

TV Today Network

Go with the market leader

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.

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 occupying the No.1 rank 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 No. 2 ranking 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 TV industry to report a 16% CAGR over CY2014-19E on back of increased advertisement allocations by 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 (incur significantly high ad spends) are underperforming due to weak consumer buying sentiments in rural areas which is owing to two prior consecutive years of poor monsoon. However, we are now seeing some improvement in TV ad spends by these companies given the in-line current year monsoons. 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. At the current market price of ₹297, the stock trades at a PE of 16.2x and 13.9x its FY2017E and FY2018E EPS of ₹18.4 and ₹21.4, respectively. **We initiate coverage on the stock with a Buy recommendation and target price of ₹363 based on 17x FY2018E EPS, indicating an upside of ~22% from the current levels.**

Key financials

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
Net sales	477	546	637	743
% chg	22.4	14.6	16.6	16.8
Net profit	81	94	110	128
% chg	32.1	16.4	16.3	16.3
EBITDA margin (%)	27.6	26.8	27.5	27.5
EPS (₹)	13.6	15.8	18.4	21.4
P/E (x)	21.9	18.8	16.2	13.9
P/BV (x)	3.9	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)	3.4	2.9	2.4	1.9
EV/EBITDA (x)	12.4	10.7	8.7	7.1

Source: Company, Angel Research, Note: CMP as of August 4, 2016

BUY

CMP	₹297
Target Price	₹363

Investment Period	12 Months
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Stock Info

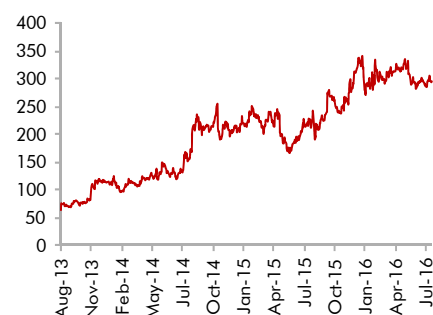
Sector	Media
Market Cap (₹ cr)	1,787
Net Debt (₹ cr)	(201)
Beta	1.3
52 Week High / Low	351/186
Avg. Daily Volume	12,948
Face Value (₹)	5
BSE Sensex	27,714
Nifty	8,551
Reuters Code	TVTO.BO
Bloomberg Code	TVT.N.IN

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	9.8	(1.7)	44.4
TTNL	(5.6)	37.3	352.7

3-year price chart



Source: Company, Angel Research

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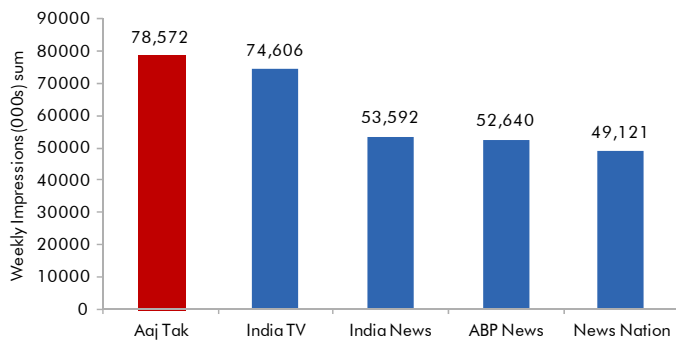
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Key investment arguments

Strong viewership ranking in Hindi and English news genre

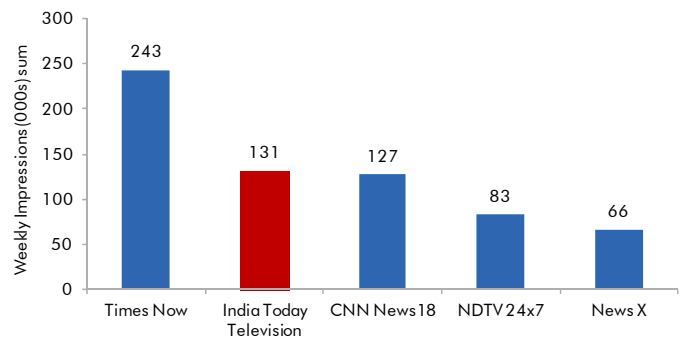
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Exhibit 1: BARC Viewership ratings of top 5 Hindi news channels



