

April 12, 2014

Network 18 Media & Investments Ltd.

BSE Code: 532798 NSE Code: NETWORK18 Reuters Code: NEFI.NS Bloomberg Code: NETM:IN

Network 18 Media & Investments Ltd (NMIL), one of the Network 18 Group companies engaged in television, print, internet, film, mobile content and allied businesses, was founded in 1993. The group operates through two of its subsidiaries, namely, Network 18 and TV18 Broadcast Ltd. While Network 18 operates in digital, publishing and e-commerce assets like moneycontrol.com, ibnlive.com, in.com and firstpost.com, TV18 Broadcast operates news channels like CNBC-TV18, CNBC Awaaz. Network 18 also operates e-commerce properties like HomeShop18 and bookmyshow.com and publishes Forbes India, the nation's first local edition of a foreign news magazine.

Investor's Rationale

Net Revenue grew by 4.4% – During Q3FY'14, NMIL witnessed a 4.4% YoY increase in its consolidated sales at ₹7,262.6 mn driven by significant growth in revenue from its digital content and commerce operations and from ETV news by 25.3% and 40% YoY, respectively. During the quarter, NMIL's TV & Motion Pictures business revenue on a consolidated basis stood grew by 3% at ₹5,255 mn, with both the Entertainment and News businesses turning in strong quarters. On a consolidated basis, advertising revenues grew 3% YoY. Revenue from digital content and commerce operations sustained their growth momentum by delivering a 25.3% growth in revenues to ₹1,498 mn during the quarter.

Posted net loss of ₹117.1 mn on higher taxation – NMIL registered a net loss of ₹117.2 mn in Q3FY'14 as against a net profit of ₹68.5 mn in Q3FY'13 on account of a triple digit growth in taxation charges by 245.8% YoY to ₹88.9 mn. A decline in other income by 55.3% YoY to ₹102.1 mn also dragged the bottom-line.

EBITDA margin grew by 730bps on lower operating expenses – NMIL's EBITDA margin grew significantly by 730bps to 8.2% in Q3FY'14 against 0.9% in Q3FY'13 primarily on account of a decline in distribution, advertising and business promotion cost (as a % of net sales) by 523bps to 30.4%. Moreover, a fall in employee expenses and programming cost by 255bps and 134bps to 15.7% and 21.4% YoY respectively, also helped in EBITDA margin expansion.

Focused to strengthen its position in regional channels – The Company has launched a 24-hour Bengali news channel, ETV News Bangla in a move to strengthen its position in the regional news channel domain. Moreover, the group will soon be launching Gujarati business channel, CNBC Bazaar as it sees enormous opportunities in the market for this channel. The company will be launching 'MTV Indies' with 100% local content and 'Rishtey', the second general entertainment channel.

Market Data

Rating	BUY
CMP (₹)	36
Target Price	44
Stop Loss	32.5
Duration	Short-term
52-week High-Low (₹)	40.90/25.0
Rise from 52WL (%)	44.0
Correction from 52WH (%)	11.9
Beta	1.02
1 year Average Volume (mn)	0.24
	3M- 7.7
Stock Return (%)	6M- 15.02
	1Y- 18.8
Market Cap (₹bn)	37.57
Book Value (₹)	25.61

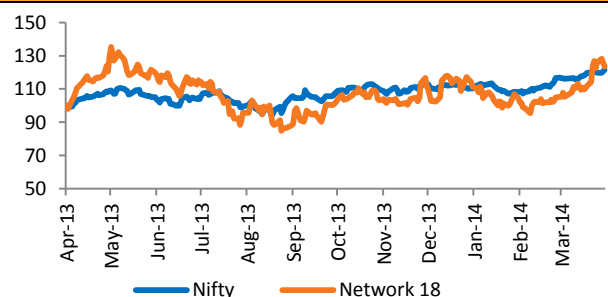
Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	72.98	72.98	0.00
FII (%)	4.23	4.28	(0.05)
DII (%)	0.03	0.08	(0.05)
Public & Others (%)	22.76	22.66	0.10

Quarterly Performance (Consolidated)

(₹Mn)	Q3 FY'14	Q3 FY'13	Q2 FY'14	YoY Change(%)	QoQ Change (%)
Sales	7,262.6	6,958.2	6,689.5	4.4	8.6
Op. exp	6,680.4	6,912.3	6,517.4	(3.4)	2.5
EBITDA	595.5	61.7	181.1	865.2	228.8
OPM (%)	8.2	0.9	2.7	730bps	548bps
Net profit	(117.1)	68.5	(398.2)	(270.9)	(70.6)
NPM (%)	(1.6)	1.0	(5.8)	(254bps)	426bps
EPS (₹)	(0.1)	0.1	(0.4)	(257.1)	(71.1)

One Year Price Chart





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