

January 3, 2008

FOR PRIVATE CIRCULATION
Equity

	2 Jan 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	20,465	0.8	4.4	14.7
Nifty	6,179	0.6	5.4	18.6
Banking	11,870	3.1	9.3	24.3
IT	3,961	(0.3)	6.1	1.4
Healthcare	4,467	1.3	15.9	17.1
FMCG	2,397	0.9	10.4	11.1
PSU	10,774	1.3	10.2	26.4
CNX Midcap	9,593	2.1	16.9	37.4
World indices				
Nasdaq	2,610	(1.6)	(1.0)	(4.4)
Nikkei	15,565	(0.6)	(2.4)	(8.8)
Hangseng	27,561	(0.9)	(5.8)	(1.7)

Value traded (Rs cr)

	2 Jan 08	% Chg - 1 Day
Cash BSE	9,898	21.8
Cash NSE	22,655	36.5
Derivatives	74,186	50.9

Net inflows (Rs cr)

	1 Jan 08	% Chg	MTD	YTD
FII	142	(82)	142	142
MF (28 Dec)	34	(95)	-	-

FII open interest (Rs cr)

	1 Jan 08	% chg
FII Index Futures	21,417	(2.5)
FII Index Options	7,606	13.3
FII Stock Futures	55,009	3.2
FII Stock Options	61	83.4

Advances/Declines (BSE)

	2 Jan 08	A	B1	B2	Total	% Total
Advances	126	394	530	1,050	64	
Declines	92	297	202	591	36	
Unchanged	2	2	6	10	1	

Commodity

	2 Jan 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	99.6	3.8	12.3	24.4
Gold (US\$/OZ)	857.6	2.8	7.6	17.5
Silver (US\$/OZ)	15.2	3.0	7.1	14.1

Debt/forex market

	2 Jan 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.71	7.71	7.90	7.87
Re/US\$	39.43	39.42	39.50	39.84

Sensex


Source: Bloomberg

ECONOMY NEWS

- The Government is all set to remove the cap on the number of partners in partnership firms as well as in banking companies regulated under the Company Law. (ET)
- There would be no dilution in the minimum number of independent directors on the boards of listed PSUs. Sebi Chairman M Damodaran has ruled out any change in corporate governance norms for PSUs as regards independent directors on their Boards. (BL)
- Crude oil traded at \$100 per barrel for the first time on Wednesday on concerns that violence in Nigeria may further cut output. (BS)
- Sebi has said it would allow institutional investors to start short selling, which was banned way back in 2001 in the aftermath of the Ketan Parekh scam, from February 1. (BS)
- With prices of cement in Tamil Nadu soaring, the state government has said that it may take over private cement factories in the state, if price hikes were not controlled. (BL)
- The Government is considering an increase of Rs.4 and Rs.2 per liter in the price of petrol and diesel, respectively. (ET)

CORPORATE NEWS

- The Government may allow one more state-owned national level mobile operator, in addition to BSNL. DoT is considering a proposal to allow **MTNL** to become a pan-India operator. DoT has not taken a final decision on the issue yet. (ET)
- India's biggest auction of acreage for exploration is going to be an exciting affair, thanks to the looming face-off between steel tycoon LN Mittal, **Reliance Industries** and **ONGC**. (ET)
- In a move that could lead to a direct confrontation with the Goa government over the SEZ policy, the Centre has said that the three SEZs notified in the state -- **Cipla's** Meditab Specialities, Raheja's IT/ITeS SEZ and Peninsula Pharma's biotech SEZ -- cannot be denotified.
- **ONGC** is likely to pay about Rs.170 bn this financial year to subsidize petrol, diesel, domestic cooking gas and kerosene. (BS)
- The Tata group is mulling over a plan to transfer the strategic electronic division of **Tata Power**, India's largest private power firm, to another group company **Nelco**. (ET)
- **Bajaj Hindusthan** has taken advantage of a favorable ruling on cane pricing by the Allahabad High Court to report a 'corrected/revised' PAT of Rs.456.5 mn on net sales of Rs.17.13 bn for the year ended September 30, 2007.
- **Petronet's** upcoming LNG terminal in Kochi is facing delay again. The terminal is now scheduled to be commissioned in late 2011. It was expected to be ready by June 2010 after missing the deadline of 2009-end. The postponement is due to the delay in signing of the concession agreement between Petronet LNG and the Kochi Port Trust. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, Tol: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

