

Rating matrix	
Rating	: Buy
Target	: ₹ 276
Target Period	: 12 months
Potential Upside	: 30%

What's changed?	
Target	Changed from ₹ 300 to ₹ 276
EPS FY15E	Changed from ₹ 16.4 to ₹ 13.5
EPS FY16E	Changed from ₹ 20.0 to ₹ 18.4
Rating	Unchanged

Quarterly performance					
	Q2FY15	Q2FY14	YoY (%)	Q1FY15	QoQ (%)
Revenue	111.3	91.5	21.7	136.5	-18.5
EBITDA	23.5	24.6	(4.5)	55.3	-57.4
EBITDA (%)	21.2	27.0	-579 bps	40.5	-1935 bps
PAT	13.2	12.8	2.9	32.8	-59.7

Key financials				
₹ Crore	FY13	FY14	FY15E	FY16E
Net Sales	312.7	389.4	480.3	526.6
EBITDA	34.6	109.3	143.1	186.6
Net Profit	12.2	61.3	80.3	109.6
EPS (₹)	2.1	10.3	13.5	18.4

Valuation summary				
	FY13	FY14	FY15E	FY16E
P/E	103.2	20.6	15.7	11.5
Target P/E	134.6	26.8	20.5	15.0
EV / EBITDA	36.1	11.0	8.5	6.0
P/BV	3.9	3.3	2.9	2.4
RoNW	3.8	16.2	18.3	20.9
RoCE	4.0	22.4	25.2	28.8

Stock data	
Particulars	Amount
Market Capitalization	₹ 1260.6 Crore
Total Debt (FY14)	₹ 0 Crore
Cash and Investments (FY14)	₹ 57 Crore
EV	₹ 1203.5 Crore
52 week H/L	254 / 98
Equity capital	₹ 29.7 Crore
Face value	₹ 5

Analyst	
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TV Today (TVTNET)

₹ 212

Employee costs rise, but ad growth continues...

- Revenue growth of 21.7% YoY at ₹ 111.3 crore was lower than our expectation of ₹ 108.2 crore. The ad growth remained better than expectations with viewer stickiness enjoyed by the channels.
- The EBITDA came in at ₹ 23.5 crore vs. our expectation of ₹ 35.2 crore, down 4.5% YoY due to higher than expected employee expenses as several new journalists were brought on board.
- The company reported a PAT of ₹ 13.2 crore (vs. expectation of ₹ 19.8 crore), lower due to the EBITDA being lower than expected.

Aaj Tak No. 1 Hindi News channel since decades, Strong ad growth.....

TV Today with its flagship channel *Aaj Tak* has been able to maintain its dominant position in the fiercely competitive Hindi news segment for over a decade. The news segment, directly targeting "decision makers" in the family, enjoys a good portion of the advertisement share, which is expected to rise even further as literacy and income levels rise. The ad revenues in the quarter have been higher than the industry due to viewer stickiness towards news channels hence helping the company clock 22.7% YoY growth in its TV broadcasting revenues. We expect the company to post 17.5% CAGR over FY14-16E to ₹ 468.9 crore in its TV ad revenues, primarily led by rate hikes. However, the ruling of 12 minute ad cap if implemented will remain a downside risk to our estimates. Even in the radio sector, the company is expected to participate in the Phase III auctions to augment its capacity and we expect it to post a 12.5% ad revenue CAGR in radio over FY14-16E to ₹ 19.5 crore.

Subscription revenues to remain stable, high operating leverage to kick in

With digitisation in phase III and IV cities, TV Today would be able to better monetise its reach as it enjoys a far stronger position in the smaller cities and towns in the Hindi speaking belt. However, with a delay in shift towards digitisation, we have built in a nominal growth of 7.2% in this revenue stream. We expect the subscription revenues to reach ₹ 38.2 crore by FY16E from ₹ 33.2 crore in FY14. The fixed nature of operational cost provides high operating leverage, which is already reflected in 216% growth in EBITDA with 24.6% revenue growth in FY14. Going ahead, with a reduction in carriage costs, we expect EBITDA and PAT CAGR (FY14-16E) of 30.7% and 33.7% to ₹ 186.6 and ₹ 109.6 crore, respectively.

