

Weak performance...

TV Today reported a weak set of numbers on account of marginal TV broadcasting growth and a sharp decline in radio ad revenue. Operating revenue came in at ₹ 180.3 crore, up 5.1% YoY with TV broadcasting revenue at ₹ 142.3 crore (1.5% YoY growth). Radio revenues declined 52.5% YoY and came in at ₹ 2.8 crore owing to the overall slowdown in the radio advertising scenario. Digital revenue registered strong growth of 47.1% YoY and came in at ₹ 27.7 crore. EBITDA came in at ₹ 34 crore, down 22.7% YoY due to higher other expenses (included some one-off provisioning for gratuity and CSR expenditure). EBITDA margin came in at 18.8%, 677 bps lower YoY. Consequently, PAT was at ₹ 23 crore (vs. our estimate of ₹ 35.9 crore) due to the weak operating performance.

Broadcasting growth slows; digital partially compensates

Broadcasting revenue growth of only 1.5% YoY was reflective of lack of events and an overall muted ad environment. Going ahead, the management has indicated that October has started well on account of festivities but remain sceptical of overall growth given the macroeconomic challenges. We bake in ~7% broadcasting revenues growth in H2FY20 and ~10% growth in FY21E to ₹ 754 crore. Monetisation across digital platform remains robust. The company expects the growth momentum to be robust over the next couple of year on a low revenue base. We bake in ~22% CAGR in digital revenues in FY19-21E to ₹ 113 crore. In terms of viewership, *Aaj Tak* has maintained its leadership in the Hindi segment while *India Today* continues to remain outside top three. The relative market share saw some improvement.

Sticks to old tax rate in FY20 to utilise MAT credit

The company has indicated that they would continue to provide for tax under the regular tax rate in P&L in FY20 largely to utilise the available MAT credit of ₹ 38 crore. The company also indicated that notwithstanding regular tax rate provision in P&L, the actual cash tax outgo will be lower than the revised tax rate of ~25.2% even for this financial year. Hence, we now revert to earlier tax rate of ~35% in our P&L estimates for FY20 while we continue to bake in ~25.2% for FY21E.

Valuation & Outlook

TV Today has maintained its leadership in the Hindi news segment and even headwinds like NTO implementations, 'Republic Hindi' channel launch, have impacted its viewership market share leadership, especially in the Hindi segment. The company announced an interim dividend of ₹ 20/share. Also, given the minimal capex requirement, we expect the dividend payout trend to continue, going ahead, making it further attractive. We maintain **BUY** rating on the stock with a target price of ₹ 380 valuing at 12x FY21E EPS.



Particulars

Particulars	Amount
Market Capitalization	₹ 1885.1 Crore
Total Debt (FY19)	₹ 3.1 Crore
Cash (FY19)	₹ 290.8 Crore
EV	₹ 1597.4 Crore
52 week H/L	558/ 313
Equity capital	29.8
Face value	5.0

Key Highlights

- TV broadcasting revenue was muted at 1.5% YoY but digital revenue growth surprised positively with ~47% YoY growth
- Continue to maintain BUY valuing it at 12x FY21E P/E to arrive at a target price of ₹ 380/share

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Key Financial Summary

(Year-end March)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales (₹ crore)	652.3	720.9	742.2	828.9	910.3	10.7
EBITDA (₹ crore)	162.6	207.6	199.6	217.6	259.8	14.1
Net Profit (₹ crore)	102.2	118.9	131.1	143.6	188.9	20.0
EPS (₹)	17.1	19.9	22.0	24.1	31.7	
P/E (x)	18.4	15.8	14.4	13.1	10.0	
Price / Book (x)	3.2	2.8	2.4	2.4	2.2	
EV/EBITDA (x)	10.1	8.1	8.0	7.4	5.9	
RoCE (%)	26.0	30.4	26.2	28.7	29.8	
RoE (%)	16.6	19.3	16.9	18.4	21.8	

Exhibit 1: Variance Analysis

	Q2FY20	Q1FY20E	Q2FY19	Q1FY20	YoY (%)	QoQ (%)	Comments
Revenue	180.3	180.3	171.7	246.1	5.1	-26.7	
Other Income	12.6	9.0	8.2	14.4	53.8	-12.3	
Employee Expenses	61.4	57.7	54.9	66.4	11.9	-7.6	
Advertising and Promotion expense	0.0	0.0	0.0	0.0	0.0	0.0	
Other Expenses	67.3	54.1	80.7	106.9	-16.7	-37.1	
Production Cost	17.0	18.6	16.1	28.6	5.5	-40.6	
EBITDA	34.0	49.3	44.0	74.4	-22.7	-54.4	Weak topline growth and higher other expenses led to lower margins
EBITDA Margin (%)	18.8	27.3	25.6	30.2	-677 bps	-1141 bps	
Depreciation	9.6	9.5	8.0	9.6	20.6	-0.1	
Interest	0.7	0.8	0.2	0.8	385.7	-10.8	
Exceptional Items	0.0	0.0	0.0	0.0	NM	NM	
Total Tax	13.2	12.1	15.0	27.4	-11.9	-51.6	
Adj PAT	23.0	35.9	29.0	51.0	-20.7	-54.9	

