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# UTV Software

BUY

Rs 405

Sensex: 14,127

May 16, 2007

## Dilip Bhat

(9122) 6632 2200  
DilipBhat@PLIndia.com

## Mihir M Shah

(9122) 6632 2232  
MihirMShah@PLIndia.com

### Key Figures

(Rs m)

Y/e March	'07	'08E	'09E	'10E
Net Sales	1,743	4,420	8,537	12,673
EBITDA	148	369	292	1,337
PAT	112	237	35	719
PAT Gr. (%)	22.0	111.6	(85.3)	1973.5
EPS (Rs)	4.9	10.3	1.5	31.4

### Key Ratios

(%)

Y/e March	'07	'08E	'09E	'10E
EBITDA Mar.	8.5	8.4	3.4	10.6
RoCE	4.1	5.4	1.7	11.1
RoE	6.9	6.6	0.7	12.8

### Valuations

(x)

Y/e March	'07	'08E	'09E	'10E
PER	83.0	39.2	267.6	12.9
EV/Sales	5.7	1.6	0.8	0.5
EV/EBITDA	67.0	19.1	24.2	4.9
MCap/Sales	5.3	2.1	1.1	0.7

### Key Data

Bloomberg Code : UTV@IN  
Reuters Code : UTVS.BO

### Shareholding Pattern (%)

Promoters	: 31.1
Foreign	: 35.8
Inst./non-Promoters	: 21.4
Public & Others	: 11.7

### Price Relative to Sensex (%)

1 month	: 25.5
3 months	: 44.8
12 months	: 90.3

Shares Outstanding : 22m  
Market Cap : Rs 9,270m  
\$215m

Average Volume  
(3 months) : 0.3mn

(Price as on May 16, 2007)

## AIMing High

We initiate coverage on UTV Software with a BUY rating and price target of Rs 525 in 9-12 months.

UTV is expected to unlock value in its movie portfolio by listing on AIM segment of LSE, valuing it at US\$ 300mn. The company expects to generate revenues of almost Rs 10bn from movies by FY10. Gaming and animation is also expected to significantly grow over the next 2-3 years with several outsourcing contracts, major animation movies and game releases.

Sensing a major opportunity opening up in broadcasting with the upcoming CAS/DTH regime, UTV is making a re-entry into this space. It has planned to launch over 8 channels with an outlay of US\$200mn, more than half of which will be from strategic investors.

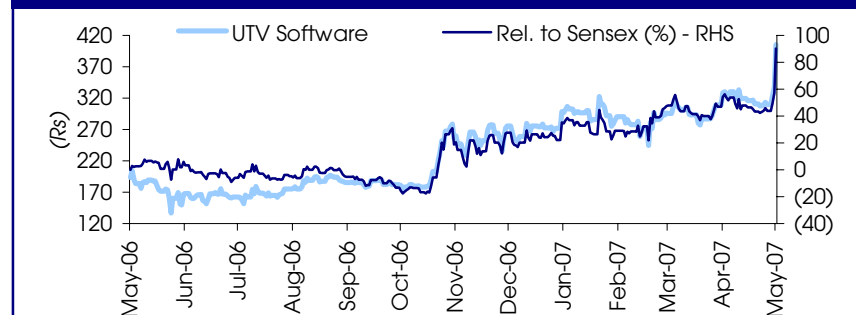
Apart from movies, we expect UTV to unlock value in its two other holding companies - New Media and Broadcasting - too over the next two years by way of AIM/NASDAQ listing and bringing in Strategic/Financial investors.

UTV is undergoing a major 'internationalization' of its profile with global relationships, releases, joint ventures and financing. Given this game-changing profile transformation and near and long-term valuation triggers we believe UTV stock will re-rate upwards. BUY.

## Highlights

- **Robust movie pipeline:** With about 30 projects UTV is expected to achieve movie revenues of Rs 3,815mn by FY09 and Rs 4,125mn by FY10.
- **High growth opportunity in gaming and animation:** Several regular game releases and one mega PS3 release planned over the next three years.
- **Broadcasting is a high-risk, high-return venture:** Entry into broadcasting will hit earnings hard, but opportunity to create value immense if executed well.

