High-risk Value-pick

January 11, 2011

Company Background

Current Market Cap Rs. 240 cr; Networth as on 31/3/11 Rs. 372 cr; Cash & Investments as on 31/3/11 Rs. 181 cr

Balaji Telefilms was incorporated in 1994 and has played a major role in redefining the Indian television space since then. The company has produced over 15,000 hours of television content since its inception, including content in Hindi, Tamil, Telegu, Kannada and Malayalam, with record-breaking shows such as "Kyunki Saas Bhi Kabhi Bahu Thi" and "Kahaani Ghar Ghar Ki". The company occupies a dominant space in the television content creation space, with the No.1 show on Indian television to its credit and all of its shows among the Top 50 on television. BTL diversified into the motion pictures business in the late 1990s. The company also had an Internet and mobile pictures business, which it sold recently for Rs. 8.4 cr.

BTL's TV shows and motion pictures operate under Balaji as well as ALT Entertainment brands. ALT is a youth-oriented brand catering to a younger, more urban demographic. Hoonur is the company's free online classified website which gives independent professionals and businesses from the entertainment, television, media and advertising a chance to promote and share their services. BTL as well as other production houses use Hoonur to recruit efficient talent. ICE (Institute of Creative Excellence) is the latest initiative of Balaji Telefilms aimed at providing world-class quality education to aspirants wanting to make careers in the Media & Entertainment industry. ICE covers all major specializations like Acting, Cinematography, Direction, Editing, Production, Scriptwriting, Sound and Vfx.

In September 2006, Balaji Telefilms FZE, a wholly owned overseas subsidiary of BTL, was incorporated in Sharjah, to provide content to the leading channels in the region. In March 2007, Balaji Motion Pictures Ltd (BMPL) was established as a wholly owned subsidiary, to handle the film related business of the company. BMPL has had several successful releases such as Shootout at Lokhandwala, Love Sex Aur Dhoka, Once Upon a Time in Mumbai and recent blockbuster, Dirty Picture.

BTL's operations are divided into 3 segments: Commissioned programmes, which involves income from sale of TV serials to channels, sponsored programmes, which involves income from telecasting of TV serials on channels, and feature films, which involves income from films. In FY11, the income from commissioned programs accounted for ~67% of sales, while that from sponsored programs accounted for ~12% of sales. Feature films contributed ~21% of total sales in the same year.

Current TV Shows

Serial	Market	Commissioned/Sponsored	Channel	Duration	Frequency
Pavitra Rishta	Hindi	**Commissioned**	Zee TV	30 mins	5 times/week
Bade Ache Lagate Hai	Hindi	**Commissioned**	Sony	30 mins	4 times/week
Parichay	Hindi	**Commissioned**	Colours	30 mins	5 times/week
Pyaar Kii Ye Ek Kahaani	Hindi	**Commissioned**	Star One	30 mins	5 times/week
Bandha Reshamache	Marathi	**Commissioned**	Star Pravah	30 mins	6 times/week
Gandhari*	Marathi	-	Zee TV	30 mins	6 times/week
Senur Maang Tikuli	Bhojpuri	**Commissioned**	Mahua	30 mins	5 times/week
Kalyani	South	**Sponsored**	Udaya TV	30 mins	5 times/week
Kasturi	South	**Sponsored**	Sun TV	30 mins	5 times/week
Kanna Varri Kalalu	South	**Sponsored**	Gemini	30 mins	5 times/week

*show commenced on 10/10/11

2 shows namely, Kotha Bangaram and Konya, were discontinued in Q2FY12

Shareholding Pattern

Particulars	No of Shares (In lakhs)	% Holding				
	31/12/2011	31/12/2011	30/09/2011	30/06/2011	31/03/2011	31/12/2010
Promoters	269.6	41.3	41.2	40.8	40.6	40.6
Foreign Institutions & Individuals	184.4	28.3	28.4	28.4	28.3	27.5
Indian Institutions	17.4	2.7	2.6	2.6	3.1	3.9
Non Promoter Corporate Holding	67.8	10.4	10.9	11.3	11.2	12.4
Public & Others	112.9	17.3	17.0	17.0	16.8	15.5
Total	**652.1**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Among institutions, Bajaj Allianz Life Insurance Company, IL & FS Trust Company and Reliance Capital Trustee Company hold 3.7%, 2.2% and 2.0% respectively as on December 31, 2011. Star Middle East FZ LLC, a Rupert Murdoch owned company, holds 26.0% in the company. In 2008 there were reports that Star was looking to sell its stake in BTL however, no such stake sale has happened. The promoters have been marginally upping their stake quarter after quarter through creeping acquisitions.