Key Metrics

Broadcasting revenue growth (%)	1.5	4.6	-1.5	4.0
Radio Ad revenue growth (%)	-52.5	-20.0	84.0	11.6

Source: Company, ICICI Direct Research

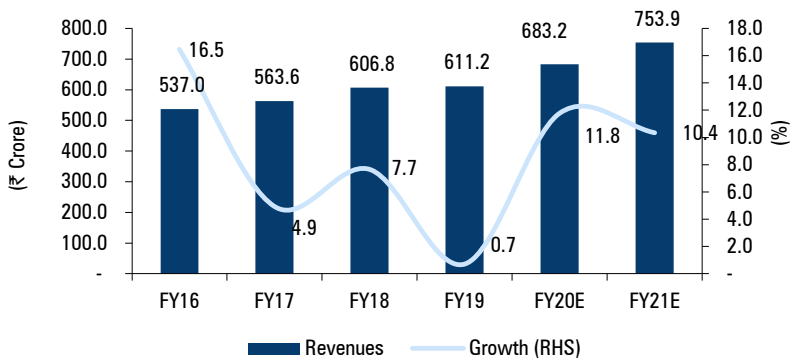
Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	837.1	828.9	-1.0	915.7	910.3	-0.6	Slightly lower our ad growth estimates
EBITDA	243.5	217.6	-10.6	283.0	259.8	-8.2	
EBITDA Margin (%)	29.1	26.2	-285 bps	30.9	28.5	-236 bps	
PAT	174.7	143.6	-17.8	208.8	188.9	-9.5	We now build in regular tax rate for FY20
EPS (₹)	29.3	24.1	-17.8	35.0	31.7	-9.5	

Source: Company, ICICI Direct Research

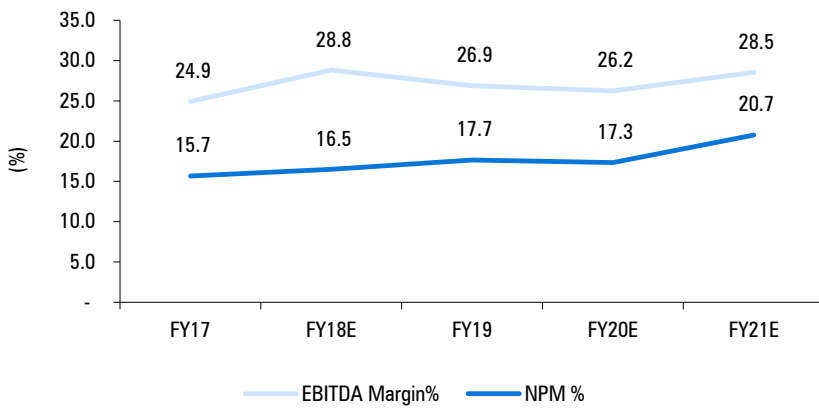
Story in Charts

Exhibit 3: TV Broadcasting revenue trend



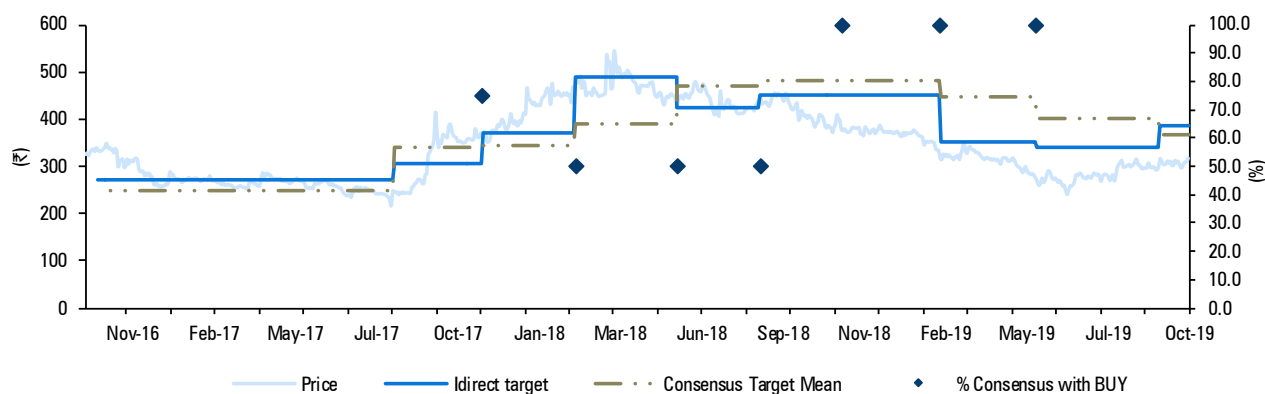
Source: Company, ICICI Direct Research

Exhibit 4: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Exhibit 5: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 6: Top 10 shareholders