Employee expenses increases, some increase to be offset by ad growth

The company has hired some renowned journalists namely Karan Thapar, Rajdeep Sardesai, Shekhar Gupta which will lead to the employee expenses continuing the run rate in the quarter. Though the journalists will help the channel Headlines Today garner higher eyeballs and hence augment its advertisement revenue, we believe it will still take some time for the employee costs to be totally set-off by the higher ad revenues.

Enjoys the No-1 position since decades, Maintain BUY

Digitisation would lead to declining carriage cost & uptick in subscription revenue as the distribution industry shifts to cost per subscriber (CPS) model. Carriage cost forming about 30-35% of revenue is expected to decline at an annual rate of 10% over the next two years. Though the employee expenses has led to some trimming of EBITDA, we expect the company to post a 30.7% EBITDA CAGR (FY14-16E) to ₹ 186.6 crore. With a revival in EBITDA margins, valuation multiples are expected to inch up to historical levels. We value it at 15x FY16E EPS of ₹ 18.4 to arrive at a revised target price of ₹ 276, maintaining Buy.

Variance analysis

	Q2FY15	Q2FY15E	Q2FY14	Q1FY15	YoY (%)	QoQ (%)	Comments
Revenue	111.3	108.2	91.5	136.5	21.7	-18.5	
Other Income	4.7	3.0	2.3	2.7	105.1	73.5	
Employee Expenses	32.0	23.8	22.8	29.3	40.4	9.4	Employee expenses higher due to hiring of some journalists namely Karan Thapar, Rajdeep Sardesai and hence the trend is likely to continue in the future
Raw Material Expenses	0.0	0.0	0.0	0.0	0.0	0.0	
Administrative Expenses	18.1	18.4	13.2	17.4	36.6	3.8	
Production Cost	12.7	11.4	8.1	13.5	58.1	-5.3	
EBITDA	23.5	35.2	24.6	55.3	-4.5	-57.4	
EBITDA Margin (%)	21.2	32.5	27.0	40.5	-579 bps	-1935 bps	The dip in the EBITDA margins was due to higher than expected employee expenses
Depreciation	7.6	7.7	6.5	7.6	17.6	0.1	
Interest	0.4	0.5	0.9	0.5	-50.9	-21.0	
Total Tax	7.0	10.2	6.8	17.1	3.9	-58.8	
PAT	13.2	19.8	12.8	32.8	2.9	-59.7	

Key Metrics

Broadcasting revenue growth (%)	22.7	17.9	35.5	55.6	-36.2	-59.3	Higher than expected ad revenue growth
Radio Ad revenue growth (%)	3.2	18.5	53.8	11.6	-94.1	-72.4	

Source: Company, ICICIdirect.com Research

Change in estimates

₹ Crore)	FY15E			FY16E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	475.7	480.3	1.0	519.3	526.6	1.4	Increased the estimates for the ad growth in the English news channel as some renowned journalists are on board with the company which will garner greater eyeballs
EBITDA	169.8	143.1	-15.7	199.4	186.6	-6.5	
EBITDA Margin (%)	35.7	29.8	-590 bps	38.4	35.4	-298 bps	The increase in the employee expenses due to hiring of several renowned journalists has made us revise our EBITDA margin estimates downwards
PAT	97.8	80.3	-18.0	119.0	109.6	-7.9	
EPS (₹)	16.4	13.5	-18.0	20.0	18.4	-7.9	

Source: Company, ICICIdirect.com Research

Assumptions

	FY15E		Current		Earlier		Comments
	FY13	FY14E	FY15E	FY16E	FY15E	FY16E	
TV ad revenue growth (%)	0.7	12.3	25.8	9.3	24.9	8.8	English ad revenue growth revised upwards
Radio ad revenue growth (%)	23.4	54.2	8.8	16.3	13.7	18.2	
Subscription Revenue growth (%)	1.6	6.3	7.0	7.5	7.0	8.0	

