

May 22, 2008

Rating	Under Performer
Price	Rs172
Target Price	Rs170
Implied Upside	-0.1%
Sensex	16,907

(Prices as on May 22, 2008)

Trading Data

Market Cap. (Rs bn)	11.2
Shares o/s (m)	65.2
Free Float	60.0%
3M Avg. Daily Vol ('000)	121.8
3M Avg. Daily Value (Rs m)	22.9

Major Shareholders

Promoters	40.0%
Foreign	13.6%
Domestic Inst.	11.6%
Public & Others	34.8%

Stock Performance

(%)	1M	6M	12M
Absolute	(0.9)	(4.7)	(30.0)
Relative	(1.6)	(38.9)	(47.0)

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



Source: Bloomberg

■ **Result highlights:** BTL's Q4FY08 results positively surprised us with a 25% YoY growth from Rs774 mn to Rs965 mn. Operating margins however, declined by 330 bps from 39.3% to 36%, earnings as a result grew by 12% from Rs213 mn to Rs239 mn.

For FY08 revenues grew by a meagre 4% from Rs3.18bn to Rs3.29bn, margins remain flat at 37.7%; earnings recorded a growth of 10% from Rs797mn to Rs874mn.

■ **Star JV may be called off:** Star and BTL had entered into a 51:49 JV to launch regional GEC's, however, with over a year gone by there seems to be no activity on that front, the management of BTL opines that it may be called off. This we believe is negative for BTL, since it had dedicated resources towards this JV, and also withdrawn its shows from Sun TV's associate channels. This will result in it having to start afresh with its relations with Sun TV.

■ **Outlook & Valuation:** Going forward we believe that growth for BTL will be volume led and not realization driven. This is evident from Q4'08 results where volumes have increased by 20% but realizations have grown by only 3%. Since TRP's of BTL leading soaps have declined and newer soaps have not been able to garner any considerable eyeballs. For FY09E we expect programming hours to increase by 35% from 1464 to 1971, however realizations are likely to decline by 20% from Rs2.25mn/hr to Rs1.78mn/hr. With newer GEC's we believe demand for content will increase however, realizations will not match upto that of Star's. We maintain our Under Performer rating on the stock and target price of Rs170 (15x FY09E).

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenues (Rs m)	3,175	3,290	3,504	3,595
Growth (%)	13.2	3.6	6.5	2.6
EBITDA (Rs m)	1,196	1,239	1,113	1,195
PAT (Rs m)	797	874	762	791
EPS (Rs)	12.2	13.4	11.7	12.1
Growth (%)	33.7	9.6	(12.8)	3.8
Net DPS (Rs)	3.5	3.5	2.5	3.0

Source: Company Data; PL Research

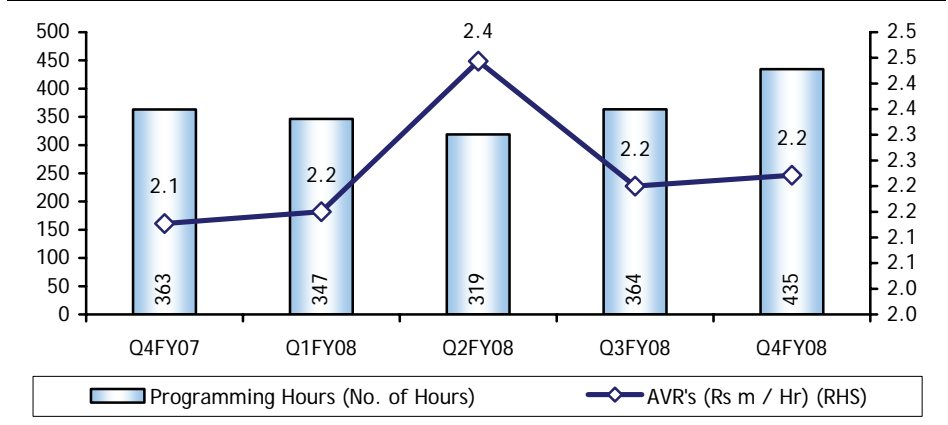
Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	37.7	37.7	31.8	33.3
RoE (%)	28.7	26.1	19.3	17.5
RoCE (%)	28.3	25.7	19.1	17.3
EV / sales (x)	3.5	3.3	3.0	2.8
EV / EBITDA (x)	9.3	8.8	9.4	8.3
PE (x)	14.1	12.8	14.7	14.2
P / BV (x)	3.7	3.1	2.6	2.3
Net dividend yield (%)	2.0	2.0	1.5	1.7

