SUN TV LIMITED

Initiating Coverage

Media – Broadcasting

May 07, 2010

Recommendation:		BUY
CMP	:	Rs. 413
Target	:	Rs. 491
Upside Potential	:	19.0%
BSE code	:	532733
NSE Symbol	:	SUNTV
Bloomberg	:	SUNTV.IN
Reuters	:	SUTV.BO

Key Data

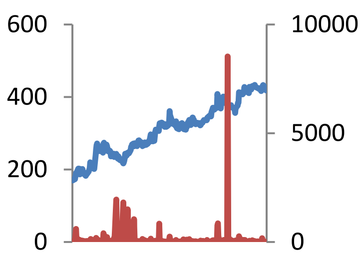
NIFTY	:	5090.85
SENSEX	:	16987.53
52 week H/L (Rs.)	:	444/197
Outstanding Shares	:	394 (mn)
Avg. Wkly Volume	:	9,916 (shrs)
Market Cap (Rs)	:	16,437(mn)

Share Holding Pattern (%)

Promoters	:	77.00
Institutions	:	12.62
FIIs/NRI's	:	8.04
Public & Others	:	2.34

(Sources: BSE)

Price Volume Analysis (1 year)



(Sources: Capitaline)

Research Analyst

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We are initiating coverage on Sun TV Ltd, which is a dominant player in the broadcasting space and a market leader in the southern region. Sun TV has the advantage of being a first mover in the South Indian market and has leveraged this benefit to create significant competitive advantage.

Investment Rationale:

Dominance in the beneficial south Indian markets:

Sun Network has a dominant market share in the four southern states it operates in. In comparison to the fragmented Hindi film market, the regional markets offers lucrative growth potential in terms of better returns owing to lower content and production costs.

Digitalization to be the way ahead:

Sun Network would be one of the major beneficiaries of the recent growth in the DTH space. South India accounts for 47% of the C&S homes in India, which account for 21% of the population of the country with no demand for Hindi bouquet there. Sun has not entered into any fixed subscription revenue model with broadcasters, which ensures it incremental revenue from every additional subscriber.

Strong growth in advertising spends to augment revenues:

Advertising industry is set to benefit from the economic recovery that our country is now witnessing. The correlation between advertising ad spends and economic recovering is just over 1. We assume the industry to post a comfortable 10-15% growth (partially owing to low base effect). Sun TV has been the first one to undertake ad rate hike across the regions it operates in (average 12-15%).

Unique Business model:

Sun is able to practice its strategy of selling telecast slots under exclusive agreements and additionally ensuring a continued supply of quality content.

Sun in return for a fixed fee broadcasts the content of content providers and in return, gives them four out of the six minutes advertising slot in a thirty-minute programme. This allows the content providers to partially recover their costs by selling these minutes.

We recommend a BUY rating on SUN TV Ltd valuing the company at Rs. 491/- based on DCF taking a WACC of 12.69% and terminal growth rate of 5%. At the CMP of Rs. 413 the stock is trading at PER of 25x based on FY11 EPS.

Financial Summary (Rs. Million)

Particulars	FY 2008	FY 2009	FY 2010E	FY 2011E
Net Sales	9255.40	11061.60	14694.00	17115.50
EBIDTA	6531.30	8035.50	10964.59	12930.25
Net Earnings	3266.90	3683.30	5581.40	6476.20
EPS	8.29	9.35	14.16	16.43
BVPS	36.77	43.19	54.43	67.94
P/E	49.82	44.19	29.16	25.13

Source: (Company, ULJK Research)

Indian Media and Entertainment Industry

The Indian Media and Entertainment Industry would be one of the fastest growing sectors in India owing to the buoyant economic developments and favorable demographics. A young Indian's higher propensity for discretionary spending has propelled a greater money flow into the leisure and entertainment industry. The emergence of India's young middle class with greater earning power and higher disposable incomes signifies a good potential for increased marketing and advertising spends in India.

The total size of the M&E industry would now stand at about INR 697 bn.

