

TV Today Network

Performance Update

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq
Net sales	163	158	3.5	182	(10)
EBITDA	45	50	(10.5)	64	(30)
EBITDA margin (%)	27.3	31.6	(428bp)	35.0	(763bp)
Adjusted PAT	30	31	(5.7)	41	(28)

Source: Company, Angel Research

For 2QFY2019, TV Today Network Ltd (TTNL) posted results below our expectations on both top-line as well as bottom-line fronts. Revenue grew by 3.5% yoy to ₹163cr due to subdued ad revenue growth. On the operating front, margins contracted by 428bp yoy, which resulted in PAT de-growth of ~6% yoy to ₹30cr.

Lower ad spend drags the overall top-line growth: The company's top-line grew by 3.5% yoy to ₹163cr due to subdued ad revenue growth (flat growth 0.2% yoy to ₹140cr). However, the company has reported strong growth in radio segment (₹6cr vs. ~₹4cr in 2QFY18).

Subdued top-line and poor operating performance drags the overall PAT growth: On the operating front, margins contracted by 428bps yoy, which resulted into strong PAT de-growth by ~6% yoy to ₹30cr. Segment wise, advertisement business witnessed EBIT margin contraction of 54bps. Further, radio business reported EBIT level loss of ₹4cr vs. ₹3cr (loss) in 2QFY18.

Outlook and Valuation: Going forward, we expect TTNL to report net revenue CAGR of ~12% over FY2018-20E to ~₹897cr and net profit CAGR of ~13% over the same period to ₹164cr on the back of leadership position in Hindi news genre, upcoming election and strong festive season. TTNL is a debt free company with ₹199cr cash on balance sheet. At the current market price of ₹380, the stock trades at a PE of 15.3x and 13.9x its FY2019E and FY2020E EPS of ₹24.9 and ₹27.4, respectively. **We recommend BUY with target price of ₹498.**

Key financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	652	721	815	897
% chg	12.2	10.5	13.1	10.0
Net profit	100	119	148	164
% chg	21.5	34.7	16.1	10.1
EBITDA margin (%)	24.9	26.9	28.5	28.9
EPS (₹)	15.9	21.4	24.9	27.4
P/E (x)	23.9	17.7	15.3	13.9
P/BV (x)	4.0	3.4	2.9	2.9
RoE (%)	17.6	18.0	18.7	21.3
RoCE (%)	22.1	24.5	24.8	28.5
EV/Sales (x)	3.1	2.9	2.4	2.2
EV/EBITDA (x)	12.5	10.7	8.5	7.8

Source: Company, Angel Research, Note: CMP as of November 5, 2018

BUY

CMP	₹380
Target Price	₹498
Investment Period	12 Months

Stock Info

Sector	Media
Market Cap (₹ cr)	2,237
Net Debt (₹ cr)	(199)
Beta	1.3
52 Week High / Low	558/342
Avg. Daily Volume	4,930
Face Value (₹)	5
BSE Sensex	35,126
Nifty	10,573
Reuters Code	TVTO.BO
Bloomberg Code	TVT.N.IN

Shareholding Pattern (%)

Promoters	57.4
MF / Banks / Indian Fls	13.6
FII / NRIs / OCBs	11.4
Indian Public / Others	17.6

Abs.(%)	3m	1yr	3yr
Sensex	(7.3)	3.6	32.9
TTNL	(10.0)	0.9	59.0

3-year price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-39357800 Ext: 6831

amarjeet.maurya@angelbroking.com

Exhibit 1: 2QFY2019 Performance

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq	1HFY19	1HFY18	% chg
Net Sales	163	158	3.5	182	(10.2)	345	322	7.0
Raw Material Consumed								
Staff Costs	52	48	9.5	52	(0.8)	105	93	12.4
(% of Sales)	31.9	30.1	176	28.9	302	30.3	28.8	144
Other Expenses	67	60	10.3	66	1.2	132	146	(9.0)
(% of Sales)	40.8	38.3	253	36.2	462	38.4	45.1	(677)
Total Expenditure	119	108	10.0	118	0.3	237	239	(0.7)
Operating Profit	45	50	(10.5)	64	(29.8)	108	84	28.9
OPM	27.3	31.6		35.0		31.3	26.0	
Interest	0	0	(63.6)	0	(76.5)	0	0	(32.3)
Depreciation	8	8	(2.3)	8	1.4	16	16	0.2
Other Income	8	5	63.3	7	11.4	16	10	57.2
PBT (excl. Ext Items)	45	47	(3.8)	63	(28.7)	108	78	38.6
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	45	47	(3.8)	63	(28.7)	108	78	38.6
(% of Sales)	27.5	29.6		34.7		31.3	24.2	
Provision for Taxation	15	15		22		38	26	45.5
(% of PBT)	34.4	33.0		35.0		34.7	33.1	
Reported PAT	30	31	(5.7)	41	(28.0)	70	52	35.2
PATM	18.1	19.8		22.5		20.4	16.2	
Minority Interest After NP								
Extra-ordinary Items							(9)	
Reported PAT	30	31	(5.7)	41	(28.0)	70	61	15.0
PATM	18.1	19.8		22.5		20.4	19.0	

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 – Aaj Tak, 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 events like national and international events, etc. Further, TTNL's English news genre - India Today has been continuously gaining viewership ranking. Moreover, the company's other channels like Dilli Aaj Tak & TEZ are also popular among the viewers. The company's more than 90% revenue comes from Aaj Tak and India Today channel.

