

Faster revenue recovery; viewership loss a concern...

TV Today reported a better-than-expected set of Q2FY21 numbers led by a faster recovery in revenues in broadcasting and digital segment. Operating revenue came in at ₹ 176.7 crore, down 2% YoY with TV broadcasting revenue at ₹ 143.6 crore (~1% YoY growth). Radio segment disappointed again with a straight seventh quarterly de-growth with revenues declining 65.7% YoY to ₹ 1 crore as ad spend across sectors remained low. Digital revenue recovered fastest with healthy growth of 12.7% YoY and came in at ₹ 31.2 crore. EBITDA was at ₹ 41.2 crore, up 21.2% YoY owing to reduced admin expenses (suspension of a print daily) and employee costs. EBITDA margin came in at 23.3%, up 445 bps YoY. Subsequently, PAT was at ₹ 27.7 crore, up 20.6% YoY due to a good operating performance.

Broadcasting revenues recover; ad pricing outlook key

The news segment, as a whole, continued to witness healthy viewership (albeit lower than Q1) as people resorted to TV to receive updates regarding localised lockdowns, film industry related events, etc. However, viewership growth was not reflected in revenues as ad pricing was under pressure, in our view. Broadcasting revenues, nevertheless, were ahead of our expectations. Going ahead, we bake in 5% decline in broadcasting revenues in FY21 and ~14% growth thereafter in FY22E to ₹ 759 crore. On the radio front, revenues remained lower at ₹ 1 crore as corporate/government ad spend remains low and likely to remain muted in H2FY21. We expect radio revenues to decline at ~12% CAGR over FY20-22E to ₹ 11.6 crore.

Digital segment robust; slips in Hindi viewership top position

The digital platform saw a quick recovery compared to other segments and reported growth of 12.7% YoY. In terms of viewership, although *Aaj Tak* was industry leader with ~24% market share (taking into account top five cumulative ratings) in the Hindi segment, it lost its top position from mid-August onwards. Losing the top position could limit the growth, going forward. *India Today*, while maintaining its position among top five channels, is also losing market share (~10%) in the English segment to new entrants. During the current quarter, TV ratings for news channels published by BARC are suspended to review and augment measuring methods.

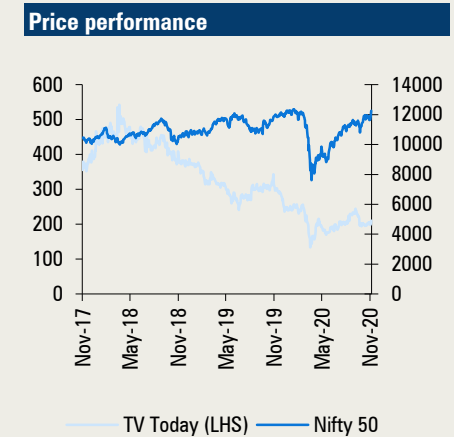
Valuation & Outlook

Aaj Tak has lost its leadership in the Hindi news segment while *India Today* market share is on the decline in the English segment. Considering the state elections in Bihar in Q3, news segment will maintain viewership. However, overall news viewership has dipped QoQ post initial phases of lockdown. Losing market leadership and absence of currency data during the quarter will affect ad volume/pricing in our view. We will wait till flagship channel gets traction and also monitor how viewership data by new standards plays out. We downgrade our rating from BUY to **HOLD** with a target price of ₹ 240/share (at 8x FY22E earnings).



Particulars	
Particulars	Amount
Market Capitalization	₹ 1252.7 Crore
Total Debt (FY20)	₹ 0 Crore
Cash & Current Inv. (FY20)	₹ 410.9 Crore
EV	₹ 841.8 Crore
52 week H/L	310/ 128
Equity capital	29.8

- ### Key Highlights
- YoY ~1% growth in broadcasting as ad pricing/volume under pressure. Digital revenues grow ~13% YoY
 - Downgrade to HOLD rating with target price of ₹ 240/share, valuing at 8x FY22E earnings



Research Analyst

Bhupendra Tiwary, CFA
 bhupendra.tiwary@icicisecurities.com

Amogh Deshpande
 amogh.deshpande@icicisecurities.com

Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales (₹ crore)	720.9	742.2	857.2	795.8	904.2	2.7
EBITDA (₹ crore)	207.6	199.2	215.9	206.2	252.6	8.2
Net Profit (₹ crore)	118.9	131.1	139.4	129.1	178.9	13.3
EPS (₹)	19.9	22.0	23.4	21.6	30.0	
P/E (x)	10.5	9.6	9.0	9.7	7.0	
Price / Book (x)	1.9	1.4	1.4	1.4	1.3	
EV/EBITDA (x)	5.1	4.8	5.2	5.2	3.9	
RoCE (%)	30.4	22.7	24.7	22.2	24.7	
RoE (%)	19.3	14.6	16.0	14.4	18.4	

Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	Q1FY21	YoY (%)	QoQ (%)	Comments
Revenue	176.7	163.7	180.3	167.7	-2.0	5.4	Broadcasting and digital segment reported better than expected revenue
Other Income	11.3	8.0	12.6	7.8	-10.6	44.9	
Employee Expenses	59.8	58.9	61.4	59.7	-2.7	0.1	
Advertising and Promotion expense	0.0	0.0	0.0	0.0	0.0	0.0	
Other Expenses	57.0	58.9	67.3	60.5	-15.3	-5.9	
Production Cost	18.7	16.4	17.0	17.3	10.2	8.5	
EBITDA	41.2	29.3	34.0	30.0	21.2	37.2	Reduced admin expenses led to better EBITDA
EBITDA Margin (%)	23.3	17.9	18.8	17.9	445 bps	540 bps	
Depreciation	9.5	9.3	9.6	9.3	-0.9	1.7	
Interest	0.6	0.6	0.7	0.6	-24.6	-12.7	
Exceptional Items	0.0	0.0	0.0	0.0	NM	NM	
Total Tax	14.6	9.0	13.2	15.1	10.5	-2.8	
Adj PAT	27.7	18.3	23.0	12.8	20.6	117.4	Strong operating performance reflected in PAT

Key Metrics

Broadcasting revenue growth (%)	0.9	-6.5	1.5	-33.7
Radio Ad revenue growth (%)	-65.7	-40.0	-52.5	-93.9
Digital revenues growth (%)	12.7	5.0	47.1	-4.6

Source: Company, ICICI Direct Research

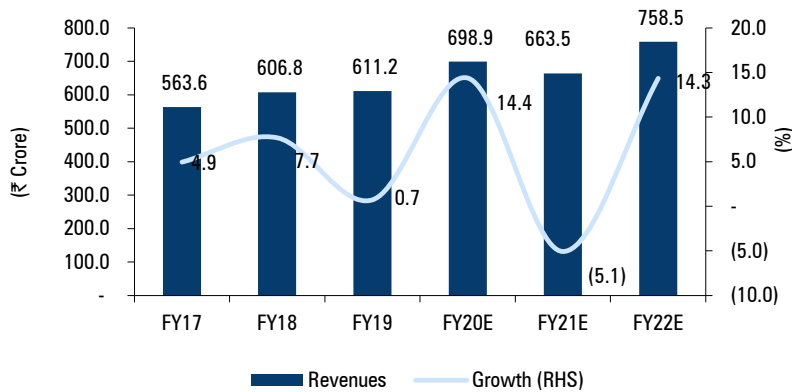
Exhibit 2: Change in estimates

₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	796.0	795.8	0.0	909.9	904.2	-0.6	
EBITDA	209.5	206.2	-1.6	249.6	252.6	1.2	
EBITDA Margin (%)	26.3	25.9	-39 bps	27.4	27.9	53 bps	
PAT	135.0	129.1	-4.4	178.6	178.9	0.2	
EPS (₹)	22.6	21.6	-4.4	29.9	30.0	0.2	

Source: Company, ICICI Direct Research

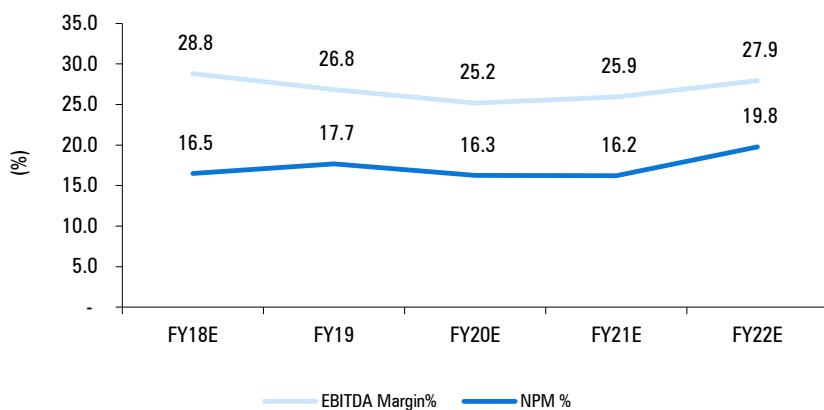
Story in charts

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 %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	58.0	58.0	58.0	58.5	58.5
FII	10.1	11.4	11.0	9.0	8.8
DII	17.2	15.6	16.1	16.2	15.7
Others	14.7	15.1	14.9	16.4	17.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	742.2	857.2	795.8	904.2
Growth (%)	3.0	15.5	(7.2)	13.6
Employee Expenses	222.7	251.1	249.1	265.1
Production Cost	79.2	91.9	83.2	94.8
Other Expenses	237.5	295.8	257.0	291.5
Total Operating Expenditure	539.4	638.8	589.2	651.3
EBITDA	199.2	215.9	206.2	252.6
Growth (%)	-4.0	8.4	-4.5	22.5
Depreciation	31.5	38.5	37.8	39.8
Interest	0.8	2.8	3.2	4.0
Other Income	36.7	43.3	35.0	32.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	203.6	217.9	200.3	240.8
Minority Interest	0.0	0.0	0.0	0.0
PAT from Associates	0.0	0.0	0.0	0.0
Total Tax	72.8	78.6	71.2	61.9
PAT	130.7	139.4	129.1	178.9
Growth (%)	9.9	6.6	-7.4	38.6
Adjusted PAT	130.7	139.4	129.1	178.9
Growth (%)		6.6	-7.4	38.6
EPS (₹)	22.0	23.4	21.6	30.0

