

RESULT UPDATE

SMALL CAP

Share Data

Reuters code	BLTE.BO
Bloomberg code	BLJT IN
Market cap. (US\$ mn)	93
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	65
Target price (Rs)	54

Performance (%) 1M 3M 12M

Absolute	17	(12)	10
Relative	12	(14)	(43)

Valuation Ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs.)	2.3	2.7
+/- (%)	(43.9)	19.3
PER (x)	28.5	23.9
PBV (x)	1.1	1.0
Dividend/Yield (%)	0.0	0.0
EV/Sales (x)	1.4	1.4
EV/EBITDA (x)	55.7	15.6

Major shareholders (%)

Promoters	40
FII's	2
MF's	11
BFSI's	1
Public & Others	46

Financial highlights (Standalone)

(Rs mn)	3QFY09	3QFY10	YoY (%)	2QFY10	QoQ (%)	FY09 YoY (%)	FY10E	YoY (%)	FY11E	YoY (%)
Net Sales	506	393	(22.4)	407	(3.5)	2,987 (9.2)	1,571	(47.4)	1,612	2.6
EBIDTA	24	(2)	(110.3)	(19)	(86.9)	435 (64.9)	40	(90.9)	141	256.2
EBIDTA Margin (%)	4.8	(0.6)	-	(4.7)	-	14.6	2.5	-	8.8	-
Depreciation	(41)	(27)	(35.9)	(28)	(3.4)	(235) 85.2	(108)	(54.2)	(113)	5.0
Other Income	43	30	(29.5)	53	(42.7)	175 1.4	227	29.4	227	0.0
PBT	26	1	(94.9)	7	(79.7)	375 (70.8)	159	(57.7)	255	60.7
Tax	(20)	17	(183.2)	4	353.4	(108) (73.6)	(9)	(91.6)	(76)	738.1
PAT	6	18	219.7	10	77.5	267 (69.5)	149	(43.9)	178	19.3
EPS	0.1	0.3	219.7	0.2	77.5	4.1 (69.5)	2.3	(43.9)	2.7	19.3
PAT Margin (%)	1.1	4.6	-	2.5	-	8.9	9.5	-	11.1	-

Balaji Telefilms

Maintain Underperformer

Price: Rs 65

BSE Index: 17,554

15 January 2010

3QFY10 Result – Pressure on realisation continues

Balaji Telefilms (BLJT) is operating at peak capacity with 7 shows on air. 'Pavithra Rishta' and 'Bairi Piya', two of its shows consistently feature in the top 10 shows on TV, the rest 5 shows striving hard to reach TRP's of 1.

Improvement in TRP's no more leads to a spike in average realisations per hour (AVR) for the content providers. The TV content industry is getting fragmented further with increase in the number of independent and small players. This makes us believe that the company's AVRs will remain under pressure. AVR for BLJT shows is now in line with market rates and we expect a 7% fall in FY11E to Rs 1.5 mn. We, and the management, feel that programming more than 7 shows on air is a creative challenge. Hence we do not expect volumes to rise substantially (expect a 13% increase) in FY11E.

Balaji currently quotes at 15.6x EV/EBITDA FY11E which, we feel, is clearly over-valued for a company who's FY11E EBITDA is 67% lower than its FY09 EBITDA and 89% lower than its FY08 EBITDA! We had downgraded the stock to an Underperformer after 2QFY10 results and the stock price declined by 29% and touched a low of Rs 52. Currently, the stock is trading at Rs 65 which is still 12% lower. We maintain our Underperformer call with a target price of Rs 54.

Highlights

- Revenue declined by 22.4% YoY and 3.5% QoQ to Rs 393 mn (B&K estimate: Rs 421 mn). The number of commissioned programming (Cprog) hours increased by 37% YoY to 217 hours as it aired 7 shows compared to 6 in 3QFY09.
- Average realisations per hour (AVR) for Cprog continues to be under pressure and declined by ~45% YoY and 6% QoQ to Rs 1.53 mn as Balaji's rates get aligned to that of the market and Star Plus took high realisations shows off-air in 2HFY09.

- BLJT's reported EBIT margin of 21.9% in Cprog (vs 25.2% in 2QFY10) because of the launch expenses of two new shows on Sony.
- BLJT reported an EBITDA loss of Rs 2.5 mn as its average realisations in Cprog fell drastically. EBITDA is a loss (against high Cprog EBIT margin) as it does not allocate high corporate fixed costs (like corporate employee and administration costs) to either form of programming.
- Other income of Rs 30.4 mn fell by 43% YoY, we seek further clarification from the management on this. PAT stood at Rs 18.2 mn (B&K: Rs 2 mn) helped by the tax reversal of Rs 16.8 mn this quarter.
- Balaji launched two shows on Sony this quarter (Betyaab and Pyaar ka Bandhan) and discontinued one show on Colors (Koi Aane ko Hai) taking the total number of programs on air to 7.