Industry Background

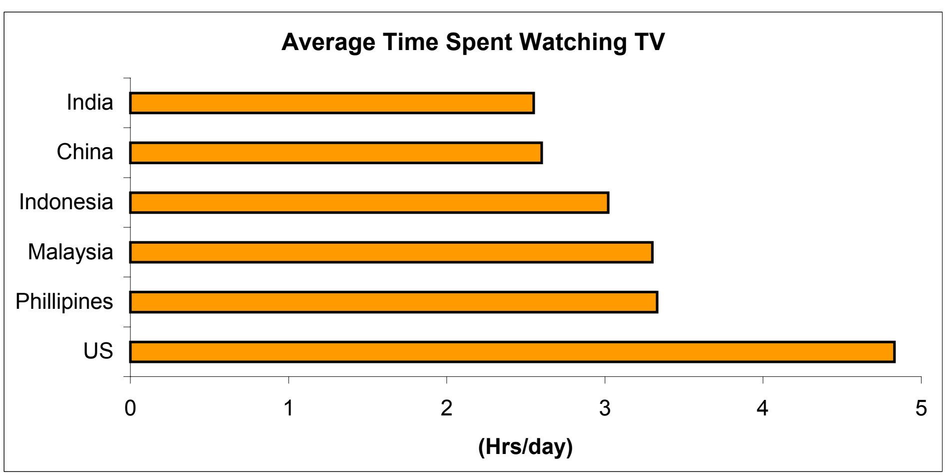
The Indian media and entertainment industry grew 11% in 2010, driven largely because of a jump in advertising revenue, as per a report by KPMG and FICCI (Federation of Indian Chambers of Commerce and Industry). The report forecasts the ~Rs. 650 billion (~$14.5 billion) media and entertainment industry to grow by 13% in 2011. The resurgence in advertising, growth in subscription revenues, thrust on digitization, and emerging avenues for content monetization were the key growth drivers for the Indian media and entertainment industry in 2010. Advertising spend in 2010 rose by 17% to 266 billion rupees. The vibrant Indian media and entertainment (M&E) industry is expected to register a compound annual growth rate (CAGR) of 14% to touch Rs.1,27,500 crore by 2015.

India is the world's third largest Television (TV) market with almost 138 million TV Households (HHs) next to China and USA. Cable and Satellite (C&S) penetration has reached around 80% with high growth shown by the direct-to-home (DTH) service. New technologies like high definition (HD), Set Top Boxes (STBs) with inbuilt recorders and delivery platforms like mobiles are evolving rapidly, creating ample opportunities for innovation and growth. Television saw a tremendous increase in the net DTH subscriber base adding up to 28 million at the end of 2010. Backed by growth in advertising and subscription revenues, the television industry grew by 15.5% in 2010 and is expected to expand at a CAGR of 16% to touch Rs.63,000 cr by 2015. Television is expected to account for almost half of the Indian M&E industry revenues, and more than twice the size of print, the second largest media sector, by 2015.

Digitisation continues to be a key growth driver for the sector and this trend was even more pronounced in 2010. Film studios saw greater adoption of digital prints over physical and it was the first time in India that digital music sales surpassed those of physical units. The government's thrust on digitisation and addressability for cable television, is expected to increase the pace of digitisation leading to tremendous growth in DTH and digital cable. The phase III auction of radio is expected to add more than 700 licenses across tier 3 and few tier 2 towns.

India has more than 600 television channels, 100 million pay-television households, 70,000 newspapers and produces more than 1,000 films annually. India has diverse regional markets with different cultures, languages and content preferences. These markets provide global media and entertainment companies' ample amount of opportunities to deliver localised content. India's favourable demographics, regulations and reforms are creating investment opportunities for global media and entertainment companies. Backed by the increasing purchasing power across tier 2 and tier 3 cities, regional media consumption is expected to continue to rise.

Despite the increasing penetration of the television, the growth of the industry is constricted due to the less time spent watching television in India as compared to that in several other developed and emerging nations. Moreover, Indian consumers pay only USD 3.5 per month on pay TV, compared to that of USD 15 by Americans. The entry of High Definition channels into Indian Television is expected to drive the growth. On the other hand, increased affordability of LCD TVs and HD ready STBs is expected to increase the overall Average Revenue Per User in the coming years.



