

January 23, 2008

|                |              |
|----------------|--------------|
| Rating         | Outperformer |
| Price          | Rs265        |
| Target Price   | Rs292        |
| Implied Upside | 10.2%        |
| Sensex         | 16,730       |

(Prices as on January 22, 2008)

#### Trading Data

|                         |       |
|-------------------------|-------|
| Market Cap. (Rs bn)     | 17.3  |
| Shares o/s (m)          | 65.2  |
| Free Float              | 32.7% |
| Avg. Daily Vol ('000)   | 38.5  |
| Avg. Daily Value (Rs m) | 12.2  |

#### Major Shareholders

|                 |       |
|-----------------|-------|
| Promoters       | 40.0% |
| Foreign         | 10.7% |
| Domestic Inst.  | 13.3% |
| Public & Others | 36.0% |

#### Stock Performance

| (%)      | 1M     | 6M     | 12M   |
|----------|--------|--------|-------|
| Absolute | (22.3) | 0.5    | 104.1 |
| Relative | (14.1) | (11.3) | 79.4  |

Price Performance (RIC: BLTE.BO, BB: BLJT IN)



Source: Bloomberg

- **Revenue declines 6%, earnings 14% YoY:** BTL's Q3FY08 results failed to impress by reporting a 6% decline in revenue to Rs800m YoY. Operating margin slid by 687bps to 33.2%, mainly due to increase in production costs on account of launch of three new programmes. As a result earnings declined by 14% YoY to Rs188m.
- **Three new soaps launched:** The company launched three new programmes during the quarter (two on 9x and one on Sony). Due to which the company witnessed a decline in realisations (16% QoQ) and an increase in production costs (22% QoQ), we expect realisations to catch up by Q4FY08E, once the soaps start generating TRPs.
- **Star JV launch delayed:** BTL proposed to launch its first regional programme under a JV with Star TV in Q3FY08; however, our interaction with the management indicates that the launch of the same has been postponed to late Q4FY08E or probably Q1FY09E. This delay was primarily due to the JV not getting regulatory approvals as expected earlier. We have not built in any contributions from the JV during FY08E.
- **Outlook & Valuation:** With the launch of two new GECs (9x & Imagine) and with Viacom-18 in the offing, we believe demand for content would remain robust; however, realisations would marginally decline. The film production division of the company continues to do well (two hits out of three releases); it also has an impressive slate of movies for FY09E. We value BTL's core business at 18x FY09E earnings, hence a target price of Rs292; we have still not assigned a value for the film production business due to lack of clarity, however we maintain that it does hold potential to warrant a re-rating of the stock. We maintain Outperformer rating with 14% revenue and 16% earnings CAGR over FY07-09E.

| Key financials (Y/e March) | FY06  | FY07  | FY08E | FY09E |
|----------------------------|-------|-------|-------|-------|
| Revenue (Rs m)             | 2,804 | 3,175 | 3,345 | 4,129 |
| Growth (%)                 | 42.5  | 13.2  | 5.4   | 23.4  |
| EBITDA (Rs m)              | 937   | 1,196 | 1,271 | 1,621 |
| PAT (Rs m)                 | 596   | 797   | 833   | 1,053 |
| EPS (Rs)                   | 9.14  | 12.2  | 12.8  | 16.2  |
| Growth (%)                 | 20.2  | 33.7  | 4.5   | 26.4  |
| Net DPS (Rs)               | 3.0   | 3.5   | 3.0   | 3.0   |

Source: Company Data; PL Research

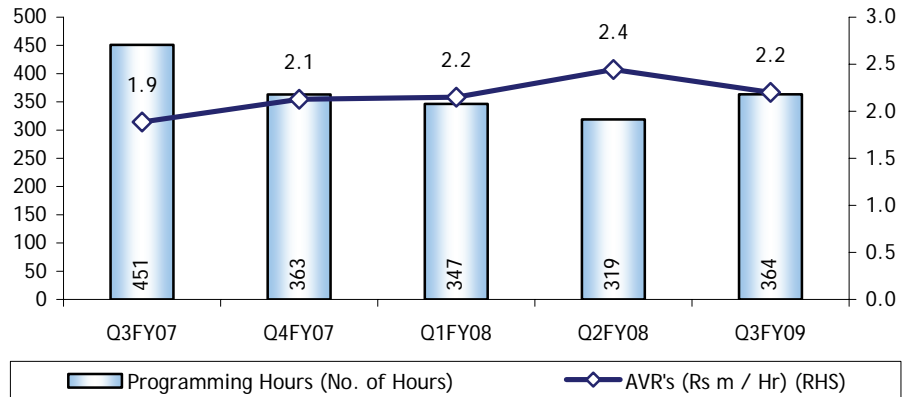
| Profitability & valuation | FY06 | FY07 | FY08E | FY09E |
|---------------------------|------|------|-------|-------|
| EBITDA margin (%)         | 33.4 | 37.7 | 38.0  | 39.3  |
| RoE (%)                   | 25.7 | 28.7 | 24.9  | 25.9  |
| RoCE (%)                  | 25.2 | 28.3 | 24.5  | 25.6  |
| EV / sales (x)            | 6.1  | 5.4  | 5.1   | 4.0   |
| EV / EBITDA (x)           | 18.4 | 14.4 | 13.4  | 10.2  |
| PE (x)                    | 29.0 | 21.7 | 20.7  | 16.4  |
| P / BV (x)                | 6.9  | 5.7  | 4.7   | 3.9   |
| Net dividend yield (%)    | 1.1  | 1.3  | 1.1   | 1.1   |

