

TV18 Broadcast Ltd.



TV 18 Broadcast Ltd.

“Growth under pressure due to new tariff order”

CMP INR 35.8	Target INR 43	Potential Upside 21%	Market Cap (INR Mn) 61374	Recommendation BUY	Sector Media
-----------------	------------------	-------------------------	------------------------------	-----------------------	-----------------

Result highlights

TV18 reported its Q4 FY19 results with a consolidated net revenue of INR 11,815 Mn, a decline of 20% qoq. EBITDA stood at INR 517 Mn in Q4FY19. EBITDA Margins were reported at 4.37% in Q4 FY19 vs a margin of 7.78% in Q3 FY19. EBIT came in at INR 173 Mn. Net Profit for Q4 was reported at INR 282 Mn. EPS for the quarter stood at INR 0.16 vs INR 0.02 in the previous quarter.

(Note: Figures are not comparable with corresponding periods).

MARKET DATA

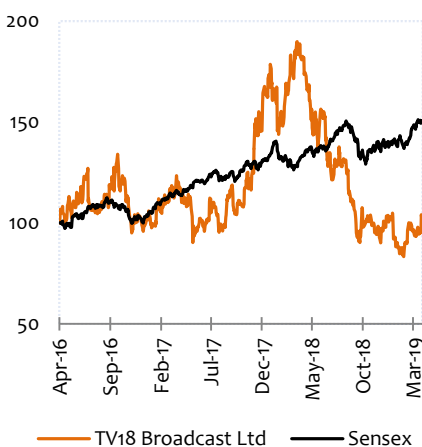
Shares outs (Mn)	1714
EquityCap (INR Mn)	3429
Mkt Cap (INR Mn)	61374
52 Wk H/L (INR)	69/31
Volume Avg (3m K)	5305
Face Value (INR)	2
Bloomberg Code	TV18 IN

KEY FINANCIALS

Particulars (INR Mn)	FY18	FY19	FY20E	FY21E
Net Sales	14751	49427	55853	63113
EBITDA	588	3,135	3,843	4,784
PAT	88	2,104	1,474	1,966
EBITDA Margins %	3.99%	6.34%	6.88%	7.58%
PAT Margins %	0.60%	4.26%	2.64%	3.11%
EPS	0.06	0.97	0.61	0.89
ROE	0.26%	6.01%	4.09%	5.17%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	39276
NIFTY	11787

SHARE HOLDING PATTERN (%)

Particulars	Dec18	Sep 18	Jun 18
Promoters	60.4	60.4	60.4
FIIIs	12.46	11.78	10.95
DIIIs	4.63	4.57	5.22
Others	22.51	23.25	23.43
Total	100	100	100

Highlights of Q4 FY19

(i) Ad revenue and gross subscription revenue have witnessed a decline due to uncertainty around implementation of new tariff order. We expect subscription revenue to improve as broadcasting business moves to B2C rather than B2B & ‘Colors wala pack’ as well as distributor packs are in the strong transition phase.

(ii) There was also shift of Free-To-Air (FTA) GECs to pay, shifting from Freedish distribution impacted company's reach and consequently dented the viewership in late during this quarter.

(iii) The Company's expense margins has been dragged during Q4FY19. The majority of the impact came from marketing & distribution expenses and employee cost, which stood at 18.19% & 19.78% respectively. We believe this trend to continue as company is prompting its channel packs and new initiatives.

Market Share & Ranking

(i) TV18 News continue to retain its leadership in even versus FTA peers. TV18's viewership share in news was 11.5%. Viewership share has fallen to 9.3% in last week of Mar-19. (ii) The company's news channel CNBC TV18 maintains its top position in the English business news genre with 67.5% market shares and having higher share of 76% during the market hours. (iii) News18 India maintained its second rank within a highly competitive and cluttered field with 13.9% market share. While Company's English News channel CNN New18 is facing some headwinds but it still maintains its third rank with 12.30% market share. (iv) Company's entertainment bouquet (Viacom and AETN18) is ranked third amongst the national players. History TV18 has a market share of 17% and 18% in urban India & ranks second in the Factual genre. History TV18 HD ranks first in the Factual HD genre with a market share of 27%. FYI TV18 has a market share of 35%.

VOOT & OTT (Over The TOP) which exclusive digital video destination has seen gross downloads rise to ~132mn with an average daily viewership of more than 45 minutes that is the highest amongst broadcaster OTTs.

Valuations and View

We expect advertising revenues to pick up drastically through FY20E on the back of increased domestic income and consumption and therefore higher capacity and willingness for ad-spending. We expect revenue to come along with spending on marketing & distribution but with new channels and other initiatives, margins are likely to pick up. We maintain a BUY rating on the stock and assign EV/EBIDTA multiple of 18x to it's FY21 EBIDTA of INR 4784 Mn to arrive at a target price of INR 43.