COMPANY UPDATE

Saurabh Gurnurkar
saurabh.gurnurkar@kotak.com
+91 22 66341273

BALAJI TELEFILMS LTD

PRICE : Rs.351

RECOMMENDATION : HOLD

TARGET PRICE : Rs.374

FY09E PE : 20x

New order flows on the back of content investments by broadcasters - old & new - to be earnings triggers going ahead for the content business. Possible stake sale in the movie subsidiary may also trigger upside in the stock price.

Greater clarity required on movie business (not reported on a quarterly basis) and broadcasting JV to attribute greater financial value.

Opine valuations to be ample on current slate visibility. However, recommend HOLD with a price target of Rs.374 (Rs.351 earlier), due to above-mentioned triggers.

Summary table

(Rs mn)	FY07	FY08E	FY09E
Sales	3,175	3,405	4,315
Growth (%)	13.2	7.3	26.7
EBITDA	1,196	1,395	1,724
EBITDA margin (%)	37.7	41.0	40.0
Net profit	791	942	1,145
Net debt (cash)	(1,851)	(2,361)	(2,936)
EPS (Rs)	12.1	14.4	17.6
Growth (%)	33.1	18.6	21.5
CEPS	13.9	16.5	20.1
DPS (Rs)	3.5	4.0	4.0
ROE (%)	28.6	28	27.8
ROCE (%)	42.5	42.2	41.8
EV/Sales (x)	7.2	6.2	4.8
EV/EBITDA (x)	19.1	15.1	11.9
P/E (x)	28.8	24.3	20.0
P/Cash Earnings	25.2	21.2	17.4
P/BV (x)	7.5	6.2	5.0

Source: Company & Kotak Securities - Private Client Research

Content segment - expected to benefit from demand for content; execution and continued ability to scale-up are vital

- We have been expecting BTL to enjoy a favourable demand scenario for its 'popular' content within its target base, given the advent of addressability and also the expected increase in the number of general entertainment channels hitting the screens.
- BTL is set to see a churn in its programming slate with 3-4 new shows expected to come up across some of the newly launched channels in 4QFY08. These are expected to make up for the churn it is expected to see vis-à-vis its current slate with the Star network.
- We note that, BTL has already established itself as a leading content provider in the Hindi entertainment genre with its flagship programs logging decent TRPs in target segments consistently.

Broadcasting JV with Star - greater details required to attribute higher financial value

- Balaji has also entered into a 49:51 broadcasting channel with Star to launch channels in Southern languages for which BTL will provide content in addition to having 49% stake in the JV.
- JV is looking to launch close to four channels starting late FY08. We have valued this segment at investment value (Rs.1.5 bn) initially given lack of details on channel genre, initial response and other operational details.
- Better-than-expected valuations for this joint venture can add to our overall fair value for BTL.

Movie subsidiary - expected to ramp up in FY09E, possible stake sale could be trigger

- Balaji Motion Pictures (a 100% sub) distributed two Hindi movies which were decent successes. While the company does not report consolidated numbers on a quarterly basis yet, we opine that, BMP would have made close to Rs.50mn of profits in 1H'08.
- BMP is now aggressively pursuing the movie production business and is looking at seven to eight projects annually. The company also hopes to eventually de-merge the movie business to enable independent funding for this segment.
- We have valued Balaji's motion picture business at 2.15x FY09E sales, a significant discount to larger peers like UTV pending visibility in ramp up and execution. We see potential upsides through possible funding exercises in this segment.

- Some reports in business dailies had recently mentioned a valuation of Rs.10 bn for Balaji's movie subsidiary. We opine that such a valuation could be on the higher side given the targeted revenues of close to Rs.1.1 bn from the segment in FY09E.
- The management has declined to comment on the valuation but does expect to ramp up the business going ahead. Stake sale at business valuations greater than our estimates will be positive for the stock price, in our opinion.

