

## TV Today Network

### Performance Update

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq
Net sales	199	188	6.3	163	22
EBITDA	62	60	2.1	45	38
EBITDA margin (%)	30.9	32.2	(127bp)	27.3	357bp
Adjusted PAT	39	39	1.2	30	33

Source: Company, Angel Research

For 3QFY2019, TV Today Network Ltd (TTNL) posted results below our expectations on both top-line as well as bottom-line fronts. Revenue grew by 6.3% yoy to ₹199cr due to subdued ad revenue growth. On the operating front, margins contracted by 127bps yoy, which resulted in flat PAT on yoy basis.

**Lower ad spends drag the overall top-line growth:** The company's top-line grew by 6.3% yoy to ₹199cr due to subdued ad revenue growth (up ~3.9% yoy to ₹171cr). However, the company has reported decent growth in radio segment (₹7cr vs. ~₹6cr in 3QFY2018).

**Subdued top-line and poor operating performance impact PAT growth:** On the operating front, margins contracted by 127bps yoy, which resulted into flat PAT yoy at ₹39cr. Segment wise, advertisement business witnessed EBIT margin contraction of 263bps yoy. However, radio business reported EBIT level loss of ₹2cr yoy vs. ₹6cr (loss) in 3QFY2018.

**Outlook and Valuation:** Going forward, we expect TTNL to report net revenue CAGR of ~11% over FY2018-20E to ~₹880cr and net profit CAGR of ~12% over the same period to ₹162cr on the back of leadership position in Hindi news genre and upcoming elections. TTNL is a debt free company with decent cash on balance sheet. At the current market price of ₹323, the stock trades at a PE of 13.2x and 12x its FY2019E and FY2020E EPS of ₹23.9 and ₹27.6 respectively. **We recommend BUY on TTNL with a Target Price of ₹498.**

### Key financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	652	721	786	880
% chg	12.2	10.5	9.0	12.0
Net profit	100	119	146	162
% chg	21.5	34.7	14.0	10.4
EBITDA margin (%)	24.9	26.9	29.0	29.0
EPS (₹)	15.9	21.4	24.4	27.0
P/E (x)	20.3	15.1	13.2	12.0
P/BV (x)	3.4	2.9	2.4	2.5
RoE (%)	17.6	18.0	18.5	21.0
RoCE (%)	22.1	24.5	23.9	27.6
EV/Sales (x)	2.6	2.4	2.1	1.9
EV/EBITDA (x)	10.4	8.9	7.1	6.5

Source: Company, Angel Research, Note: CMP as of February 13, 2019

## BUY

CMP	₹323
Target Price	₹498

Investment Period	12 Months
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### Stock Info

Sector	Media
Market Cap (₹ cr)	1,949
Net Debt (₹ cr)	214
Beta	1.1
52 Week High / Low	558/305
Avg. Daily Volume	5,280
Face Value (₹)	5
BSE Sensex	36,034
Nifty	10,793
Reuters Code	TVTO.BO
Bloomberg Code	TVTN.IN

### Shareholding Pattern (%)

Promoters	57.4
MF / Banks / Indian Fls	14.3
FII / NRIs / OCBs	13.8
Indian Public / Others	14.5