Source: BARC India, Angel Research Note : rating between Saturday, 16th July 2016 to Friday, 22nd July 2016

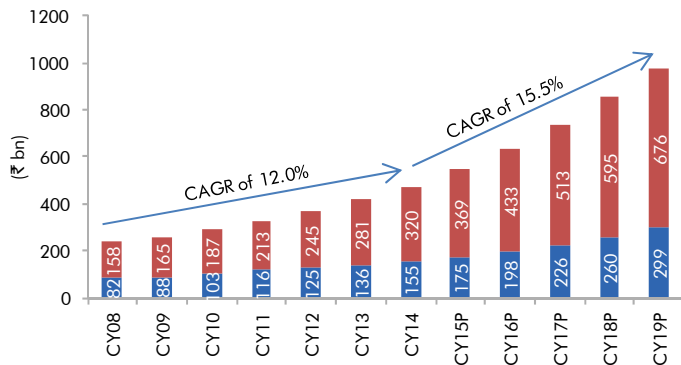
Exhibit 2: BARC Viewership ratings of top 5 English news channels



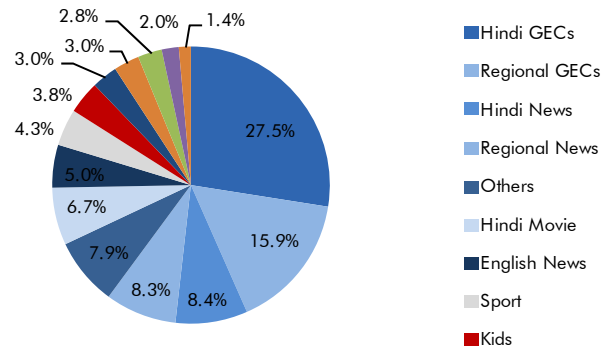
Source: BARC India, Angel Research Note : rating between Saturday, 16th July 2016 to Friday, 22nd July 2016

TTNL to benefit from TV industry growth of ~16% CAGR over CY14-19E.

Going forward we expect TV industry to report a 16% CAGR over CY2014-19E on back of increased advertisement allocations by 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 (incur significantly high ad spends) are underperforming due to weak consumer buying sentiments in rural areas which is owing to two prior consecutive years of poor monsoon. However, we are now seeing some improvement in TV ad spends by these companies given the in-line current year monsoons. On this account TTNL will stand to benefit.

Exhibit 3: TV industry market size


Source: FICCI KPMG, Angel Research

Exhibit 4: Ad share by genre


Source: FICCI KPMG, Angel Research

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.

Exhibit 5: Historical Radio business financial performance

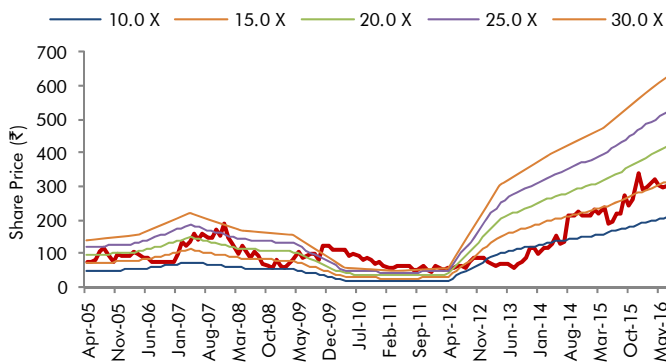
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	4.4	4.2	8.1	10.0	15.4	15.5	9.0
EBIT	(22.1)	(21.9)	(18.6)	(13.2)	(11.2)	(9.3)	(13.5)

Source: Company, Angel Research

Outlook and Valuation

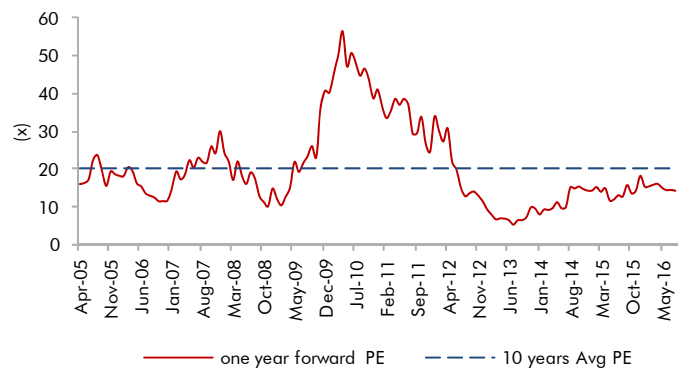
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Exhibit 6: One year forward PE Chart



Source: Company, Angel Research

Exhibit 7: Forward PE trading at below 10 yr Avg PE



Source: Company, Angel Research

The 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 would be negative for TTNL.
- 3) any delay in digitalization could impact the company's subscription revenue growth.