Table # 1

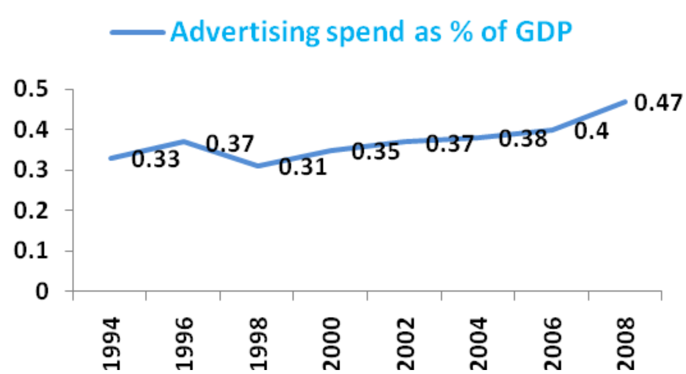
M&E Industry (INR bn)	2005	2006	2007	2008	CAGR	2009	2010P	2011P	2012P	2013P	CAGR
Television	163	182.5	211.3	240.5	13.80%	262.7	295.6	341.7	399.1	472.6	14.5%
Print	117	138.6	160.4	172.6	13.80%	183.9	197.9	216	239.3	266	9.0%
Film	66.9	81.7	96.4	109.3	17.70%	109.2	117.5	130.9	151.3	168.6	9.1%
Radio	4.9	6	7.4	8.4	19.7%	9.2	10.3	11.9	13.9	16.3	14.2%
Music	8.3	7.8	7.4	7.3	-4.40%	7.5	8	8.7	9.5	10.7	8.0%
Animation	10	12	14.5	17.4	20.10%	20	23.3	27.8	33.1	39.4	17.8%
Gaming	2.2	3	4.4	6.5	44.60%	9.4	13.3	17.9	22.5	27.4	33.3%
Internet Advertising	2	2	3.9	6.2	45.20%	8.4	11	13.7	17.1	21.4	27.9%
Outdoor	10	11.7	14	16.1	17.30%	17.7	19.8	22.4	25.5	29.3	12.8%
Total Size	**385**	**445**	**520**	**584**	**15.00%**	**628**	**697**	**791**	**911**	**1052**	**12.5%**

Source: FICCI Media Report 2010, ULJK Securities

The M&E industry has so far grown at an average CAGR of 15% with only the music industry being the laggard. Going ahead, the growth in the M&E industry is set to come from a favorable demographic composition and the strong long term fundamentals of the Indian economy propel a higher spending power; and with 70% of India's population being below the age of 30 years presents a good opportunity for marketers.

Further, the potential rise in the advertising spend for the country remains strong. The Advertising to GDP ratio for India is still very low at 0.47 percent compared to over 1 percent in the US. We lag behind even compared to our Asian counterparts like China. (US: 1.34, UK: 0.95, China: 0.54, India: 0.47).

Chart # 1



Source: FICCI Media Report 2010, ULJK Securities

The lower ratios as compared to other nations can in part be attributed to the lower per capita spend in India. However, the per capita income of the country has been readily increasing over the past few years; which reflects in the advertising spend in India also growing steadily over the same period.

These important macro economic indicators have driven the growth of the M&E industry in India in recent times. The recent effects of the global economic downturn would have a short term impact on our economy and the fundamentals of India remains strong. The Indian economy is expected to grow steadily leading to a continuous rise in the disposable income of the country.

Indian advertising revenue is the largest contributor and main growth driver behind the M&E industry; which has grown by about 17% in the last 3 years and is expected to grow by about 12% in the coming years as depicted below.

