

Cost rationalisation aids margins...

TV Today reported a better-than-expected set of Q3FY21 numbers on the back of cost reduction and lower tax outgo. Operating revenue came in at ₹ 223.6 crore, flattish YoY (up 0.5%) with TV broadcasting revenue at ₹ 185.9 crore (3.4% YoY growth). Radio segment disappointed again with a straight eighth quarterly de-growth with revenues declining 54.4% YoY to ₹ 2.1 crore as ad pricing remained low. Digital revenue recovered reported healthy growth of 20% YoY and came in at ₹ 35.5 crore. EBITDA was at ₹ 77.5 crore, up 27.5% YoY owing to lower marketing/distribution costs. EBITDA margin came in at 34.7%, up 734 bps YoY. The company shifted to lower corporate tax rate. Subsequently, PAT jumped 46% YoY to ₹ 54.8 crore.

Broadcasting revenues grow; radio remains weak

Broadcasting revenues grew slightly lower than our expectations. Lack of media/special events due to prevailing Covid-19 situation led to differentiation in content mix. This resulted in muted ad pricing. The company saw good traction in ad volume during festivities. Upcoming elections in West Bengal are largely a regional event and may not impact the ad flow by a big margin. Going ahead, we bake in 9.2% CAGR in broadcasting revenues in FY20-23E to ₹ 834 crore. Tight cost control on marketing front and employee expenses has also benefitted the operating performance. Radio segment disappointed again, down 54.4% YoY. The company has guided for doubling the revenue traction in radio. We expect radio revenues to decline at 11.7% CAGR over FY20-23E to ₹ 11.6 crore.

Digital strong growth again

The digital segment saw stronger growth compared to broadcasters and grew 20% YoY. We expect digital revenues to maintain healthy growth rate and grow at 19% CAGR in FY20-23E given the low base. Growth momentum in the segment will be a key monitorable. During the quarter, TV ratings for news channels published by BARC were suspended to review and augment viewership measurement methods. The viewership currency, while in short term is consequential, is key for long term predictability of ad allocation.

Valuation & Outlook

While currency data for viewership was suspended by BARC, *Aaj Tak* and *India Today* were among top five channels in respective segments by end of Q2FY21. We will track the possible changes in viewership measurement and also monitor how viewership data by new standards plays out. We maintain our **HOLD** rating with a revised target price of ₹ 280/share (at 9x FY22E earnings, earlier TP: ₹ 240). We continue to value the stock on FY22E basis due to restricted visibility on TV news viewership trends. Absence of TV ratings for a longer term can be a challenge for news genre ad monetisation in our opinion.



Particulars

Particulars	Amount
Market Capitalization	₹ 1567.4 Crore
Total Debt (FY20)	₹ 0 Crore
Cash & Current Inv. (FY20)	₹ 410.9 Crore
EV	₹ 1156.5 Crore
52 week H/L	283/ 129
Equity capital	29.8
Face value	5.0

Key Highlights

- YoY growth of 3.4% in broadcasting as ad pricing was muted. Digital revenues grew 20% YoY
- Maintain HOLD rating with revised target price of ₹ 280/share, valuing at 9x FY22E earnings

Key risks to our call

- Faster than expected ad growth can improve profitability
- Suspension of TV rating for extended period can impact ad monetisation

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Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales (₹ crore)	742.2	857.2	791.6	912.9	1,008.3	5.6
EBITDA (₹ crore)	199.2	215.9	219.3	256.0	282.3	9.3
Net Profit (₹ crore)	131.1	139.4	148.8	185.0	200.8	12.9
EPS (₹)	22.0	23.4	24.9	31.0	33.7	
P/E (x)	12.0	11.2	10.5	8.5	7.8	
Price / Book (x)	1.7	1.8	1.7	1.6	1.4	
EV/EBITDA (x)	6.4	6.6	6.2	5.0	4.2	
RoCE (%)	22.7	24.7	23.2	24.7	24.6	
RoE (%)	14.6	16.0	16.2	18.6	18.4	

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	Q2FY21	YoY (%)	QoQ (%)	Comments
Revenue	223.6	225.5	222.4	176.7	0.5	26.5	Digital segment reported better than expected growth
Other Income	8.9	8.0	8.1	11.3	10.3	-21.0	
Employee Expenses	61.6	65.4	62.8	59.8	-1.9	3.1	
Advertising and Promotion expense	0.0	0.0	0.0	0.0	0.0	0.0	
Other Expenses	66.9	72.1	74.7	57.0	-10.5	17.4	
Production Cost	17.7	24.8	23.6	18.7	-25.1	-5.8	
EBITDA	77.5	63.0	60.8	41.2	27.5	88.2	Reduced production and other expenses led to better EBITDA
EBITDA Margin (%)	34.7	28.0	27.3	23.3	734 bps	1136 bps	
Depreciation	10.7	9.5	9.6	9.5	11.2	12.8	
Interest	0.5	1.0	0.7	0.6	-25.7	-10.9	
Exceptional Items	0.0	0.0	0.0	0.0	NM	NM	
Total Tax	20.4	20.9	21.0	14.6	-3.0	39.2	Shifted to reduced corporate tax rate
Adj PAT	54.8	39.7	37.5	27.7	46.0	97.5	

