

July 16, 2009

Rating	Accumulate
Price	Rs100
Target Price	Rs115
Implied Upside	15.2%
Sensex	14,253

(Prices as on July 15, 2009)

### Trading Data

Market Cap. (Rs bn)	11.9
Shares o/s (m)	119.6
Free Float	48.8%
3M Avg. Daily Vol ('000)	365.4
3M Avg. Daily Value (Rs m)	42.5

### Major Shareholders

Promoters	51.2%
Foreign	18.0%
Domestic Inst.	12.0%
Public & Others	18.8%

### Stock Performance

(%)	1M	6M	12M
Absolute	(25.1)	17.5	(48.7)
Relative	(20.4)	(35.3)	(62.1)

Price Performance (RIC: TVET.BO, BB: TLEI IN)



Source: Bloomberg

■ **Results:** Television Eighteen India's (TV18's) Q1FY10 results stood above our estimates. Consolidated revenues are not comparable YoY (Infomedia consolidation happened in Q2FY09). Revenue for the quarter stood at Rs1,073m, declining by 21.1% on a sequential basis. News operations did not see any major improvement as operating profit margins for the quarter stood at 10.6%. Newswire18 reported an EBITDA breakeven during the quarter and Web18 saw a sharp decline in its operating losses to Rs38m as against a quarterly run-rate of Rs175-190m earlier. Consolidated losses for the quarter stood at Rs406m.

■ **Operating landscape seeing a sharp recovery:** The Indian benchmark index has seen a sharp recovery since October 2008. Accordingly, the BFSI space has bounced back with a flurry of fund-raising activities through IPOs, QIPs and new mutual fund offerings (TV18's high margin clientele). As per Bloomberg League Tables data (See: Chart 1), Indian companies raised ~Rs142bn from IPOs, follow-on offerings, rights issues and QIPs in April-June 2009 quarter alone. In addition to this, government's disinvestment plan for PSUs and some large ticket IPOs from the private sector, coupled with festivities followed by the Union Budget in the second half, will only heighten the level of business activities and thus, viewership for the business news genre.

■ **Outlook & Valuation:** As the financial markets witnesses a V-shaped recovery, outlook for TV18's core business has improved. Further, the high operating leverage businesses - Web18 and Newswire18 have managed to substantially bring down their quarterly loss run-rate. Improving outlook for the core business, with a de-leveraged balance sheet post the rights issue and remittance from IBN18, and improving profitability in some of the new initiatives should improve the company's financials. We maintain our 'Accumulate' rating on the stock.

Key financials (Y/e March)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	3,981	4,898	6,123	7,378
Growth (%)	61.1	23.0	25.0	20.5
EBITDA (Rs m)	985	(1,176)	119	717
PAT (Rs m)	55	(1,647)	(758)	(51)
EPS (Rs)	0.5	(13.9)	(6.3)	(0.4)
Growth (%)	(82.9)	NA	NA	NA
Net DPS (Rs)	2.0	-	-	-

Source: Company Data; PL Research

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	24.7	(24.0)	1.9	9.7
RoE (%)	1.3	(37.3)	(23.3)	(1.8)
RoCE (%)	7.5	8.1	(4.4)	2.6
EV / sales (x)	3.9	3.6	3.2	2.8
EV / EBITDA (x)	15.9	(15.2)	166.0	29.0
PE (x)	215.6	(7.2)	(15.7)	(235.5)
P / BV (x)	2.3	3.3	4.1	4.2
Net dividend yield (%)	2.0	-	-	-

Source: Company Data; PL Research

Mihir M Shah  
MihirMShah@PLIndia.com  
+91-22-6632 2232



## Q1FY10 Result Overview

(Rs m)