Source: Company Data; PL Research

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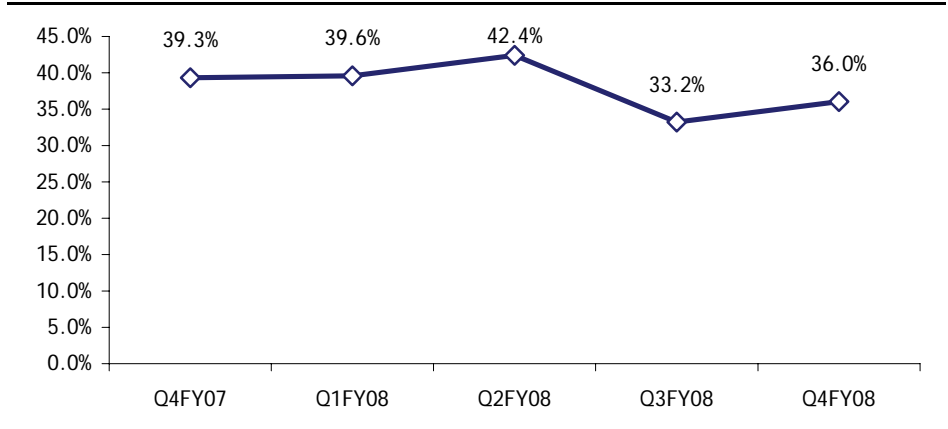
Highlights

Quarterly PH & AVR trends



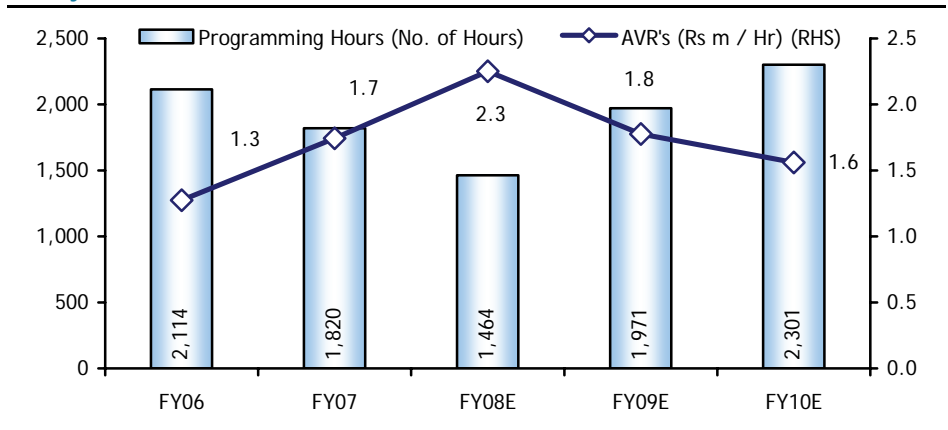
Source: Company Data, PL Research

Decline in margins due to new programme launches



Source: Company Data, PL Research

Yearly PH & AVR trends



Source: Company Data, PL Research



Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q4FY07	YoY gr. (%)	Q3FY08	FY07	FY08	YoY gr. (%)
Net revenues	965	774	24.7	800	3,175	3,290	3.6
Cost of prod./telecast fees	502	397	26.5	420	1,627	1,612	(0.9)
Staff cost	39	30	28.1	33	116	136	17.7
Other expenditure	77	42	80.6	81	236	302	28.0
Total expenditure	617	470	31.5	534	1,979	2,051	3.6
Operating profit	348	304	14.3	266	1,196	1,239	3.6
<i>Operating margins (%)</i>	<i>36.0</i>	<i>39.3</i>		<i>33.2</i>	<i>37.7</i>	<i>37.7</i>	
Other income	47	37	27.7	37	94	173	83.6
Depreciation	34	28	21.4	30	112	127	12.9
Interest	-	-		-	0	-	
PBT	361	313	15.2	273	1,177	1,285	9.1
Tax	123	101	21.8	85	380	411	8.1
<i>Tax Rate (%)</i>	<i>33.9</i>	<i>32.1</i>		<i>31.0</i>	<i>32.3</i>	<i>32.0</i>	
Adjusted PAT	239	213	12.1	188	797	874	9.6



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PL's Recommendation Nomenclature

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

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