

## TV Today Network

### Performance Update

Y/E March (₹ cr)	1QFY17	1QFY17	% yoy	4QFY16	% qoq
<b>Net sales</b>	<b>137</b>	<b>127</b>	<b>7.7</b>	<b>142</b>	<b>(3.7)</b>
EBITDA	37	30	22.8	25	47.2
EBITDA margin (%)	26.9	23.6	330bp	17.6	928
<b>Adjusted PAT</b>	<b>22</b>	<b>18</b>	<b>23.9</b>	<b>15</b>	<b>47.9</b>

Source: Company, Angel Research

TV Today Network (TTNL) reported a good set of numbers for 1QFY2017 with its consolidated top-line growing by ~8% yoy for the quarter. On the operating front, the company reported margin expansion on account of lower selling & administrative expenses, which lead to the net profit growing by ~24% yoy for the quarter.

**Top-line grew ~8% yoy:** The consolidated top-line grew by ~8% yoy to ~₹137cr suggesting increased ad spends having borne results. However, the sell off of 4 radio stations (Jodhpur, Amritsar, Patiala and Shimla) proportionately impacted top-line growth.

**PAT grew ~24% yoy:** The company reported margin expansion by 330bp yoy to 26.9% aided by lower selling & administrative expenses (down 734bp yoy as a percentage of sales). The EBITDA grew by ~23% yoy to ₹37cr and the net profit resultantly grew by 24% to ₹22cr.

**Outlook and Valuation:** We expect TTNL to report a net revenue CAGR of ~16% to ~₹743cr and net profit to post a ~16% CAGR to ₹128cr over FY2016-18E. The company has sustained its leadership position in the Hindi news genre for 14 consecutive years while in the English news genre it currently holds the No.2 position. Further, its exit from the radio business should boost profitability. The company is debt free with ₹201cr of cash on its balance sheet. Hence, **we maintain our Buy recommendation on the stock with a target price of ₹363.**

### Key Financials

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>477</b>	<b>546</b>	<b>637</b>	<b>743</b>
% chg	22.4	14.6	16.6	16.8
<b>Adj. Net profit</b>	<b>81</b>	<b>94</b>	<b>110</b>	<b>128</b>
% chg	32.1	16.4	16.3	16.3
EBITDA margin (%)	27.6	26.8	27.5	27.5
<b>EPS (₹)</b>	<b>13.6</b>	<b>15.8</b>	<b>18.4</b>	<b>21.4</b>
P/E (x)	21.9	18.9	16.2	13.9
P/BV (x)	4.0	3.3	2.8	2.4
RoE (%)	18.0	17.7	17.4	17.2
RoCE (%)	22.3	21.7	22.5	22.7
EV/Sales (x)	3.5	2.9	2.4	2.0
EV/EBITDA (x)	12.5	10.8	8.7	7.1

Source: Company, Angel Research; Note: CMP as of September 12, 2016

## BUY

CMP	₹298
Target Price	₹363

Investment Period	12 Months
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### Stock Info

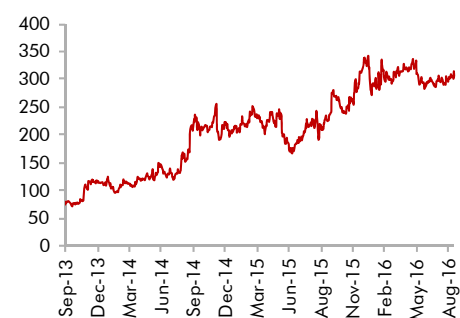
Sector	Media
Market Cap (Rs cr)	1,778
Net Debt	(201)
Beta	1.3
52 Week High / Low	350 / 221
Avg. Daily Volume	1,699
Face Value (Rs)	5
BSE Sensex	28,354
Nifty	8,716
Reuters Code	TVTO.BO
Bloomberg Code	TVTN.IN

### Shareholding Pattern (%)

Promoters	57.4
MF / Banks / Indian Fls	6.8
FII / NRIs / OCBs	7.8
Indian Public / Others	28.0

Abs. (%)	3m	1yr	3yr
Sensex	7.6	12.0	44.0
TTNL	0.9	31.3	297.8

### Historical share price chart



Source: Company, Angel Research

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**Exhibit 1: 4QFY2016 Performance**

