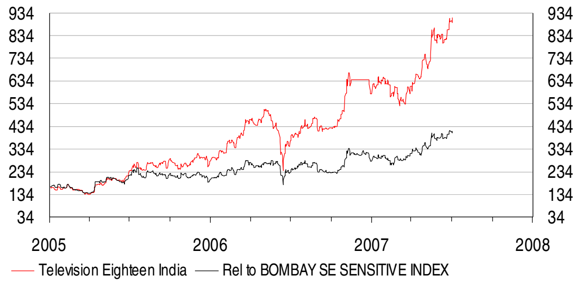
Year to	03/2007a	03/2008e	03/2009e	03/2010e
Y-o-y % change				
Revenue	60.1	45.1	46.3	47.6
EBITDA	19.3	79.7	49.0	66.3
Operating profit	15.3	97.6	53.5	72.8
PBT	1.5	118.3	60.6	78.8
HSBC EPS	11.8	59.3	46.9	65.8
Ratios (%)				
Revenue/IC (x)	1.1	1.4	1.7	2.1
ROIC	21.6	50.0	54.8	74.1
ROE	19.6	28.6	32.2	39.1
ROA	11.4	17.0	19.1	24.1
EBITDA margin	34.1	42.2	43.0	48.5
Operating profit margin	26.5	36.1	37.9	44.4
EBITDA/net interest (x)	6.4	10.1	15.0	24.9
Net debt/equity	39.9	19.7	0.2	-19.9
Net debt/EBITDA (x)	1.4	0.5	0.0	-0.4
Per share data (INR)				
EPS	10.55	16.81	24.70	40.95
DPS	1.47	2.17	3.57	5.77
NAV	51.43	66.08	87.21	122.38

Valuation data

Year to	03/2007a	03/2008e	03/2009e	03/2010e
EV/sales	21.0	14.4	9.7	6.4
EV/EBITDA	61.7	34.1	22.5	13.2
EV/IC	21.4	18.1	15.2	12.5
PE*	86.8	54.5	37.1	22.4
P/NAV	17.8	13.9	10.5	7.5
FCF yield (%)	0.5	1.1	1.9	3.6
Dividend yield (%)	0.2	0.2	0.4	0.6

Note: * = Based on HSBC EPS (fully diluted)

Price relative



Source: HSBC

Note: price at close of 03 Jul 2007

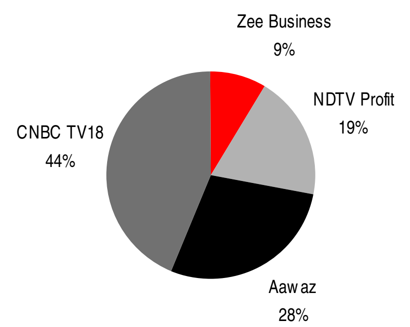
News means business

- CNBC universe is the market leader in the business news segment and operates as a virtual monopoly
- CAGR of 27% FY07-10e in ad revenue growth estimated driven by ramp up of CNBC Awaaz and ad rate increases in CNBC TV18
- CAS / DTH expansion to open up new revenue streams. Subscription revenues to grow at CAGR of 69% FY07-10e

Market leader

Television 18 is the undisputed market leader in the business news segment. CNBC Universe, comprised of the two channels CNBC Aawaz and CNBC TV18, has a market share of 72% in Indian business news viewership.

CNBC: market leaders in the business news segment

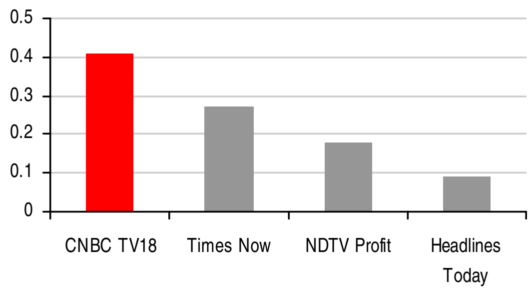


Source: Company data, based on TAM Market share Jan-Apr 07

CNBC universe has increased its share by 8 percentage points y-o-y, up from 64% to 72%. NDTV Profit's share has dropped from 27% to 19%, whereas CNBC TV18 has increased from 38% to 44% and CNBC Aawaz from 26% to 28%. Zee Business has remained flat with 9% share.