Y/e March	Q1FY10	Q1FY09#	YoY gr. (%)	Q4FY09*	FY10E	FY09	YoY gr. (%)
Net Sales	1,073	930	15.4	1,361	6,123	4,898	25.0
Operating Expenditure	1,084	796	36.2	2,600	6,078	6,138	(1.0)
<i>% of net sales</i>	<i>101</i>	<i>86</i>		<i>191</i>	<i>99</i>	<i>125</i>	
Operating profit	(10)	134	—	(1,240)	46	(1,240)	—
<i>OPM (%)</i>	<i>(1)</i>	<i>14</i>		<i>(91)</i>	<i>1</i>	<i>(25)</i>	
Other income	56	149	(62.1)	744	609	1,063	(42.7)
EBITDA	46	283	(83.7)	(496)	655	(176)	(471.0)
<i>EBITDA margins (%)</i>	<i>4</i>	<i>30</i>		<i>(36)</i>	<i>11</i>	<i>(4)</i>	
Depreciation	122	73	67.0	167	385	481	(20.0)
Interest	317	222	43.0	361	1,155	1,190	(2.9)
Extra-ordinary (Inc)/Exp.	-	65		114	-	17	
Profit before tax	(394)	(77)	411.6	(1,138)	(886)	(1,864)	(52.5)
Tax	27	14	87.0	(100)	-	(86)	(100.0)
<i>Tax rate (%)</i>	<i>(7)</i>	<i>(19)</i>		<i>9</i>	<i>-</i>	<i>5</i>	
Minority interest	(2)	(1)	67.6	(116)	(58)	(185)	(68.7)
Share in profit / (loss) of associates	12	-		71	(69)	71	
Adjusted PAT	(406)	(90)	351.4	(992)	(758)	(1,664)	(54.4)

# Not comparable as Infomedia has been consolidated from Q2FY09

\* Derived from FY09 full year less 9MFY09

## Highlights

### Results - below expectations

TV18's Q1FY10 results stood above our estimates. Consolidated revenues are not comparable YoY (Infomedia consolidation happened in Q2FY09). Revenue for the quarter stood at Rs1,073m, declining by 21.1% on a sequential basis.

News operations did not see any major improvement as operating profit margins stood at 10.6% for the quarter. However, some of the new ventures saw major cost rationalisation - Newswire18 reported an EBITDA breakeven during the quarter and Web18 saw a sharp decline in its operating losses to Rs38m as against a quarterly run-rate of Rs175-190m earlier.

Consolidated losses for the quarter stood at Rs406m.

### Segmental performance

Y/e March	News Ops.		Web-18		Newswire		Infomedia		Total	
	Q1FY10	Q1FY09	Q1FY10	Q1FY09	Q1FY10	Q1FY09	Q1FY10	Q1FY09	Q1FY10	Q1FY09
Revenues (Rs m)	569	753	142	132	74	45	288	NA	1,073	930
% Ch. YoY	(24.5)		8.0		65.5				15.4	
% of Total Revenues	53.0	81.0	13.2	14.1	6.9	4.8	26.8	-		
Operating Margins (%)	10.6	33.1	(26.7)	(42.5)	(0.3)	(59.3)	(29.5)	NA	0.0	18.0
Ch. In Bps	(2,249)		1,586		5,907				(1,791)	
PAT (Rs m)	(283)	93	(86)	(80)	(14)	(38)	(24)	NA	(407)	(90)
% Ch. YoY	(404.6)		7.3		(62.3)				351.5	

Source: Company Data, PL Research

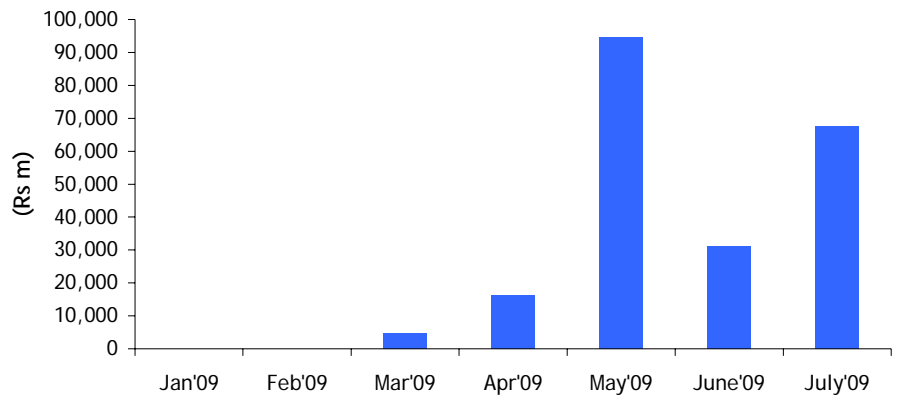
### Other highlights

- Business magazine "Forbes India" was launched during the quarter.
- Net debt on books stood at ~Rs8.5bn.
- The company board has approved the rights issues to raise Rs5.1bn. The proceeds of the issue would be utilised to de-leverage the balance sheet of the company. However, the ratio of the rights issue is yet to be determined.