Key Metrics

Broadcasting revenue growth (%)	3.4	4.7	5.4	0.9
Radio Ad revenue growth (%)	-54.4	-30.1	-33.7	-65.7
Digital revenues growth (%)	20.4	15.0	42.7	12.7

Source: Company, ICICI Direct Research

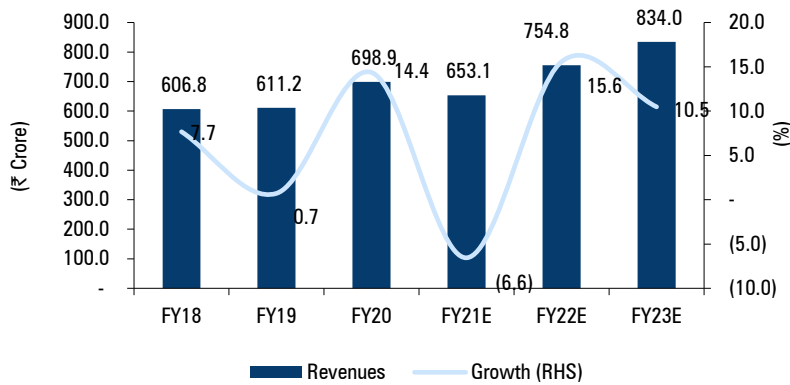
Exhibit 2: Change in estimates

(` Crore)	FY21E			FY22E			FY23E	Comments
	Old	New	% Change	Old	New	% Change		
Revenue	791.9	791.6	0.0	899.8	912.9	1.5	1,008.3	
EBITDA	202.6	219.3	8.3	251.7	256.0	1.7	282.3	
EBITDA Margin (%)	25.6	27.7	212 bps	28.0	28.0	7 bps	28.0	
PAT	126.0	148.8	18.0	178.6	185.0	3.6	200.8	Reduced tax rate led to change in estimate
EPS (`)	21.1	24.9	18.0	29.9	31.0	3.6	31.0	

Source: Company, ICICI Direct Research

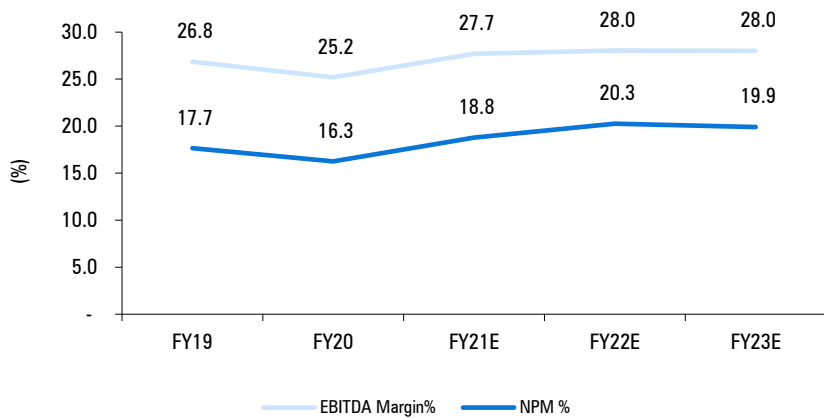
Story in charts

Exhibit 3: TV broadcasting revenue trend



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA and PAT margin trend



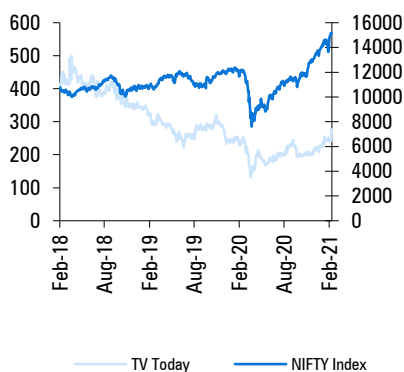
Source: Company, ICICI Direct Research

Exhibit 5: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	58.0	58.0	58.5	58.5	58.5
FII	11.4	11.0	9.0	8.8	8.8
DII	15.6	16.1	16.2	15.7	14.4
Others	15.1	14.9	16.4	17.1	18.4

Source: Company, ICICI Direct Research

Exhibit 6: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	857.2	791.6	912.9	1008.3
Growth (%)	15.5	(7.7)	15.3	10.4
Employee Expenses	251.1	243.7	272.6	297.4
Production Cost	91.9	76.6	88.3	100.8
Other Expenses	295.8	251.8	295.9	327.7
Total Operating Expenditure	638.8	572.1	656.9	726.0
EBITDA	215.9	219.3	256.0	282.3
Growth (%)	8.4	1.5	16.7	10.3
Depreciation	38.5	37.6	40.2	44.4
Interest	2.8	2.7	3.0	3.0
Other Income	43.3	35.9	36.0	36.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	217.9	214.9	248.8	271.0
Minority Interest	0.0	0.0	0.0	0.0
PAT from Associates	0.0	0.0	0.0	0.0
Total Tax	78.6	66.2	63.8	70.2
PAT	139.4	148.8	185.0	200.8
Growth (%)	6.3	6.8	24.4	8.5
Adjusted PAT	139.4	148.8	185.0	200.8
Growth (%)	6.6	6.8	24.4	8.5
EPS (₹)	23.4	24.9	31.0	33.7