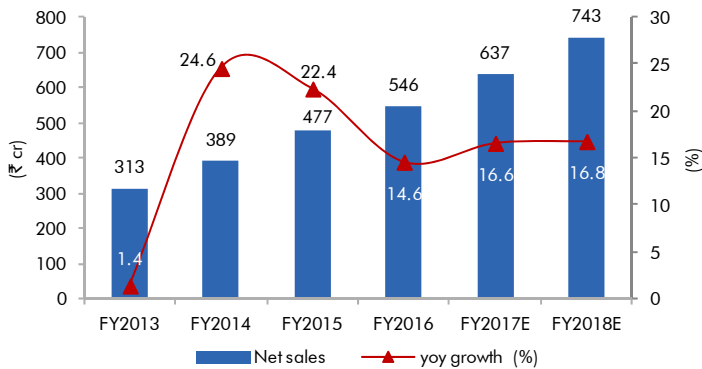
Company Background

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.

Financial performance

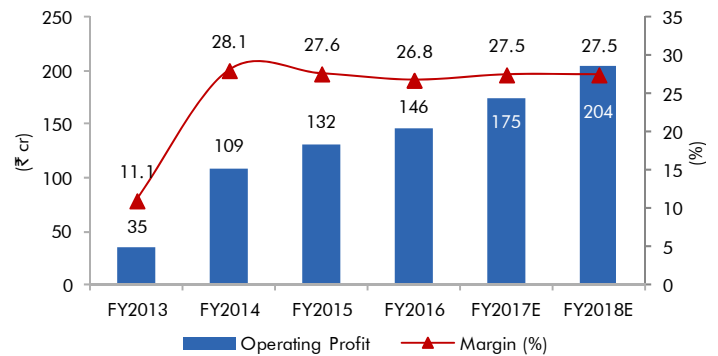
Over the last four year period, the company has reported a strong ~15% CAGR in top-line due to strong advertising revenue growth (~16% CAGR growth). Going forward, we expect the company to continue to report healthy top-line growth on back of strong growth in advertisement revenue and also subscription revenue with digitalization of phase 3 & 4. On the operating front, we expect margin to improve owing to the recent price hike initiated in the ad segment. Benefits would also be availed on account of the base effect as a one-time expense of ~16cr towards re-branding of the English new channel was incurred last year. On the bottom-line front, we expect 16% CAGR on the back of strong revenue growth and improvement in operating performance. The company is debt free with ₹201cr cash on its balance sheet.