Table # 2

Advertising market (Rs. Bn)	2006	2007	2008	2009	CAGR(%)	2010(E)	2011(E)	2012(E)	2013(E)	2014(E)	CAGR(%)
Television	61	71	83	88	12.99%	99	113	133	155	182	12.65%
Print Media	85	100	108	103	6.61%	114	127	142	158	176	8.50%
Radio	6	7	8	8	10.06%	9	10	12	14	16	12.47%
OOH Advertising	12	14	16	14	5.27%	15	17	19	21	24	9.00%
Internet Advertising	2	4	6	8	58.74%	11	15	18	23	29	17.92%
Total Advt Market	166	196	221	220	9.84%	247	281	323	371	427	11.03%

Source: FICCI Media Report 2010, ULJK Securities

Table # 3

Advertising market (YOY growth %)	2006	2007	2008	2009	2010(E)	2011(E)	2012(E)	2013(E)	2014(E)
Television	17.5	16.6	16	6.7	12	14.9	17	17	16.9
Print Media	22.5	17.6	8	-4.6	10.3	11.5	11.7	11.5	11.8
Radio	22.4	23.3	13.5	-7.1	11.5	14.9	17	17.9	18.8
OOH Advertising	17	19.7	15	-14.9	9.5	11.3	12	12.8	14.2
Internet Advertising	0	95	59	25.8	41	32.7	24.7	25.3	25
Total Advt Market	19.9	18.5	12.6	-0.4	12.1	13.9	14.7	14.9	15.2

Source: FICCI Media Report 2010, ULJK Securities

Over the last few years, the media industry has witnessed the emergence of many niche content genres across segments like the emergence of reality television, rising number of TV channels, cross over content in music and films.

Narrowcasting is another phenomenon that's evolved, which involves segmentation of the target group and coming out with content, programmes and formats that appeal best to that target group thereby enabling broadcasters and advertisers to reach out to target audiences. Going forward, this trend of narrowcasting is only expected to increase further and the industry is expected to see more audience fragmentation.

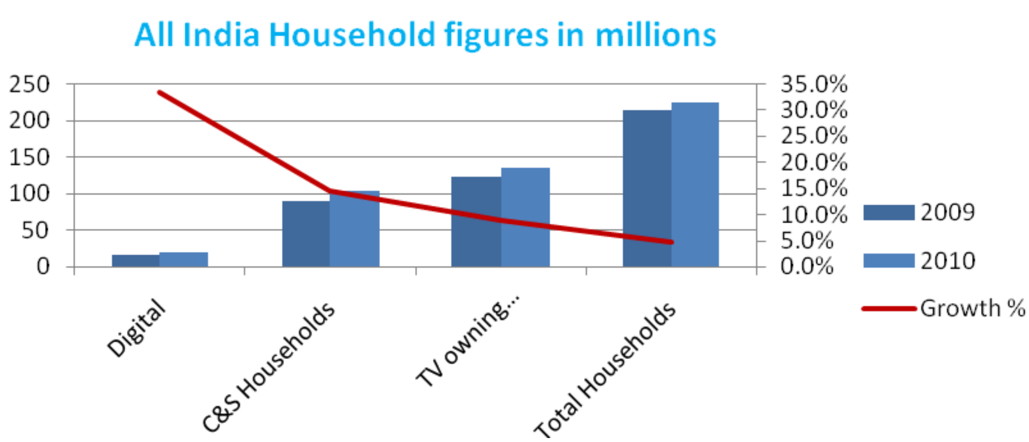
In the past, media consumption was mainly driven by metros. With the increase in spending power of population, living in smaller cities and towns has give rise to demand for regional content and companies are now focusing on customization of content as these towns are emerging as a significant growth driver for the M&E industry.

Indian M&E players are not limiting their ambitions within India's national borders and have started eyeing international markets. International demand for Indian content has been there for sometime with the telecast of Indian TV channels across the world. With a large NRI population base of about 25 mn to serve, M&E companies continue to have an opportunity to further increase their revenues from overseas markets. Infact Indian companies are looking beyond the NRI diaspora and attempting to target the local audience in these markets also.
The global media industry has been transformed by digitalization, which is the process of converting analogue information into digital format. Television, Films and Music industries have been the major beneficiaries of this phenomenon.