Y/E March (₹ cr)	1QFY17	1QFY17	% yoy	4QFY16	% qoq	FY2016	FY2015	% chg
<b>Net Sales</b>	<b>137</b>	<b>127</b>	<b>7.7</b>	<b>142</b>	<b>(3.7)</b>	<b>546</b>	<b>477</b>	<b>14.6</b>
Staff Costs	39	33	18.6	38	0.6	142	117	21.5
(% of Sales)	28.3	25.7	259	27.1	121	26.0	24.5	148
Selling & Adm. Expenses	31	38	(18.6)	33	(5.4)	120	102	17.5
(% of Sales)	22.7	30.1	(734)	23.2	(42)	21.9	21.4	54
Other Expenses	30	26	15.3	46	(33.8)	138	126	9.4
(% of Sales)	22.1	20.7	145	32.2	(1,007)	25.3	26.5	(119)
<b>Total Expenditure</b>	<b>100</b>	<b>97</b>	<b>3.1</b>	<b>117</b>	<b>(14.5)</b>	<b>400</b>	<b>345</b>	<b>15.9</b>
<b>Operating Profit</b>	<b>37</b>	<b>30</b>	<b>22.8</b>	<b>25</b>	<b>47.2</b>	<b>146</b>	<b>132</b>	<b>11.1</b>
OPM	26.9	23.6		17.6		26.8	27.6	
Interest	0	0	60.0	0	33.3	0	1	(87.2)
Depreciation	7	8	(6.5)	8	(3.1)	31	30	1.8
Other Income	5	6	(15.0)	9	(45.2)	32	23	39.9
<b>PBT (excl. Ext Items)</b>	<b>34</b>	<b>28</b>	<b>23.3</b>	<b>26</b>	<b>30.3</b>	<b>147</b>	<b>123</b>	<b>19.9</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>34</b>	<b>28</b>	<b>23.3</b>	<b>26</b>	<b>30.3</b>	<b>147</b>	<b>123</b>	<b>19.9</b>
(% of Sales)	25.0	21.8		18.5		27.0	25.8	
Provision for Taxation	12	10		11		53	42	26.7
(% of PBT)	34.5	34.8		42.3		36.0	34.1	
<b>Reported PAT</b>	<b>22</b>	<b>18</b>	<b>23.9</b>	<b>15</b>	<b>47.9</b>	<b>94</b>	<b>81</b>	<b>16.4</b>
PATM	16.3	14.2		10.6		17.3	17.0	
Minority Interest After NP	-	-	-	-	-	-	-	-
Extra-ordinary Items								
<b>Reported PAT</b>	<b>22</b>	<b>18</b>	<b>23.9</b>	<b>15</b>	<b>47.9</b>	<b>94</b>	<b>81</b>	<b>16.4</b>
PATM	16.3	14.2		10.6		17.3	17.0	

Source: Company, Angel Research

## Investment Arguments

### Strong viewership ranking in Hindi and English news genre

TTNL enjoys a strong viewership ranking in the Hindi and English news channel categories. The company's Hindi news channel – Aaj Tak has maintained its market leadership position for several consecutive years in terms of viewership and continues to dominate by being the channel of choice during unfolding of key national as well as international events. Further, TTNL's English news channel - India Today has been continuously gaining viewership ranking; it has now captured the No. 2 spot from No. 4 earlier. Its other channels like Dilli Aaj Tak and Tez are also popular among viewers.

### TTNL to benefit from TV industry (ad + subscription revenue) growth of ~16% CAGR over CY14-19E

Going forward we expect the TV industry to report a 16% CAGR over CY2014-19E on back of increased advertisement allocations by the corporates, government, and E-Commerce set ups, which are a significant new category. We also expect an improvement in subscription revenue due to digitization of phase 3 & 4. Since the last 6-7 quarters, FMCG and automobile companies which incur significantly high ad spends, are underperforming due to weak consumer buying sentiments in rural areas (owing to two prior consecutive years of poor monsoon). However, we are now seeing some improvement in TV ad spends in anticipation of an improvement in the rural economy with the country having received optimal monsoons this year. On this account TTNL will stand to benefit.

### Complete exit from Radio business to improve profitability

TTNL had 7 radio stations which were continuously incurring losses year after year (in FY2016, the Radio business accrued an EBIT level loss of ₹13.5cr). Out of the 7 radio stations, TTNL has sold off 4 (Jodhpur, Amritsar, Patiala and Shimla) for ₹4cr. The remaining 3 stations are in the process of getting sold off to ENIL but the sale will have to wait until concerns raised by the MIB are resolved. Going forward, we expect them to be sold off and this would prop up the company's profitability.