### Stock price performance



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## Investment Highlights

**One of India's top film producers with the most robust, stable and global business model**

### Value unlocking of movie pipeline

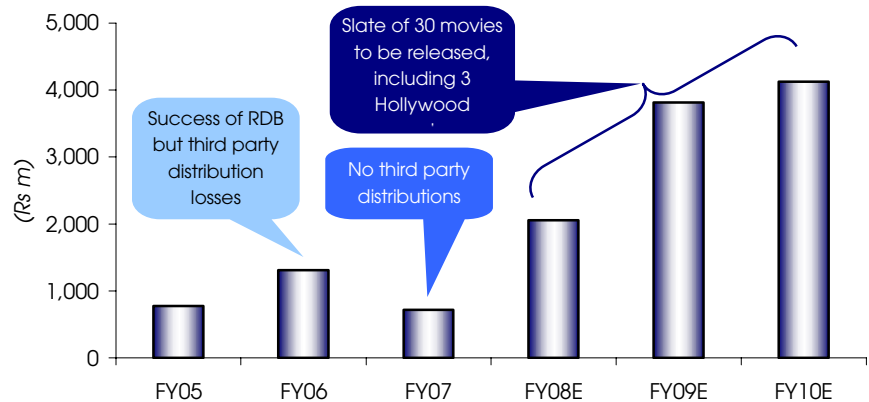
UTV is one of Bollywood's (Bombay's film industry) top movie producer and distributor. In the last 2 years it has released 18 films (out of a total of 100-120 mainstream films for the industry) and generated revenues and EBITDA of Rs 719mn and Rs117mn respectively in FY07. The company has a solid pipeline of films lined up for the next 24 months with a total planned budget of Rs 4,657mn. UTV's key differentiator vis-à-vis other producers is its strong relationships with top proven directors an actor, its solid local and international distribution and well established internal management processes for green signaling, monitoring and marketing of its films.

**Table 1: Movie Pipeline**

Language	Movie Name	Director / Producer
<b>FY08</b>		
<b>Hindi</b>	Mumbai Mumbai	Nishikant Kamat
	Blue Umbrella	Vishal Bharadwaj
	Goal	Vivek Agnihotri
	Hook Ya Crook	David Dhawan
	Metro	Anurag Basu
	Jodha Akbar	Ashutosh Gowariker
	Game On	Nupur Asthana
	Fashion	Madhur Bhandarkar
	Fear	Vikram Bhat
	Taare Zameen Par	Aamir Khan
	Jaane Tu Ya Jaane Na	Aamir Khan
	Wednesday	Neeraj Pandey
	No Problem	Anees Bazmee
<b>Hollywood</b>	Namesake	Mira Nair / Fox
	I Think I Love My Wife	Chris Rock / Fox
<b>Regional</b>	Kannamochi Yenada	Radaan
<b>FY09</b>		
<b>Hindi</b>	Delhi 6	Rakeysh Mehra
	Paanch Kaurav	Rakeysh Mehra
	Untitled	Priyadarshan
	Rahgeer	Rituparno Ghosh
	Julia	Vishal Bhradwaj
	Untitled	Anurag Basu
	Shiksha	Prakash Jha
<b>Hollywood</b>	The Happening	M Night Shyamalan
<b>FY09 / FY10</b>		
<b>Animation</b>	Dream Blanket	Simi Nalaseth
	Arjun	Arnab Chaudhary
	Alibaba	Shoumitra Ranade

Source: Company Data

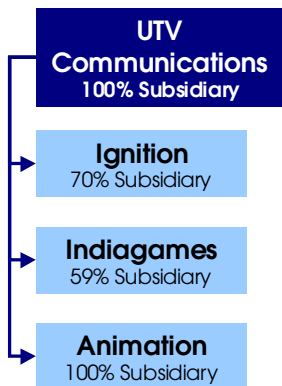
**Chart 1: UTV's Movie Revenue**



Source: Company Data, PL Research

UTV has moved its entire pipeline to a subsidiary (incorporated in Mauritius) 100% owned by UTV IOM Inc. (a 100% subsidiary of UTV). The company plans to make this structure its main vehicle for the film business going forward due to tax efficiency and global listing opportunity. UTV IOM Inc. is expected to be listed on LSE's Alternative Investment Market in the next 1-2 months and raise US\$70-75mn (for 25% dilution). This will put the implied valuation of the business at US\$225mn (75% owned by UTV). The existing rights owned by the company its earlier films would continue to rest with UTV parent.

**Chart 2: New Media Holding Structure**



Source: Company Data

**Gaming and Animation ready to shoot**

UTV's entry into the Indian and global gaming market through two key acquisitions is a move with significant long-term growth prospects. The gaming market globally is growing by about 11% annually, with wireless gaming growing even faster at 28%. UTV has a 70% stake in UK-based Ignition Entertainment and 59% stake in Indiagames. Its gaming business is expected to grow at a CAGR of 20% base rate. This will be further enhanced by a mega game project 'WarDevil' by Ignition.