Source: Company Data; PL Research

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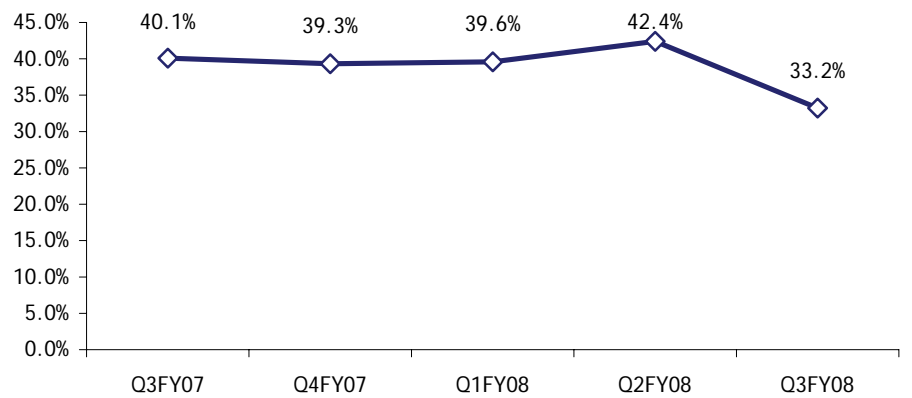
## Highlights

### Quarterly PH & AVR trends



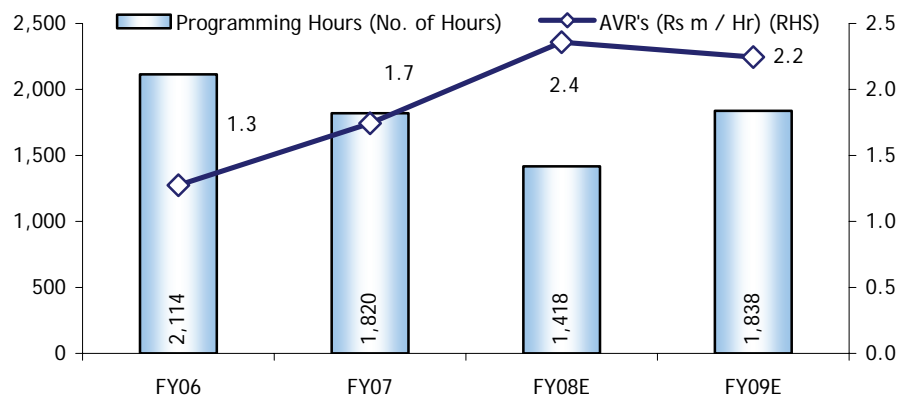
Source: Company Data, PL Research

### Decline in margins due to new programme launches



Source: Company Data, PL Research

### Yearly PH & AVR trends



Source: Company Data, PL Research



## Q3FY08 result overview

(Rs m)

| Y/e March                    | Q3FY08      | Q3FY07      | YoY gr. (%) | Q2FY08      | 9MFY08      | 9MFY07      | YoY gr. (%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net revenue                  | 800         | 850         | (5.9)       | 779         | 2,325       | 2,401       | (3.2)       |
| Cost of prod./telecast fees  | 420         | 398         | 5.4         | 345         | 1,110       | 1,230       | (9.8)       |
| Staff cost                   | 33          | 42          | (22.2)      | 34          | 97          | 85          | 14.0        |
| Other expenditure            | 81          | 69          | 17.8        | 70          | 226         | 194         | 16.4        |
| Total expenditure            | 534         | 509         | 4.8         | 449         | 1,433       | 1,509       | (5.0)       |
| Operating profit             | 266         | 341         | (22.1)      | 330         | 891         | 891         | (0.0)       |
| <i>Operating margins (%)</i> | <i>33.2</i> | <i>40.1</i> |             | <i>42.4</i> | <i>38.3</i> | <i>37.1</i> |             |
| Other income                 | 37          | 13          | 188.9       | 64          | 125         | 57          | 119.9       |
| Depreciation                 | 30          | 29          | 2.2         | 31          | 93          | 84          | 10.1        |
| Interest                     | -           | -           |             | -           | -           | 0           |             |
| PBT                          | 273         | 325         | (15.9)      | 364         | 924         | 864         | 6.9         |
| Tax                          | 85          | 107         | (20.8)      | 101         | 288         | 280         | 3.2         |
| <i>Tax rate (%)</i>          | <i>31.0</i> | <i>32.9</i> |             | <i>27.8</i> | <i>31.2</i> | <i>32.4</i> |             |
| Adjusted PAT                 | 188         | 218         | (13.6)      | 263         | 635         | 584         | 8.7         |

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#### PL's Recommendation Nomenclature

|                              |                                      |                            |  |
|------------------------------|--------------------------------------|----------------------------|--|
| <b>BUY</b>                   | : > 15% Outperformance to BSE Sensex | <b>Outperformer (OP)</b>   | : 5 to 15% Outperformance to Sensex        |
| <b>Market Performer (MP)</b> | : -5 to 5% of Sensex Movement        | <b>Underperformer (UP)</b> | : -5 to -15% of Underperformance to Sensex |
| <b>Sell</b>                  | : <-15% Relative to Sensex           |                            |  |
| <b>Not Rated (NR)</b>        | : No specific call on the stock      | <b>Under Review (UR)</b>   | : Rating likely to change shortly          |

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