

September 8, 2014

Network 18 Media & Investments Ltd.

BSE Code: 532798

NSE Code: NETWORK18

Reuters Code:

NEFLNS

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. TV18 also operates a joint venture with Viacom, called Viacom18, which houses a portfolio of popular entertainment channels – Colors, Colors HD, MTV, Comedy Central, Vh1, Nick, Sonic, Nick Jr./Teen Nick and Viacom18 Motion Pictures, the group's filmed entertainment business.

Investor's Rationale

Better performance in Television operations boosted topline – NMIL registered a 27.1% YoY growth in its topline to ₹6,997.4 mn in Q1FY15 against ₹5,505.80 mn in the same period last year. The revenue from 'media operations' that contribute 98% of the entire revenue grew by 28.8% at ₹6,940.78 mn. Whereas, 'Film production and distribution' saw their sales declining by 23.8%, at ₹143.1 mn.

Posted net loss due to one-time exceptional expense – NMIL's posted net loss of ₹10,218.8 mn due to a one-time exceptional adjustments of ₹10,453.7 mn. These adjustments reflect the diminution in the value of certain tangible and intangible assets as well as write-offs and provisions for loans and advances and receivables. According to the company, these adjustments will not impact future operating profits and cash flow.

EBITDA expanded on strong topline – In line with robust revenue growth, the company has reported a positive EBITDA of ₹126.9 mn as against the loss in the corresponding period of the previous year supported by a strong growth delivered by its television operations from the general entertainment and new segments. On the opex front, Distribution cost was lower by 6.5% to ₹1,921.95 mn, material cost (as % to sales net of stocks) was lower by 66.50% to ₹35.45 mn. But the programming costs up by 90.7% to ₹1,695.43 mn and employee costs were higher by 21.2% to ₹1471.8 mn.

Viewership/Visitor continues to remain robust – Network 18 digital operations witnessed a monthly average reach of around 28 mn unique visitors in Q1FY15. While, the TV18 bouquet of channels reach out to a monthly average of 231 mn viewers.

Market Data

Rating	BUY
CMP (₹)	49
Target Price	60
Stop Loss	43
Duration	Medium-term
52-week High-Low (₹)	71.4/25
Rise from 52WL (%)	83.6
Correction from 52WH (%)	35.7
Beta	2.23
1 year Average Volume (mn)	0.6
Stock Return (%)	3M- (23.8) 6M- 48.9 1Y- 77.3
Market Cap (₹bn)	48.0
Book Value (₹)	25.2

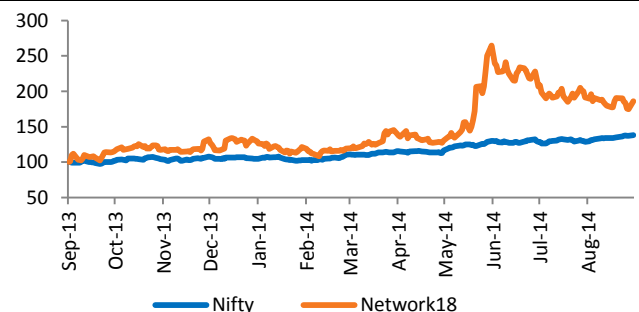
Shareholding Pattern

	Jun'14	Mar'14	Chg
Promoters (%)	72.98	72.98	0.00
FII (%)	3.25	4.24	(0.99)
DII (%)	0.04	0.03	0.01
Public & Others (%)	23.73	22.75	0.98

Quarterly Performance (Consolidated)

(₹mn)	Q1 FY'15	Q1 FY'14	Q4 FY'14	YoY Change(%)	QoQ Change (%)
Sales	6,997.4	5,505.8	7,383.2	27.1	(5.2)
Op. exp	6,957.0	5,953.0	6,977.0	16.9	(0.3)
EBITDA	126.9	(386.7)	406.2	-	(68.8)
OPM (%)	1.8	(6.9)	5.5	-	(371bps)
Net profit	(10,218.8)	189.0	(41.2)	-	-
NPM (%)	(141.9)	3.3	(0.5)	-	-
EPS (₹)	1.0	0.9	1.0	8.5	1.0

One Year Price Chart





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