Abs. (%)	3m	1yr	3yr
Sensex	2.5	5.5	53.0
TTNL	(13)	(27)	14.2

### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: 3QFY2019 Performance**

Y/E March (₹ cr)	3QFY19	3QFY18	% yoy	2QFY19	% qoq	9MFY19	9MFY18	% chg
<b>Net Sales</b>	<b>199</b>	<b>188</b>	<b>6.3</b>	<b>163</b>	<b>22.1</b>	<b>545</b>	<b>510</b>	<b>6.8</b>
Staff Costs	55	50	10.3	52	6.4	160	143	11.6
(% of Sales)	27.8	26.8	99	31.9	(411)	29.4	28.1	128
Other Expenses	82	77	7.1	67	23.7	215	223	(3.5)
(% of Sales)	41.3	41.1	28	40.8	54	39.5	43.6	(418)
<b>Total Expenditure</b>	<b>138</b>	<b>127</b>	<b>8.3</b>	<b>119</b>	<b>16.1</b>	<b>375</b>	<b>366</b>	<b>2.5</b>
<b>Operating Profit</b>	<b>62</b>	<b>60</b>	<b>2.1</b>	<b>45</b>	<b>38.1</b>	<b>170</b>	<b>144</b>	<b>17.7</b>
OPM	30.9	32.2		27.3		31.2	28.3	
Interest	0	0	(16.7)	0	25.0	0	0	(27.0)
Depreciation	8	8	(2.0)	8	(2.6)	23.5	23.6	(0.6)
Other Income	7	5	25.7	8	(21.1)	22.3	15.2	46.5
<b>PBT (excl. Ext Items)</b>	<b>60</b>	<b>58</b>	<b>4.9</b>	<b>45</b>	<b>34.4</b>	<b>168</b>	<b>135</b>	<b>24.3</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>60</b>	<b>58</b>	<b>4.9</b>	<b>45</b>	<b>34.4</b>	<b>168</b>	<b>135</b>	<b>24.3</b>
(% of Sales)	30.3	30.7		27.5		30.9	26.6	
Provision for Taxation	21	19		15		58.7	44.6	31.5
(% of PBT)	35.1	32.8		34.4		34.9	32.9	
<b>Reported PAT</b>	<b>39</b>	<b>39</b>	<b>1.2</b>	<b>30</b>	<b>32.8</b>	<b>110</b>	<b>91</b>	<b>20.7</b>
PATM	19.7	20.7		18.1		20.1	17.8	
Minority Interest After NP								
Extra-ordinary Items							(9)	
<b>Reported PAT</b>	<b>39</b>	<b>39</b>	<b>1.2</b>	<b>30</b>	<b>32.8</b>	<b>110</b>	<b>100</b>	<b>9.6</b>
PATM	19.7	20.7		18.1		20.1	19.6	

Source: Company, Angel Research

## Key investment arguments

### Strong viewership in Hindi and English news genre

TTNL has strong viewership ranking among the Hindi and English news channels. The company's Hindi news genre i.e. Aaj Tak, has continued to maintain its leadership position for several consecutive years (ranks No. 1 in its viewership ranking). Aaj Tak continues to dominate by being the channel of choice during key national and international events. Further, TTNL's English news genre i.e. India Today has been continuously gaining viewership ranking. Moreover, the company's other channels like Dilli Aaj Tak and TEZ are also popular among the viewers. The company's more than 90% revenue comes from Aaj Tak and India Today channels.

### TV industry growth of ~16% CAGR over CY2014-19E to aid TTNL's performance

Going forward, we expect TV ad growth to report 16% CAGR over CY2014-19E on the back of an increase in ad spends by corporate sector, government and emergence of e-commerce as a significant new category coupled with an improvement in subscription revenue (due to digitization of phase 3 & 4).

## Outlook and Valuation

Going forward, we expect TTNL to report net revenue CAGR of ~11% over FY2018-20E to ~₹880cr and net profit CAGR of ~12% over the same period to ₹162cr on the back of leadership position in Hindi news genre and upcoming elections. TTNL is a debt free company with decent cash on balance sheet. At the current market price of ₹323, the stock trades at a PE of 13.2x and 12x its FY2019E and FY2020E EPS of ₹23.9 and ₹27.6 respectively. **We recommend BUY on TTNL with a Target Price of ₹498.**

### Risks

- 1) Losing leadership position in viewership ranking could affect the company's advertisement revenue, and hence poses a downside risk to our estimates.
- 2) Overall slowdown in the Indian economy could impact the advertisement spends, which could be negative for TTNL.
- 3) Delay in digitalization could impact the company's subscription revenue growth.