## Operating landscape seeing a sharp recovery

The Indian benchmark index has seen a sharp recovery since October 2008. Accordingly, the BFSI space has bounced back with a flurry of fund raising activities through IPOs, QIPs and new mutual fund offerings (TV18's high margin clientele). As per Bloomberg League Tables data, Indian companies raised ~Rs142bn from IPOs, follow-on offerings, rights issues and QIPs in April-June 2009 quarter alone. In addition to this, government's disinvestment plan for PSUs and some large ticket IPOs from the private sector, coupled with festivities followed by the Union Budget in the second half, will only heighten the level of business activities and thus, viewership for the business news genre.

### Equity offerings in 2009



Source: Bloomberg, PL Research

## ET Now not an immediate threat to the market leader

The quarter saw the launch of a new business news channel - ET Now from the house of Bennett Coleman and Company (BCCL). We do not see ET Now as an immediate threat to CNBC TV18's viewership share as we believe business news channels have a relatively higher loyalty unlike any other genre. Impact, however, should be visible on the cost front with regards to higher staff expenses to retain talent and placement fees.

### Business news channel share post the launch of ET Now

Channel	Channel Share (%)			
	Wk 25	Wk 26	Wk 27	Wk 28
CNBC TV18	67	74	63	71
NDTV Profit	22	17	24	19
ET Now	4	6	6	6
UTVi	7	4	8	3

Market: All India

Source: TAM

TG: CS AB Males 25+ yrs

Time: All days, 0600 - 2400 hrs

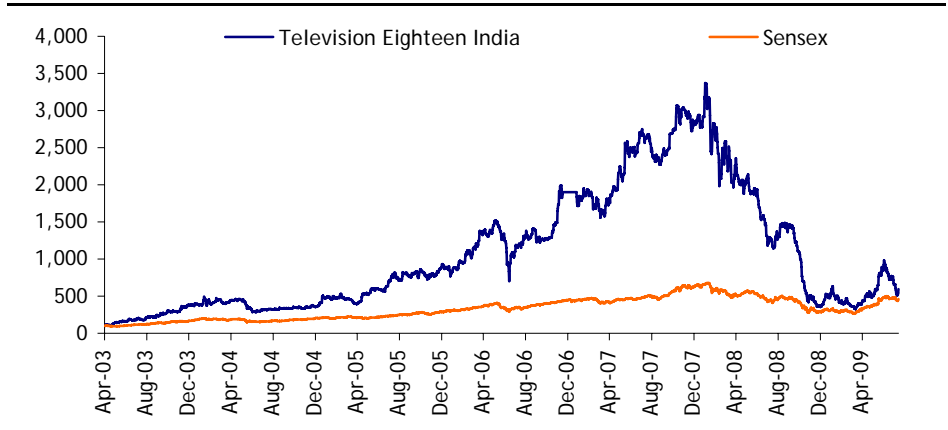
  Budget Week



## Outlook & Valuation

As the financial markets witnesses a V-shaped recovery, outlook for TV18's core business has improved. Further, the high operating leverage businesses - Web18 and Newswire18 have managed to substantially bring down their quarterly loss run-rate. Improving outlook for the core business, with a de-leveraged balance sheet post the rights issue and remittance from IBN18, and improving profitability in some of the new initiatives should improve the company's financials. We maintain our 'Accumulate' rating on the stock.

### TV18 stock performance relative to Sensex



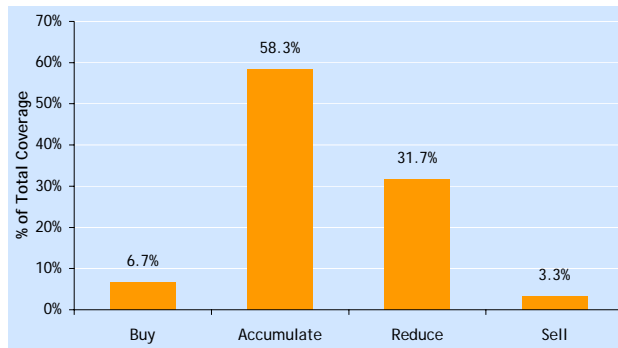
Source: Bloomberg

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

### Rating Distribution of Research Coverage



### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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