WarDevil is a US\$18mn budget console game to be released on PlayStation-3 in about two years. PS3 will have an installed base of about 30mn units by then and Wardevil will target to get at least 5-10% of that market. Assuming a retail price of US\$60, the break even for WarDevil is at 750,000 units. All sales above that level go straight to the bottomline.

UTV is also expected to significantly scale up its animation business from about 250 to over 700 seats by the end of FY08. Its order book in animation stands at about US\$17mn to be executed in 18-24 months. The company has indicated that there are more significant deals in the pipeline and some form of offshoring from Ignition's UK studio to the Indian animation team is also possible.

**Table 2: Gaming Acquisitions**

Companies acquired	Domain	Stake acquired	Acquisition price
Ignition (UK)	Console gaming	70%	USD 13 m
Indiagames	Mobile and online gaming	59%	USD 10.5 m

Source: Company Data

**M.Cap of a well executed  
broadcasting venture can  
be 2-3x of UTVs current  
M.Cap in 2 years**

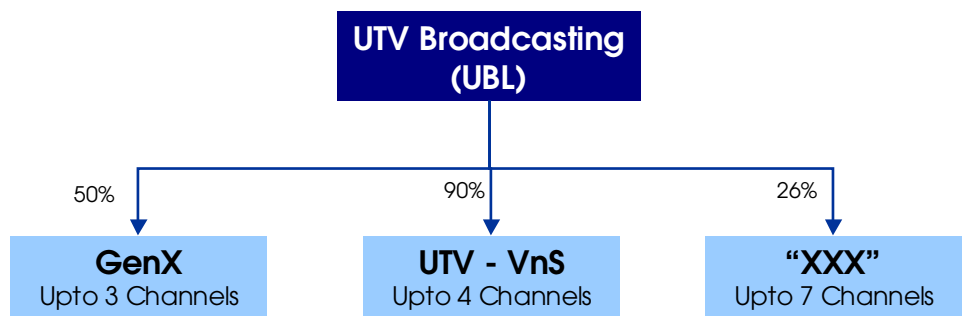
**Entry in broadcasting can create significant value**

UTV's re-entry (has launched, operated and exited 'Hungama' in the recent past) into broadcasting is a game-changing gamble for the company. It believes with the CAS / DTH likely to bring about 15m households into the 'addressability' regime the opportunity is immense for focused broadcasters to enter the market. UTV plans to launch four youth-oriented channels under the brand 'Bindass' and four more special interest channels going forward (total eight, possibly going up to twelve).

The company, through its 100% subsidiary (called UBL), has already formed a 50:50 JV with Malaysia's Astro group for the 'Bindass' Channels. It is likely to bring in a mainstream global media house as a strategic partner for the other channels or possibly even at the UBL level. The strategic partner could come in at a premium to compensate UTV for bringing local knowledge, management team and execution capability to the table.

The total outlay for the broadcasting venture is about US\$180-200mn (to be spent over 2-2.5 years). Even assuming less than fully successful execution, the value creation for UTV can be much higher than its investment over a 2-3 year time frame.

**Chart 3: Broadcasting Holding Structure**



Source: Company Data

**High level working  
relationship with Disney,  
Fox, Astro, Chris Rock**

**Solid global media relationships to bear fruit**

The key story in the long-term with UTV is not its immediate plans, but its capabilities, management depth, global thinking and most importantly its global relationships. The company has well proven capabilities in successfully producing, exploiting and managing movie assets in India. It is one of the few Indian media companies that have the cultural ethos and experience in building and maintaining international media relationships. Its mainstream Hollywood projects (total budget of nearly US\$100mn) and top-of-the-line PS3 game release (budget of US\$18mn) is unlike anything attempted by an Indian company and is indicative of its truly global plans. UTV has relationships with global media houses like Walt Disney (14.9% shareholder of UTV), Fox (50% partner for US\$60mn movie), Will Smith Productions (partner for US\$20mn animation movie) and Chris Rock (Partner for movies and animation films). We expect these relationships to create significant value for the company through various ventures, the quantum of which cannot really be fully captured in valuation models.

**Table 3: Global media relationships**

<b>Movies (International)</b>
Fox, Sony, Disney
<b>Animation</b>
Porchlight, Overbrook (Will Smith)
<b>Gaming</b>
Microsoft, Sony, Nintendo

Source: Company Data

## Valuation

UTV is emerging as a strong media conglomerate with interests in movies, gaming, content, animation and, soon in broadcasting. Given the distinct business segments (each of whom have a comparable play in the market) we have used the sum-of-the-parts method for valuing UTV stock.