(Source: Company Reports, HDFC Sec Research)

The Indian Film Industry stood US$ 1.9 billion in overall industry revenues in 2010, indicating a decline of 6.7% with respect to 2009. The industry is expected to grow at a CAGR of 9.6% and reach US$ 2.6 billion in 2014. FY11 was a challenging year for the Indian film industry as most of the movies failed to create an impact on box office. 215 Hindi movies were released in 2010, compared to 235 in 2009, whereas there were 1,059 regional releases, compared to 1,053 in 2009. The number of movies ensured a reasonably consistent flow of content in Indian films, and there were no multiplex-producer standoff or prolonged back window for releases. However, lack of quality content and support from exhibitors and distributors resulted in a negative growth. The key growth drivers for the sector would include expansion of multiplex screens resulting in better realisations, an increase in the number of digital screens facilitating wider releases, higher cable and satellite revenues, improving collections from the overseas markets and ancillary revenue streams like DTH, digital downloads, etc, which are expected to emerge in future.

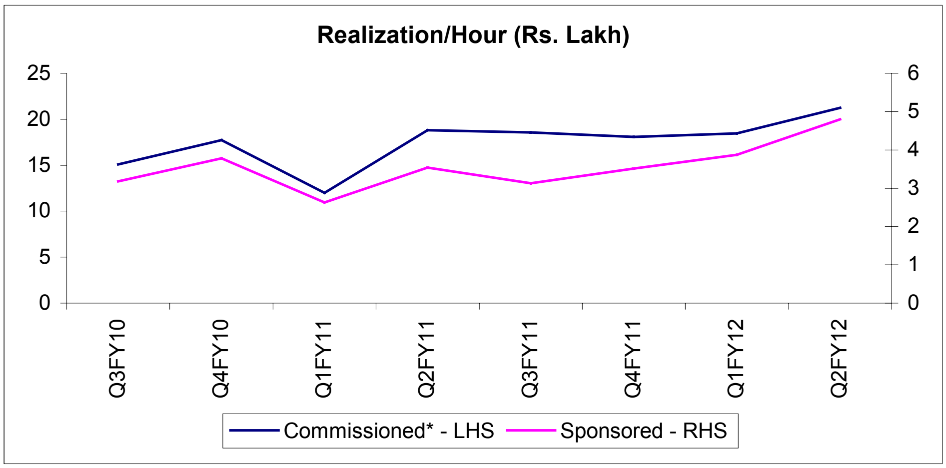
Investment Rationale

Cheap valuation and increasing realizations:

BTL had a dream run for several years up to 2008, when it terminated its contract with Star and cancelled 2 of India's most popular shows of all time. Since 2008 the company has been struggling to generate profits however, the money earned back then was invested in mutual funds leading to high investments to the tune of Rs. 176.1 cr in FY11. Total cash and investments per share are to the tune of Rs. 27.8 for FY11, a value not much lower than the current stock price. With reserve of Rs. 359.4 cr and no debt, the company has ample funds per share. While poor recurring profitability impedes on the ability of declaring higher distribution of dividends (current dividend yield of not more than 1%) it anyway has a buffer (of large cash reserves) for future ventures and/or undertaking shareholder friendly measures like buyback/special dividends etc.

Increasing ratings portend better times going ahead?

Realizations per hour of content have been increasing and are at their highest level in at least 2 years. An increase in realizations can be attributed to successful new TV shows, higher ratings, increase in ad spends by FMCG and other companies and higher ad rates for digital TV. While realizations have increased, the number of hours aired still remains low.



(Source: Company Reports, HDFC Sec Research)
*Does not include commissioned regional programs

There has also been an increase in realization in the feature film segment. With the increasing popularity of multiplexes and increasing purchasing power of the average man, average ticket prices have gone up.

Strong brand image and experienced management:

BTL has a reputed brand image as the leading television content provider of the industry. The promoter family, the Kapoors, are known as the first family of the television industry. Ekta Kapoor (Joint MD), Shobha Kapoor (MD) and Jitendra Kapoor (Chairman) have redefined Indian television and are responsible for the growth of the industry from its nascent stage in the 1980s to the giant it is today. With years of expertise in the film and television industry and with a motto to provide original content to a vast audience, the family is responsible for changing the dynamics of Indian television. Moreover, the promoters have hired experienced, successful individuals to head the separate units of the firm, reflecting the professionalism of the family. Experienced management also brings with it new ideas and strategies, which benefit BTL.