Not only is CNBC TV18 the market leader in business news, it is the largest English news medium in the country, surpassing even general news channels such as NDTV 24x7.

CNBC: Largest English news player



Source: Company data, based on TAM Market share Feb-Apr 07

CNBC achieved an average monthly reach of 50m for the period January-March 2007, an increase of 55% y-o-y. As such it has the greatest reach of any news medium in India, reaching 9.3m individuals every week, as compared to the Economic Times newspaper which reaches 0.8m.

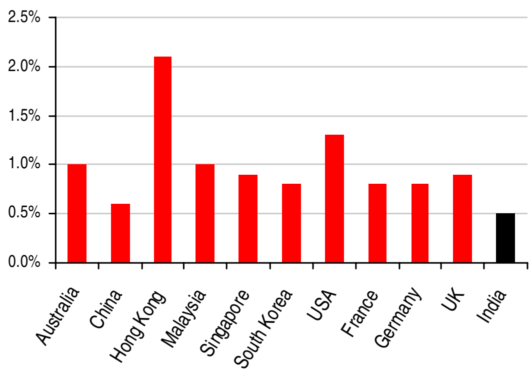
Advertising revenue

Television 18 was able to grow advertising revenues at about 60% in FY07 y-o-y. This corresponds well with the 55% increase in average monthly viewership. We identify the following drivers for future ad revenue growth:

Low ad spend to GDP

India has a low ad spend to GDP ratio of about 0.5% as compared to a global average of about 1%. India is behind Asian peers such as China (0.6%), Singapore (0.9%) and Malaysia (1.0%). We believe that progression of ad spend in India is likely to follow the path of other developed nations, giving us confidence in the long-term Indian media investment theme. (Please see page 10 of our report on HT Media 'To make a Mint', dated 30th March 2007)

Ad spend to GDP (%)



Source: KPMG report on Indian entertainment industry

Increasing viewership

There are about 65m C&S (cable and satellite) homes in India, which are expected to increase to 90m by 2010 (Source: PWC). We believe that TV18 is in a position to grow its audience ahead of overall TV viewing due to the following factors:

- With the Indian economy in an unprecedented period of growth, disposable consumer income is rising; more and more individuals have money to invest. Consumers are likely to keep abreast with business news to help them in their investment decisions
- CNBC TV18 is the market leader in the business news sector. Although there are other players in the market, they have not been able to pose serious competition to CNBC due to superior content and presentation, in our view

Sun-rise industries

Sectors such as retail, insurance and telecom are scaling up rapidly and are investing in advertising sales support and brand building. For example:

- Future Group plans to spend about INR2bn on advertising in FY08e
- Reliance Retail has plans to become the largest retail chain in India and will also soon start advertising
- Insurance is gradually being de-regulated and we therefore expect the sector to grow revenues at a 20% CAGR over the next 3 years; sector ad-spend is likely to grow faster than revenue growth

Sectors which match well with CNBC's audience profile, such as Insurance, and retail touches everyone's life (including investors in retail related stocks), so we believe CNBC should get a fair share of retailers advertising budgets too.

Ramp up of Aawaz

The viewership for CNBC Aawaz is more than half that of CNBC TV18. The company does not report revenue for Aawaz separately, but we estimate that revenues for Aawaz are c10% of the English channel.

Admittedly, the viewer profile for Aawaz would be inferior compared to that of CNBC; however the gap in advertising revenues is still too large to be justified, in our opinion.

We believe that TV18 will now aggressively start selling Aawaz, leveraging on the strength CNBC TV18 in negotiations with buyers of media space, we expect ad revenue for this channel to more than double in FY08e.