Financials

- In financials, BTL is expected to deliver 17% and 20% CAGR in standalone revenues and earnings, respectively, over FY07-09E. Given the healthy and sustained free cash flows, we estimate net cash of Rs.36 per share in FY08E. BTL is also expected to sustain its high RoCE performance, post healthy return ratios and a liberal payout policy.
- We estimate standalone profits of Rs.942 mn in FY08 and Rs.1.14 bn in FY09; translating into an EPS of Rs.14.4 and Rs.17.6, respectively, over the fiscals.

Valuation

- The stock has delivered returns in excess of 150% since our initiation in Q1FY08. It is now discounting its FY08E EPS of Rs.14.4 by 24x and its FY09E EPS of Rs.17.6 by 20x.
- We have valued BTL's content business using DCF and arrive at a per share value of Rs.279 (16x FY09E content earnings). To this we have added a per share value of Rs.37 from movies and Rs.23 from broadcasting (BTL's investment value in the JV with Star).
- Summing up the above we arrive at a fair value of Rs.374 for the stock, recommend a HOLD.

Recommendation

- Given the healthy financial metrics of BTL, dominant position in its target market and the new initiatives expected to pan out over the coming quarters, we believe the stock will continue to be an attractive investment option, on declines. HOLD.
- We continue to rate BTL as one of our favored picks in the media segment given changing distribution landscape, demand for popular content providers given new channel launches and expected ramp up in the movie subsidiary.
- We continue to believe popular content providers are a better way to play the boom in 'to-be launched' channels than the broadcasters themselves.
- We see potential upsides to our arrived fair value from faster than estimated ramp up in movies/content segment and/or any value unlocking exercises in the movie subsidiary. This explains our continued positive bias for BTL. We will actively look to recommend the stock at more favorable risk-reward opportunities. **HOLD**

We recommend HOLD on Balaji Telefilm with a price target of Rs.374

SoTP value for BTL

Segment	EV	Value/share	Comments	Assumption
Content	18,184	279	DCF based fair value.	Up from Rs.261 earlier as we roll over our DCFbase.
Movies	2,376	36.4	Assumed value at 2.15x FY09E sales from movies.	Movie revenues of Rs.1.1bn in FY09E based on slate of 7-8 releases, valuation multiple at a discount to larger peers like UTV. Potential upside from movies on possible stake sale to fund movie business independently
Broadcasting	1,500	23	Investment of Rs.1.2bn for 4 JV channels with Star	Value assumed at investment value in JV pending clarity on channel launch, initial response & burn on financials.
Net cash	2,361			
Arrived fair value	24,421	374.7		