The company has reorganized its business into three distinct holding companies - one each for Movies, New Media and Broadcasting. Value will be unlocked in each of these subsidiaries by either listing them on AIM / NASDAQ or bringing in Strategic / Financial Partners. In our valuation, the movie subsidiary is valued at likely listing value (on AIM) and the New Media businesses (Gaming and Animation) are valued at cost of acquisition (for gaming) and earnings multiple (for animation). We have not considered any value from the Broadcasting holding company in the near-term. Significant upside potential remains from unlocking value in both these ventures. Based on this, our medium-term SOTP value is Rs 525 per share (29.6% upside from current levels) in 9-12 months.

**Table 4: Sum of parts**

	(Rs m)	Basis
Movies	9,675	AIM listing value of Movie Subsidiary, no improvement to pipeline considered
Content	822	6x FY09 EV/EBITDA
Animation	1,056	2.0x EV/Sales
Gaming	1,265	
- Ignition (70%)	546	Acquisition Price (upside not considered)
- Indiagames (59%)	441	Acquisition Price (upside not considered)
- PV of War Devil	278	PV of Neutral-Case Sales considered
EV	12,818	
Less: Net Debt Debt	799	
Implied M. cap	12,019	
No. of shares	23	
Fair value	525	
CMP	405	
<i>Potential upside</i>	<i>29.6%</i>	

However, we believe for a long-term investor (with a horizon of 2-years and more) SOTP-based valuation does not give a good idea of potential returns. SOTP largely looks at the company way it is today in its near-term prospects. Given its global ambitions, strong business plans and opportunity we think it is more relevant to look at where the company can be in 2-3 years time and what it would be valued then. Below we have provided an idea of what UTV's profile could be in about two years. Hence while our medium price objective is Rs525 (based on SOTP) in the best case it can go up to Rs1,000-1,200 in 24 months.

**Table 5: Where it is...**

Business Segment	Today	FY08 Run-Rate	Potential Valuation
Movies	Over 20 Indian films projects and 2 mainstream Hollywood projects on hand	Revenues Rs2.0 bn; EBITDA Rs396 mn	Rs9.7 bn (via AIM listing)
Gaming	1 mega console game project (WarDevil) and other smaller projects on hand	Revenues Rs994 mn; EBITDA Rs79 mn	Rs1.26 bn
Broadcasting	Plans afoot to launch Bindaas by July 2007; Plans for Sp. Interest Channels still under wraps	Revenues Rs60mn; EBITDA loss of Rs150mn	Nil
Animation	Strong order book of \$17mn, capex plans for 700 seats. Many new projects in pipeline.	Revenues Rs220mn; EBITDA Rs62mn	Rs1.0 bn
Content (excluding movies)	Doing 11hrs of Comm. and 23 hrs of Air-time sales a week.	Revenues Rs 1.1bn; EBITDA Rs109 mn	Rs822 mn

**Table 6 : ... And where it could be**

Business Segment	2-years down	FY10 Run-Rate	Potential Valuation
Movies	Over 30 Indian films and 3-4 major mainstream Hollywood projects on hand	Revenues Rs4.1 bn; EBITDA Rs681 mn	Rs12.0-15.0 bn (US\$300-350mn)
Gaming	2-3 mega console game projects on hand and several smaller projects	Revenues Rs3.3 bn; EBITDA Rs790 mn	Rs2.5-3.0bn (possible NASDAQ / AIM Listing)
Broadcasting	General Ent. Channels stabilized ; Sp. Interest channels generating subscription revenues	Revenue Rs2.9bn; EBITDA loss Rs150mn	Rs6.0-7.0bn
Animation	Gathered momentum with several outsourcing deal from top studios. Also 6-7 own releases in pipeline.	Revenues Rs660 mn with an EBITDA of Rs172 mn	Rs2.0bn
Content (excluding movies)	Steady growth continues, programming and air-sales up to 44hrs a week	Revenues Rs1.6 bn; EBITDA Rs161 mn	Rs1-1.2 bn

