



## NEUTRAL

Price	Rs49
Target Price	-
Investment Period	-

### Stock Info

Sector	Media
Market Cap (Rs cr)	318
Beta	0.7
52 WK High / Low	200/25
Avg Daily Volume	279,405
Face Value (Rs)	2

BSE Sensex	15,173
Nifty	4,514

BSE Code	532382
NSE Code	BALAJITELE
Reuters Code	BLTE.BO
Bloomberg Code	BLJT @IN

### Shareholding Pattern (%)

Promoters	40.1
MF/Banks/Indian FIs	20.6
FII/ NRIs/ OCBs	27.5
Indian Public	11.8

Abs.	3m	1yr	3yr
Sensex (%)	33.1	10.0	41.2
Balaji Tele (%)	10.4	(71.9)	(55.4)

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## Performance Highlights

- Fall in Top-line continues, declines 57%:** For 1QFY2010, Balaji Telefilms (BTL) posted a 56.6% yoy decline in Top-line to Rs39.7cr (Rs91.6cr), on a standalone basis, owing to a dip in commissioned programming hours by 47.7% yoy to 144.5 hours (shows called off in yoy terms). Moreover, realisations in commissioned programming dipped 25.4% yoy to Rs2.3mn (Rs3.1mn) owing to high-realisation shows going off air, further denting the Top-line. On a sequential basis, total programming hours fell 29.6% to 267 hours driven by a 25% qoq fall in commissioned programming hours. However, a 14.1% qoq jump in average realisations (partly aided by better realisations in sponsored programming) limited the qoq fall in Top-line to 19.6%. During the quarter, the company launched two new shows (*Pavitra Rishta* on Zee and *Brahmamudi* on Gemini) and currently runs 11 serials on various channels.
- Operating performance deteriorates:** On the Operating front, the company registered a steep 89.8% yoy fall in Operating Profit to Rs3.2cr (Rs31.8cr) on account of Margins plunging by 2,651bp due to weak Top-line, which resulted in a significant jump in the cost of Production (increased by 1,170bp yoy though partially aided by launch of new shows), 630bp yoy spurt in Staff costs and 851bp rise in Other expenditure.
- Earnings dip 60%:** In terms of Earnings, the company registered a decline in Bottom-line by 59.7% yoy to Rs9.0cr (Rs22.3cr), but registered a significant improvement qoq from a Loss of Rs14.3cr in 4QFY2009 (impacted due to one-off items like higher Depreciation and provision for INX Media losses). During 1QFY2010, lower Depreciation charges (down 26.7% yoy) and a significant 131% yoy jump in Other Income to Rs9.9cr (Rs4.3cr) restricted further decline in Bottom-line.

### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>378.4</b>	<b>337.5</b>	<b>201.8</b>	<b>268.1</b>
% chg	18.2	(10.8)	(40.2)	32.8
<b>Net Profit</b>	<b>96.1</b>	<b>0.8</b>	<b>27.1</b>	<b>35.9</b>
% chg	21.3	(99.1)	-	32.7
OPM (%)	35.7	4.8	11.4	14.7
<b>EPS (Rs)</b>	<b>14.7</b>	<b>0.1</b>	<b>4.2</b>	<b>5.5</b>
P/E (x)	3.3	387.9	11.8	8.9
P/BV (x)	0.9	0.9	0.9	0.8
RoE (%)	25.8	0.2	7.3	9.4
RoCE (%)	32.3	(2.0)	2.4	6.3
EV/Sales (x)	0.2	0.3	0.3	0.3
EV/EBITDA (x)	0.7	5.6	2.6	1.9

Source: Company, Angel Research

**Key Highlights**

- **Programming Hours decline both qoq and yoy:** During the quarter, the commissioned programming hours fell by 25.3% qoq to 144.5 hours from 193.5 hours as two shows - *Karam Apnaa Apnaa* and *Kasturi* (Star Serials) - went off air. The sponsored programming hours also declined 34% qoq to 122.5 hours as two serials - *Kankanna* (Udaya TV) and *Kottukaari* (Surya TV) - went off air during the quarter. However, during 1QFY2010, the company launched two new shows (*Pavitra Rishta* on Zee and *Brahmamudi* on Gemini). BTL currently has six shows running on commissioned model (2 on Star, 2 on NDTV Imagine, 1 on Colors and 1 on Zee) and five shows running on sponsored model.
- **Realisations impacted:** BTL continued to face downward pressure in realisations on yoy terms owing to discontinuation of its high yielding shows (*Kyunki* and *Kahaani*) and addition of new serials (command lower realisations). However, commissioned realisation per hour improved 4.5% qoq to Rs2.30mn whereas sponsored realisation per hour improved 43.1% qoq to Rs0.53mn. Average realisations improved by 14.1% qoq to Rs1.49mn (Rs1.3mn).

