



### Index

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- ♦ [Stock Update >> New Delhi Television](#)

### Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Deepak Fertilisers	17-Mar-05	50	85	126
♦ HLL	24-Nov-05	172	209	280
♦ ICICI Bank	23-Dec-03	284	858	1,240
♦ IndoTech Trans	28-Nov-06	199	279	335
♦ Infosys	30-Dec-03	689	1,998	2,670

**Pulse Track**

**Infrastructure Index up 7.2% for February 2007**

The index of six core infrastructure industries grew by 7.2% year on year (yoy) for February 2007; the growth took place on a higher base of 9.1% reported for February 2006. The growth was particularly strong in finished steel and refined petroleum products. On a cumulative basis for the period of April 2006-February 2007, the growth was higher at 8.3% yoy compared with 6.1% yoy in the same period last year.

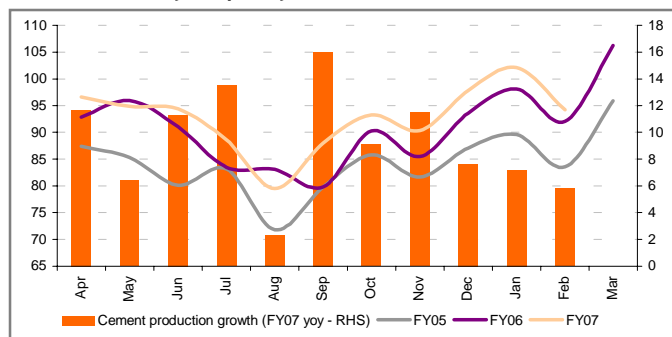
- ◆ The production of crude oil grew by 4.9% yoy on a lower base on account of the production loss suffered due to the fire at the Bombay High field of Oil and Natural Gas Corporation.
- ◆ The production of petroleum refinery products grew by a strong 6.8% yoy in February 2007, which reflects the contribution of the new refining capacities coming on board.
- ◆ Coal production was up 6.6% while electricity generation was up 3.3% yoy on a higher base of 9.2% year-on-year (y-o-y) growth recorded in February 2006.
- ◆ Cement production reported a growth of 5.8% yoy compared with 16.3% in February 2006. Our graph depicts that the cement industry is operating close to its maximum capacity utilisation level for the previous and current fiscals. Hence unless new capacities start kicking in, the y-o-y production growth is expected to remain subdued.

- ◆ The finished steel (carbon) production grew by a strong 13.5% yoy on top of a 12.4% y-o-y growth in February 2006. The strong growth reflects the fact that demand for steel from many industries like construction, engineering and manufacturing still remains strong.
- ◆ The February 2007 data for six core infrastructure sectors, which comprise 26.7% of the Index of Industrial Production (IIP), remains strong and the market expects the overall IIP to grow by 11.2% yoy in February 2007.

Sector	Weight (%)	y-o-y change (%)		
		Feb-07	Feb-06	Jan-07
Crude petroleum	4.2	4.9	-2.1	4.7
Petroleum ref.	2.0	6.8	6.5	9.2
Coal	3.2	6.6	6.9	10.0
Electricity	10.2	3.3	9.2	8.5
Cement	2.0	5.8	16.3	7.2
Finished steel (carbon)	5.1	13.5	12.4	8.3
<b>Overall</b>	<b>26.7</b>	<b>7.2</b>	<b>9.1</b>	<b>8.2</b>

Source: Office of the Economic Advisor

**Cement industry—capacity utilisation**

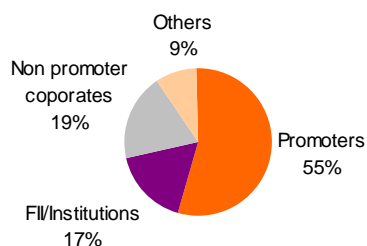


Source: Cement Manufacturer's Association

# New Delhi Television

**Emerging Star**
**Stock Update**
**Price target revised to Rs375**
**Buy; CMP: Rs330**
**Company details**

<b>Price target:</b>	Rs375
<b>Market cap:</b>	Rs2,026 cr
<b>52 week high/low:</b>	Rs354/129
<b>NSE volume:</b> (No of shares)	1.6 lakh
<b>BSE code:</b>	532529
<b>NSE code:</b>	NDTV
<b>Sharekhan code:</b>	NDTV
<b>Free float:</b> (No of shares)	2.8 cr

**Shareholding pattern**

**Price chart**

**Price performance**

(%)	1m	3m	6m	12m
Absolute	14.3	8.5	38.8	28.5
Relative to Sensex	11.5	11.4	29.7	11.2

With funding tie-ups in place for its much-awaited entry into the general entertainment space New Delhi Television (NDTV) is all set for the big bang launch of its general entertainment channel (GEC) by the end of the year. NDTV Imagine, the subsidiary that would house the entertainment venture, has roped in Sameer Nair, the ex-CEO Star India who is believed to be the best programming brain in Indian general entertainment business, to make NDTV Imagine a success. Mr Nair's entry follows Karan Johar's new association with NDTV's GEC as a creative consultant and an ambassador for the NDTV brand. Mr Johar is on the board of NDTV Imagine with his production house Dharma Productions having a stake in the company.

