

December 5, 2016

## TV Today Network

### Performance Update

Y/E March (₹ cr)	2QFY17	2QFY16	% yoy	1QFY17	% qoq
<b>Net sales</b>	<b>132</b>	<b>126</b>	<b>5.1</b>	<b>137</b>	<b>(3.4)</b>
EBITDA	37	38	(2.4)	37	0.4
EBITDA margin (%)	27.9	30.1	(216bp)	26.9	105bp
<b>Adjusted PAT</b>	<b>23</b>	<b>24</b>	<b>(7.2)</b>	<b>22</b>	<b>1.0</b>

Source: Company, Angel Research

TV Today Network (TTNL) reported a subdued set of numbers for 2QFY2017 with its consolidated top-line growing by ~5% yoy. On the operating front, the company reported margin contraction on account of higher selling & administrative expenses, which resulted in the de-growth of net profit by ~7% yoy.

**Top-line grew ~5% yoy:** The consolidated top-line grew lower by ~5% yoy to ~₹132cr, due to lower corporate ad spends. Further, the sell-off of 4 radio stations (Jodhpur, Amritsar, Patiala and Shimla) also impacted the top-line growth.

**PAT de-grew ~7% yoy:** The company reported margin contraction by 216bp yoy to 27.9% due to higher selling & administrative expenses (up 471bp yoy as a percentage of sales). The EBITDA de-grew by ~2% yoy to ₹37cr and resultantly the net profit also declined by 7% to ₹23cr.

**Outlook and Valuation:** We expect TTNL to report a net revenue CAGR of ~15% to ~₹718cr and net profit to post a CAGR of ~15% to ₹124cr 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 ₹385.**

### Key Financials

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>477</b>	<b>546</b>	<b>620</b>	<b>718</b>
% chg	22.4	14.6	13.5	15.9
<b>Adj. Net profit</b>	<b>81</b>	<b>94</b>	<b>107</b>	<b>124</b>
% chg	32.1	16.4	13.7	15.3
EBITDA margin (%)	27.6	26.8	27.5	27.5
<b>EPS (₹)</b>	<b>13.6</b>	<b>15.8</b>	<b>18.0</b>	<b>20.7</b>
P/E (x)	23.2	19.9	17.5	15.2
P/BV (x)	4.2	3.5	3.0	2.6
RoE (%)	18.0	17.7	17.1	16.8
RoCE (%)	22.3	21.7	21.8	21.9
EV/Sales (x)	3.7	3.1	2.6	2.2
EV/EBITDA (x)	13.3	11.5	9.6	7.9

Source: Company, Angel Research; Note: CMP as of December 2, 2016

Please refer to important disclosures at the end of this report

## BUY

CMP	₹315
Target Price	₹385

Investment Period	12 Months
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### Stock Info

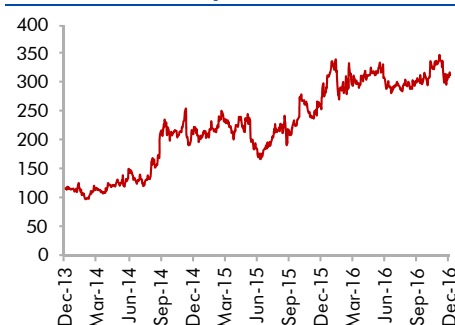
Sector	Media
Market Cap (₹ cr)	1,880
Net Debt	(201)
Beta	1.3
52 Week High / Low	360 / 260
Avg. Daily Volume	3,084
Face Value (₹)	5
BSE Sensex	26,231
Nifty	8,087
Reuters Code	TVTO.BO
Bloomberg Code	TVTN.IN

### 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	(8.1)	0.4	25.5
TTNL	3.6	14.4	170.6

### Historical share price chart



Source: Company, Angel Research

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**Exhibit 1: 4QFY2016 Performance**