Exiting loss-making secondary businesses to concentrate on the core business:

BTL entered into binding business transfer agreements on December 29, 2011 to sell its Media Education business and its Mobile content production business for a consolidated consideration of Rs. 8.4 cr. The transaction will be effective on receipt of the full consideration within a period not exceeding 90 days. The Media Education and Mobile content production businesses were loss-making entities and the sale of the same shows BTL's intent to stick to its core business. Once completed, BTL will not be impacted by the losses in these businesses.

Good track record of original content in the television and film space:

BTL's creative and management teams work hard at providing original content and have thus far been successful. The company strives to source entertaining, new content and has been very successful at understanding the Indian market with all their shows featuring in the Top 50. ALT Entertainment, started to produce films for the youth, has also been very successful at sourcing unique stories that attract younger generations. We expect the creative and management teams to continue procuring strong original content that would entertain the masses.

Sale of disputed land writes off the company's responsibility to fulfil the liabilities associated to the land:

In FY11, BTL had invested amounts aggregating to Rs.48.0 cr in three adjacent plots of land admeasuring approximately 38,870 sq mtrs in aggregate, situated within the limits of Mira Bhayander Municipal Corporation. During that year itself, the company was made a party in a dispute with respect to the said plots of land between the original owner of the plots of land and another party, who claimed to have purchased the aforesaid plots of land at an earlier date. Recently, BTL announced the sale of the plots for an undisclosed amount. While we do not know the price of sale (and hence the profit/loss therefrom), we can at least be certain that the company has been freed from all the litigations associated with the plots and any related contingent liabilities.

Revenue split spread across various channels:

Till 2008 BTL had an exclusivity agreement with Star, which stated BTL could not produce prime time shows for any other GEC (General Entertainment Channel). Star paid the company a high premium for the exclusivity contract. When BTL's shows dropped in ratings in 2008, Star allotted the time slots to other production houses while BTL was restricted from selling its content to other GECs. This soured relations leading to a termination of the contract. While BTL had a tough year, the termination of the contract was good for the company in the long run. Now BTL has footprint across all Hindi GECs. Its shows are now becoming increasingly popular on all leading channels. Revenue share from Imagine is ~25%, Colors ~20%, Zee TV ~15% and Sony ~10%. The company has also rebuilt its relationship with Star and its serials are back on Star Plus. Its revenue model now is, therefore, far more robust and de-risked.

Own Studios and Sets and Plant & Machinery to give competitive edge:

BTL has owned studios and sets at Killick Nixion, Sankraman and Filmcity Studios with different settings at all sets to shoot its various shows. The company has a gross block of Rs. 149 cr, (including Rs.65 cr towards studios, sets and other equipment). The owned studios, sets and equipment reduce rental costs and provide a competitive edge.

Concerns

Soured relations with Star:

In 2004, Star India's Hong Kong-based parent Star Group Ltd, through its Dubai-based affiliate Asian Broadcasting FZ-LLC, bought a 21% stake in BTL in a preferential allotment @ Rs.90 per share, which was followed by an open offer, subsequent to which its shareholding went up to 25.9%. Star had entered into an exclusivity deal with BTL in 2004-05, under which the latter had to produce prime time shows for the channel. No other Hindi general entertainment channel was allowed to air BTL shows in that time band. Star had been paying a premium (reportedly over 200% above the market rates) for years for the exclusive time slots, but ratings for BTL shows slipped in 2008. Subsequently, Star replaced BTL shows with other productions, thereby reducing the channel's dependence on BTL. Star's joint venture with BTL to foray into the southern market also made no headway. The exclusivity agreement had been creating a strain between the two partners as Star wanted to try out new ideas and producers while BTL had many more buyers with a slew of GECs (general entertainment channels) launching. It was rumoured that Star was looking to sell its stake in BTL however, till date it has not been done.

Piracy erodes revenue:

Piracy is a major concern in the industry. Piracy of movies and TV shows in the forms of DVDs and online streaming leads to revenue erosion. People buy pirated CDs and stream movies online, thereby evading piracy laws, which are very difficult to implement. The original content provider is the largest loser in such cases as possible revenue is lost completely.