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Total operating Income	312.7	389.4	481.2	526.6	
Growth (%)	1.4	24.6	23.6	9.4	
Employee Expenses	93.1	93.0	125.6	132.0	
Production Cost	39.0	40.8	49.4	44.8	
Advertising and Promotion expenses	146.0	146.3	88.7	80.7	
Administrative Expenses	0.0	0.0	74.4	82.6	
Total Operating Expenditure	278.1	280.2	338.1	340.0	
EBITDA	34.6	109.3	143.1	186.6	
Growth (%)	31.6	216.0	30.9	30.4	
Depreciation	21.0	24.2	32.6	35.9	
Interest	3.3	3.6	2.0	2.0	
Other Income	7.4	11.7	13.5	16.0	
Exceptional Items	0.0	0.0	0.0	0.0	
PBT	17.6	93.2	122.0	164.7	
Minority Interest	0.0	0.0	0.0	0.0	
PAT from Associates	0.0	0.0	0.0	0.0	
Total Tax	5.4	31.9	41.8	55.1	
PAT	12.2	61.3	80.3	109.6	
Growth (%)	16.1	402.4	30.9	36.5	
EPS (₹)	2.1	10.3	13.5	18.4	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Profit after Tax	12.2	61.3	80.3	109.6	
Add: Depreciation	21.0	24.2	32.6	35.9	
Add: Interest Paid	3.3	3.6	2.0	2.0	
(Inc)/dec in Current Assets	-18.8	-8.0	-43.6	-19.4	
Inc/(dec) in CL and Provisions	34.6	-21.2	2.6	4.9	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	52.4	59.9	73.8	132.9	
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-22.9	-9.9	-60.0	-10.0	
Others	2.5	3.7	0.2	-0.1	
CF from investing activities	-20.4	-6.2	-59.8	-10.1	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-6.5	-17.3	0.0	0.0	
Less: Interest Paid	-3.3	-3.6	-2.0	-2.0	
Less: Dividend and dividend tax	-5.2	-7.0	-20.9	-24.4	
Others	-0.1	0.1	0.0	0.0	
CF from financing activities	-15.1	-27.7	-22.9	-26.4	
Net Cash flow	16.9	25.9	-8.8	96.5	
Opening Cash	14.2	31.1	57.0	48.2	
Closing Cash	31.1	57.0	48.2	144.7	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY13	FY14	FY15E	FY16E	
Liabilities					
Equity Capital	29.7	29.7	29.7	29.7	
Preference Share Capital	0.0	0.0	0.0	0.0	
Reserve and Surplus	294.9	349.3	408.7	493.9	
Total Shareholders funds	324.6	379.1	438.4	523.6	
Total Debt	17.3	0.0	0.0	0.0	
Others	3.2	1.8	2.3	2.8	
Total Liabilities	345.1	380.9	440.8	526.5	
Assets					
Gross Block	382.6	393.7	453.7	463.7	
Less: Acc Depreciation	160.8	178.6	211.2	247.0	
Net Block	221.8	215.1	242.5	216.7	
Capital WIP	9.6	1.9	1.9	1.9	
Total Fixed Assets	231.3	217.0	244.5	218.6	
Investments	45.7	45.7	45.7	45.7	
Inventory	0.0	0.0	0.0	0.0	
Debtors	93.9	110.3	142.9	156.7	
Loans and Advances	55.1	46.6	57.5	63.0	
Other Current Assets	0.6	0.7	0.8	0.9	
Cash	31.1	57.0	48.2	144.7	
Total Current Assets	180.7	214.6	249.4	365.3	
Creditors	56.7	51.7	54.2	57.6	
Provisions	17.0	18.5	17.4	16.9	
Other current liabilities	65.2	47.6	48.7	50.7	