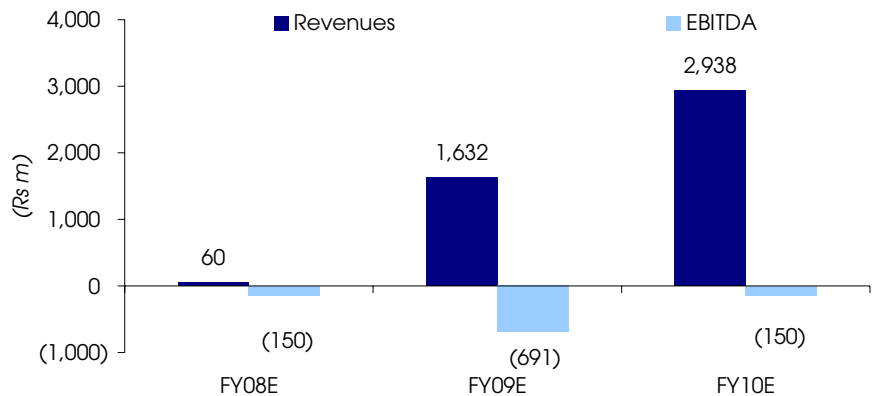
## Investment Concerns

**Sharp dip in FY09 profitability due to broadcasting losses**

### Broadcasting losses to damage numbers

While UTV's cash cost of entering the broadcasting business would be lower than its economic interest, given its likely majority interest in the ventures its P&L will bear the full brunt of the losses from this business. The EBITDA losses are expected to run to about Rs150mn in the first year, Rs 691mn in the second year and Rs150mn in the third year. This severe dent in reported profitability may impact valuation as the losses makes some investors react negatively. It must however be noted that almost all broadcasters when launched were making heavy losses (NDTV, GBN, etc.) but that did not prevent them from trading at high market capitalizations.

Chart 4: Broadcasting to burn Margins



Source:

**Quarterly revenue fluctuations can be extreme**

### Movie revenues are inherently volatile

Movie revenues can be volatile at best and erratic at worst. While UTV's portfolio-based approach to the business and high-quality release pipeline reduces this volatility considerably, it may still remain high enough to cause short-term quarter-on-quarter valuation impact.

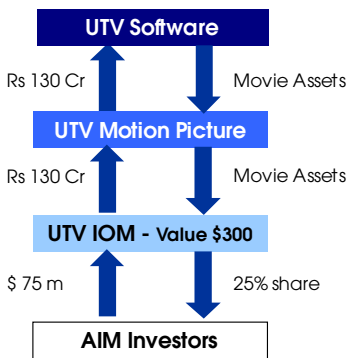
### 'Wardevil' related execution and financial risks

The 'WarDevil' game project is a US\$18mn gamble for UTV's 70% subsidiary Ignition. UTV itself has no prior experience in the console gaming market (though the management of Ignition does) and the release of the game is at least 2-3 years away. Cost-n-time overruns, technology problems, marketing and distribution hitches are just some of the obvious problems that the company could encounter over this period. A less-than-successful production and release of 'Wardevil' can materially impact UTV's financials and valuations.



## Business Analysis

Chart 5: Fund flow through AIM listing



Source: Company Data

### Movies

UTV has been in the movie production business since 2000 and has produced and distributed over 25 movies.

Having delivered successful releases UTV also has an impressive slate of 30 movies lined up over FY08 and FY09. UTV's movie slate includes a mix of domestic, international and animation movies involving co-production with world-renowned production studios like Will Smith's Overbrook studio, Fox, Disney and Sony. UTV is the undoubtedly the only Indian movie producer that has the ambition to enter mainstream Hollywood projects as well as the relationships to bag them. Over the years, UTV has built up a strong association with global creative brands like Mira Nair, Chris Rock, Will Smith, M Night Shyamalan, Rakeysh Omprakash Mehra, Ashutosh Gowariker & Vishal Bhardwaj.

Again UTV from its past having gone through the horror of third-party distribution, the company is now more focused towards its studio model for production of films and distribution of its own movies.

Chart 6: Movies : S-W-O Snapshot

<b>Strengths</b>	<ul style="list-style-type: none"> <li>▪ Pipeline, L-T contracts with cast / crew, local and global distribution</li> <li>▪ Hollywood relationship and ability to bag mainstream projects</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>▪ In experience with mainstream Hollywood cinema a increase risk</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Ample scope to increase market share in Indian movies</li> <li>▪ Hollywood – live and animation – offers enormous growth</li> </ul>

Source: PL Research

## New Media - Animation and Gaming

**Animation in the past has not done as well as it could have, but current order book is looking strong**

### Animation

UTV's animation segment includes co-production of animated movies for domestic and international platforms as well as animation outsourcing. Currently UTV has an animation infrastructure of 225 seats, which it plans to scale up to 700 seats in next one year considering an increasing order book size, demand for animated movies and growing synergies between other company segments. The scale up will require a minimum capex of about \$4-5 mn. Animation movies are taken as part of the content business, where as the animation outsourcing is now part of new media. UTV's current order book for animation outsourcing stands at \$17 mn executable over 24 months.