Subscription revenue

We believe subscription revenue will be a major growth driver as the Indian TV industry evolves.

Addressability

Until recently, local cable operators (LCOs) used to provide a standard package of channels to the viewer. There are around 40,000 LCOs in India, forming a large unorganised market. Therefore it was difficult for Multi Service Operators (MSOs) or broadcasters to know how many households were actually using cable services, apart from relying on figures declared by LCOs (LCOs could under-report, and pocket the money from the subscribers, sharing very little with MSOs and broadcasters).

However, under the new Conditional Access System (CAS) regime, channels are encrypted and can be decrypted only by using a set top box, which needs to be installed for each household. This technology allows the broadcaster and MSO to track the total number of subscribers and also the number of subscribers for any particular channel, thus solving the problem of 'addressability'.

This enables fair sharing of subscription revenues by the LCO with MSOs and broadcasters, as it is no longer possible for LCOs to under-report the number of subscribers.

The government has identified certain areas of the four large metropolitan centres (Mumbai, Delhi, Chennai and Kolkota) as CAS areas, which means that a subscriber needs to have a set top box and will not be able to receive transmission under the old regime of analog cable. We expect more areas would fall under the new regime and 55 cities would be covered over the next three to four years.

Direct to home revolution

Direct to home (DTH) or satellite TV is an alternative to digital cable. The current players are Dish TV, Tata Sky and DD Direct, estimated to have a total subscription of about 3m. DTH also provides addressability and has only two links in the chain: broadcaster and DTH provider as compared to three links of broadcaster – MSO – LCO for cable. We expect the DTH segment will be a hotbed of activity with new entrants such as Reliance, Bharti and Sun TV, among others.

Currently, resistance to shift from the old cable regime to a CAS or a DTH regime is due to the cost of the set top box. The set top box may cost anywhere between INR1,500 and INR3,000 (USD37 – USD74) and a price sensitive Indian consumer is reluctant to pay the extra cost. As such, growth of DTH is currently loosely related to growth in CAS. Once the government nominates an area for switch-over to digital cable, it is only then that consumers will start evaluating the option between digital cable and DTH, in our opinion.

DTH subscribers to increase to 35m by FY12e

We expect large players with financial muscle, such as Reliance, to price set top boxes at a very steep discount in the future. We expect viewers to convert from the analogue cable system, without any government mandate on conversion, as DTH should offer better transmission quality and interactive features. We estimate 35m DTH subscribers by FY12e

Subscription rates to increase

Currently the subscription cost for each channel is capped by the government at INR5 per month. The broadcaster typically gets 40-50%; the rest is taken by distributors. INR5 per month is relatively low as compared to a business newspaper which costs about INR60 per month. We expect that over time, the cap on the subscription rate will be removed (or at least increased) and the rate will shift to a market determined price.

We estimate that the subscription rate for CNBC TV18 will be raised to INR10 in the next two to three years. We believe this is a conservative estimate.

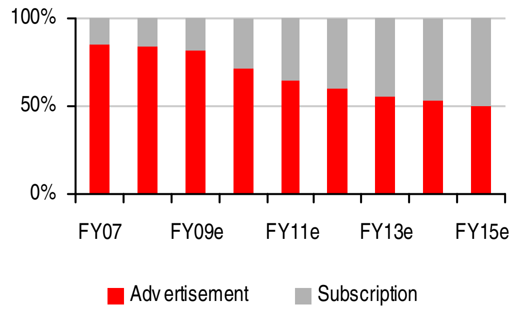
Forecasts

We forecast FY08e ad revenue growth of 37% for TV18, driven by a steep increase in Aawaz revenues and a 25% revenue increase in CNBC TV18.

Our 37% ad revenue growth estimate is lower than the c60% y-o-y growth reported in FY07. We believe that FY07 growth is not sustainable, since viewership growth will not be as good as last year. We smooth down our y-o-y advertisement revenue growth assumptions going forward, to 27% in FY09e and 21% in FY10e.