## Outlook and Valuation

We expect TTNL to report a net revenue CAGR of ~16% to ~₹743cr and net profit CAGR of ~16% to ₹128cr over FY2016-18E. The company has sustained its leadership position in Hindi news genre for 14 consecutive years while in the English news genre it currently holds the No.2 position. Further, the exit from the radio business should boost profitability. The company is debt free with ₹201cr of cash on its balance sheet. Hence, **we maintain our Buy recommendation on the stock with a target price of ₹363.**

## Downside risks to our estimates include

- 1) Loss of leadership in viewership could affect the company's advertisement revenue.
- 2) Overall slowdown in the Indian economy could lead to a cut in ad spend allocations by corporates which could potentially hurt TTNL's revenues.
- 3) Any delay in digitalization could impact the company's subscription revenue growth.

## **Company Background**

TV Today Network (TTNL) is one of India's leading Hindi-English news television networks. The company's operating segments include television broadcasting and radio broadcasting. The company operates four news channels, which include Aaj Tak, India Today (earlier know as Headlines Today), Tez and Dilli Aaj Tak. It is also engaged in publishing; its publications include India Today, Business Today etc. The company has hired well know anchors like Karan Thapar and Rajdeep Sardesai in its team. Living Media India Ltd is the holding company for TTNL.

**Profit & Loss Statement**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Total operating income</b>	<b>313</b>	<b>389</b>	<b>477</b>	<b>546</b>	<b>637</b>	<b>743</b>
% chg	1.4	24.6	22.4	14.6	16.6	16.8
<b>Total Expenditure</b>	<b>278</b>	<b>280</b>	<b>345</b>	<b>400</b>	<b>462</b>	<b>539</b>
Employee Cost	93	93	117	142	167	198
Selling & Admin. Exp.	89	86	102	120	137	159
Others Expenses	96	101	126	138	157	182
<b>EBITDA</b>	<b>35</b>	<b>109</b>	<b>132</b>	<b>146</b>	<b>175</b>	<b>204</b>
% chg	33.4	216.0	20.5	11.1	19.6	16.8
(% of Net Sales)	11.1	28.1	27.6	26.8	27.5	27.5
Depreciation & Amort.	21	24	30	31	33	36
<b>EBIT</b>	<b>14</b>	<b>85</b>	<b>102</b>	<b>116</b>	<b>142</b>	<b>168</b>
% chg	14.1	528.0	19.5	13.9	22.4	18.9
(% of Net Sales)	4.3	21.8	21.3	21.2	22.3	22.7
Interest & other Charges	3	4	1	0	-	-
Other Income	7	12	23	32	22	22
(% of PBT)	42.0	12.6	18.5	21.6	13.4	11.6
Share in profit of Asso.	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>18</b>	<b>93</b>	<b>123</b>	<b>147</b>	<b>164</b>	<b>190</b>
% chg	7.1	430.0	31.8	19.9	11.1	16.3
Prior Period & Extra. Exp./ (Inc.)	-	-	-	-	-	-
<b>PBT (reported)</b>	<b>18</b>	<b>93</b>	<b>123</b>	<b>147</b>	<b>164</b>	<b>190</b>
Tax	5	32	42	53	54	63
(% of PBT)	30.6	34.2	34.1	36.0	33.0	33.0
<b>PAT (reported)</b>	<b>12</b>	<b>61</b>	<b>81</b>	<b>94</b>	<b>110</b>	<b>128</b>
Add: Share of earnings of asso.	-	-	-	-	-	-
<b>ADJ. PAT</b>	<b>12</b>	<b>61</b>	<b>81</b>	<b>94</b>	<b>110</b>	<b>128</b>
% chg	26.4	361.1	32.1	16.4	16.3	16.3
(% of Net Sales)	3.9	15.7	17.0	17.3	17.2	17.2
<b>Basic EPS (₹)</b>	<b>2.2</b>	<b>10.3</b>	<b>13.6</b>	<b>15.8</b>	<b>18.4</b>	<b>21.4</b>
<b>Fully Diluted EPS (₹)</b>	<b>2.2</b>	<b>10.3</b>	<b>13.6</b>	<b>15.8</b>	<b>18.4</b>	<b>21.4</b>
% chg	26.4	361.1	32.1	16.4	16.3	16.3

