

Balaji Telefilms

Market Cap (Rs. Cr) **828.04**

52 Week-H/L(Rs) **196.95 / 95.00**

CMP Rs. **127.00**

Target Price Rs. **160/190**

Bloomberg [BLJT@IN](#)

Reuters

[BLTE.BO](#)

BSE **532382**

NSE

[BALAJITELE](#)

Investment Arguments

Balaji Telefilms is India's leading television content provider. It derives 96% of its revenues from **Commissioned based programming** and **Sponsored programmes** for Television channels and the rest is derived from other activities like feature films. The company is a **ZERO-DEBT company** and being cash rich, always gives hefty dividends. Majority of the holdings is with Foreign institutions and OCBs, apart from promoters.

1) Leadership position – having presence of 22 of its programmes in the top 25 across Hindi cable and satellite channels. Balaji Telefilms accounted for 79% of the aggregate TRPs during weekday prime time shows (across the top 100 Hindi cable and satellite shows) and continued to occupy over 50 of the top 100 TRP slots. **2) Structural changes in the delivery model** like DTH, IP-TV, CAS will help quality content providers. Balaji Telefilms being the leader will definitely get the most out of these structural change. **3) Strategic Alliance with its biggest customer** – Majority of BTs' revenues come from Star. **Star has a 26% stake (through Asian Broadcasting FZ) in BT** which further deepens the relation and can act as a cushion for Balaji Telefilms incase some of its programmes slip down on TRP ratings. **4) New opportunities in movies segment** – Balaji Telefilms has ventured into film production mostly small and medium sized films. **Company is planning to release 5-6 films in current year**, which will give additional revenue and profits. In future also it targets to release 5-6 films annually. **5) Net Cash and Cash Equivalents** of Rs. 157.25 crores in liquid investments and Rs.6.23 crs in bank. This translates to Rs.25.07 per share. **6) Focus on derisking its business model** by entering into genres (other than soaps) like reality shows, animation, adfilms, mythological programmes, low budget films. BT is also focussing on increasing the share of regional languages in the overall content pie. company is also setting up a subsidiary to **produce serials for Middle East markets**.

Company is in negotiation with STAR group which is planning to set up a **JV to produce TEUGU programmes for southern markets** and is willing to offer 26% stake to Balaji. This will give a fresh booster to growth potential of company in south.

The company is likely to perform well in coming years. **Balaji Telefilms is not only market leader but a consistent performer on financial front. At a PE of around 10x for FY07E earnings, this media stock looks very attractive. BUY**

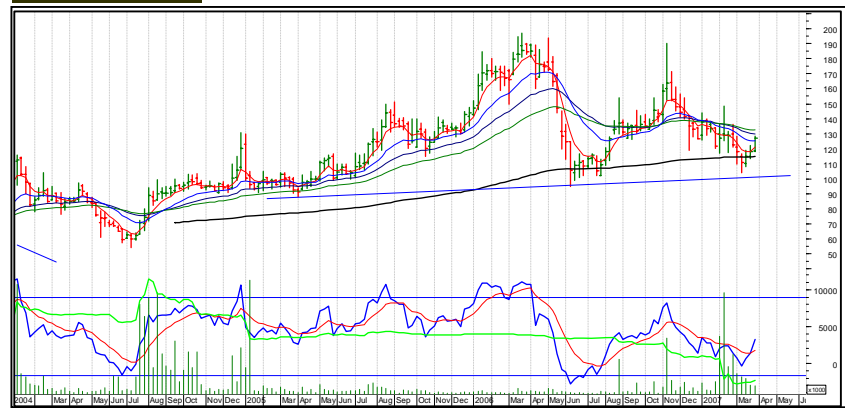
Financials for the year ended (in Rs. Crores)

Particulars	Mar 05	Mar 06	Mar 07 E
Gross Sales	196.75	280.37	340.00
PBIDT	72.29	102.34	116.00
Interest	0.19	0.05	0.10
Depreciation	9.74	14.33	12.00
PAT	41.30	59.42	77.00
EPS (in Rs)	6.33	9.11	11.81
CEPS (in Rs)	7.83	11.31	13.65
Book Value (in Rs)	32.69	40.30	50.11
Face Value (in Rs)	2.00	2.00	2.00
Dividend (%)	800.00	150.00	200.00
Dividend Yield (%)	12.60	2.36	3.15
Net Worth	213.13	262.77	326.73
Debt	0.00	0.00	0.00
Equity Capital	13.04	13.04	13.04
P.E. (x)	20.0	13.9	10.8
NPM %	20.99	21.19	22.65
EBIDTA Margin %	36.74	36.50	34.12
RoCE %	33.9%	38.9%	35.5%

Latest result update (in Rs. Crores)

PARTICULARS	12/2006 (9 Month)	12/2005 (9 Month)	% change
Gross Sales	240.07	203.45	18.00
PBIDT	94.84	76.36	24.20
Net Profit (PAT)	58.44	44.13	32.43
Equity	13.04	13.04	
EPS	8.96	6.77	32.40

Technical Trend:-



After touching a high of Rs 196 in March 06, and then again a high of Rs 190 in Oct'06; the stock went in to a correction and made a low of Rs 104 in March'07.

Now it is showing good strength and is set to move above long as well as short term moving averages. In the process it formed a typical double bottom in weekly chart and thus can touch 190.

One can buy the stock around current price with stop loss of Rs 120 and look for short term target of Rs 160 and medium term target of Rs 180. For longer term it can even move beyond Rs 200/-.

Shareholding Pattern