We expect subscriptions to increase on the back of DTH rollout and fees received from MSOs. Revenues from subscriptions will touch INR1.52bn by FY10e, on our estimates. By FY15e, we forecast that subscription revenue will equal advertisement revenue for TV18's TV news business.

Television 18: Forecast revenue split



Source: HSBC forecasts

From investment to harvest mode

In FY07, even though revenue increased by 60%, there was a drop in EBITDA margin as costs grew faster than sales due to ramp up of expenditures in CNBC Aawaz.

However, we believe that the television business is established now and that cost increases in the future will be more due to inflation, and less to new activities. We estimate EBITDA margins for TV18's television business to grow from 42% in FY07 to 50% in FY08e and 54% in FY09e (pre-ESOP charge-out). This is because we estimate revenue to increase by 39% in FY08e and 31% in FY09e while we estimate costs to increase only 20% in FY08e and FY09e.

Television 18: Revenue breakdown for TV business (INRm)

	FY07	FY08e	FY09e	FY10e	FY11e	FY12e
Advertising revenue	1,865	2,562	3,254	3,939	4,487	5,065
y-o-y growth	62%	37%	27%	21%	14%	13%
Subscription via MSO	283	368	478	622	809	970
y-o-y growth	42%	30%	30%	30%	30%	20%
Number of DTH homes (m)	1.0	3.0	7.0	15.0	25.0	35.0
Per month rate (broadcaster's share)	2.75	2.75	2.75	5.00	5.25	5.51
Subscription via DTH	33	99	231	900	1,575	2,315
y-o-y growth	100%	200%	133%	290%	75%	47%
Total	**2,181**	**3,029**	**3,963**	**5,461**	**6,871**	**8,245**

Source: HSBC

HSBC

On-line visibility

- Web 18 has built up a powerful arsenal of sites which can ride on a common portal that it plans to roll out in the next few months
- If plans are properly executed, Web 18 could create an Indian internet franchise without comparison, in our view. We forecast revenues of INR5.83bn by FY12e, from INR250m in FY07
- We attribute a fair value of USD625m to Web 18 based on DCF, contributing INR312 per share to TV18

Businesses overview

Web 18 has ambitions of becoming a complete web portal with horizontal and vertical integration, to become the number one internet company in India.

We examine the websites of Web 18. They can be categorised as content based or transaction / subscription based:

Content based sites

Content based sites work on the business model of hosting websites providing content to users and as they attract a lot of page "hits", advertisers put up banners or interactive ads, which translate to revenue for the website. Web 18 has the following content based websites:

Moneycontrol.com
Moneycontrol.com is Asia's largest, and the world's second largest, business portal. It has about 150 million page views per month, with five million users. We think that this represents the most profitable website for Web 18.

IBNlive.com
India's largest news website, beating rival NDTV.com in page views, IBNlive.com introduced interactivity in news with IBN Blogs, so that users can share views. Much of its content is provided through live video feeds.

Tech2.com
Tech2.com reviews products such as computers, computer accessories, mobiles, cameras and games, and also offers several free downloads. Tech2's editorial team has cumulative tech editorial experience of over 70 years and the site gets good advertisement response rates from related products.

Cricketnext.com
Complete portal for cricket including information, statistics and interactive sharing of views. A cricket site, India being the cricket crazy nation that it is, is a desirable media property for a variety of advertisers.

Easymf.com
A portal for mutual funds needs, including rating of existing funds, risk profiling, suggesting an

ideal portfolio, buying, portfolio maintenance and tracking.

Indiaearnings.com

Indiaearnings.com provides quick and easy information on corporate results, in addition to pre-result estimates, ratio and trend analysis, press releases and analyst conference calls.