Forecasting revenues in the television and film space is very difficult as it is entirely dependant on the timing and acceptance of the masses:

The television and film space is very unpredictable due to the uncertainty of acceptance by audiences. TV shows, once well accepted, tend to generate good revenues for prolonged periods whereas movies usually generate most of their revenues within the first week itself. While the investment in both is usually large, the returns are uncertain. BTL has a good track record as an original content provider with several hit shows such as Kyunki Saas Bhi Kahi Bahu Thi, Kahaani Ghar Ghar Ki, Kasauti Zindagi Ki and Bade Acche Lagate Hai. Some of BTL's movies too, such as Once Upon A Time in Mumbai, Love Sex Aur Dhokha, Shor in the City, Ragini MMS and Dirty Picture, have offered good returns on investment. On the other hand the company has also had some flop shows and movies.

Movie releases are difficult to approximate. While BTL has announced several new projects and has even started working on some of them, the date of release remains unknown. Timing of release could affect a certain quarter or year's results. For instance, the revenue generated from feature films in FY11 was Rs. 41.7 cr vs Rs. 6.4 cr in FY10 and Rs. 42.6 cr in FY09.

Hence forecasting revenues and profitability for BTL is a difficult task.

Competition and change in viewer preference:

The Indian Media and Entertainment industry is highly competitive with several General Entertainment Channels (GECs) as well as several content providers for television and films. Understanding the demand and finding a niche is extremely difficult. While BTL's creative team is very experienced and has had several successful shows and films, the presence and potential threat of competition can never be ruled out.

Viewer preference is more or less the only factor affecting demand. BTL is known for its soaps, which are very common among older generations. With a change in generation, viewer preference could change, leading to less demand for household dramas. While BTL has diversified its movie business with the introduction of ALT Entertainment, which is targeted at the youth, it has not done so with its TV serial business. A change in consumer preferences and lack of diversity in supply could lead to lower revenues.

Reduced show lives:

Over the years, average show life has reduced significantly. In the 80s and 90s, TV shows ran successfully for years on end. Several shows such as Kyunki Saas Bhi Kabhi Bahu Thi and Kahaani Ghar Ghar Kii ran for ~8 years, with high profitability. These shows were among the highest rated shows for all those years. However, with a change in generation, TV show lives have reduced. The younger TV viewer needs change, something the older shows were unable to provide, leading to a drop in TRPs of those shows. Reduced show lives means faster churning of content, which leads to higher expenses, as more writers and creative designers have to be hired. It also means that content producers cannot keep encashing popularity of good shows for long.

Lot of churn in management team:

BTL changes its management quite frequently, especially the individual business heads. A quick rotation in management team could be harmful in two ways – 1) lack of project fulfilment and transition from one manager to another and 2) it could indicate the differences between the owner and the manager, a common hindrance in several firms.

Poor return ratios due to the large resources not generating enough revenues and profits:

BTL has low return ratios (in fact negative return ratios in FY11 due to losses) due to the under performing assets. While the company has several units that are loss making, it is currently in the process of disposing off non-profitable businesses. Moreover, our optimism on the stock is less for the prospects of its operations in the future (as those are very difficult to estimate) but more for its cheap valuation based on its current net worth and investments.

Recent financial performance has not been up to the mark:

BTL had a stellar run till FY08, after which revenues started declining. In FY10, revenue fell to nearly half that in FY08 and FY09. Revenues and profitability have become major concerns ever since. FY10 and FY11 were profitable at the operating level however, at the net level, both years were loss making. A major portion of the company's income is from interest received on outstanding investments as well as maturity of investments, leading to negative operating margins. Investments have been falling on a consolidated level from Rs. 215.7 cr in FY09 to Rs. 176.1 cr in FY11. Due to perpetual losses, the company's networth growth has been very muted (at the same level in FY11 as that in FY08) however, book value is still a healthy Rs. 57.1 as on March 31st, 2011. Working capital jumped in FY10 to nearly double that in previous years as loans and advances jumped while current liabilities fell.

BTL's consolidated net sales grew by 22.0% to Rs. 193.6 cr in FY11 from Rs. 158.7 cr in FY10. Consolidated operating profit fell by 58.7% to Rs. 9.8 cr in FY11 from Rs. 23.7 cr in FY10 largely on account of lower other income (Rs. 16.9 cr in FY11 vs Rs. 33.2 cr in FY10) and higher production expense. Operating profit margins rose 230 bps to –3.7% from –6.0% in FY10 due to lower other income. Consolidated PAT fell to Rs. –1.1 cr from Rs. 6.3 cr in FY10. Several loss-making operations were discontinued in the year.