Source: Kotak Securities - Private Client Research

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
2-Jan	Ahmeda Steel	H R Javeri	S	28,650	22.60
2-Jan	Allied Comp	Sak Technologies Ltd	S	173,685	60.62
2-Jan	Ansal Hsg Cn	Clsa Mauritius Ltd	B	496,576	397.72
2-Jan	Ansal Hsg Cn	Citigroup Global Markets Mauritius	S	422,300	399.65
2-Jan	Ariha Cap Ma	Bhamaribai B.Jain	S	17,923	171.94
2-Jan	Axon Infotec	Nawrupam Mercantile Pvt Ltd	B	5,700	101.88
2-Jan	Axon Infotec	Avinash Arvind Jagushte	S	34,665	92.69
2-Jan	Axon Infotec	Rajkumar Hasija	S	18,000	91.80
2-Jan	Boc India Lt	Merrill Lynch Capital Markets			
		Espana S.A. S.V.	S	286,000	222.25
2-Jan	Brescon Corp	Angel Infin Private Limited	S	22,641	226.65
2-Jan	C G Impex	Hardik M. Mithani	S	35,000	29.30
2-Jan	Cat Vision P	Vincent Commercial Company	S	35,000	18.60
2-Jan	Ceekay Diaki	Shilpa Ketan Shah	B	24,000	119.40
2-Jan	Ceekay Diaki	Spjstock	S	24,655	119.36
2-Jan	Confi Petro	Alosha Vanijya Pvt Limited	B	1,250,000	27.29
2-Jan	Crest Anim	Hsbc Financial Services Middleeast	S	157,800	151.43
2-Jan	Cs Software	Venkata Balireddy Munnangi	B	31,230	99.66
2-Jan	Dagger Forst	Arcadia Share And Stock Brokers	B	48,000	58.57
2-Jan	Dmc Inter	Lm S S Rolling Mills Pvt Ltd	B	25,000	50.40
2-Jan	English I.Cl	Karun Carpets Pvt Limited	S	72,000	1,925.32
2-Jan	Fgp Limited	Bellam. Ravichandra	B	102,688	15.25
2-Jan	Fluidomat Lt	Kalpna Madhani Securities Pvt. Ltd.	B	25,000	40.20
2-Jan	G V Films Lt	Bnp Paribas Arbitage Gdr	S	2,000,000	12.90
2-Jan	Gangotri I&S	Pravinbhai Jayantilal Sheth	S	25,000	43.84
2-Jan	Goldstn Tele	Rjl Infrastructure Pvt Ltd	S	200,000	55.29
2-Jan	Gopala Polyp	Idbi Ltd	S	100,000	14.63
2-Jan	Greycells En	Systematik Finvest Pvt. Ltd.	B	19,000	284.00
2-Jan	Greycells En	Pramoda H.Shah	S	15,500	284.59
2-Jan	Guj St Fn Co	Gsfc Staff Co Op Credit Soc	S	221,700	30.57
2-Jan	Incap Limite	Amutha Rajan	S	25,487	29.91
2-Jan	Intl Hometex	Trimbak Leasing And Finan	S	150,000	23.60
2-Jan	Ion Exchange	Swiss Finance Corp. Mau Ltd	S	184,138	237.02
2-Jan	Jagjanani	Latin Manharlal Sec Pvt Ltd	S	92,001	19.35
2-Jan	Jagson Airli	Vimal Jain	B	54,000	49.45
2-Jan	Jog En Ginee	Ms Bhubnesh Commercial Pvt Ltd	B	50,000	32.90
2-Jan	Kancha Inter	Shirish H Shah	B	50,000	17.75
2-Jan	Kancha Inter	Neil Finstock Pvt Ltd	B	24,893	17.75
2-Jan	Kilburn Offi	Idbilt	S	42,349	15.24
2-Jan	Krypton Indu	Sidh Capital Resea	B	25,070	77.26
2-Jan	Madhusud Ind	Sapna Agarwal	B	38,654	20.31
2-Jan	Nihar Info	Nalanda Mercantiles P. Ltd	B	31,820	13.48
2-Jan	Novgol Petr	Jatin Nemchand Gada	B	63,993	11.86
2-Jan	Nutraplus Pr	Dheeraj Kumar	S	25,597	15.09
2-Jan	Nutraplus Pr	Hitesh Jhaveri	S	21,318	15.52
2-Jan	Parsoli Corp	Diamant Investment And Finance	S	92,973	214.21
2-Jan	Pasari Spin	Pasari Export Ltd	S	125,000	21.03
2-Jan	Pharmaid Pha	Kishorbhai S Sureja	B	20,000	14.52
2-Jan	Radhe Develo	Moghiben Vaghjibhai Shah	S	56,424	75.30
2-Jan	Radhe Develo	H H Javeri	S	84,900	76.05
2-Jan	Rathi Bars	V L Narasimhan	B	125,000	41.59