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

Going forward, we expect the 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 ~12% over FY2018-20E to ~`897cr and net profit CAGR of ~13% over the same period to `164cr on the back of leadership position in Hindi news genre, upcoming election and strong festive season. TTNL is a debt free company with `199cr cash on balance sheet. At the current market price of `380, the stock trades at a PE of 15.3x and 13.9x its FY2019E and FY2020E EPS of `24.9 and `27.4, respectively. **We recommend BUY with 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 spend, 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	FY2019E
Total operating income	582	652	721	815	897
% chg	22.0	12.2	10.5	13.1	10.0
Total Expenditure	450	490	527	583	638
Employee Cost	153	181	202	212	233
Selling & Administrative Expenses	-	-	-	-	-
Others Expenses	297	309	325	371	404
EBITDA	131	163	194	232	259
% chg	(0.2)	23.7	19.2	19.9	11.5
(% of Net Sales)	22.6	24.9	26.9	28.5	28.9
Depreciation& Amortisation	31	29	31	36	39
EBIT	100	134	162	197	220
% chg	(1.1)	33.0	21.5	21.0	12.1
(% of Net Sales)	17.3	20.5	22.5	24.1	24.6
Interest & other Charges	6	8	4	-	-
Other Income	21	29	25	25	25
(% of PBT)	18.0	19.0	13.5	11.3	10.2
Share in profit of Associates	-	-	-	-	-
Recurring PBT	115	155	183	222	245
% chg	(6.7)	34.8	18.6	20.8	10.8
Prior Period & Extraordinary Expense/(Inc.)	-	-	-	-	-
PBT (reported)	115	155	183	222	245
Tax	53	54	64	73	81
(% of PBT)	46.1	35.0	35.1	33.0	33.0
PAT (reported)	62	100	119	148	164
Add: Share of earnings of associate	-	-	-	-	-
ADJ. PAT	62	100	119	148	164
% chg	(3.6)	21.5	34.7	16.1	10.1
(% of Net Sales)	10.6	15.4	16.5	18.2	18.3
Basic EPS (₹)	13.1	15.9	21.4	24.9	27.4
Fully Diluted EPS (₹)	13.1	15.9	21.4	24.9	27.4
% chg	(3.6)	21.5	34.7	16.1	10.1

Consolidated Balance Sheet

Y/E March (` cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	30	30	30	30	30
Reserves & Surplus	442	540	632	763	743
Shareholders Funds	472	570	662	792	773
Total Loans	46	35	-	-	-
Deferred Tax Liability	7	8	11	11	11
Total Liabilities	525	613	673	803	784
APPLICATION OF FUNDS					
Gross Block	245	257	343	373	403
Less: Acc. Depreciation	30	59	85	121	159
Net Block	214	199	258	252	244
Capital Work-in-Progress	5	3	2	2	2
Investments	7	6	-	-	-
Current Assets	406	525	560	720	729
Sundry Debtors	151	163	185	217	246
Cash	170	263	199	298	252
Loans & Advances	57	61	70	82	94
Other Assets	27	36	104	122	135
Current liabilities	130	143	173	196	216
Net Current Assets	277	382	387	524	513
Deferred Tax Asset	22	23	25	25	25
Mis. Exp. not written off	-	-	-	-	-
Total Assets	525	613	673	803	784

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	115	153	183	222	245
Depreciation	31	29	31	36	39
Change in Working Capital	(147)	(98)	(1)	(38)	(35)
Interest / Dividend (Net)	(6)	(10)	(1)	-	-
Direct taxes paid	(57)	(59)	(63)	(73)	(81)
Others	29	(2)	7	-	-
Cash Flow from Operations	(36)	14	158	146	168
(Inc.)/ Dec. in Fixed Assets	39	4	(93)	(30)	(30)
(Inc.)/ Dec. in Investments	38	1	6	-	-
Cash Flow from Investing	0	3	(99)	(30)	(30)
Issue of Equity	0	-	-	-	-
Inc./(Dec.) in loans	-	0	-	-	-
Dividend Paid (Incl. Tax)	(9)	(10)	(12)	(18)	(183)
Others	120	86	(47)	(63)	(1)
Cash Flow from Financing	111	76	(59)	(81)	(184)
Inc./(Dec.) in Cash	75	93	(0)	35	(46)
Opening Cash balances	95	170	263	263	298
Closing Cash balances	170	263	263	298	252

Source: Company, Angel Research

Key Ratios

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	29.0	23.9	17.7	15.3	13.9
P/CEPS	24.5	17.5	15.1	12.3	11.2
P/BV	4.8	4.0	3.4	2.9	2.9
Dividend yield (%)	0.4	0.5	0.7	0.8	8.1
EV/Sales	3.7	3.1	2.9	2.4	2.2
EV/EBITDA	16.2	12.5	10.7	8.5	7.8
EV / Total Assets	3.3	2.7	2.4	2.0	2.0
Per Share Data (Rs)					
EPS (Basic)	13.1	15.9	21.4	24.9	27.4
EPS (fully diluted)	13.1	15.9	21.4	24.9	27.4
Cash EPS	15.5	21.7	25.2	30.9	34.1
DPS	1.6	1.9	2.6	3.0	30.7
Book Value	79.1	95.6	110.9	132.8	129.5
Returns (%)					
ROCE	19.4	22.1	24.5	24.8	28.5
Angel ROIC (Pre-tax)	29.5	39.8	35.1	39.7	42.3
ROE	13.1	17.6	18.0	18.7	21.3
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.4	2.5	2.1	2.2	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

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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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

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)