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
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	866.1	842.2	866.6	940.8
Total Shareholders funds	895.9	872.0	896.4	970.6
Total Debt	3.1	0.0	0.0	0.0
Others	0.8	21.7	21.7	21.7
Total Liabilities	899.9	893.7	918.1	992.3
Assets				
Gross Block	555.5	574.4	599.4	624.4
Less: Acc Depreciation	313.2	351.7	389.5	429.3
Net Block	242.3	222.7	209.9	195.1
Capital WIP	4.0	0.4	0.4	0.4
Total Fixed Assets	246.4	223.1	210.3	195.5
Investments	131.4	336.2	336.2	336.2
Inventory	2.5	1.1	1.1	1.1
Debtors	184.6	220.1	205.0	232.9
Loans and Advances	0.2	0.2	0.2	0.2
Other Current Assets	45.6	46.2	42.9	48.7
Cash	290.8	140.2	181.7	262.0
Total Current Assets	523.8	407.8	430.7	544.8
Creditors	80.5	89.5	83.1	94.4
Provisions	7.0	7.0	6.5	7.4
Other current liabilities	84.1	102.0	94.7	107.6
Total Current Liabilities	171.6	198.5	184.3	209.4
Net Current Assets	352.2	209.3	246.5	335.5
Other non current assets	169.9	125.1	125.1	125.1
Application of Funds	899.9	893.7	918.1	992.3

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	131.1	139.4	129.1	178.9
Add: Depreciation	31.5	38.5	37.8	39.8
Add: Interest Paid	0.8	2.8	3.2	4.0
(Inc)/dec in Current Assets	-10.9	-34.6	18.5	-33.8
Inc/(dec) in CL and Provisions	-0.8	26.9	-14.2	25.1
Others	0.0	0.0	0.0	0.0
CF from operating activities	151.7	173.0	174.3	214.0
(Inc)/dec in Investments	-23.8	-204.7	0.0	0.0
(Inc)/dec in Fixed Assets	-22.9	-15.3	-25.0	-25.0
Others	-119.2	65.7	0.0	0.0
CF from investing activities	-165.8	-154.4	-25.0	-25.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	3.1	-3.1	0.0	0.0
Less: Interest Paid	0.8	2.8	3.2	4.0
Less: Dividend and dividend tax	-28.6	-159.3	-104.7	-104.7
Others	130.1	-9.7	-6.4	-8.0
CF from financing activities	105.5	-169.2	-107.9	-108.7
Net Cash flow	91.4	-150.6	41.5	80.3
Opening Cash	199.5	290.8	140.2	181.7
Closing Cash	290.8	140.2	181.7	262.0

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
EPS	22.0	23.4	21.6	30.0
Adjusted EPS	22.0	23.4	21.6	30.0
BV	150.2	146.2	150.3	162.7
DPS	4.0	22.3	15.0	15.0
Cash Per Share	48.8	23.5	30.5	43.9
Operating Ratios (%)				
EBITDA Margin	26.8	25.2	25.9	27.9
PBT / Total Operating income	22.6	20.7	21.2	23.5
PAT Margin	17.7	16.3	16.2	19.8
Inventory days	1.2	0.5	0.5	0.4
Debtor days	90.8	93.7	94.0	94.0
Creditor days	39.6	38.1	38.1	38.1
Return Ratios (%)				
RoE	14.6	16.0	14.4	18.4
RoCE	22.7	24.7	22.2	24.7
RoIC	32.3	24.3	23.9	29.9
Valuation Ratios (x)				
P/E	9.6	9.0	9.7	7.0
EV / EBITDA	4.8	5.2	5.2	3.9
EV / Net Sales	1.3	1.3	1.3	1.1
Market Cap / Sales	1.7	1.5	1.6	1.4
Price to Book Value	1.4	1.4	1.4	1.3
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.7	2.8	2.8	2.8
Quick Ratio	2.6	2.8	2.8	2.8

Source: Company, ICICI Direct Research

Exhibit 10: 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
PVR	1,215	1,210	Hold	6,706	5.3	-134.7	21.6	228.6	NM	56.3	10.6	-73.0	9.6	8.5	-9.0	10.0	1.8	-71.7	10.4
Sun TV	435	490	Buy	17,160	35.1	38.9	40.8	12.4	11.2	10.7	6.4	6.0	5.0	31.2	31.0	29.0	24.2	23.4	22.0
TV Today	210	240	Hold	1,253	23.4	21.6	30.0	9.0	9.7	7.0	5.2	5.2	3.9	24.7	22.2	24.7	16.0	14.4	18.4
ZEE Ent.	193	195	Hold	18,536	5.5	9.0	17.7	35.2	21.5	10.9	10.8	9.9	6.6	13.9	13.8	20.8	16.7	10.1	15.2

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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