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
2-Jan	Raunaq Aut C	Hitech Computech Private Ltd	B	43,000	39.47
2-Jan	Raunaq Aut C	Ifi Promoters Limited	B	50,000	39.06
2-Jan	Real Strip L	Apex Securities	B	27,377	117.05
2-Jan	Real Strip L	Hitesh Shashikant Jhaveri	S	16,796	117.50
2-Jan	Refno Res Ch	Baldev Raj Bhatia	S	20,000	20.74
2-Jan	Regency Cera	Hitesh Shashikant Jhaveri	S	140,149	33.64
2-Jan	Rit Pro Ind	Sanjeev Arora	B	55,282	155.42
2-Jan	Shalibha Fin	Royhl Consultancy Private Ltd	S	25,000	30.25
2-Jan	Shree Rani S	Sarita Devi Dakalia	B	1,100	10.48
2-Jan	Simmond Mars	Clover Technologies Pvt Ltd	B	20,000	104.90
2-Jan	Simran Farms	Pista Devi	B	25,000	15.35
2-Jan	Simran Farms	Gyan Kunwar Bhandari	B	25,000	15.35
2-Jan	Sti India Li	Deutsche Securities Mauritius	S	195,000	29.98
2-Jan	Sti India Li	Bsma Limited	S	240,000	30.05
2-Jan	Super Sal In	Pruthvi Brk And Shrhld Pvt. Ltd.	S	16,500	219.65
2-Jan	Tyche Periph	Raajratna Stockholding Pvt Ltd	B	65,101	104.13
2-Jan	Uniply Ind	Mumbai St Bro. P. Ltd	S	62,651	49.10
2-Jan	Vikram Therm	Vimlaben Dhirajbhai Patel	S	15,000	46.34
2-Jan	Vivimed Labs	Darashaw And Company Pvt Ltd	B	83,403	161.45
2-Jan	Vivimed Labs	Laxmi Investments	S	83,403	161.45
2-Jan	Welspun Syne	Idbi Ltd	S	500,000	15.36
2-Jan	Yash Mana Sa	Choice International Limited	S	92,686	21.85
2-Jan	Yash Mana Sa	Brijmohan Rathi	S	65,000	21.63
2-Jan	Yashraj Secur	Atul Shamji Bharani	S	75,000	32.90

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Unitech Ltd	538	6.1	8.8	3.9
ICICI Bank	1,267	3.1	7.3	2.4
ONGC	1,269	1.5	7.2	3.1
Losers				
BHEL	2,551	(1.3)	(2.8)	0.5
Reliance Com	733	(0.9)	(2.3)	2.6
Gail India	532	(2.0)	(1.6)	1.5

Source: Bloomberg

Forthcoming events

COMPANY/MARKET

Date	Event
3-Jan	BGR Energy Systems, Burnpur Cement listing ceremony at BSE & NSE
8-Jan	Supreme Industries earnings expected
9-Jan	Mastek, iGate Global, Axis Bank, South Indian Bank earnings expected
10-Jan	Motilal Oswal earnings expected
11-Jan	Infosys Technologies earnings expected

Source: Bloomberg

Research Team

Name	Sector	Tel No	E-mail id
Dipen Shah	IT, Media, Telecom	+91 22 6634 1376	dipen.shah@kotak.com
Sanjeev Zarbade	Capital Goods, Engineering	+91 22 6634 1258	sanjeev.zarbade@kotak.com
Teena Virmani	Construction, Cement, Mid Cap	+91 22 6634 1237	teena.virmani@kotak.com
Awadhesh Garg	Pharmaceuticals	+91 22 6634 1406	awadhesh.garg@kotak.com
Apurva Doshi	Logistics, Textiles, Mid Cap	+91 22 6634 1366	doshi.apurva@kotak.com
Saurabh Gurnurkar	IT, Media, Telecom	+91 22 6634 1273	saurabh.gurnurkar@kotak.com
Saurabh Agrawal	Metals, Mining	+91 22 6634 1291	agrawal.saurabh@kotak.com
Saday Sinha	Banking, Economy	+91 22 6634 1440	saday.sinha@kotak.com
Rohit Ledwani	Retail	+91 22 6634 1507	rohit.ledwani@kotak.com
Sarika Lohra	NBFCs	+91 22 6634 1480	sarika.lohra@kotak.com
Chetan Shet	FMCG, Power	+91 22 6634 1382	chetan.shet@kotak.com
Shrikant Chouhan	Technical analyst	+91 22 6634 1439	shrikant.chouhan@kotak.com
Kaustav Ray	Editor	+91 22 6634 1223	kaustav.ray@kotak.com
K. Kathirvelu	Production	+91 22 6634 1557	k.kathirvelu@kotak.com

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