TV 18 Broadcast Ltd.

Q4FY19 Result Snapshot

Exhibit 1: Quarterly Income Statement

INR Mn	Q4	Q4	Y-o-Y	Q3	Q-o-Q
	FY19	FY18	change %	FY19	change %
Net Sales	11,815	7,578	55.92%	14,747	(19.88)%
Less:					
Employees Remuneration & Benefits	2337	1417	64.87%	2426	-3.68%
Marketing & Distribution Expense	2150	1404	53.15%	2351	-8.57%
Other Expenses	6812	4306	58.20%	8822	-22.79%
Total Operating Expenditure	11298	7127	58.53%	13600	-16.92%
EBITDA	517	451	14.56%	1,147	-54.96%
Less: Depreciation	343	232		325	5.82%
EBIT	173	220		823	-78.93%
Less: Interest	293.6	112.7	160.51%	303.3	-3.20%
Add: Other income	151	74		98	54.25%
Profit Before Tax & Share of JV	30	180	-83.09%	617	-95.06%
Share of loss of joint venture	98	52		107	
Profit Before Tax	129	233	-44.74%	724	
Share of Profit of JV/Associates after tax	-170.4	186	-191.61%	-745.9	-77.16%
PAT before Minority Interest	299	47	540.26%	1,470	-79.65%
Minority Interest	17.4	19.1		124.3	
PAT	282	28	920.29%	1,345	-79.07%
EPS (Rs.)	0.16	0.02		0.78	
Margin Analysis %					
Operating margin	1.47%	2.90%	-143	5.58%	-411
EBITDA Margin	4.37%	5.95%	-158	7.78%	-341
NPM	2.38%	0.36%	202	9.12%	-674
Cost Analysis %			Change		Change
			in bps		in bps
Employee Cost/Net Sales	19.78%	18.70%	107	16.45%	333
M&D/Net sales	18.19%	18.52%	-33	15.94%	225

Source: Company, KRChoksey Research

• Consequent to Viacom18 Media Private Limited and IndiaCast Media Distribution Private Limited becoming subsidiaries with effect from 1st March 2018, the figures for the current quarter are not comparable with those of the corresponding periods.

TV 18 Broadcast Ltd.

Exhibit 2: Below Financials are - restated as per current structure of ownership

Operating Revenue (INR Mn.)	Q4FY19	Q4FY18	Y-o-Y%
A) National News (Business + General)	2240	2250	-1%
B) Regional News (ex-Lokmat)	640	600	6%
News (TV18 Standalone) (A+B)	2880	2860	1%
C) Entertainment (Viacom18+AETN 18+Indiacast)	8930	12540	-29%
TV18 Consolidated (A+B+C)	1,1820	1,5400	-23%

Source: Company, KRChoksey Research

Operating EBITDA (INR Mn.)	Q4FY19	Q4FY18	Y-o-Y%
A) National News (Business + General)	510	560	-8%
B) Regional News (ex-Lokmat)	-200	-290	-
News (TV18 Standalone) (A+B)	310	270	16%
C) Entertainment (Viacom18+AETN 18+Indiacast)	200	400	-49%
TV18 Consolidated (A+B+C)	520	670	-23%

Source: Company, KRChoksey Research

Operating EBITDA Margin%	Q4FY19	Q4FY18
A) National News (Business + General)	22.77%	24.89%
B) Regional News (ex-lokmat)	-31.25%	-48.33%
News (TV18 Standalone) (A+B)	10.76%	9.44%
C) Entertainment (Viacom18+AETN 18+Indiacast)	2.24%	3.19%
TV18 Consolidated (A+B+C)	4.40%	4.35%

Source: Company, KRChoksey Research

Comments:

- Entertainment revenue was down by 29% to INR 11820 Mn due to Movie 'Padmaavat' last year, this has also dragged the consolidated performance of the company. There was also uncertainty around implementation of the new tariff order and union budget coverage in the base quarter which were absent this year.
- Regional news channel losses have shrunk, this was mainly due to increase in government/ election ad-spends. And with active cost control measures & efficiencies of scale helped company manage its cost during the quarter.
- In FY 19, company has done INR 1140 Mn of investment into new regional channels and digital expansion (VOOT International & Kids).
- Viacom18 and Indiacast became subsidiaries of TV18 from 1st March 2018.
- TV18's 100% subsidiary Panorama housed 13 regional news channels, which has now been merged into parent.
- Both Viacom18 and AETN18 are 51% entertainment subsidiaries of TV18, while pure-distribution-arm Indiacast is a 50:50 JV of TV18 and Viacom18.

