

Balaji Telefilms Ltd (Q2 FY09)

October 27, 2008

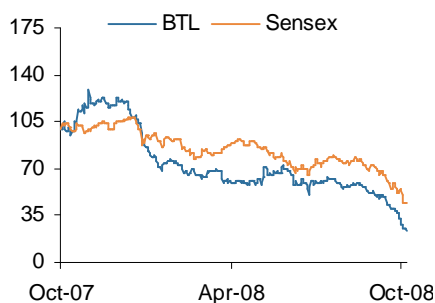
Stock data

Sensex:	8,510
CMP (Rs):	71
52 Week h/l (Rs):	388/65
Market cap (Rs cr)	463
6m Avg vol BSE&NSE ('000 nos):	155
No of o/s shares (mn):	65
FV (Rs):	2
Bloomberg code:	BLJT IN
Reuters code:	BLTE.BO
BSE code:	532382
NSE code:	BALAJITELE

Shareholding pattern

September 2008	(%)
Promoters	40.0
Foreign and institutions	50.6
Non promoter corp hold	4.9
Public & others	4.5

Share price trend



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- ↗ Topline rises 32.6% yoy on account of increase in programming hours
- ↗ Higher cost of production and telecast fees pull down OPM by 2,000 bps yoy
- ↗ Star-Balaji break up to impact revenues in coming quarters

Result table

Period to	Q2 FY09	Q2 FY08	Growth	Q1 FY09	Growth
(Rs mn)	(3)	(3)	yoy (%)	(3)	qoq (%)
Revenue	1,033	779	32.6	916	12.8
Expenditure	(803)	(449)	78.9	(598)	34.2
Operating profit	230	330	(30.4)	318	(27.6)
Other Income	65	64	1.2	43	52.0
Depreciation	(35)	(38)	(7.6)	(34)	1.8
PBT	260	357	(27.1)	326	(20.2)
Taxes	(79)	(101)	(21.8)	(104)	(23.7)
PAT	181	256	(29.2)	223	(18.6)
OPM %	22.3	42.4	(47.5)	34.7	-
NPM %	17.5	32.8	(46.6)	24.3	-
No. of shares(mn)	65	23	-	65	-
EPS (Annualised)	11	44	-	14	-

Source: Company, India Infoline Research

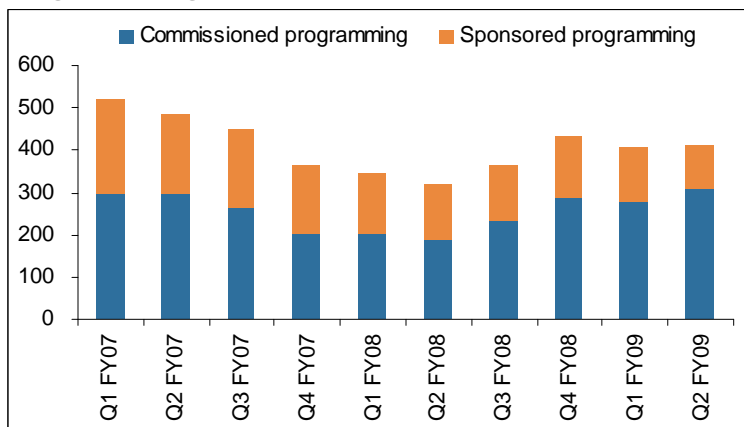
Topline rises 32.6% yoy on account of increase in programming hours

In Q2 FY09, Balaji Telefilms Ltd (BTL) increased its programming hours by 28.9% yoy to 412 hours as compared to 319 hours in Q2 FY08. Commissioned programming contributed 74% to the programming hour mix and the rest came in from sponsored programming. The average realisation per hour for commissioned programming declined 12.4% yoy to Rs3.23mn whereas for sponsored programming it increased by 33.3% yoy. The average realisation per hour for commissioned programming declined mainly due two new shows being telecast on a new channel and another new show replacing an existing popular show on an older channel. Since it takes time for new shows to generate TRPs and garner market share, their realisation per hour is much lower compared to the flagship show and other established shows.