BTL's Q2FY12 net sales fell by 6.9% to Rs. 35.5 cr from Rs. 38.1 cr in Q2FY11. The company reported an operating profit of Rs. 1.2 cr in Q2FY12 vs an operating loss in Q2FY11 of Rs. 3.6 cr. The total expenditure as a % of net sales has been over 100% for the past couple years. The operating margins were –4.2% vs –13.5% in Q2FY11. A lower depreciation expense (which decreased by 55.0% from Rs. 3.6 cr in Q2FY11 to Rs. 1.6 cr in Q2FY12) led to a smaller loss in the quarter of Rs. 0.7 cr vs a loss of Rs. 6.4 cr in Q2FY11. Sequentially, the net sales increased by 24.9% from Rs. 28.4 cr. The operating profit fell 90.8% due to lower other income, which fell from Rs. 16.1 cr in Q1FY12 to Rs. 2.7 cr in Q2FY12, attributable to maturing investments in Q1FY12. At the net level, the company fell from a profit of Rs. 9.6 cr in Q1FY12 to a loss of Rs. 0.7 cr in Q2FY12.

Sales Tax and Service Tax notices:

BTL received notices of demand in February 2011 from the Department of Sales Tax, Government of Maharashtra pertaining to the years 2000 to 2005. The department has sought to tax the sales revenue of the company under the 'Commissioned Programs' category to Sales Tax under the Bombay Sales Tax Act, 1959. The Company has appealed against the said order of the Sales Tax Officer to the Deputy Commissioner (appeals) and the same is pending adjudication to the tune of Rs.223.63 cr.

During the current and previous financial years, the Company received demand notices from the Office of the Commissioner of Service Tax, Mumbai (excluding Interest and penalty) pertaining to service tax for the period April 2006 to March 2010 on exports made to one of the customers of the Company. On appeal, the matter pertaining to the period April 2006 to March 2008 was adjudicated in favour of the Company. The Commissioner has further filed an appeal against the adjudication with the Customs, Excise & Service Tax Appellate Tribunal. The matter is pending hearing. The liability is to the tune of Rs.92.45 cr

Balaji Motion Pictures Ltd has an accumulated loss to the tune of Rs. 24.4 cr due to failure of its movies in FY09 and FY10. This impacts the consolidated numbers. Further there is no clarity as to by when these losses will be recouped by the subsidiary.

Peer Comparison

Company	Creative Eye			Mukta Arts			Cinevistaas			Balaji Telefilms		
	FY09	FY10	FY11	FY09	FY10	FY11	FY09	FY10	FY11	FY09	FY10	FY11
Net Sales	52.7	31.4	**12.9**	165.8	109.0	**209.9**	52.8	43.8	**33.4**	337.5	158.7	**193.6**
Operating Profit	-1.0	-0.4	**-0.5**	9.3	-14.9	**1.8**	5.7	5.1	**2.2**	35.2	23.7	**9.8**
OPM %	-4.8%	-6.1%	**-15.7%**	-6.0%	-17.9%	**-4.4%**	8.5%	10.2%	**4.2%**	4.8%	-6.0%	**-3.7%**
PAT	-4.0	-3.9	**-3.3**	-5.8	-30.7	**-17.5**	0.2	0.3	**-2.8**	0.5	6.3	**-1.1**
NPM %	-7.5%	-12.5%	**-25.6%**	-3.5%	-28.1%	**-8.3%**	0.3%	0.7%	**-8.4%**	0.1%	4.0%	**-0.6%**
Equity	10.0	10.0	**10.0**	11.3	11.3	**11.3**	11.5	11.5	**11.5**	13.0	13.0	**13.0**
EPS	-2.0	-2.0	**-1.6**	-2.6	-13.6	**-7.8**	0.0	0.1	**-0.5**	0.1	1.0	**-0.2**
Book Value	20.5	18.3	**16.7**	56.1	45.3	**42.6**	11.7	11.8	**11.3**	56.9	57.5	**57.1**
Market Cap	6.8	20.3	**11.2**	77.9	131.3	**79.6**	21.8	28.2	**21.5**	192.4	332.6	**214.9**
Mkt Cap/Sales	0.1	0.6	**0.9**	0.5	1.2	**0.4**	0.4	0.6	**0.6**	0.6	2.1	**1.1**
CMP	**4.2**			**34.0**			**3.1**			**36.8**		
(Cash + Inv)/share	**5.6**			**2.8**			**0.2**			**27.8**		
PE	**N/A**			**N/A**			**N/A**			**N/A**		
PBV	**0.3**			**0.8**			**0.3**			**0.6**		
EV/EBITDA	**N/A**			**78.8**			**17.4**			**3.4**		