Total Current Liabilities	139.0	117.7	120.3	125.2	
Net Current Assets	41.8	96.9	129.1	240.1	
Other non current assets	26.4	21.3	21.6	22.1	
Application of Funds	345.1	380.9	440.8	526.5	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY13	FY14	FY15E	FY16E	
Per share data (₹)					
EPS	2.1	10.3	13.5	18.4	
Cash EPS	5.6	14.4	19.0	24.4	
BV	54.6	63.7	73.7	88.0	
DPS	0.8	1.0	3.0	3.5	
Cash Per Share	5.2	9.6	8.1	24.3	
Operating Ratios (%)					
EBITDA Margin	11.1	28.1	29.7	35.4	
PBT / Total Operating income	5.6	23.9	25.4	31.3	
PAT Margin	3.9	15.7	16.7	20.8	
Inventory days	0.0	0.0	0.0	0.0	
Debtor days	109.6	103.4	108.6	108.6	
Creditor days	66.2	48.4	41.2	39.9	
Return Ratios (%)					
RoE	3.8	16.2	18.3	20.9	
RoCE	4.0	22.4	25.2	28.8	
RoIC	4.5	26.4	28.3	39.7	
Valuation Ratios (x)					
P/E	103.2	20.6	15.7	11.5	
EV / EBITDA	36.1	11.0	8.5	6.0	
EV / Net Sales	4.0	3.1	2.5	2.1	
Market Cap / Sales	4.0	3.2	2.6	2.4	
Price to Book Value	3.9	3.3	2.9	2.4	
Solvency Ratios					
Debt/EBITDA	0.5	0.0	0.0	0.0	
Debt / Equity	0.1	0.0	0.0	0.0	
Current Ratio	1.3	1.8	2.1	2.9	
Quick Ratio	1.3	1.8	2.1	2.9	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Media)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E
DB Corp (DBCORP)	372	411	Buy	6,833	16.7	19.6	24.2	22.29	19.021	15.4	13.7	10.7	8.6	34.2	34.6	34.2	26.7	25.3	24.9
DISH TV (DISHTV)	62	61	Hold	6,596	-1.5	-0.5	0.5	NA	NA	132.4	12.1	11.6	9.7	2.5	6.5	16.8	50.4	14.5	NM
ENIL (ENTNET)	509	590	Buy	2,426	17.5	21.5	24.6	29.01	23.723	20.7	16.7	13.4	10.6	16.0	16.9	17.6	14.4	15.1	14.9
Eros (EROINT)	332	380	Buy	3,053	21.7	24.3	31.7	15.3	13.6	10.5	10.9	9.8	7.6	18.5	17.6	19.4	16.5	15.6	16.9
Hathway Cables (HATCAB)	351	320	Hold	5,658	-7.3	-6.7	-6.0	NM	NM	NM	22.3	20.6	17.6	0.1	NM	0.6	NM	NM	NM
HT Media (HTMED)	114	126	Buy	2,676	8.9	10.1	11.5	12.8	11.3	9.9	6.9	4.5	3.1	9.8	10.6	11.8	11.9	11.8	11.8
Jagran Prakashan (JAGPRA)	136	145	Buy	4,292	7.3	8.2	10.4	18.68	16.477	13.1	11.8	9.1	7.1	21.3	23.0	24.5	23.5	21.2	21.0
PVR (PVRLIM)	710	780	Buy	2,821	13.6	14.5	26.3	NM	49.0	27.0	15.2	13.0	10.1	12.4	12.9	16.9	14.0	12.9	19.2
Sun TV (SUNTV)	325	343	Hold	12,804	19.0	20.2	23.7	17.12	16.109	13.7	7.9	7.2	6.1	31.9	30.9	32.6	23.5	22.9	24.3
TV Today (TVTNET)	212	276	Buy	1,261	10.3	13.5	18.4	20.6	15.7	11.5	11.0	8.5	6.0	22.4	25.2	28.8	16.2	18.3	20.9
ZEE Ent. (ZEETEL)	385	328	Hold	37,006	9.3	9.3	11.3	41.52	41.305	34.1	29.8	28.9	24.0	24.3	21.6	22.2	18.8	16.6	17.3

Source: Company, ICICIdirect.com Research

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 Sell: -10% or more;



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