**Entertainment bonanza on the anvil**

What came as a pleasant surprise for investors in the recent press meet organised by the company was the announcement of two more entertainment channels to be launched by NDTV Imagine. While the second offering of the company is slated to be a movie channel due for launch by March 2008 (this immediately follows the GEC), the genre of the third offering is still not known.

**Putting the team in place**

The general entertainment space though an attractive one, fetching the maximum eyeballs, is also a highly competitive one, what with quality and diversity of content together with top-notch marketing being the key to success of a GEC. Realising this the management has roped in Mr Nair who was largely responsible for rejuvenating Star India in yesteryear. Mr Nair's baby, the game show "Kaun Banega Crorepati", helped Star Plus to regain the top slot among the GECs. Mr Nair's programming skills have been instrumental in making and retaining Star Plus as the number one GEC in India and that too by a big margin.

With Mr Nair building a team of professionals to repeat the success of his stint with Star Plus for NDTV and Mr Johar bringing in creative programming, we believe NDTV Imagine has got the right people for the right job. Mr Nair has already indicated that he is open to working with the production houses he dealt with at Star India including Balaji Telefilms, whose soaps brought a lot of success to Star Plus. NDTV's GEC

**Earnings table**

Rs crore

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs crore)	33.2	24.1	26.4	43.2
Shares in issue (crore)	6.1	6.1	6.3	6.3
EPS (Rs)	5.5	4.0	4.2	6.9
% yoy change	-123.0	-27.5	5.7	63.6
PER (x)	60.4	83.2	78.7	48.1
Book value (Rs)	32.5	35.8	33.4	39.0
P/BV (x)	10.2	9.2	9.9	8.5
EV/EBIDTA (x)	38.4	45.9	42.8	27.2
RoCE (%)	15.3	0.1	11.5	16.3
RoNW (%)	17.4	11.6	12.3	18.9

would emphasise the treatment and packaging of content while it would target the entire 6-60 age group with a variety of programmes. With the wherewithal for the general entertainment business in place, the management is targeting the number one position in the Hindi GEC genre after 12-15 months of the channel's launch.

**Valuation of NDTV Networks Plc**

We have analysed 2 scenarios based on the expected stake to be parted with for raising Rs585 crore.

*First scenario:* If 49% of the stake is parted with we get a value of Rs609 crore for NDTV's remaining stake in Networks Plc, at which the NDTV scrip should have a fair value of Rs375.

*Second scenario:* If 24% of the stake is parted with we get a value of Rs1,853 crore for NDTV's remaining stake in Networks Plc, at which the NDTV scrip should have a fair value of Rs573.

We have also tried to arrive at the GEC's value based on its FY2011E revenues if it garners a 15% share of the general entertainment genre. Valuing it at 1x market cap/sales of FY2011E discounted revenues we get a value of Rs1,503

crore for the GEC, at which the NDTV scrip should have a fair value of Rs517.

In the absence of any clarity on the stake to be parted with in Networks Plc for raising Rs585 crore, we have valued the stake at the least of the above values of Rs609 crore.

**Valuation table**

Properties	Value (Rs cr)	Comments
Three news channels	1388	Based on 3.9x FY08E revenues
Astro channels	40	20% share in 2 Astro channels
Stake in Networks Plc.	609	based on \$130 million foreign investment
ndtv.com	213	85% stake
MPO	115	50% stake in JV with Genpack
<b>Total value</b>	<b>2365</b>	
Equity capital	6.3	
<b>Value per share</b>	<b>375</b>	