Compareindia.com

A free site allowing users to compare offerings across different categories such as audio systems, televisions, washing machines, microwave ovens, refrigerators, fax machines, photocopiers, and printers amongst others. A good site for any of these product categories to advertise, in our view.

Transaction / subscription based websites

Subscription based sites derive most of their income from either a charge per transaction or a fixed periodic fee. Web 18's sites are:

Poweryourtrade.com

Experts provide advice for the best picks every day, charging an annual subscription fee of INR2,600 per user. It is a completely scalable model, with additional revenues flowing directly to the bottom-line.

Commoditiescontrol.com

Provides easy access to prices for several commodities such as vegetable oils, grains and sugar in over 100 spot markets across the country. The site has 30,000 paid subscribers.

Jobstreet.com

A recruitment portal with a difference. In addition to providing a database of candidates and jobs, it helps employers manage their entire recruitment process online using interface software. Jobstreet has global operations with 5m job seekers worldwide, of which 1.5m are in India.

Yatra.com

A travel portal providing booking services for airlines, hotels, railways, busses and car rentals across 5,000 locations in India.

Likely businesses for the future

In our view, Web 18 will explore entering into the following sectors going forward:

- E-broking for share trading. Existing competing sites are Indiabulls.com, ICICIdirect.com and sharekhan.com. We estimate that the total market size for e-broking in India is currently around INR10bn
- Trading of commodities: extending the scope of commoditiescontrol.com from just information to transactions
- Matrimonial website, such as the likes of Shaadi.com, Bharatmatrimony.com, and Jeevansaathi.com
- A portal or horizontal to house the existing sites, which will include email, blogs, online shopping, etc
- We believe that there is good opportunity for TV18 to cross promote new business / trading sites on its television channels

Forecasts

Internet revenues were reported at INR250m in FY07. We estimate that a large portion is ad revenues from moneycontrol.com, and to a certain extent poweryourtrade.com and tech2.com. The other sites seem to be just building up their revenue bases, in our view.

We expect revenues to double in FY08e to INR500m. In FY09e, we expect the online trading platforms to become operational, which will provide a spur to revenues taking them up to an estimated INR1.2bn.

We expect total Web 18 revenues to increase to INR5.83bn by FY12e:

Web18: Revenue forecast FY12e

Sites	INRm	Basis
Portal	1,200	Comparable to Rediff's current revenues
Jobstreet	1,000	Naukri's curernt revenues are INR1.4b
On-line share trading	1,800	Current market size INR10b
Commodities site (trading and subscription)	1,000	50-50 between trading and subscription
Other content sites (tech2, ibnlinve, moneycontrol)	700	Currently estimated at INR200m
Others	130	
Total	**5,830**	

Source: HSBC

Web 18 will be in investment mode for the next two to three years, so we conservatively estimate PBT margin at 10% for FY08e and FY09e, 20% for FY10e, 30% for FY11e and 40% for FY12e.

Valuation and risks

- We value the television business at INR731 per share using a 40x multiple on FY08e television business EPS
- We value the internet business at INR312 per share using DCF. We value the 18% stake in GBN at market value, implying INR78 per TV18 share
- Our 12-month target price of INR1,121 per share implies 22.6% potential upside

Valuation

We value the television and internet businesses separately.

Television business

We value the television business using a PE multiple approach. TV stocks such as Zee TV and Sun TV trade on FY08e multiples of 36x and 37x respectively, whereas NDTV trades at a FY08e PE multiple of about 52x (Source: Bloomberg consensus estimates).

We believe that our visibility on the company's TV business has improved, and given the 52% CAGR in profits for the television business FY07-FY10e, an increase in our target multiple from 35x to 40x is justified for the television business.

Our net profit forecast for FY08e is INR1,034m (pre ESOP charge-out) which gives an EPS of INR18.3 per share. Applying a multiple of 40x to our FY08e estimates, we arrive at a value of INR731 per TV18 share for the television business.