Consolidated number used wherever available (Source: Capitaline, Company Reports, HDFC Sec Research)

Conclusion:

Balaji Telefilms Ltd (BTL) is the leading television production house, one of the main contributors responsible for the development of the television industry. The company has commissioned as well as sponsored shows and also diversified into film production. Some of the company’s shows and movies have been huge successes, reinforcing the belief that BTL is a leading content provider. A high book value and high cash and investments per share provide cushioning to the stock price, while a strong management and creative team ensure good future projects. The company recently sold a loss making business and a disputed land, thereby refocusing its attention on the core business. The Indian Media and Entertainment industry is poised to grow well over the next few years with increasing television penetration and rising realizations.

Uncertainty of the industry in the sense of difficulty in forecasting revenues, differences with Star network and immense competition for the primetime slots raise concerns about the future. The company’s subdued performance in the past 2 years adds to these concerns. However, we expect the company to pick up from here as its recent shows have been widely accepted and its movies have been doing well. Further it has also come out of businesses that were bleeding and ended a land dispute. The fact that some TV serials have recently topped TV ratings and the latest movie release has also done well imbibes confidence about the prospects of the company going forward and the company may be on the journey to rescale past glories.

While we cannot estimate financials going forward due to the inherent uncertainties in the business, we do expect a ~35-50% upside in the stock price from the current level of Rs. 36.75 in a matter of 2-3 quarters. This could be led by positive developments on launch of new serials, existing serials gaining more popularity, movie business seeing a turnaround, financial results for Q3FY12 and Q4FY12 being better, some partnerships being announced etc. However, if the stock falls and remains below Rs. 24 for a few weeks, the reasons therefore should be evaluated and a suitable decision must be taken on continuing/exiting the position.

Consolidated Financials

Quarterly Profit And Loss Account - Standalone:

Particulars (Rs. Cr)	Q2FY11	Q1FY12	%YoY	Q1FY12	% QoQ	Q4FY11	Q3FY11
Net Sales	35.5	38.1	-6.9%	28.4	24.9%	44.1	39.0
Other Operating Income	0.5	0.1	515.0%	0.1	258.3%	0.4	0.5
Other Income	2.7	1.6	70.6%	16.1	-83.3%	2.5	3.2
Total Income	38.6	39.7	-2.8%	44.7	-13.5%	47.0	42.7
Operating Expense	37.4	43.3	-13.5%	31.6	18.6%	44.9	39.9
Operating Profit	**1.2**	**-3.6**	**-133.7%**	**13.1**	**-90.8%**	**2.1**	**2.7**
OPM (%)	-4.2%	-13.5%	-	-10.6%	-	-0.8%	-1.1%
Interest	0.0	0.0	N/A	0.0	N/A	0.0	0.0
Depreciation	1.6	3.6	-55.0%	1.8	-8.7%	2.6	1.9
PBT	**-0.4**	**-7.2**	**-93.9%**	**11.3**	**-103.9%**	**-0.5**	**0.8**
Tax	0.3	-0.8	-132.2%	1.7	-84.4%	0.7	-0.4
PAT	**-0.7**	**-6.4**	**-89.0%**	**9.6**	**-107.3%**	**-1.1**	**1.2**
NPM (%)	-2.0%	-16.8%	-	34.0%	-	-2.6%	3.1%
EPS (Annualized)	**-0.1**	**-1.0**	**-89.0%**	**1.5**	**-107.3%**	**-0.2**	**0.2**
P/E	**-85.3**	**-9.4**	**-**	**6.2**	**-**	**-52.2**	**49.3**

(Source: Company Reports, HDFC Sec)

Annual Profit & Loss Account:

Particulars (Rs. Cr)	FY08	FY09	FY10	FY11	%YoY
Net Sales	378.4	337.5	158.7	193.6	22.0%
Other Income	17.5	18.9	33.2	16.9	-49.1%
Total Income	**395.9**	**356.4**	**191.9**	**210.5**	**9.7%**
Operating Expense	243.5	321.2	168.2	200.7	19.4%
% of sales	*64.3*	*95.2*	*106.0*	*103.7*	-
Operating Profit	**152.5**	**35.2**	**23.7**	**9.8**	**-58.7%**
OPM %	*35.7*	*4.8*	*-6.0*	*-3.7*	-
Interest	0.0	0.0	0.0	0.0	-
Depreciation	12.9	23.6	10.4	11.2	8.2%
PBT	**139.6**	**11.7**	**13.4**	**-1.4**	**-110.7%**
Net Tax	44.0	11.2	7.1	-0.4	-105.0%
Effective Tax Rate %	*31.5*	*95.9*	*52.9*	*24.5*	-
PAT	**95.6**	**0.5**	**6.3**	**-1.1**	**-117.2%**
NPM %	*25.3*	*0.1*	*4.0*	*-0.6*	-
EPS	**14.7**	**0.1**	**1.0**	**-0.2**	**-117.2%**
P/E	**2.5**	**504.4**	**38.1**	**-221.9**	**-**

(Source: Company Reports, HDFC Sec)

Balance Sheet:

Particulars (Rs. Cr)	FY08	FY09	FY10	FY11
SOURCES OF FUNDS				
Shareholders' Funds:				
Capital	13.0	13.0	13.0	13.0
Reserves & Surplus	359.8	358.0	362.0	359.4
	372.9	371.1	375.1	372.5
Loan Funds:	0.0	0.0	0.0	0.0
Net Deferred Tax	4.3	-4.3	0.9	-0.1
Total	**377.2**	**366.8**	**376.0**	**372.4**

APPLICATION OF FUNDS				
Fixed Assets:				
Gross Block	94.8	98.3	149.0	148.9
Depreciation	50.5	57.7	67.6	63.1
Net Block	44.3	40.6	81.5	85.8
Capital WIP	17.7	51.4	2.9	0.1
	62.0	92.0	84.4	85.9
Investments	219.7	215.7	179.8	176.1
Current Assets:				
Inventories	18.4	9.2	24.7	12.8
Sundry Debtors	74.7	50.7	59.9	52.1
Cash & Bank Balances	8.3	11.8	4.1	5.1
Loans & Advances	69.0	30.3	52.1	68.3
	170.5	102.1	140.8	138.4
Current Liabilities	47.6	40.0	24.4	26.2
Provisions	27.4	3.1	4.6	1.8
	75.0	43.0	29.0	28.0
Net Current Assets	95.5	59.1	111.8	110.4
Total	**377.2**	**366.8**	**376.0**	**372.4**

(Source: Company Reports, HDFC Sec)

Key Ratios:

Particulars	FY08	FY09	FY10	FY11
RoCE	25.3	0.1	1.7	-0.3
RoA	25.3	0.1	1.7	-0.3
RoNW	25.6	0.1	1.7	-0.3
P/E	2.5	504.4	38.1	-221.9
Price/BV	0.6	0.6	0.6	0.6
EV/EBITDA	6.9	-1.0	6.3	3.4
Mkt Cap/Sales	3.4	0.6	2.1	1.1
EV/Sales	2.8	-0.1	0.9	0.2
D/E(Total)	0.0	0.0	0.0	0.0
Inventory (days)	27.7	15.7	36.8	34.1
Debtors (days)	72.1	67.8	127.2	105.6
Creditors (days)	134.0	118.1	123.3	96.6
(Cash + Inv)/share	35.0	34.9	28.2	27.8

(Source: Company Reports, HDFC Sec)

Segmental Results:

	Commissioned		Sponsored		Feature Films		Total	
	FY10	FY11	FY10	FY11	FY10	FY11	FY10	FY11
Revenue	128.4	129.1	24.4	22.8	6.4	41.7	159.2	193.6
PBIT	46.8	29.8	4.6	6.1	-8.9	2.9	42.5	38.8
PBIT %	36.4%	23.1%	18.8%	26.8%	-139.2%	7.0%	26.7%	20.0%
Segment Assets	122.7	78.6	8.4	9.7	41.6	32.3	172.8	120.6
Segment Liabilities	11.5	16.9	1.0	1.8	2.4	1.4	14.9	20.1

(Source: Company Reports, HDFC Sec)

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