## Company Background

TV Today Network (TTNL) is one of the leading Indian Hindi and English news television networks. The company's operating segments include television (TV) 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. The company is also engaged in publishing, and its publications include India Today, Business Today, etc. Moreover, TTNL is associated with well know anchors like Rajdeep Sardesai and Karan Thapar. Living Media India Limited is the holding company of TTNL.

**Consolidated Profit & Loss Statement**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Total operating income</b>	<b>582</b>	<b>652</b>	<b>721</b>	<b>786</b>	<b>880</b>
% chg	22.0	12.2	10.5	9.0	12.0
<b>Total Expenditure</b>	<b>450</b>	<b>490</b>	<b>527</b>	<b>558</b>	<b>625</b>
Employee Cost	153	181	202	204	229
Selling & Administrative Expenses	-	-	-	-	-
Others Expenses	297	309	325	354	396
<b>EBITDA</b>	<b>131</b>	<b>163</b>	<b>194</b>	<b>228</b>	<b>255</b>
% chg	(0.2)	23.7	19.2	17.6	12.0
(% of Net Sales)	22.6	24.9	26.9	29.0	29.0
Depreciation & Amortisation	31	29	31	39	43
<b>EBIT</b>	<b>100</b>	<b>134</b>	<b>162</b>	<b>189</b>	<b>213</b>
% chg	(1.1)	33.0	21.5	16.1	12.8
(% of Net Sales)	17.3	20.5	22.5	24.0	24.2
Interest & other Charges	6	8	4	-	-
Other Income	21	29	25	29	29
(% of PBT)	18.0	19.0	13.5	13.3	12.0
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>115</b>	<b>155</b>	<b>183</b>	<b>218</b>	<b>242</b>
% chg	(6.7)	34.8	18.6	18.6	11.1
Prior Period & Extraordinary Expense/(Inc.)	-	-	-	-	-
<b>PBT (reported)</b>	<b>115</b>	<b>155</b>	<b>183</b>	<b>218</b>	<b>242</b>
Tax	53	54	64	72	80
(% of PBT)	46.1	35.0	35.1	33.0	33.0
<b>PAT (reported)</b>	<b>62</b>	<b>100</b>	<b>119</b>	<b>146</b>	<b>162</b>
Add: Share of earnings of associate	-	-	-	-	-
<b>ADJ. PAT</b>	<b>62</b>	<b>100</b>	<b>119</b>	<b>146</b>	<b>162</b>
% chg	(3.6)	21.5	34.7	14.0	10.4
(% of Net Sales)	10.6	15.4	16.5	18.5	18.4
<b>Basic EPS (₹)</b>	<b>13.1</b>	<b>15.9</b>	<b>21.4</b>	<b>24.4</b>	<b>27.0</b>
<b>Fully Diluted EPS (₹)</b>	<b>13.1</b>	<b>15.9</b>	<b>21.4</b>	<b>24.4</b>	<b>27.0</b>
% chg	(3.6)	21.5	34.7	14.0	10.4

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	30	30	30	30	30
Reserves & Surplus	442	540	632	760	741
<b>Shareholders Funds</b>	<b>472</b>	<b>570</b>	<b>662</b>	<b>790</b>	<b>771</b>
Total Loans	46	35	-	-	-
Deferred Tax Liability	7	8	11	11	11
<b>Total Liabilities</b>	<b>525</b>	<b>613</b>	<b>673</b>	<b>801</b>	<b>782</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	245	257	343	373	403
Less: Acc. Depreciation	30	59	85	124	167
<b>Net Block</b>	<b>214</b>	<b>199</b>	<b>258</b>	<b>249</b>	<b>236</b>
Capital Work-in-Progress	5	3	2	2	2
Investments	7	6	-	-	-
Current Assets	406	525	560	715	730
Sundry Debtors	151	163	185	209	241
Cash	170	263	199	307	262
Loans & Advances	57	61	70	79	92
Other Assets	27	36	104	118	132
Current liabilities	130	143	173	190	212
<b>Net Current Assets</b>	<b>277</b>	<b>382</b>	<b>387</b>	<b>525</b>	<b>518</b>
<b>Deferred Tax Asset</b>	<b>22</b>	<b>23</b>	<b>25</b>	<b>25</b>	<b>25</b>
Mis. Exp. not written off	-	-	-	-	-
<b>Total Assets</b>	<b>525</b>	<b>613</b>	<b>673</b>	<b>801</b>	<b>782</b>