TV 18 Broadcast Ltd.

Exhibit 3: Income Statement

Particulars INR Mn	FY18	FY19	FY20E	FY21E
Revenue from operations	14751	49427	55853	63113
EXPENSES				
Operational Costs	4927	24398	27759	30926
Marketing, distribution and promotional expense	2826	8266	9272	10477
Employee benefits expense	4286	9549	10791	12193
Other expenses	2123	4080	4189	4734
Total Expenses	14,163	46291.7	52009	58329
EBITDA	588	3,135	3,843	4,784
Depreciation & Amortization expense	692	1325	1,396.31	1,577.83
EBIT	-104	1,811	2,446	3,206
Finance costs	270	1006.20	1,117.05	1,262.27
Finance & other income	290	354.70	390.97	441.79
Profit before tax and share of JV	-83	1,159	1,720	2,386
Share of profit of Joint Ventures and Associate	691	357.20	446.82	504.91
Profit before exceptional items and tax	608	1516	2167	2891
Tax Expense	520	-588	693.5	925.0
Profit after tax	88	2,104	1,474	1,966
Minority Interest	7.7	-435	-435	-435
Profit attributable to shareholders	96	1,669	1,039	1,531
No. Shares(Mn)	1,715	1,715	1,715	1,715
EPS	0.06	0.97	0.61	0.89

Source: Company, KRChoksey Research

TV 18 Broadcast Ltd.

Exhibit 4: Balance sheet

Consolidated balance Sheet	FY18	FY19	FY20E	FY21E
Assets				
Cash & bank	1742	1790	1959	1801
Current Investments	243	229	229	229
Debtors	12106	12295	13925	15735
Inventory	13408	18989	20658	23343
Loans & advances	3374	6122	6870	7763
Other current assets	4952	5438	6144	6942
Total current assets	35823	44863	49784	55814
Investments	3284	3574	3574	3574
Net Block	2838	2643	2743	2843
Add: Capital WIP	22	33	33	33
Net fixed assets	2860	2676	2776	2876
Deferred tax assets	315	490	490	490
Intangible Assets	20083	20016	20017	20017
Other non-current assets	4910	6779	6779	6779
Long Term Loans & Advance	213	113	113	113
Total non-current assets	31665	33649	33750	33850
Total Assets	67717	78819	83533	89663
Liabilities & Equity				
Creditors	14890	17122	19281	21787
Short Term Borrowings	9934	13644	14963	16372
Short Term Provisions	57	102	102	102
Other current liabilities	2294	3159	3457	3805
Total current liabilities	27175	34027	37802	42066
Long Term Borrowings	54	2216	2116	2016
Long Term Provisions	551	626	626	626
Total non-current liabilities	605	2842	2742	2642
Total liabilities	27779	36869	40544	44708
Share Capital	3429	3429	3429	3429
Reserves & surplus	29973	31553	32592	34558
Shareholders' equity	33402	34982	36021	37987
Minority Interest	6,536	6,969	6,969	6,969
Total shareholders' equity	39938	41951	42989	44955
Total Equity & Liabilities	67717	78819	83533	89663

Source: Company, KRChoksey Research

Exhibit 5: Ratios

	FY18	FY19	FY20E	FY21E
EBIDTA Margin	3.99%	6.34%	6.88%	7.58%
PAT Margin	0.60%	4.26%	2.64%	3.11%
P/BV	1.54	1.46	1.43	1.37
EV/EBIDTA	105	20	16	13
ROE%	0.26%	6.01%	4.09%	5.17%
ROCE%	-0.31%	4.87%	6.41%	8.01%

Source: Company, KRChoksey Research

TV 18 Broadcast Ltd.

TV 18 Broadcast Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
17-Apr-19	36	43	BUY	Buy	More than 15%
12-Oct-17	40	57	BUY	Accumulate	5% – 15%
18-July-17	39	57	BUY	Hold	0 – 5%
19-Apr-17	42	57	BUY	Reduce	-5% – 0
16-Jan-17	39	63	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Praveen Motwani (MMS-Fin, BFM), research analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited. KRCSSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

The information and opinions in this report have been prepared by KRCSSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, .In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Praveen Motwani (MMS-Fin, BFM), research analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Praveen Motwani (MMS-Fin, BFM), research analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

KRChoksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: 91-22-6696 5555; Fax: 91-22-6691 9576.

ANALYST

Praveen Motwani, research2@krchoksey.com, +91-22-6696 5421

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

+91-22-6696 5555 / +91-22-6691 9576
www.krchoksey.com