Internet business

Web 18 is building out its internet properties and we consider the value in the business to be back ended, thus the internet business is too nascent to value on a PE multiple. We therefore value TV18's on-line assets using DCF.

DCF valuation

We value Web 18 using a WACC of 13.5%. We explicitly forecast out to FY18e and then apply a terminal growth rate of 5%.

We derive a value of INR312 per share as shown in the table on the next page.

Sales multiple

Our DCF valuation equates to a sales multiple of 52x in FY08e, but falls to 12x by FY10e. Indian internet companies such as Rediff and Infoe edge trade at FY07 sales multiple of about 15x (consensus estimates are not available and therefore forward multiples cannot be calculated).

Since Web 18 is in its investment phase, the current base is low but growth rates are high, which is why we are not uncomfortable with the high implied multiple.

TV18: Internet business DCF valuation

	FY08e	FY09e	FY10e	FY11e	FY12e	FY13e	FY14e	FY15e	FY16e	FY17e	FY18e	Terminal
Sales	500	1200	2,160	3,888	5,832	7,290	8,748	10,323	12,077	14,131	16,533	
PBT	50	120	432	1,166	2,333	2,916	3,937	4,645	,5435	6,359	7,440	
PAT	40	96	346	933	1,633	2,041	2,756	3,252	3,804	4,451	5,208	
Less: Capex	50	100	200	200	200	200	200	200	200	200	200	
Add: Depreciation	15	30	60	90	120	150	180	210	240	270	300	
Less: Increase in working capital	5	35	48	86	97	73	73	79	88	103	120	
FCF	0	-9	158	737	1,456	1,918	2,663	3,183	3,757	4,418	5,188	64,084
NPV	25,226											
TV18's share 70%	17,658											
Value per share	312											

Source: HSBC

Television 18 holds 85% of Web 18 currently; however, it is possible that there may be a dilution should Web 18 raise capital to finance its operations. We estimate a conservative 70% holding by TV18 after any potential dilution and accordingly value the company's internet businesses at INR312 per share.

18% of GBN

TV18 holds 18% of GBN. GBN's current market cap is INR24.5bn, and on that basis we value the investment in GBN at INR78 per share.

Valuation and rating

We derive 12-month fair value for TV18 at INR1,121 as shown in the following table.

Television 18: Valuation

	INR(m)	Basis	Value per share
Television business	1,034	40x FY08e EPS	731
Internet business DCF		WACC 13.5%	312
18% in GBN		GBN's current market cap	78
TV18 fair value per share			**1,121**

Source: HSBC

Our previous valuation for TV18 (please see our report dated 5 January 2007) was based on a combination of PE multiple and SOTP methodologies.

We increase our profit estimates for the news business from INR725m to INR1,034m to account for the increased advertisement revenues from Aawaz and TV18 and new subscription revenues.

We reduce our profit estimates for Web 18 for FY08e as it is in investment mode. This explains the initial drop in profit but higher value attributed to the internet businesses. We have shifted from a FY08e multiple to DCF valuation for Web 18 as we feel that this methodology better captures the full long-term value.

Television 18: Valuation as per previous report

		Multiple	Market cap	Value per share
News net profit (INRm)	725	35x	25391	484
85% of internet revenues (INRm)	558	15x	8373	160
Total			33764	644
Group EPS	18.11	33x	32392	598
Target price				621

Source: HSBC

Previously, we did not value the stake in GBN as this asset was planned to be transferred to Network 18, but now will remain with TV18.

Our new 12-month target price of INR1,121 per share implies 22.6% total potential upside.We upgrade our rating on Television 18 from Neutral (V) to Overweight (V).