Indian Television Industry:

The Indian INR 257 bn TV industry has transformed completely in the last few years. The TV industry is one of the largest chunks of the Indian M&E industry. The number of channels beamed on the TV screen has increased four-fold in the last five years. Apart from GEC's there has been a rapid growth in niche segments like reality, kids, lifestyle, education channels etc.

Chart # 2

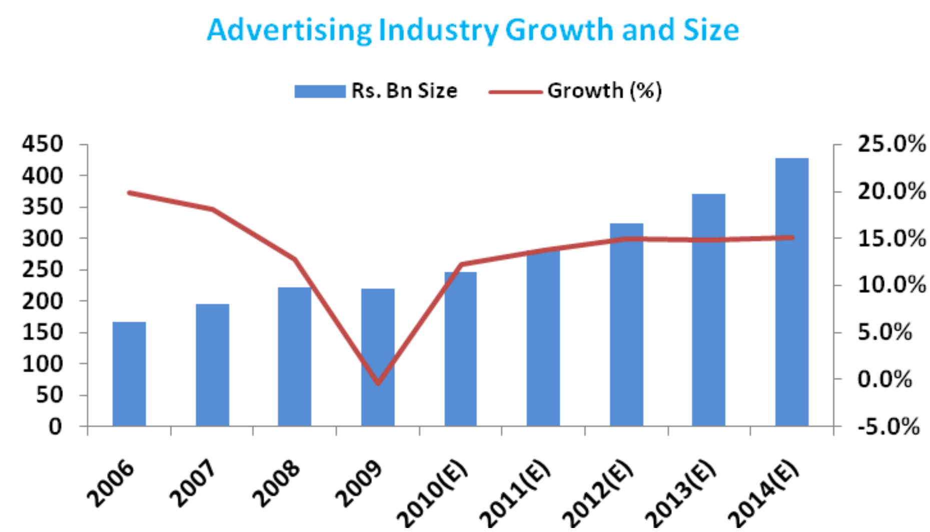


Source: TAMS, ULJK Research

In TV distribution, digital mediums have emerged in the form of DTH, IPTV, Digital Cable with some of India's biggest corporate houses having the financial muscle investing in the DTH platform. With digitalization picking up, the launch of channels is only going to increase as digitalization apart from better picture quality and sound gives the viewer a wider choice in channels

Overall, the television sector has been growing at a CAGR of 13% from the beginning of the last decade, while advertising has grown with an estimated CAGR of 16.7% and subscription growth stands at 12.4% CAGR.

Chart # 3



Source: FICCI KPMG Media Report 2010, ULJK Research

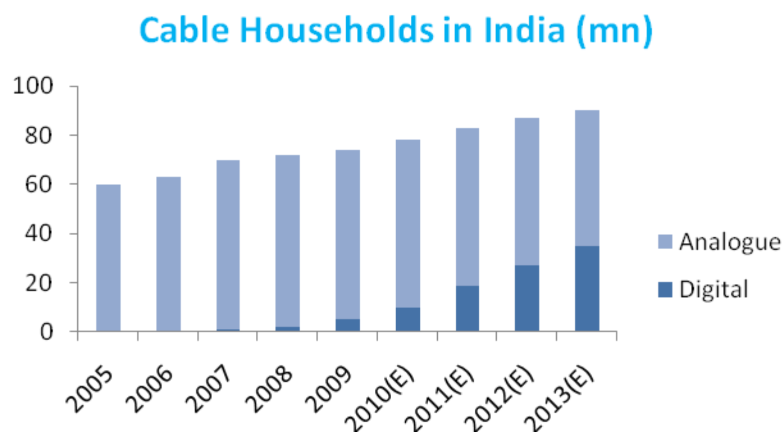
Organized funding in terms of PE funding, public issues etc. have been witnessed especially in the television space in the last couple of years ushering in an era of corporatization and professionalism as against the traditional reliance of the industry on private and individual financing at higher interest rates.

One of the main concerns of the broadcasters is the sharp increase in carriage fees as channels compete increasingly for premium placements.