Investor Name	Filing Date	% O/S	Position	Position Change
India Today Group	30-09-2019	56.91	33.95M	0.0
HDFC Asset Management Co., Ltd.	30-09-2019	9.25	5.52M	+0.16M
Steinberg Asset Management, LLC	30-09-2019	7.68	4.58M	+0.20M
SBI Funds Management Pvt. Ltd.	30-09-2019	3.96	2.36M	0.0
Franklin Templeton Asset Management (India) Pvt. Ltd.	30-09-2019	3.87	2.31M	0.0
Damani Estates & Finance Pvt. Ltd.	30-09-2019	1.5	0.90M	0.0
Kotak Mahindra Asset Management Company Ltd.	30-06-2019	1.15	0.69M	-0.95M
Purie (Aroon)	30-09-2019	1.04	0.62M	0.0
Dimensional Fund Advisors, L.P.	31-08-2019	0.94	0.56M	-0.00M
Jyske Invest Fund Management A/S	31-08-2019	0.12	0.07M	0.0

Source: Reuters, ICICI Direct Research

Exhibit 7: Recent Activity

Buys			Sells		
Investor Name	Value	Shares	Investor Name	Value	Shares
Steinberg Asset Management, LLC	+0.90M	+0.20M	Kotak Mahindra Asset Management Company Ltd.	-3.86M	-0.95M
HDFC Asset Management Co., Ltd.	+0.72M	+0.16M	Mellon Investments Corporation	-0.28M	-0.06M
Shaw (Rahul Kumar)	+0.01M	+0.00M	Union Asset Management Company Private Limited	-0.08M	-0.02M
			Van Eck Associates Corporation	-0.08M	-0.02M
			Segall Bryant & Hamill, LLC	-0.02M	-0.01M

Source: Reuters, ICICI Direct Research

Exhibit 8: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Promoter	57.42	57.41	57.52	57.96	57.96
FII	11.39	12.02	11.67	10.79	10.07
DII	13.67	14.36	15.31	15.03	17.24
Others	17.52	16.21	15.50	16.22	14.73

Source: Company, ICICI Direct Research

Financial summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	720.9	742.2	828.9	910.3
Growth (%)	10.5	3.0	11.7	9.8
Employee Expenses	202.5	222.7	250.3	265.8
Production Cost	76.3	79.2	87.2	90.9
Other Expenses	231.7	237.5	271.0	291.0
Total Operating Expenditure	510.5	539.4	608.6	647.7
EBITDA	210.4	202.8	220.3	262.6
Growth (%)	29.4	-3.6	8.6	19.2
Depreciation	31.4	31.5	37.3	38.2
Interest	3.7	0.8	3.1	4.0
Other Income	24.7	36.7	45.0	37.0
Exceptional Items	13.8	0.0	0.0	0.0
PBT	186.2	207.2	224.8	257.3
Minority Interest	0.0	0.0	0.0	0.0
PAT from Associates	0.0	0.0	0.0	0.0
Total Tax	64.5	72.8	78.5	65.7
PAT	121.7	134.4	146.3	191.6
Growth (%)	19.1	10.4	8.9	31.0
Adjusted PAT	135.5	134.4	146.3	191.6
Growth (%)		-0.9	8.9	31.0
EPS (₹)	19.9	22.0	24.1	31.7

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	118.9	131.1	143.6	188.9
Add: Depreciation	31.4	31.5	37.3	38.2
Add: Interest Paid	3.7	0.8	3.1	4.0
(Inc)/dec in Current Assets	-8.4	-107.1	-45.4	-36.6
Inc/(dec) in CL and Provisions	-1.0	-0.8	20.0	18.8
Others	0.0	0.0	0.0	0.0
CF from operating activities	144.8	55.5	158.6	213.4
(Inc)/dec in Investments	-71.5	72.4	0.0	0.0
(Inc)/dec in Fixed Assets	-82.8	-22.9	-25.0	-25.0
Others	0.9	-0.6	0.0	0.0
CF from investing activities	-153.4	48.9	-25.0	-25.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-13.0	3.1	0.0	0.0
Less: Interest Paid	3.7	0.8	3.1	4.0
Less: Dividend and dividend tax	-27.9	-27.9	-139.6	-104.7
Others	-17.8	10.5	-6.3	-8.0
CF from financing activities	-55.0	-13.4	-142.7	-108.7
Net Cash flow	-63.7	91.0	-9.1	79.7
Opening Cash	263.1	199.5	290.5	281.4
Closing Cash	199.5	290.5	281.4	361.1