Operational Matrix for 3QFY10

	3QFY09	3QFY10	YoY (%)	2QFY09	QoQ (%)
Number of hours of commissioned programming	158	216.5	37.0	208.5	3.8
Commissioned programming AVR (Rs mn)	2.8	1.5	(45.1)	1.6	(6.0)
Number of hours of sponsored programming	146	177	21.2	185	(4.3)
Sponsored programming AVR (Rs mn)	0.5	0.3	(26.3)	0.4	(8.1)
Total programming hours	304	393.5	29.4	393.5	0.0
Total AVR (Rs mn)	1.66	0.99	(40.5)	1.03	(4.0)

Underlying assumptions

	FY10E	FY11E
Number of hours of Commissioned programming	812	915
Commissioned programming AVR (Rs mn)	1.6	1.5
Number of hours of Sponsored programming	649	685
Sponsored programming AVR (Rs mn)	0.38	0.33

Balaji's prominent TV serials and their ratings vis-à-vis competitors

Time	Channel	Hindi television programme	Average TRP (Oct-Dec 2009)
20:30-21:00	Star Plus	Tere Mere Sapne	2.3
	Colors	Bairi Piya *	4
	Zee	Yaha Mein Ghar Ghar Kheli	3
	NDTV Imagine	Jyoti	1.3
21:00-21:30	Star Plus	Bidaai	4.7
	Colors	Yeh Pyar Na Hoga Kum	2.4
	Zee	Pavitra Rishta*	5
	Sony	Sukh by Chance	
	NDTV Imagine	Rahana Hai Tere Palkon Ki Choan Me	1.3
22:00-22:30	Star Plus	Sabki Ladli Beebo	3.2
	Colors	Uttaran	5.9
	Zee	12/24 Karolbagh	2.9
	Sony	Betyabb Dil Ki Tammanna Hai *	1.1
22:30-23:00	Star Plus	Perfect Bride	1.8
	Colors	Na aana Is Des Laado	5.4
	Zee	Apki Antara	1.9
	Sony	Pyar ka Bandhan *	1.1
	NDTV Imagine	Bandini *	1.2

* Balaji Telefilms programs, it airs two other programs in the afternoon slot

Source: Tam India, B&K Research

Income Statement (Standalone)

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net sales	3,290	2,987	1,571	1,612
<i>Growth (%)</i>	3.6	(9.2)	(47.4)	2.6
Operating expenses	(2,051)	(2,552)	(1,532)	(1,471)
Operating profit	1,239	435	40	141
EBITDA	1,239	435	40	141
<i>Growth (%)</i>	3.6	(64.9)	(90.9)	256.2
Depreciation	(127)	(235)	(108)	(113)
Other income	173	175	227	227
EBIT	1,285	375	159	255
Pre-tax profit	1,285	375	159	255
(before non-recurring)				
Pre-tax profit	1,285	375	159	255
(after non-recurring)				
Tax (current + deferred)	(411)	(108)	(9)	(76)
Net profit (before Minority)	874	267	149	178
Interest, Pref. Dividend etc				
Reported PAT	874	267	149	178
Adjusted net profit	874	267	149	178
<i>Growth (%)</i>	9.6	(69.5)	(43.9)	19.3

Balance Sheet (Standalone)

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Cash & marketable securities	2,273	2,268	2,057	2,159
Other current assets	1,186	745	1,130	1,139
Investments	302	300	300	300
Net fixed assets	619	918	997	1,084
Total assets	4,380	4,231	4,484	4,682
Current liabilities	689	385	393	412
Other non-current liabilities	43	(43)	52	53
Total liabilities	732	342	445	465
Share capital	130	130	130	130
Reserves & surplus	3,518	3,758	3,908	4,087
Shareholders' funds	3,648	3,889	4,039	4,217
Total equity & liabilities	4,380	4,231	4,484	4,682
Capital employed	3,692	3,846	4,091	4,270

Cash Flow Statement (Standalone)

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	1,285	375	159	255
Depreciation	127	235	108	113
Change in working capital	307	138	(377)	9
Total tax paid	(416)	(194)	86	(75)
Cash flow from oper. (a)	1,303	554	(25)	302
Capital expenditure	(309)	(371)	(186)	(200)
Change in investments	(711)	42	175	(102)
Others	(3)	(163)	(0)	(0)
Cash flow from inv. (b) (1,023)	(492)	(12)	(12)	(302)
Free cash flow (a+b)	279	61	(37)	0
Dividend (incl. tax)	(267)	(22)	0	0
Cash flow from fin. (c)	(267)	(22)	0	0
Net chng in cash (a+b+c)	12	39	(37)	0

Key Ratios (Standalone)

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs)	13.4	4.1	2.3	2.7
Growth	9.6	(69.5)	(43.9)	19.3
Book NAV/share (Rs)	55.9	59.6	61.9	64.7
Dividend/share (Rs)	3.5	0.3	0.0	0.0
Dividend payout ratio	30.6	8.4	0.0	0.0
Tax	32.0	28.9	5.8	30.0
EBITDA margin	37.7	14.6	2.5	8.8
EBIT margin	39.1	12.6	10.1	15.8
RoCE	37.9	10.0	4.0	6.1
Net debt/Equity	(62.3)	(58.3)	(50.9)	(51.2)

Valuations (Standalone)

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	4.9	16.0	28.5	23.9
PCE	4.3	8.5	16.6	14.6
Price/Book	1.2	1.1	1.1	1.0
Yield (%)	5.4	0.5	0.0	0.0
EV/Net sales	0.7	0.7	1.4	1.4
EV/EBITDA	1.8	5.1	55.7	15.6

Du Pont Analysis – ROE (Standalone)

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	26.6	8.9	9.5	11.1
Asset turnover	0.8	0.7	0.4	0.4
Leverage factor	1.2	1.1	1.1	1.1
Return on equity (%)	26.1	7.1	3.8	4.3

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