Y/E March (₹ cr)	2QFY17	2QFY16	% yoy	1QFY17	% qoq	1HFY17	1HFY16	% chg
<b>Net Sales</b>	<b>132</b>	<b>126</b>	<b>5.1</b>	<b>137</b>	<b>(3.4)</b>	<b>267</b>	<b>250</b>	<b>7.0</b>
Staff Costs	34	33	3.9	39	(11.0)	73	66	11.1
(% of Sales)	26.1	26.4	(32)	28.3	(223)	27.4	26.4	102
Selling & Adm. Expenses	31	24	31.6	31	(0.5)	62	62	0.6
(% of Sales)	23.4	18.7	471	22.7	68	23.2	24.7	(149)
Other Expenses	30	31	(4.3)	30	(1.2)	58	52	11.1
(% of Sales)	22.6	24.9	(223)	22.1	50	21.8	21.0	81
<b>Total Expenditure</b>	<b>95</b>	<b>88</b>	<b>8.4</b>	<b>100</b>	<b>(4.8)</b>	<b>193</b>	<b>180</b>	<b>7.5</b>
<b>Operating Profit</b>	<b>37</b>	<b>38</b>	<b>(2.4)</b>	<b>37</b>	<b>0.4</b>	<b>74</b>	<b>70</b>	<b>5.7</b>
OPM	27.9	30.1	(216bp)	26.9	105bp	27.6	27.9	
Interest	0	0.06	33.3	0	-	0	0	45.5
Depreciation	7	7.7	(5.2)	7	(2.3)	15	16	(5.9)
Other Income	5	6	(19.0)	5	0.8	10	10	(0.9)
<b>PBT (excl. Ext Items)</b>	<b>35</b>	<b>36</b>	<b>(4.7)</b>	<b>34</b>	<b>1.0</b>	<b>69</b>	<b>64</b>	<b>7.4</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>35</b>	<b>36</b>	<b>(4.7)</b>	<b>34</b>	<b>1.0</b>	<b>69</b>	<b>64</b>	<b>7.4</b>
(% of Sales)	26.1	28.8		25.0		25.7	25.6	
Provision for Taxation	12	12		12		24	22	10.2
(% of PBT)	34.5	32.7		34.5		34.5	33.7	
<b>Reported PAT</b>	<b>23</b>	<b>24</b>	<b>(7.2)</b>	<b>22</b>	<b>1.0</b>	<b>45</b>	<b>42</b>	<b>6.0</b>
PATM	17.1	19.4		16.3		16.8	17.0	
Minority Interest After NP	-	-	-	-	-	-	-	-
Extra-ordinary Items	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>23</b>	<b>24</b>	<b>(7.2)</b>	<b>22</b>	<b>1.0</b>	<b>45</b>	<b>42</b>	<b>6.0</b>
PATM	17.1	19.4		16.3		16.8	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 ~15% to ~₹718cr and net profit to post a CAGR of ~15% to ₹124cr 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 ₹385.**

## 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 known 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 known 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>620</b>	<b>718</b>
% chg	1.4	24.6	22.4	14.6	13.5	15.9
<b>Total Expenditure</b>	<b>278</b>	<b>280</b>	<b>345</b>	<b>400</b>	<b>449</b>	<b>521</b>
Employee Cost	93	93	117	142	163	191
Selling & Admin. Exp.	89	86	102	120	133	154
Others Expenses	96	101	126	138	153	176
<b>EBITDA</b>	<b>35</b>	<b>109</b>	<b>132</b>	<b>146</b>	<b>170</b>	<b>197</b>
% chg	33.4	216.0	20.5	11.1	16.5	15.9
(% 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>137</b>	<b>161</b>
% chg	14.1	528.0	19.5	13.9	18.4	17.8
(% of Net Sales)	4.3	21.8	21.3	21.2	22.1	22.5
Interest & other Charges	3	4	1	0	-	-
Other Income	7	12	23	32	23	23
(% of PBT)	42.0	12.6	18.5	21.6	14.4	12.5
Share in profit of Asso.	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>18</b>	<b>93</b>	<b>123</b>	<b>147</b>	<b>160</b>	<b>184</b>
% chg	7.1	430.0	31.8	19.9	8.6	15.3
Prior Period & Extra. Exp./ (Inc.)	-	-	-	-	-	-
<b>PBT (reported)</b>	<b>18</b>	<b>93</b>	<b>123</b>	<b>147</b>	<b>160</b>	<b>184</b>
Tax	5	32	42	53	53	61
(% 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>107</b>	<b>124</b>
Add: Share of earnings of asso.	-	-	-	-	-	-
<b>ADJ. PAT</b>	<b>12</b>	<b>61</b>	<b>81</b>	<b>94</b>	<b>107</b>	<b>124</b>
% chg	26.4	361.1	32.1	16.4	13.7	15.3
(% of Net Sales)	3.9	15.7	17.0	17.3	17.3	17.2
<b>Basic EPS (₹)</b>	<b>2.2</b>	<b>10.3</b>	<b>13.6</b>	<b>15.8</b>	<b>18.0</b>	<b>20.7</b>
<b>Fully Diluted EPS (₹)</b>	<b>2.2</b>	<b>10.3</b>	<b>13.6</b>	<b>15.8</b>	<b>18.0</b>	<b>20.7</b>
% chg	26.4	361.1	32.1	16.4	13.7	15.3