Exhibit 8: Historical net sales trend



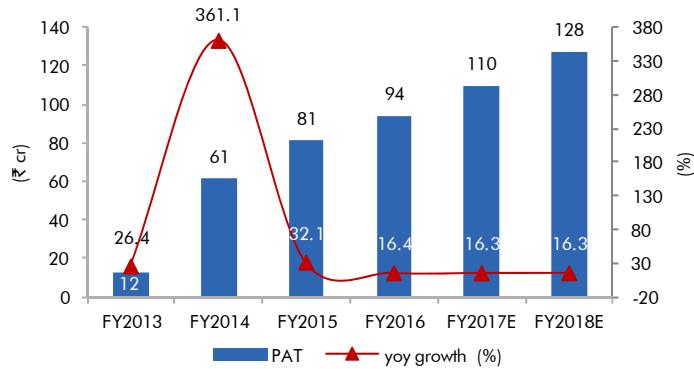
Source: Company, Angel Research

Exhibit 9: Historical operating profit trend



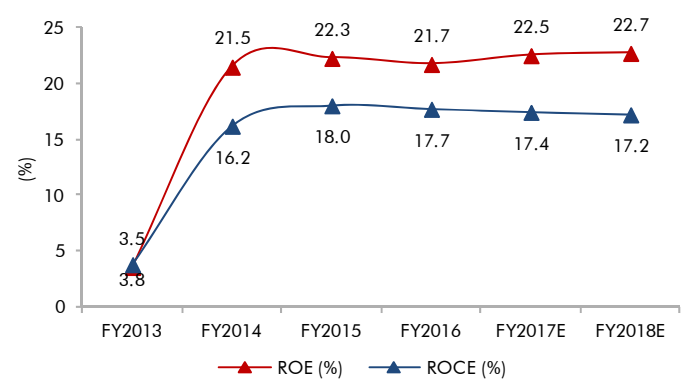
Source: Company, Angel Research

Exhibit 10: Historical net profit trend



Source: Company, Angel Research

Exhibit 11: Historical ROE & ROCE trend



Source: Company, Angel Research

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Total operating income	313	389	477	546	637	743
% chg	1.4	24.6	22.4	14.6	16.6	16.8
Total Expenditure	278	280	345	400	462	539
Employee Cost	93	93	117	142	167	198
Selling & Administrative Expenses	89	86	102	120	137	159
Others Expenses	96	101	126	138	157	182
EBITDA	35	109	132	146	175	204
% 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 & Amortisation	21	24	30	31	33	36
EBIT	14	85	102	116	142	168
% 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 Associates	-	-	-	-	-	-
Recurring PBT	18	93	123	147	164	190
% chg	7.1	430.0	31.8	19.9	11.1	16.3
Prior Period & Extraord. Exp./(Inc.)	-	-	-	-	-	-
PBT (reported)	18	93	123	147	164	190
Tax	5	32	42	53	54	63
(% of PBT)	30.6	34.2	34.1	36.0	33.0	33.0
PAT (reported)	12	61	81	94	110	128
Add: Share of earnings of asso.	-	-	-	-	-	-
ADJ. PAT	12	61	81	94	110	128
% 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
Basic EPS (₹)	2.2	10.3	13.6	15.8	18.4	21.4
Fully Diluted EPS (₹)	2.2	10.3	13.6	15.8	18.4	21.4
% chg	26.4	361.1	32.1	16.4	16.3	16.3

Consolidated Balance Sheet

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
SOURCES OF FUNDS						
Equity Share Capital	30	30	30	30	30	30
Reserves & Surplus	295	349	420	503	600	712
Shareholders Funds	325	379	450	533	629	742
Total Loans	60	17	7	-	-	-
Deferred Tax Liability	-	3	5	5	5	5
Total Liabilities	385	399	462	538	635	747
APPLICATION OF FUNDS						
Gross Block	383	394	438	460	495	535
Less: Acc. Depreciation	161	179	203	233	266	303
Net Block	222	215	235	227	228	232
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
Net Current Assets	91	118	157	247	332	426
Deferred Tax Asset	17	18	21	21	21	21
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	385	399	462	538	635	747

Consolidated 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	-	-	-
Cash Flow from Operations	39	81	78	101	100	128
(Inc.)/ Dec. in Fixed Assets	(15)	(3)	(49)	(11)	(55)	(70)
(Inc.)/ Dec. in Investments	-	-	-	5	(10)	(15)
Cash Flow from Investing	(15)	(3)	(49)	(17)	(45)	(55)
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)	-	-
Cash Flow from Financing	(7)	(52)	9	(18)	(13)	(15)
Inc./(Dec.) in Cash	17	26	37	67	42	58
Opening Cash balances	14	31	57	95	161	203
Closing Cash balances	31	57	95	161	203	262

Key ratios

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
Valuation Ratio (x)						
P/E (on FDEPS)	133.2	28.9	21.9	18.8	16.2	13.9
P/CEPS	53.3	20.7	16.0	14.2	12.4	10.8
P/BV	5.5	4.7	3.9	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	3.4	2.9	2.4	1.9
EV/EBITDA	50.8	15.4	12.4	10.7	8.7	7.1
EV / Total Assets	3.6	3.4	2.8	2.4	2.0	1.6
Per Share Data (₹)						
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
Returns (%)						
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
Turnover ratios (x)						
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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Disclosure of Interest Statement

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)