Risks

Key risks to our Overweight rating are:

- Slower-than-expected growth in advertising revenue from the financial sector in the event of a downwards market correction would be a key risk to our thesis, and would derail our earnings numbers. However, to mitigate this risk we believe that we have been conservative in our growth estimates for Television 18. Furthermore, the financial sector only contributes about 15% of Television 18's advertising revenue
- DTH / CAS growth may be slower than estimated, in which case the revenues from subscription will be lower than our estimates
- Television 18 operates in a virtual monopoly as neither Zee Business nor NDTV profit are able to threaten with substantial competition. If these competitors are able to ramp up considerably, or a new player emerges and poses tough competition to Television 18, then the ad revenues for Television 18 may be lower than our estimates.
- Execution risk in the internet business could result in the sites not gaining popularity, affecting advertisement / subscription revenue
- The company has passed an enabling resolution that may imply further dilution in equity

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Financials

Television 18: consolidated income statement (INRm)

	FY07	FY08e	FY09e	FY10e	FY11e	FY12e
Income from operations	**2,434**	**3,532**	**5,167**	**7,624**	**10,762**	**14,080**
yoy (% growth)	60%	45%	46%	48%	41%	31%
Production Costs	428	622	909	1,342	1,894	2,478
SG&A Expenses						
Personal Cost	350	473	638	861	1,163	1,570
ESOP Charge out	111	111	111	111	111	111
Administrative and Other Costs	715	836	1,287	1,616	2,180	2,431
Depreciation & Amortisation	185	216	264	312	360	408
EBITDA	830	1,491	2,221	3,695	5,413	7,490
EBITDA Margin %	34%	42%	43%	48%	50%	53%
EBIT	645	1,275	1,958	3,383	5,054	7,082
EBIT Margin %	27%	36%	38%	44%	47%	50%
Interest Expense	130	148	148	148	148	148
PBT	516	1,127	1,810	3,235	4,905	6,934
PBT Margin %	21%	32%	35%	42%	46%	49%
Provision for Taxes	-10	164	384	815	1,277	2,144
PAT Before Minority Interests	527	963	1,426	2,420	3,628	4,790
Minority Interests	6	12	29	104	280	490
PAT	521	951	1,397	2,316	3,348	4,300
PAT Margin %	21%	27%	27%	30%	31%	31%
Dividend	73	122	202	327	485	645
Retained Earnings	448	829	1,195	1,989	2,863	3,656
EPS	10.55	16.81	24.70	40.95	59.20	76.04

Source: Company, HSBC estimates

Television 18: consolidated balance sheet (INRm)

	FY07	FY08e	FY09e	FY10e	FY11e	FY12e
Sources of funds						
1. SHARE HOLDER'S FUNDS						
Share capital	283	283	283	283	283	283
Reserves & surplus	2,626	3,455	4,650	6,639	9,502	13,158
Sh.holders equity	2,909	3,737	4,932	6,922	9,785	13,440
2. LOAN FUNDS						
Secured loans	1,051	1,051	1,051	1,051	1,051	1,051
Unsecured loans	800	800	800	800	800	800
3. DEFERRED TAX LIABILITY	124	136	150	165	181	199
4. Minority Interest	14	14	14	14	14	14
Total	**4,898**	**5,739**	**6,947**	**8,952**	**11,831**	**15,505**
Application of funds						
4. FIXED ASSETS						
Gross block	1,597	1,997	2,397	2,797	3,197	3,597
Less :accumulated Depreciation	473	689	952	1,264	1,624	2,032
Net block	1,124	1,309	1,445	1,533	1,574	1,566
5. Goodwill	52	52	52	52	52	52
5. INVESTMENTS	1,788	1,788	1,788	1,788	1,788	1,788
9. DEFERRED TAX ASSETS	0	0	0	0	0	0
6. CURRENT ASSETS, LOANS & ADVANCES						
Inventories	9	12	18	27	38	50
Sundry debtors	1,460	2,119	3,100	4,575	6,457	8,448
Cash & bank balances	687	1,114	1,842	3,234	3,019	5,250
Loans & advances	789	789	789	789	789	789
7. LESS: CURRENT LIABILITIES AND PROVISIONS						
Sundry creditors	795.74	1,154.63	1,689.08	2,492.61	1,136.44	1,486.82
Other liabilities	153.41	176.43	202.89	233.32	268.32	308.57
Provisions	86.12	137.34	218.45	344.63	505.11	666.56
For Proposed dividend	73	122	202	327	485	645
Other provisions	14	15	16	18	20	22
8. NET CURRENT ASSETS	1,908	2,564	3,637	5,553	8,392	12,073
9. MISCELLANEOUS EXPENDITURE	26	26	26	26	26	26
(To the extent not written off or adjusted)						
Total	**4,898**	**5,739**	**6,947**	**8,952**	**11,831**	**15,505**