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	29.8	29.8	29.8	29.8
Preference Share Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	631.9	747.5	751.2	835.4
Total Shareholders funds	661.7	777.4	781.0	865.2
Total Debt	0.0	3.1	3.1	3.1
Others	0.2	0.8	0.8	0.8
Total Liabilities	661.8	781.3	785.0	869.1
Assets				
Gross Block	536.1	555.5	580.5	605.5
Less: Acc Depreciation	281.7	313.2	350.5	388.7
Net Block	254.4	242.3	230.0	216.8
Capital WIP	0.6	4.0	4.0	4.0
Total Fixed Assets	255.0	246.4	234.1	220.8
Investments	107.7	35.2	35.2	35.2
Inventory	1.7	2.5	2.5	2.5
Debtors	184.9	184.6	213.5	234.4
Loans and Advances	0.3	0.2	0.3	0.3
Other Current Assets	35.2	141.8	158.4	174.0
Cash	199.5	290.8	281.4	361.1
Total Current Assets	421.5	620.0	656.0	772.2
Creditors	86.7	80.5	89.9	98.7
Provisions	7.4	7.0	7.8	8.6
Other current liabilities	78.3	84.1	94.0	103.2
Total Current Liabilities	172.4	171.6	191.6	210.5
Net Current Assets	249.1	448.4	464.4	561.8
Other non current assets	50.0	51.3	51.3	51.3
Application of Funds	661.8	781.3	785.0	869.1

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
EPS	19.9	22.0	24.1	31.7
Adjusted EPS	21.4	22.0	24.1	31.7
BV	110.9	130.3	130.9	145.0
DPS	4.7	4.7	23.4	17.6
Cash Per Share	33.4	48.8	47.2	60.5
Operating Ratios (%)				
EBITDA Margin	28.8	26.9	26.2	28.5
PBT / Total Operating income	24.4	22.6	21.7	24.3
PAT Margin	17.7	17.7	17.3	20.7
Inventory days	0.9	1.2	1.1	1.0
Debtor days	93.6	90.8	94.0	94.0
Creditor days	43.9	39.6	39.6	39.6
Return Ratios (%)				
RoE	19.3	16.9	18.4	21.8
RoCE	30.4	26.2	28.7	29.8
RoIC	36.0	32.4	33.2	39.9
Valuation Ratios (x)				
P/E	15.8	14.4	13.1	10.0
EV / EBITDA	8.1	8.0	7.4	5.9
EV / Net Sales	2.3	2.2	1.9	1.7
Market Cap / Sales	2.6	2.5	2.3	2.1
Price to Book Value	2.8	2.4	2.4	2.2
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.4	3.8	3.8	3.8
Quick Ratio	2.3	3.7	3.8	3.8

Source: Company, ICICI Direct Research

Exhibit 13: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
ENIL (ENTNET)	256	445	Hold	1,220	11.3	10.7	14.5	22.6	24.0	17.7	7.6	5.3	4.0	6.2	9.0	8.3	3.5	5.8	5.4
Inox Leisure (INOX)	354	400	Buy	3,631	13.0	13.2	20.0	27.2	26.8	17.7	12.1	5.8	4.6	13.2	19.6	11.6	10.6	14.2	18.0
Music Broadcast (MUS)	31	53	Hold	857	2.2	2.0	2.4	13.9	15.8	13.1	5.5	5.1	4.3	16.5	14.0	16.6	10.2	8.2	9.9
PVR (PVRLIM)	1,771	2,100	Buy	8,274	39.2	25.8	42.8	45.2	68.6	41.4	16.2	7.9	6.8	14.7	13.8	9.8	11.5	14.8	14.7
Sun TV (SUNTV)	518	520	Hold	20,398	36.4	40.7	43.3	14.2	12.7	11.9	6.8	6.8	5.8	35.5	38.5	32.1	24.2	25.9	24.5
TV Today (TVTNET)	316	380	Buy	1,885	22.0	24.1	31.7	14.4	13.1	10.0	8.0	7.4	5.9	30.4	26.2	28.7	19.3	16.9	18.4
ZEE Ent. (ZEEENT)	242	220	Reduce	23,242	16.1	19.5	22.0	15.0	12.4	11.0	8.2	7.8	6.6	25.6	25.7	24.5	15.3	15.7	17.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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