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	115	153	183	218	242
Depreciation	31	29	31	39	43
Change in Working Capital	(147)	(98)	(1)	(30)	(38)
Interest / Dividend (Net)	(6)	(10)	(1)	-	-
Direct taxes paid	(57)	(59)	(63)	(72)	(80)
Others	29	(2)	7	-	-
<b>Cash Flow from Operations</b>	<b>(36)</b>	<b>14</b>	<b>158</b>	<b>155</b>	<b>166</b>
(Inc.)/ Dec. in Fixed Assets	39	4	(93)	(30)	(30)
(Inc.)/ Dec. in Investments	38	1	6	-	-
<b>Cash Flow from Investing</b>	<b>0</b>	<b>3</b>	<b>(99)</b>	<b>(30)</b>	<b>(30)</b>
Issue of Equity	0	-	-	-	-
Inc./(Dec.) in loans	-	0	-	-	-
Dividend Paid (Incl. Tax)	(9)	(10)	(12)	(17)	(180)
Others	120	86	(47)	(63)	(1)
<b>Cash Flow from Financing</b>	<b>111</b>	<b>76</b>	<b>(59)</b>	<b>(81)</b>	<b>(181)</b>
Inc./(Dec.) in Cash	75	93	(0)	44	(45)
<b>Opening Cash balances</b>	<b>95</b>	<b>170</b>	<b>263</b>	<b>263</b>	<b>307</b>
<b>Closing Cash balances</b>	<b>170</b>	<b>263</b>	<b>263</b>	<b>307</b>	<b>262</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	24.7	20.3	15.1	13.2	12.0
P/CEPS	20.8	14.9	12.8	10.4	9.4
P/BV	4.1	3.4	2.9	2.4	2.5
Dividend yield (%)	0.5	0.6	0.8	0.9	9.4
EV/Sales	3.1	2.6	2.4	2.1	1.9
EV/EBITDA	13.7	10.4	8.9	7.1	6.5
EV / Total Assets	2.7	2.2	2.0	1.6	1.7
<b>Per Share Data (Rs)</b>					
EPS (Basic)	13.1	15.9	21.4	24.4	27.0
EPS (fully diluted)	13.1	15.9	21.4	24.4	27.0
Cash EPS	15.5	21.7	25.2	31.0	34.3
DPS	1.6	1.9	2.6	2.9	30.2
Book Value	79.1	95.6	110.9	132.4	129.2
<b>Returns (%)</b>					
ROCE	19.4	22.1	24.5	23.9	27.6
Angel ROIC (Pre-tax)	29.5	39.8	35.1	39.1	41.8
ROE	13.1	17.6	18.0	18.5	21.0
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	2.4	2.5	2.1	2.1	2.2
Inventory / Sales (days)	1	1	1	1	1
Receivables (days)	95	91	94	97	100
Payables (days)	46	49	44	44	44
Working capital cycle (ex-cash) (days)	50	44	50	54	57

Source: Company, Angel Research

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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

<b>Ratings (Based on expected returns over 12 months investment period):</b>	<i>Buy (&gt; 15%)</i>	<i>Accumulate (5% to 15%)</i>	<i>Neutral (-5 to 5%)</i>
		<i>Reduce (-5% to -15%)</i>	<i>Sell (&lt; -15)</i>