**Balance Sheet**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	30	30	30	30	30	30
Reserves & Surplus	295	349	420	503	600	712
<b>Shareholders Funds</b>	<b>325</b>	<b>379</b>	<b>450</b>	<b>533</b>	<b>629</b>	<b>742</b>
Total Loans	60	17	7	-	-	-
Deferred Tax Liability	-	3	5	5	5	5
<b>Total Liabilities</b>	<b>385</b>	<b>399</b>	<b>462</b>	<b>538</b>	<b>635</b>	<b>747</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	383	394	438	460	495	535
Less: Acc. Depreciation	161	179	203	233	266	303
<b>Net Block</b>	<b>222</b>	<b>215</b>	<b>235</b>	<b>227</b>	<b>228</b>	<b>232</b>
Capital Work-in-Progress	10	2	3	3	3	3
Investments	46	46	46	40	50	65
Current Assets	191	220	283	372	463	574
Sundry Debtors	94	110	141	157	187	220
Cash	31	57	95	161	203	262
Loans & Advances	56	47	41	48	64	82
Other Assets	10	6	6	7	10	11
Current liabilities	99	102	126	125	131	149
<b>Net Current Assets</b>	<b>91</b>	<b>118</b>	<b>157</b>	<b>247</b>	<b>332</b>	<b>426</b>
<b>Deferred Tax Asset</b>	<b>17</b>	<b>18</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>
Mis. Exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>385</b>	<b>399</b>	<b>462</b>	<b>538</b>	<b>635</b>	<b>747</b>

**Cashflow Statement**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	18	93	123	147	164	190
Depreciation	21	22	24	31	33	36
Change in Working Capital	3	(8)	(27)	(24)	(43)	(35)
Interest / Dividend (Net)	2	(1)	(6)	0	-	-
Direct taxes paid	(6)	(32)	(42)	(53)	(54)	(63)
Others	1	6	7	-	-	-
<b>Cash Flow from Operations</b>	<b>39</b>	<b>81</b>	<b>78</b>	<b>101</b>	<b>100</b>	<b>128</b>
(Inc.)/ Dec. in Fixed Assets	(15)	(3)	(49)	(11)	(55)	(70)
(Inc.)/ Dec. in Investments	-	-	-	5	(10)	(15)
<b>Cash Flow from Investing</b>	<b>(15)</b>	<b>(3)</b>	<b>(49)</b>	<b>(17)</b>	<b>(45)</b>	<b>(55)</b>
Issue of Equity	-	0	1	-	-	-
Inc./(Dec.) in loans	4	(43)	(11)	(7)	-	-
Dividend Paid (Incl. Tax)	(5)	(4)	(6)	(11)	(13)	(15)
Interest / Dividend (Net)	(6)	(4)	24	(0)	-	-
<b>Cash Flow from Financing</b>	<b>(7)</b>	<b>(52)</b>	<b>9</b>	<b>(18)</b>	<b>(13)</b>	<b>(15)</b>
Inc./(Dec.) in Cash	17	26	37	67	42	58
<b>Opening Cash balances</b>	<b>14</b>	<b>31</b>	<b>57</b>	<b>95</b>	<b>161</b>	<b>203</b>
<b>Closing Cash balances</b>	<b>31</b>	<b>57</b>	<b>95</b>	<b>161</b>	<b>203</b>	<b>262</b>



**Key Ratios**

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	133.7	29.0	21.9	18.9	16.2	13.9
P/CEPS	53.5	20.8	16.0	14.2	12.4	10.9
P/BV	5.5	4.7	4.0	3.3	2.8	2.4
Dividend yield (%)	0.3	0.3	0.5	0.6	0.7	0.9
EV/Sales	5.6	4.3	3.5	2.9	2.4	2.0
EV/EBITDA	50.9	15.5	12.5	10.8	8.7	7.1
EV / Total Assets	3.6	3.4	2.8	2.4	2.0	1.6
<b>Per Share Data (₹)</b>						
EPS (Basic)	2.2	10.3	13.6	15.8	18.4	21.4
EPS (fully diluted)	2.2	10.3	13.6	15.8	18.4	21.4
Cash EPS	5.6	14.3	18.6	20.9	24.0	27.4
DPS	0.7	1.0	1.5	1.9	2.2	2.6
Book Value	54.3	63.5	75.4	89.3	105.5	124.3
<b>Returns (%)</b>						
ROCE	3.5	21.5	22.3	21.7	22.5	22.7
Angel ROIC (Pre-tax)	4.4	29.0	32.1	34.9	37.7	40.6
ROE	3.8	16.2	18.0	17.7	17.4	17.2
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	0.8	1.0	1.1	1.2	1.3	1.4
Inventory / Sales (days)	-	-	-	-	-	-
Receivables (days)	110	103	108	105	107	108
Payables (days)	66	48	52	58	52	50
WC cycle (ex-cash) (days)	43	55	56	47	55	58

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### TV Today Network

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)