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
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	842.2	886.3	966.6	1,062.7
Total Shareholders funds	872.0	916.1	996.4	1,092.5
Total Debt	0.0	0.0	0.0	0.0
Others	21.7	21.7	21.7	21.7
Total Liabilities	893.7	937.8	1,018.1	1,114.2
Assets				
Gross Block	574.4	599.4	624.4	649.4
Less: Acc Depreciation	351.7	389.3	429.4	473.8
Net Block	222.7	210.1	194.9	175.6
Capital WIP	0.4	0.4	0.4	0.4
Total Fixed Assets	223.1	210.5	195.4	176.0
Investments	336.2	336.2	336.2	336.2
Inventory	1.1	1.1	1.1	1.1
Debtors	220.1	203.9	235.1	259.7
Loans and Advances	0.2	0.2	0.2	0.2
Other Current Assets	46.2	42.6	49.2	54.3
Cash	140.2	201.5	287.3	395.1
Total Current Assets	407.8	449.3	572.8	710.4
Creditors	89.5	82.6	95.3	105.2
Provisions	7.0	6.5	7.5	8.2
Other current liabilities	102.0	94.2	108.6	120.0
Total Current Liabilities	198.5	183.3	211.4	233.4
Net Current Assets	209.3	266.0	361.5	476.9
Other non current assets	125.1	125.1	125.1	125.1
Application of Funds	893.7	937.8	1,018.1	1,114.2

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	139.4	148.8	185.0	200.8
Add: Depreciation	38.5	37.6	40.2	44.4
Add: Interest Paid	2.8	2.7	3.0	3.0
(Inc)/dec in Current Assets	-34.6	19.8	-37.8	-29.7
Inc/(dec) in CL and Provisions	26.9	-15.2	28.1	22.1
Others	0.0	0.0	0.0	0.0
CF from operating activities	173.0	193.7	218.5	240.5
(Inc)/dec in Investments	-204.7	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-15.3	-25.0	-25.0	-25.0
Others	65.7	0.0	0.0	0.0
CF from investing activities	-154.4	-25.0	-25.0	-25.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-3.1	0.0	0.0	0.0
Less: Interest Paid	2.8	2.7	3.0	3.0
Less: Dividend and dividend tax	-159.3	-104.7	-104.7	-104.7
Others	-9.7	-5.3	-6.0	-6.0
CF from financing activities	-169.2	-107.4	-107.7	-107.7
Net Cash flow	-150.6	61.3	85.8	107.8
Opening Cash	290.8	140.2	201.5	287.3
Closing Cash	140.2	201.5	287.3	395.1

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	23.4	24.9	31.0	33.7
Adjusted EPS	23.4	24.9	31.0	33.7
BV	146.2	153.6	167.0	183.1
DPS	22.3	15.0	15.0	15.0
Cash Per Share	23.5	33.8	48.2	66.2
Operating Ratios (%)				
EBITDA Margin	25.2	27.7	28.0	28.0
PBT / Total Operating income	20.7	23.0	23.6	23.6
PAT Margin	16.3	18.8	20.3	19.9
Inventory days	0.5	0.5	0.4	0.4
Debtor days	93.7	94.0	94.0	94.0
Creditor days	38.1	38.1	38.1	38.1
Return Ratios (%)				
RoE	16.0	16.2	18.6	18.4
RoCE	24.7	23.2	24.7	24.6
RoIC	24.3	25.8	30.2	33.3
Valuation Ratios (x)				
P/E	11.2	10.5	8.5	7.8
EV / EBITDA	6.6	6.2	5.0	4.2
EV / Net Sales	1.7	1.7	1.4	1.2
Market Cap / Sales	1.8	2.0	1.7	1.6
Price to Book Value	1.8	1.7	1.6	1.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.8	2.8	2.8	2.8
Quick Ratio	2.8	2.8	2.8	2.8

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Inox Leisure	329	350	Hold	3,701	1.5	-34.2	1.8	225.3	NM	186.9	10.8	-32.4	11.1	10.0	-13.0	8.1	2.4	-62.8	3.0
PVR	1,498	1,440	Hold	8,265	5.3	-101.7	10.7	281.8	NM	139.7	12.1	-44.1	11.7	8.5	-4.9	8.6	1.8	-46.0	4.7
Sun TV	512	570	Hold	20,177	35.1	35.4	40.3	14.6	14.4	12.7	7.7	8.1	6.5	31.2	28.9	29.3	24.2	21.8	22.2
TV Today	263	280	Hold	1,567	23.4	24.9	31.0	11.2	10.5	8.5	6.6	6.2	5.0	24.7	23.2	24.7	16.0	16.2	18.6
ZEE Ent.	213	250	Hold	20,457	5.5	9.2	16.1	38.9	23.2	13.3	11.9	10.3	8.4	13.9	14.3	19.1	16.7	10.3	13.9

Source: Company, ICICI Direct Research

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