**Exhibit 1: Operational Highlights – Programming Hours and Realisations**

	1QFY2010	1QFY2009	% chg	4QFY2009	% chg
<b>Revenues (Rs cr)</b>					
Commissioned	33.2	85.1	(61.0)	42.5	(21.9)
Sponsored	6.5	6.5	(0.1)	6.9	(5.5)
Total Sales	39.7	91.6	(56.6)	49.4	(19.6)
<b>Programming Hours</b>					
Commissioned	144.5	276.5	(47.7)	193.5	(25.3)
Sponsored	122.5	130.0	(5.8)	185.5	(34.0)
Total Hrs of Programming	267.0	406.5	(34.3)	379.0	(29.6)
<b>Realisation/Hour (Rs mn)</b>					
Commissioned	2.30	3.08	(25.4)	2.20	4.5
Sponsored	0.53	0.50	6.1	0.37	43.1
Avg Realisation	1.49	2.25	(34.0)	1.30	14.1

Source: Company, Angel Research

### **Outlook and Valuation**

We believe BTL is going through extremely tough times owing to its ongoing tussle with Star, lack of demand for its content and falling realisations. FY2009 (particularly 2HFY2009) turned out to be an exceptionally bad year for BTL as all its key shows were called off. It registered one-off losses due to content provided to INX Media (Rs27.8cr including provisions and set costs) and incurred substantial losses in its Movie business (Rs23.3cr) as well.

Going ahead, we expect BTL's financial performance to remain under pressure owing to low visibility of its programming slate (3 out of 5 commissioned shows on-air were launched in 4QFY2009) and dipping realisations. We expect BTL to report de-growth in consolidated Top-line by 11% on a compounded basis over FY2009-11E as we expect commissioned revenues (which contribute 80% to total revenues) to de-grow by 13.6% on a compounded basis over the mentioned period.

In its Movie business, we expect BTL's subsidiary, Balaji Motion Pictures, to contribute Rs20cr and Rs30cr in FY2010E and FY2011E respectively, to consolidated Top-line. On the Operating front, we expect BTL to witness severe pressure on Margins, which are likely to dip in mid-teens owing to deteriorating yields of its shows. Moreover, investments in Movie business and venturing into New Media business (Mobile and Internet) are only likely to drag BTL's Profitability in the near term. However, higher Other Income (driven by surplus cash balance of Rs230cr) coupled with lower Tax rate (due to losses in Movie business) should partially aid Net Margins.

**While we believe that the worst is factored in BTL's stock price (given its 23% underperformance vis-à-vis Sensex over the last three months), given its limited show pipeline, poor visibility in the Movie business and lack of demand for its content, we recommend a Neutral rating on the stock.**

**Moreover, an exodus of Top level Management, the ongoing tussle with Star, lack of clarity over dues from INX Media and the recent demand from the Sales Tax Authorities (Rs55cr Sales Tax dues for previous year) are likely to weigh heavily on the stock. Nonetheless, upside risks to our estimates include: 1) Demand revival for BTL's content and 2) Successful ramp up in TRPs for current slate.**