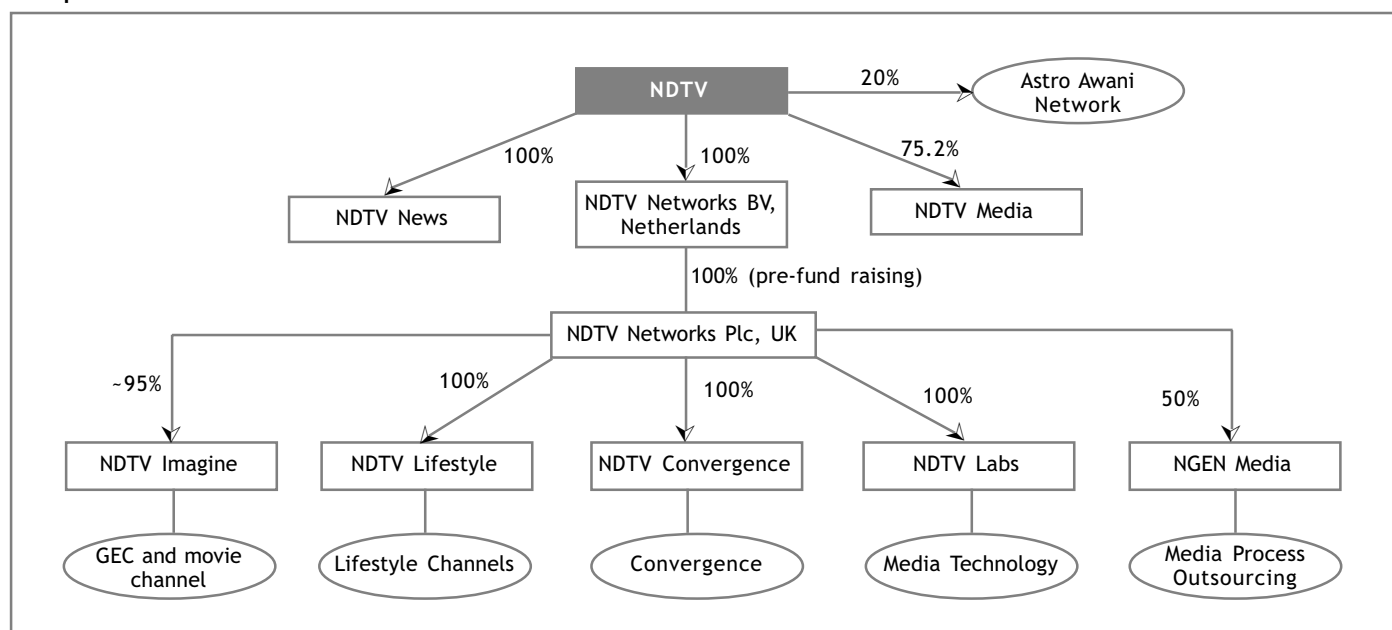
**Valuation and view**

At the current market price of Rs330 the stock trades at 48.1x its FY2008E earnings. We are raising our price target on the stock to Rs375.

	if Rs585cr raised by parting with		*Based on 1x market cap/sales of
	49% stake in Networks Plc	24% stake in Networks Plc	FY2011 discounted Revenues
Value of NDTV's stake in NDTV Networks Plc (Rs cr)	609	1853	1503
Value per share of NDTV based on above value of Networks Plc (Rs)	375	573	517

\*includes only the value of the Hindi GEC and not the other 2 channels in NDTV Imagine.

**Group structure**



## Evergreen

HDFC Bank  
 Infosys Technologies  
 Reliance Industries  
 Tata Consultancy Services

## Apple Green

Aditya Birla Nuvo  
 ACC  
 Apollo Tyres  
 Bajaj Auto  
 Balrampur Chini Mills  
 Bank of Baroda  
 Bank of India  
 Bharat Bijlee  
 Bharat Electronics  
 Bharat Heavy Electricals  
 Bharti Airtel  
 Canara Bank  
 Corporation Bank  
 Crompton Greaves  
 Elder Pharmaceuticals  
 Grasim Industries  
 Hindustan Lever  
 Hyderabad Industries  
 ICICI Bank  
 Indian Hotels Company  
 ITC  
 Mahindra & Mahindra  
 Marico  
 Maruti Udyog  
 Lupin  
 Nicholas Piramal India  
 Omax Autos  
 Ranbaxy Laboratories  
 Satyam Computer Services  
 SKF India  
 State Bank of India  
 Sundaram Clayton  
 Tata Motors  
 Tata Tea  
 Unichem Laboratories  
 Wipro

## Cannonball

Allahabad Bank  
 Andhra Bank  
 Cipla  
 Gateway Distriparks  
 International Combustion (India)  
 JK Cement  
 Madras Cement  
 Shree Cement  
 Transport Corporation of India

## Emerging Star

3i Infotech  
 Aban Offshore  
 Alphageo India  
 Cadila Healthcare  
 Federal-Mogul Goetze (India)  
 KSB Pumps  
 Marksans Pharma  
 Navneet Publications (India)  
 New Delhi Television  
 Nucleus Software Exports  
 Orchid Chemicals & Pharmaceuticals  
 ORG Informatics  
 Tata Elxsi  
 Television Eighteen India  
 Thermax  
 UTI Bank

## Ugly Duckling

Ahmednagar Forgings  
 Ashok Leyland  
 BASF India  
 Ceat  
 Deepak Fertilisers & Petrochemicals Corporation  
 Fem Care Pharma  
 Genus Overseas Electronics  
 HCL Technologies  
 Hexaware Technologies  
 ICI India  
 India Cements  
 Indo Tech Transformers  
 Jaiprakash Associates  
 JM Financial  
 KEI Industries  
 NIIT Technologies  
 Punjab National Bank  
 Ratnamani Metals and Tubes  
 Sanghvi Movers  
 Saregama India  
 Selan Exploration Technology  
 South East Asia Marine Engineering & Construction  
 Subros  
 Sun Pharmaceutical Industries  
 Surya Pharmaceuticals  
 UltraTech Cement  
 Union Bank of India  
 Universal Cables  
 Wockhardt

## Vulture's Pick

Esab India  
 Orient Paper and Industries  
 WS Industries India

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