

Catvision

Rs 43

Clear vision

BSE Sensex: 34,193

Nifty-50: 10,481

Standalone Financials

	NET SALES	OPM %	OP	OTHER INCOME	PBIDT	INTEREST	PBDT	DEPRECIATION	PBT	TAX	PAT	EPS (RS)*
1403(12)	33.25	5.70%	1.91	0.02	1.93	0.67	1.26	0.57	0.69	0.14	0.55	1.0
1503 (12)	32.7	5.60%	1.82	0.02	1.84	0.56	1.28	0.71	0.57	0.13	0.44	0.8
1603 (12)	50.63	8.60%	4.36	0.13	4.49	0.85	3.64	0.5	3.14	1.06	2.08	3.8
1703 (12)	56.69	5.60%	3.2	0.17	3.37	0.73	2.64	0.49	2.15	0.75	1.4	2.6
1803(12P)&	83.99	7.20%	6.01	0.2	6.21	0.62	5.59	0.56	5.03	1.6	3.43	6.3
1903(12P)&	96.59	7.30%	7.05	0.21	7.26	0.58	6.68	0.62	6.07	1.7	4.37	8

*Annualised on current equity of Rs 5.45 crore of face value of Rs 10 each. & Projections for FY 18 and FY 19 are as per New Ind AS. (P) Projections. Figures in crore.
Source: Capitaline Database

Incorporated in 1985 by professionals, Catvision (Cat) markets a range of CATV Products, designed and manufactured in-house for Cable TV operators. These products meet international standards and are brand leaders. Company's products include Digital Headend, Set Top Box, Optic Transmitters, EDFA, Optic Node, Amplifier, EPON OLT, EPON ONU etc. Most MSOs and more than 60,000 LCOs in India are using Catvision's manufactured products. The company is also into distribution of Satellite TV Channels to cable operators and hotels.

Cat was the exclusive distributor for CNN from 1990 to 1995 and for MTV and Discovery for a year each. Currently Cat has the Indian broadcasting & distribution rights for four channels: TV5 Monde – the world's largest TV channel by viewers, TV5 Style – latest French lifestyle content, France 24 – the international news channel from France in English, and Euronews – international news from a European perspective.

Cat organizes and distributes channels in India through various platforms like cable (MSO, hotels), DTH, IPTV, Mobile TV and other emerging digital platforms across homes and commercial establishments. The distribution is done through a dedicated team with network of distributors in all major towns, providing sales and service support.

The company has its manufacturing unit at Dehradun, in Uttarakhand.

Strong R&D

The company is investing in building its own in house design and development centre as well as investing in Catvision Unitron Pvt Ltd, its 50:50 Jv with Unitronn Group of Belgium for design and development of digital headend products. Both set top boxes and digital headend products serve the cable TV market. R&D initiatives have led to new designs, frameworks, process and methodologies which help in creating value for the company. Company continuously adapts to new products to meet the rising and changing market needs and dynamics.

The company now manufactures standard definitions (SD) and high definition (HD) set top boxes and digital headend encoders all developed indigenously. The company will launch several new models of set top boxes as well as digital decoders and digital modulators.

Company has over the years built a strong relationship with cable TV operators and its strong R&D base is key differentiators of the company.



STOCK DATA

BSE Code	:	531158
BSE Group	:	XT
NSE Code	:	Not Listed
Bloomberg	:	CATV IN
Reuters	:	CATV.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 58 / Rs 18
Sector	:	Trading

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 17.76
Institutions	: 0.31
Govt Holding	: -
Corporate Holding	: 13.22
Promoters	: 29.6
Public & Others	: 39.12

* as on 31/12/2017.

Source: Capitaline Databases

The company has Pan India presence with 70 distributors at all India level. Cat has positioned itself as one of the leading supplier of entire range of products to the cable television operators and multi system operators through strong inhouse R&D platform.