**Through acquisitions, UTV has become one of the largest wireless and console gaming companies in India**

### Gaming

UTV is the only Indian listed player to have presence in the \$29.5bn gaming industry. The company carries out development, publishing and distribution of games worldwide, developed by a talented pool of 275 employees. The company recently acquired 70% stake in a UK based console gaming company Ignition for a consideration of US\$ 13 million as well as a 59% stake in an Indian mobile gaming company Indiagames for a consideration of US\$ 10.5 million. With these two acquisitions UTV now has a presence in the complete gaming domain of console, mobile, online and PC gaming.

Besides, the highlight of UTV's gaming business going ahead will be the launch of its mega gaming project Wardevil. Wardevil is a Sony Playstation 3 console game, which the company anticipates to release by the end of FY09. The budgeted cost for the game is close to US\$18 million. The game promises to be a great success, as been one of the much-awaited console games since the launch of PS3 by Sony.

To back this, UTV also owns IPs of other games like McLean's Mercury, Pool Paradise and Mercury Meltdown as well as shares a strong relationship with more than 80 telecom operators across 67 countries around the world and all major game publishers in the world such as EA, THQ, Ubisoft, etc.

**Chart 7: New Media : S-W-O Snapshot**

<b>Strengths</b>	<ul style="list-style-type: none"> <li>▪ Established animation and gaming studios run by experienced people</li> <li>▪ Well set distribution and tie-ups for console and wireless games</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>▪ No experience in launching high-budget mega console games</li> <li>▪ Console game portfolio not diversified enough; carries high event risk</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Immense offshoring possibilities in development of games</li> <li>▪ Exploitable synergies between gaming and animation studios</li> </ul>

Source: PL Research

**UTV will need near perfect execution to make a major impact in the broadcasting market in India**

### Broadcasting

UTV claims to have missed the first wave of the broadcasting boom in India. However, having said that the company is all set to grab the opportunity offered from the evolving CAS / DTH regime, which it believes to offer a level playing field for new entrants and niche channel players.

UTV has big plans in the broadcasting space and is looking to launch close to 8-14 channels over the period of next three years. UTV Broadcasting which is a 100% subsidiary of the parent will have three JVs. First is GenX Entertainment in which UTV will have a 50% holding with Astro for the remaining 50% share. The JV will launch about three channels targeting the youth segment, of which the first channel Bindass is to be rolled out by mid of FY08. Likewise, the second JV UTV Varieties and Speciality (VnS) will bring in upto four channels, this again would be pay channels in niche segments.

UTV is to hold 90% of the JV and might seek a strategic investor for the remaining share. The four channels includes Olive TV, a world cinema channel to be rolled out in FY08. The third JV which will roll out close to seven channels is yet unnamed, it is also not possible to comment on the content to be distributed, however UTV is seeking a partner for a brand alliance, for a 26% share in the JV.

Its foray into broadcasting may result in serious burning of margins for the coming two years, but at the same time might create significant value if executed well.

**Table 7: Roll out of channels**

Channels	Estimated time range
Bindass / Unamed	July'07
Varieties & Speciality channels	November'07 - March'08
Un-named	January'08-June'08

Source: Company Data

**Chart 8: Broadcasting : S-W-O Snapshot**

<b>Strengths</b>	<ul style="list-style-type: none"> <li>▪ International tie-ups and alliances</li> <li>▪ Proven execution track record with Hungama TV</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>▪ No experience in running multiple channels (esp. Gen. Ent. Channel)</li> <li>▪ Late entrant, hence facing competition from incumbents</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>▪ Even moderate success in broadcasting can have huge M.Cap impact</li> <li>▪ CAS / DTH allows newcomers quick entry; Incumbents in a churn</li> </ul>

Source: PL Research

## Television content

### Commission sales

UTV provides content to various Television broadcasters like Disney, Doordarshan, Star Plus, on a commission basis. Currently UTV is involved in making the show Arranged Marriage for Star Network, to be aired soon, as well as Towering Inferno, for National Geographic Channel is on the floor and should come on air in the first quarter of the next fiscal. Besides, the company is also producing content for its recently announced broadcasting venture Bindass, a JV between UTV and Astro. We believe the in-house content developed for UTV's broadcasting ventures will further boost their revenues.



### **Airtime sales**

Airtime sales involve marketing of various ad slots, involving a triplicate arrangement between a television broadcaster, content provider and the marketing company, here UTV. UTV does airtime sales for most of the South Indian channels viz., Sun TV, Gemini, Surya and Udaya TV. Over the years, UTV has build up a strong association with Radaan one of the largest players for South Indian television content giving access to some of the top most shows on various channels.

## Annexure

### AIM's listing of UTV Motion Pictures

As a part of, UTV's corporate restructuring, the company has transferred all its Motion Picture production activities -Domestic and International - into one of its overseas subsidiaries, which will move to get listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

UTV is looking to raise close to \$75 mn, the proceeds of which would be used to finance the slate of movies lined up. The listing will result into a 25% dilution of the subsidiary.