Source: Company, HSBC estimates

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Television 18: consolidated cash flow statement (INRm)

	FY07	FY08e	FY09e	FY10e	FY11e	FY12e
EBIT	645	1,275	1,958	3,383	5,054	7,082
Interest and financial charges	-130	-148	-148	-148	-148	-148
Depreciation	185	216	264	312	360	408
Operating profit before working capital changes	700	1,343	2,073	3,546	5,265	7,342
Adjustments for working capital:						
Decrease/(Increase) in Inventories	-3	-4	-6	-9	-11	-12
Decrease/(Increase) in sundry debtors	-489	-659	-981	-1,475	-1,882	-1,991
Decrease/(Increase) in loans & advances	0	0	0	0	0	0
Increase/(Decrease) in Current liabilities	418	433	642	960	-1,161	552
Tax on operational income (including fringe benefit tax)	22	-152	-370	-800	-1,261	-2,126
Net cash from/ (used in) operating activities	**647**	**962**	**1,359**	**2,223**	**950**	**3,766**
Purchase of fixed assets (net)	-400	-400	-400	-400	-400	-400
Net cash from/ (used in) investing activities	**-400**	**-400**	**-400**	**-400**	**-400**	**-400**
Proceeds from share capital/ Share application money received / (refunded)	72	0	0	0	0	0
Dividend paid	-73	-122	-202	-327	-485	-645
Receipt from minority shareholder	-6	-12	-29	-104	-280	-490
Net cash from/ (used in) financing activities	**-6**	**-134**	**-231**	**-430**	**-765**	**-1,135**
Net increase/ (decrease) in cash and cash equivalents	241	427	728	1,393	-215	2,231
Cash and cash equivalents as at the beginning of the year	446	687	1,114	1,842	3,234	3,019
Cash and cash equivalents as at the end of the year	687	1,114	1,842	3,234	3,019	5,250

Source: Company, HSBC estimates

Disclosure appendix

Analyst certification

The following analyst(s), who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Matt Marsden and Percy Panthaki

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Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the risk free rate for that stock's domestic, or as appropriate, regional market and the relevant equity risk premium established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However, stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

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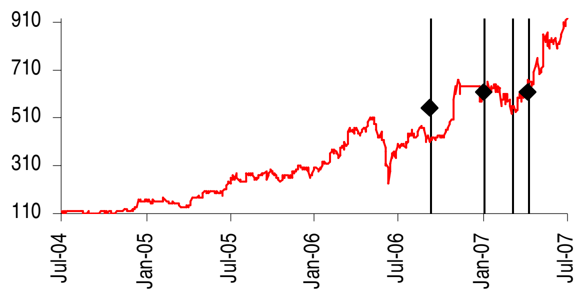
Share price and rating changes for long-term investment opportunities

Television Eighteen India Share Price performance INR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/A	Overweight	12 September 2006
Overweight	Neutral	05 January 2007
Neutral	Restricted	07 March 2007
Restricted	Neutral	12 April 2007
Target Price	**Value**	**Date**
Price 1	553.57	12 September 2006
Price 2	620.75	05 January 2007
Price 3	Restricted	07 March 2007
Price 4	620.75	12 April 2007

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
TELEVISION EIGHTEEN INDIA	TVET.BO	924.20	04-Jul-2007	1, 5, 9

Source: HSBC

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