Tier 3 and Tier 4 city penetration is a huge opportunity

India is the fastest growing Cable & Satellite (C&S) market, with exciting growth potential for the distribution services industry. The country has the third largest number of C&S subscribers in the world. Opportunities for growth are abundant. Cat is further expanding its bouquet by including more third party channels for distribution. The company will focus on strengthening C&S distribution and placement for independent broadcasters, expanding into new revenue streams in current analog markets and exploring future digital potential in the Indian cable & satellite industry.

Indian Cable TV market has grown considerably over past 6 years and has been the largest contributor to the subscription revenues of India cable TV industry. Demand for cable TV service in the country has escalated due to increased prevalence of digitalization drive, increasing household expenditure on entertainment, improving quality of television display, lower cost of services and stable user base. Majority of people in India have preferred cable TV due to convenience and lower cost of subscription.

DTH market in India is expected to see its annual revenue growth over 3 times to more than US \$ 5 billion by 2020, as mandatory cable TV digitization would help DTH players to expand their subscriber base.

Cable TV in India is currently undergoing large scale digitalization which has created good business for set top boxes and digital headend products. While there is an opportunity for value addition in Tier 1 and Tier 2 cities and expansion and upgradation of existing networks, Tier 3 and Tier 4 cities offer ample opportunities for penetration.

Digital penetration in Tier 3 and 4 cities has not even reached 15% currently.

The Telecom Regulatory Authority of India (TRAI) has allowed the individual operators (local cable operators) to get the contents from Broadcasters directly, without going to the large operators. This order is challenged by the large operators and currently the case is lying with the Supreme Court. The order which is expected to be in favour of the small local operators, will lead to a significant increase in demand of set up boxes and thus digitization not only in Tier 3 and 4 cities, but across every segment of industries be it hotels, hospitals, gaming outlets, retail outlets using digital platform etc.

There will be lot of synergies from this judgement in favour of small operators for set up box manufacturers and digital service providers. Fast penetration, lower costs, emphasis on branding and service, better reach are some of the major benefits which will lead to higher demand for Cat products going forward.

Thus governments thrust on digitization and addressability of cable television is expected to increase the pace of digitization leading to tremendous growth for digital cable and thus for the company.

Increasing avenues from sales to Hotel industry

Hotels wishing to be relieved of the non-core activity of operating and maintaining the cable TV system in their property can sign an operations contract with Cat under

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which Cat will upgrade their network and undertake to operate and maintain the system. The services package includes relay of leading pay channels on the system. The hotel hence has a single point contact for all systems – TVs, interactive TV and the cable TV network – and the assurance that all Pay-TV channels remain activated.

To premium hotels Cat's value is its project management & system integration skills, ability to provide turn-key solutions, and its partnerships with world leaders.

Catvision offers a choice of digital (DVB) on coax systems that suits a hotels budget, size and guest room picture quality demands. Cat has developed various products suitable to the needs of the hotel industry.

The Catvision DVB head end systems offers a choice of digital distribution solutions for Satellite TV channels from small budget hotels to top 5 star luxury properties. The digital head-end supports standard & High Definition (HD) and can distribute Video, Audio and Data along the same coax cable network (used earlier for analog transmission), with razor sharp digital quality and a far higher channel capacity.

One of the world's leading provider of digital Hotel Interactive systems, Cat Triple Play offers a choice of Standard and High Definition platforms, along with interactive broadband services, digital Video on Demand and various other customized services, backed by state of the art technology. Whether it's the latest Video-On-Demand movies, Free- to- Guest services, HDTV, High-Speed Internet Access, Music Online, shopping or promotional opportunities, Cat's Triple Play is the preferred choice for guest media satisfaction.

Earlier the company was not able to compete with large DTH operators as their content cost was lower compared to small operators. However, Trai had 1.5 years back removed the notification of categorizing hotel subscribers as commercial subscribers. With that, hotel industry can no longer be dependent on broadcasters, but can come to local operators and service providers to cater to their content requirements. Cat plays a significant role of both products and service in this business model, which is gradually accepted by the industry.

Only in 2 years time, sales to hotel industry, account for around 5% of total sales and company currently caters to around 8 hotels. Significant opportunity awaits in this sector.

Stands to gain on GST implementation

Only 20% or less of the total industry is organised. The industry is flooded with lot of under invoicing and cash based business.