Revenue break-up

Period to	Q2 FY09	Q2 FY08	Growth
(Rs mn)	(3)	(3)	yoy (%)
Commissioned programming	969	722	34.3
Sponsored programming	64	58	10.5
Total revenues	1,033	779	32.6

Source: Company, India Infoline Research

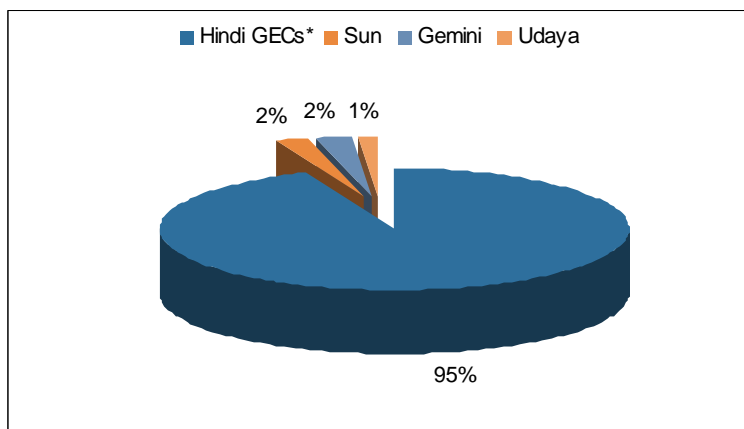
Programming hours distribution


Source: Company, India Infoline Research

Realisation per hour

Period to	Q2 FY09	Q2 FY08	Growth
(Rs mn)	(3)	(3)	yoy (%)
Commissioned programming	3.2	3.8	(14.8)
Sponsored programming	0.6	0.5	33.3
Total	2.5	2.4	2.8

Source: Company, India Infoline Research

Channel-wise share of revenue


Source: Company, India Infoline Research

* include Star Plus, Sony TV, Zee TV and 9X

Higher cost of production and telecast fees pull down operating margin by 2,000 bps

BTL incurred high cost of production and telecast leading to a sharp decline in OPM. Operating margins for the quarter declined 2,000 bps yoy to 22.3% as compared to 42.4% in Q2 FY08. Production costs and telecast fees increased due to an increase in number of programming hours as well as an increase in the number of serials telecast. At the end of Q2 FY09, the company had 13 serials on air as compared to 11 serials at the end of Q2 FY08. Other expenses, which include lighting and electricity charges, expense on costumes and props and equipment hire charges grew by 357 bps as a % of sales.

Cost Analysis

Period	Q2 FY09	Q2 FY08	Inc/(Dec)
As % of sales	(3)	(3)	bps
Production and telecast expense	61.3	44.2	1,706
Staff cost	3.8	4.4	(61)
Other expenses	12.6	9.1	357
Total expenditure	77.7	57.7	2,002

Source: Company, India Infoline Research

PAT declines 29.2% yoy on the back of lower operating profit

Operating profits fell 30.4% to Rs230mn leading to a 29.2% decline in PAT at Rs181mn. NPM for the quarter fell by 1500 bps to 17.5% as compared to 32.8% in Q2 FY08.

Outlook

With the discontinuation of two of its top rated shows on the Star Plus channel, BTL could see a drop in revenues in the coming quarters. Its second highest rated show 'Kahaani Ghar Ghar Kii' has already been pulled off air and its flagship show 'Kyunki Saas Bhi Kabhi Bahu Thi' will go off air from November 10, '08 onwards. The three new shows slated to be launched on NDTV Imagine and Star Plus may help offset the loss caused by the top two shows going off air.

BTL may look out for other opportunities in the regional space following the termination of its tie-up with Star Group Ltd. Moreover, the expiry of the content exclusivity agreement with Star will allow BTL to telecast its shows on other channels at any time.

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