**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	598	706
<b>Shareholders Funds</b>	<b>325</b>	<b>379</b>	<b>450</b>	<b>533</b>	<b>627</b>	<b>736</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>633</b>	<b>741</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	458	564
Sundry Debtors	94	110	141	157	182	212
Cash	31	57	95	161	199	255
Loans & Advances	56	47	41	48	68	86
Other Assets	10	6	6	7	9	11
Current liabilities	99	102	126	125	128	144
<b>Net Current Assets</b>	<b>91</b>	<b>118</b>	<b>157</b>	<b>247</b>	<b>330</b>	<b>420</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>633</b>	<b>741</b>

**Cashflow Statement**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	18	93	123	147	160	184
Depreciation	21	22	24	31	33	36
Change in Working Capital	3	(8)	(27)	(24)	(45)	(34)
Interest / Dividend (Net)	2	(1)	(6)	0	-	-
Direct taxes paid	(6)	(32)	(42)	(53)	(53)	(61)
Others	1	6	7	-	-	-
<b>Cash Flow from Operations</b>	<b>39</b>	<b>81</b>	<b>78</b>	<b>101</b>	<b>96</b>	<b>126</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	38	56
<b>Opening Cash balances</b>	<b>14</b>	<b>31</b>	<b>57</b>	<b>95</b>	<b>161</b>	<b>199</b>
<b>Closing Cash balances</b>	<b>31</b>	<b>57</b>	<b>95</b>	<b>161</b>	<b>199</b>	<b>255</b>



**Key Ratios**

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	141.3	30.6	23.2	19.9	17.5	15.2
P/CEPS	56.5	22.0	16.9	15.0	13.4	11.8
P/BV	5.8	5.0	4.2	3.5	3.0	2.6
Dividend yield (%)	0.2	0.3	0.5	0.6	0.7	0.8
EV/Sales	6.0	4.6	3.7	3.1	2.6	2.2
EV/EBITDA	53.9	16.4	13.3	11.5	9.6	7.9
EV / Total Assets	3.8	3.6	3.0	2.5	2.1	1.8
<b>Per Share Data (₹)</b>						
EPS (Basic)	2.2	10.3	13.6	15.8	18.0	20.7
EPS (fully diluted)	2.2	10.3	13.6	15.8	18.0	20.7
Cash EPS	5.6	14.3	18.6	20.9	23.6	26.7
DPS	0.7	1.0	1.5	1.9	2.2	2.5
Book Value	54.3	63.5	75.4	89.3	105.1	123.4
<b>Returns (%)</b>						
ROCE	3.5	21.5	22.3	21.7	21.8	21.9
Angel ROIC (Pre-tax)	4.4	29.0	32.1	34.9	36.2	38.8
ROE	3.8	16.2	18.0	17.7	17.1	16.8
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	0.8	1.0	1.1	1.2	1.3	1.3
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)