While GST has still not been completely implemented and followed by across the sector, it has brought some portion of the business under regulations. Gradually, upon complete implantation of GST and E-way bills down the line, Cat will be at par with these unorganised players who are getting benefits of around 2.5-3%.

Thus, GST will bring a long term benefit to the company, as its pricing will stand at par with some unorganised players, and its strong brand, after sales service and reach will help further penetration in the market.

Rising Exports

The company is supplying its complete range of products to international markets also like Nepal, Bhutan, Bangladesh, Middle East, Afghanistan and few African countries. Digitization in these countries is driving the demand for company's products. These nations have lot of scope for penetration.

In Nepal, switchover to digitalization of networks has started while in Bhutan around

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75% of cable operators still provide the cable with analog systems. Thus the demand from these countries is enormous. Some of the other countries which provide such scope and which is in company's radar are Myanmar and Sri Lanka.

Exports account for around 10% of total sales, as compared to 5%, 2 years back.

Sharp growth in FY18

For the quarter ended Dec 17, net sales grew by around 37% YoY basis to Rs 18.85 crore. OPM was lower by 50 bps to 6.5% thus, restricting the OP growth to 27% to Rs 1.23 crore. Other income stood at Rs 0.04 crore, flat on YoY basis. Interest costs were lower by 49% to Rs 0.18 crore and depreciation cost rose 8% to Rs 0.14 crore. Thus, PBT was up by 79% to Rs 0.95 crore. After paying total tax of Rs 0.29 crore, up by 81%, PAT for Dec 17 quarter was up by 78% to Rs 0.66 crore.

For 9 months ended Dec 17, net sales were up by 62% to Rs 61.60 crore. OPM was higher by 110 bps to 7.9%, leading to 89% rise in operating profit to Rs 4.89 crore. Other income was up by 18% to Rs 0.13 crore. Interest cost was lower by 46% to Rs 0.44 crore and depreciation was higher by 14% to Rs 0.42 crore. After providing total tax of Rs 1.27 crore up by 170%, PAT for 9 months ended Dec 17 stood at Rs 2.89 crore up by 175%.

Valuation

For FY 18, we expect the company to report net sales and PAT of Rs 83.99 crore and Rs 3.43 crore respectively. For FY 19, we expect the company to report net sales and PAT of Rs 96.59 crore and Rs 4.37 crore respectively. This gives an EPS of Rs 6.3 and Rs 8 respectively for FY 18 and for FY 19. At current market price of Rs 43, the scrip trades around 5.4 times its projected FY 19 earnings.

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CATVISION: RESULTS

	1712(03)&	1612(03)&	VAR. (%)	1712(09)&	1612(09)&	VAR. (%)	1703 (12)	1603 (12)	VAR. (%)
Sales	18.85	13.76	37	61.60	38.03	62	56.69	50.63	12
OPM (%)	6.5	7.0		7.9	6.8		5.6	8.6	
OP	1.23	0.97	27	4.89	2.59	89	3.20	4.36	-27
Other inc.	0.04	0.04	0	0.13	0.11	18	0.17	0.13	31
PBIDT	1.27	1.01	26	5.02	2.70	86	3.37	4.49	-25
Interest	0.18	0.35	-49	0.44	0.81	-46	0.73	0.85	-14
PBDT	1.09	0.66	65	4.58	1.89	142	2.64	3.64	-27
Dep.	0.14	0.13	8	0.42	0.37	14	0.49	0.50	-2
PBT	0.95	0.53	79	4.16	1.52	174	2.15	3.14	-32
Tax	0.29	0.16	81	1.27	0.47	170	0.75	1.06	-29
PAT	0.66	0.37	78	2.89	1.05	175	1.40	2.08	-33
EPS (Rs) *		#	#		#	#		2.6	3.8

*Annualised on current equity of Rs 5.45 crore of face value of Rs 10 each. & Quarterly results and nine months results are as per Revised AS while full year financials are as per Old AS. #EPS not annualised due to seasonality of business, PL: Profit to Loss, LP: Loss to Profit. Figures in crore. Source: Capitaline Database