**Exhibit 2: 1QFY2010 Performance (Standalone)**

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>39.7</b>	<b>91.6</b>	<b>(56.6)</b>	<b>294.9</b>	<b>329.0</b>	<b>(10.4)</b>
Cost of Prod	24.4	45.7	(46.5)	180.7	161.2	12.1
(% of sales)	61.5	49.8		61.3	49.0	
Staff cost	4.2	3.9	6.7	13.2	13.6	(3.0)
(% of sales)	10.6	4.3		4.5	4.1	
Other expenditure	7.8	10.2	(23.6)	61.3	30.2	102.6
(% of sales)	19.7	11.2		20.8	9.2	
<b>Total Expenditure</b>	<b>36.5</b>	<b>59.8</b>	<b>(39.1)</b>	<b>255.2</b>	<b>205.1</b>	<b>24.4</b>
<b>Operating Profit</b>	<b>3.2</b>	<b>31.8</b>	<b>(89.8)</b>	<b>39.8</b>	<b>123.9</b>	<b>(67.9)</b>
OPM (%)	8.2	34.7		13.5	37.7	
Interest	-	-		-	-	
Depreciation	2.5	3.4	(26.7)	23.5	12.7	85.2
Other Income	9.9	4.3	131.0	21.3	17.3	23.1
<b>PBT (excl. Ext Items)</b>	<b>10.6</b>	<b>32.6</b>	<b>(67.4)</b>	<b>37.5</b>	<b>128.5</b>	<b>(70.8)</b>
Ext Income/(Expense)	-	-		(0.3)	(0.5)	
<b>PBT (Incl. Ext Items)</b>	<b>10.6</b>	<b>32.6</b>	<b>(67.4)</b>	<b>37.2</b>	<b>127.9</b>	<b>(70.9)</b>
(% of Sales)	26.8	35.6		12.6	38.9	
Provision for Taxation	1.7	10.4	(83.9)	10.8	40.6	(73.3)
(% of PBT)	15.7	31.8		29.2	31.7	
<b>Recurring PAT</b>	<b>9.0</b>	<b>22.3</b>	<b>(59.7)</b>	<b>26.7</b>	<b>87.9</b>	<b>(69.7)</b>
PATM (%)	22.6	24.3		9.0	26.7	
<b>Reported PAT</b>	<b>9.0</b>	<b>22.3</b>	<b>(59.7)</b>	<b>26.3</b>	<b>87.4</b>	<b>(69.9)</b>
Equity shares (cr)	6.5	6.5		6.5	6.5	
<b>EPS (Rs)</b>	<b>1.4</b>	<b>3.4</b>		<b>4.0</b>	<b>13.4</b>	

Source: Company, Angel Research

**Key Assumptions (Consolidated)**
**Exhibit 3: Revenue Growth**

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Commissioned Revenues	300.8	268.4	151.0	200.6
Sponsored Revenues	28.2	26.5	27.7	32.4
Others (Incl Movie Biz)	33.8	42.6	23.0	35.0
<b>Total Operating Revenues</b>	<b>362.8</b>	<b>337.5</b>	<b>201.8</b>	<b>268.1</b>
<b>Yoy Growth (%)</b>				
Commissioned Revenues	2.7	(10.8)	(43.7)	32.8
Sponsored Revenues	14.4	(5.9)	4.8	16.8
Others (Incl Movie Biz)	-	25.9	(46.0)	52.2
<b>Total Operating Revenues</b>	<b>2.5</b>	<b>(7.0)</b>	<b>(40.2)</b>	<b>32.8</b>
<b>Segmental Contribution (%)</b>				
Commissioned Revenues	82.9	79.5	74.9	74.9
Sponsored Revenues	7.8	7.8	13.8	12.1
Others (Incl Movie Biz)	9.3	12.6	11.4	13.1

Source: Company, Angel Research

**Exhibit 4: Programming Hours**

Y/E March	FY2008	FY2009	FY2010E	FY2011E
Commissioned	918	934	644	813
Sponsored	653	568	546	605
<b>Total Hours</b>	<b>1,571</b>	<b>1,501</b>	<b>1,190</b>	<b>1,418</b>
<b>Yoy Growth (%)</b>				
Commissioned	(13.4)	1.7	(31.0)	26.3
Sponsored	(14.0)	(13.0)	(3.8)	10.8
<b>Total Hours</b>	<b>(13.7)</b>	<b>(4.4)</b>	<b>(20.7)</b>	<b>19.2</b>

Source: Company, Angel Research

**Exhibit 5: Realisation**

Y/E March (Rs mn)	FY2008	FY2009	FY2010E	FY2011E
Commissioned	3.28	2.88	2.35	2.47
Sponsored	0.43	0.47	0.51	0.54
<b>Avg Realisation</b>	<b>2.09</b>	<b>1.74</b>	<b>1.50</b>	<b>1.64</b>
<b>Yoy Growth (%)</b>				
Commissioned	18.7	(12.2)	(18.4)	5.1
Sponsored	33.1	8.1	9.0	5.4
<b>Avg Realisation</b>	<b>20.1</b>	<b>(16.7)</b>	<b>(13.9)</b>	<b>9.3</b>

Source: Company, Angel Research


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<b>Ratings (Returns) :</b>	<b>Buy (Upside &gt; 15%)</b>	<b>Accumulate (Upside upto 15%)</b>	<b>Neutral (5 to -5%)</b>
	<b>Reduce (Downside upto 15%)</b>	<b>Sell (Downside &gt; 15%)</b>	