Alternative Investment Market (AIM) is a sub-market of the London stock exchange, allowing smaller companies to float shares with a more flexible regulatory system than is applicable to the Main Market. AIM has admitted more than 2,000 companies & raised more than £50 billion since 1995. February 2006, AIM saw average trading of 435 million shares at an average daily value of £148.3 million. Likewise, over the years, number of international admission at AIM has also surged. For instance, in December 2005, 21 of 68 companies (31%) were international companies, raising close to \$1.5 billion.

Purpose for listing at AIM:

- (a) To unlock value for our UTV shareholders.
- (b) In India UTV is benchmarked with "pure play" Hindi movie producers - however with its robust, stable and global model the company believes that international investors on overseas stock exchanges understand such a mature model better.
- (c) To position UTV Motion Pictures as a Global Indian Movie Major and with overseas listing it will facilitate M&A's, Alliances and JVs in the main international markets with global film companies.

### What's in for shareholders of UTV Software Ltd

UTV Motion pictures aims to raise close to \$75 mn, with a 25% dilution. Assuming the listing would be successful, it would then translate into a substantial value unlocking for its majority shareholders viz. shareholders of UTV holding 75% of the subsidiary. UTV's current market cap is Rs 9,270 mn, with a successful listings at AIM (LSE) the value for it's holding in UTV Motion pictures alone would be close to Rs 9,675 mn.

## Financials

### Income Statement

(Rs m)

Y/e March	FY06	FY07	FY08E	FY09E	FY10E
<b>Net Sales</b>	<b>2,084</b>	<b>1,743</b>	<b>4,420</b>	<b>8,537</b>	<b>12,673</b>
<b>Expenditure</b>					
Direct Cost	1,695	1,299	3,711	7,854	10,886
<i>% of Sales</i>	<i>81.3</i>	<i>74.5</i>	<i>83.9</i>	<i>92.0</i>	<i>85.9</i>
Staff cost	160	170	195	224	258
<i>% of Sales</i>	<i>7.7</i>	<i>9.7</i>	<i>4.4</i>	<i>2.6</i>	<i>2.0</i>
Other Expenditure	113	126	145	167	192
<i>% of Sales</i>	<i>5.4</i>	<i>7.2</i>	<i>3.3</i>	<i>2.0</i>	<i>1.5</i>
Total Expenditure	1,968	1,595	4,051	8,245	11,336
<i>% of Sales</i>	<i>94.4</i>	<i>91.5</i>	<i>91.6</i>	<i>96.6</i>	<i>89.4</i>
<b>EBIDTA</b>	<b>116</b>	<b>148</b>	<b>369</b>	<b>292</b>	<b>1,337</b>
<i>% of Sales</i>	<i>5.6</i>	<i>8.5</i>	<i>8.4</i>	<i>3.4</i>	<i>10.6</i>
<b>EBITDA (Excl. Broadcasting business)</b>	<b>-</b>	<b>-</b>	<b>519</b>	<b>983</b>	<b>1,487</b>
<i>% of Sales</i>	<i>-</i>	<i>-</i>	<i>11.9</i>	<i>14.2</i>	<i>15.3</i>
Other Income	48	27	100	120	100
Depreciation/Amortisation	47	31	44	47	58
Interest	-	15	54	135	153
<b>PBT &amp; exceptional items</b>	<b>116</b>	<b>128</b>	<b>371</b>	<b>230</b>	<b>1,226</b>
Total Tax	25	9	67	80	245
<i>Tax Rate (%)</i>	<i>21.3</i>	<i>7.4</i>	<i>18.0</i>	<i>35.0</i>	<i>20.0</i>
<b>PAT before minority interest</b>	<b>92</b>	<b>118</b>	<b>304</b>	<b>149</b>	<b>981</b>
Minority Interest	-	7	68	115	262
<b>PAT after minority interest</b>	<b>92</b>	<b>112</b>	<b>237</b>	<b>35</b>	<b>719</b>
Exceptional items	51	260	-	-	-
Prior period items	-	176	-	-	-
<b>PAT after exceptional items</b>	<b>142</b>	<b>548</b>	<b>237</b>	<b>35</b>	<b>719</b>

**Balance Sheet**
*(Rs m)*

Y/e March	FY06	FY07	FY08E	FY09E	FY10E
<b>Share Capital</b>					
Equity capital	195	229	229	229	229
Total capital	195	229	229	229	229
Reserves	1,143	1,691	5,003	5,037	5,756
Shareholders Funds	1,338	1,920	5,232	5,266	5,985
Total Debt	1,015	1,599	1,300	1,700	1,700
Deferred Tax (net)	26	26	69	69	69
<b>Total</b>	<b>2,379</b>	<b>3,545</b>	<b>6,601</b>	<b>7,035</b>	<b>7,754</b>
<b>Assets</b>					
Gross Block (Tangibles)	529	664	889	939	1,164
Less Acc. Depreciation	246	278	322	369	427
Net Block	283	386	567	570	736
Capital work In progress	124	-	-	-	-
Total Fixed Assets	407	386	567	570	736
Investments (At Cost)	201	160	1,360	3,160	3,160
Current Assets	2,260	3,829	6,663	7,399	9,934
Inventory	783	1,500	2,200	3,000	3,800
<i>Days</i>	<i>137</i>	<i>314</i>	<i>182</i>	<i>128</i>	<i>109</i>
Sundry Debtors	582	500	1,211	2,339	3,472
<i>Days</i>	<i>102</i>	<i>105</i>	<i>100</i>	<i>100</i>	<i>100</i>
Cash & bank balances	66	799	2,152	760	1,262
Loans & Advances, Prepaid Exp	829	1,030	1,100	1,300	1,400
Current Liabilities & Provisions	489	830	1,989	4,093	6,076
Current Liabilities	484	830	1,989	4,093	6,076
<i>Days</i>	<i>85</i>	<i>174</i>	<i>175</i>	<i>175</i>	<i>175</i>
Provisions	5	-	-	-	-
Net current Assets	1,771	2,999	4,674	3,306	3,858
<b>Total</b>	<b>2,379</b>	<b>3,545</b>	<b>6,601</b>	<b>7,036</b>	<b>7,754</b>

**Cash Flow**
*(Rs m)*

Y/e March	FY06	FY07	FY08E	FY09E	FY10E
Net Cash Flow from Operations	(470)	(36)	71	217	1,033
Net Cash Flow from Investing	(170)	31	(1,425)	(1,850)	(225)
Net Cash Flow from Financing	830	738	2,707	241	(306)
Cash at the beginning of the year	133	66	799	2,152	760
(Dec)/Inc in Cash	191	733	1,353	(1,392)	502
Cash at the end of the year	66	799	2,152	760	1,262

## Key Ratios

Y/e March	FY06	FY07	FY08E	FY09E	FY10E
<b>Return Ratios (%)</b>					
ROCE	4.7	4.3	5.6	1.8	11.5
ROE	6.7	6.9	6.6	0.7	12.8
<b>Growth (%)</b>					
Sales	17.9	(16.4)	153.6	93.1	48.4
EBITDA	(53.3)	27.7	149.6	(21.0)	358.1
PAT	(43.6)	22.0	111.6	(85.3)	1,973.5
EPS	(43.6)	3.9	111.6	(85.3)	1,973.5
<b>Liquidity</b>					
Current Ratio	4.6	4.6	3.3	1.8	1.6
Acid Test Ratio	3.0	2.8	2.2	1.1	1.0
<b>Balance Sheet Ratios</b>					
Gross Debt : Equity	0.8	0.8	0.2	0.3	0.3
Net Debt: Equity	0.7	0.4	(0.2)	0.2	0.1
<b>Per Share Ratios (Rs)</b>					
EPS	4.7	4.9	10.3	1.5	31.4
BV	68.6	83.9	228.5	230.0	261.4
CEPS	7.1	6.3	12.3	3.6	33.9
<b>Margins (%)</b>					
EBITDA	5.6	8.5	8.4	3.4	10.6
PAT	4.4	6.4	5.4	0.4	5.7
Tax Rate	21.3	7.4	18.0	35.0	20.0
<b>Valuations (x)</b>					
PER	86.2	83.0	39.2	267.6	12.9
P/CEPS	56.8	64.8	33.0	113.6	11.9
P/BV	5.9	4.8	1.8	1.8	1.5
EV/EBITDA	86.4	67.0	19.1	24.2	4.9
EV/Sales	4.8	5.7	1.6	0.8	0.5
Market Cap/Sales	4.4	5.3	2.1	1.1	0.7





## Notes



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## Prabhudas Lilladher Pvt. Ltd.

**Corporate Office:** 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India.  
Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

### PL's Recommendation Scale

<b>BUY</b>	: > 15% Outperformance to BSE Sensex	<b>Outperformer</b>	: 5 to 15% Outperformance to Sensex
<b>Market Performer</b>	: -5 to 5% of Sensex Movement	<b>Underperformer</b>	: -5 to -15% of Underperformance to Sensex
<b>Sell</b>	: <-15% Relative to Sensex		

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