In the coming future, growth is likely to be driven by a variety of factors. Digitalization of television is to happen at a rapid pace with digital distribution platforms commanding higher ARPU's. The DTH subscriber base would only grow from hereon which would pave the way for the entry of many new players making this also a highly competitive market like telecom.

Digitalization of television provides for a better quality of viewing experience for the consumers along with a greater bandwidth of channels. Digitalization, which was earlier driven only by the mandatory imposition of CAS in certain parts of the country is now happening in non CAS areas as well and cable operators also look to tackle the increasing competition through digital distribution networks like DTH. Commercial IPTV services have also started in the country providing another digital alternative to consumers. Digitalization is a reality but the monetization of the same which is still uncertain has to be seen. The Indian cable industry collects about Rs. 180 bn at the retail level but only about Rs. 20 bn reaches the broadcasters.

Chart # 4



Source: FICCI KPMG Media Report 2010, ULJK Research

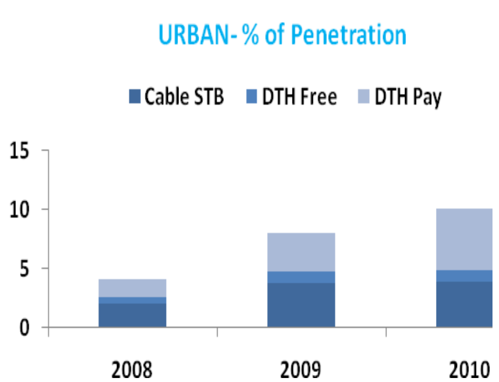
Even digitalization of cable would pick up space independent of whether CAS would be implemented or not. IPTV on the other hand is expected to take a while to catch up as infrastructure would be needed to support it on a larger scale. TRAI has recommended 100 percent mandatory cable digitalization by 2013.

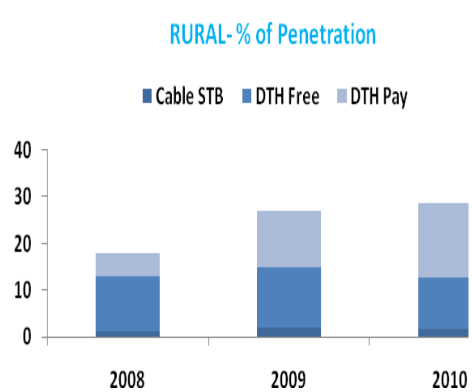
Digital: Urban v/s Rural

1. In the past year, urban digital growth (52%) has been at more than double that of rural (20%). Of course, urban has grown from a much smaller base.
2. Urban India now contributes almost a third of all digital households
3. DTH is the growth provider for digital in both strata. Cable STB penetration remains stable across urban and rural India.

Both urban and rural digital growth is primarily coming from pay DTH; growth rate of the same is higher in rural.

Chart # 5

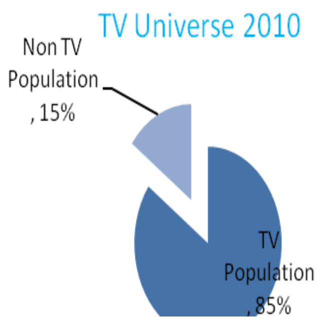


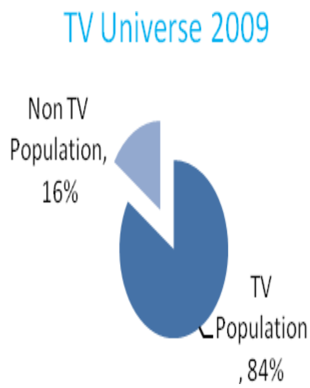


Source: TAMS, ULJK Research

Chart # 6

Growth of TV population is marginally higher than that of Total population:





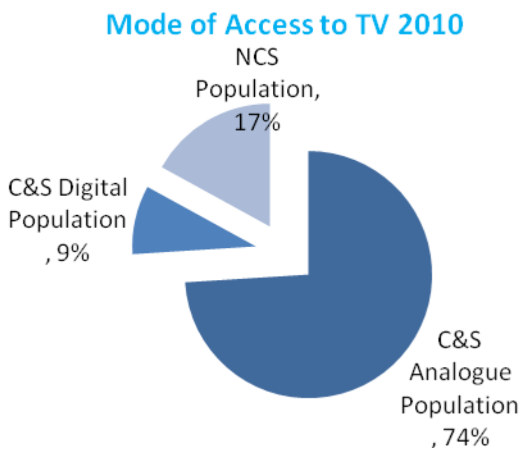
Source: TAMS, ULJK Research

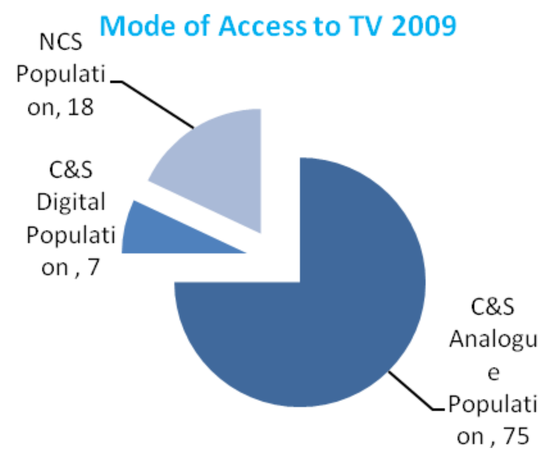
In 2009, the non TV population stood at 36.3 mn which is approximately 16% out of the total TV universe population of 233 mn.
In 2010, the non TV population was at 38 mn representing 15% of the total TV population of 253 mn.
Incremental increase in the TV population is about 9.14% (215 mn -2010 and 197 mn-2009) as against the population growth of 8.58% on a YoY basis.

The growth in TV population has come from Digital followed by C&S and analog.
In 2009 75% (159 mn) of the total TV population out of 197 mn was C&S Analogue population and the C&S Digital population was 13 mn.

In 2010 out of the total TV population of 215 mn, C&S analogue population consists of 159 mn households comprising 74% of the population, followed by Non C&S households of 36 mn C&S Digital population of 20 mn.

Chart # 7



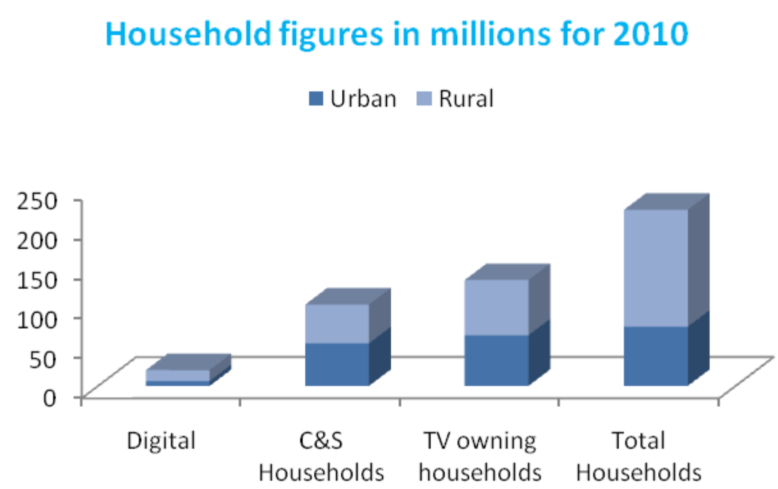


Source: TAMS, ULJK Research

The non Cable and Satellite population remained stagnant in the last year at 36 mn showing that the increase in population from 197 to 215 mn have opted for either one form of the cable satellite option.

Cable and Satellite homes in India have crossed the 100 mn mark now standing at about 103 mn. Undoubtedly, the growth of digital platforms has contributed to the growth of C&S households; moreover in rural areas the infrastructure has been an obstacle to cable growth.

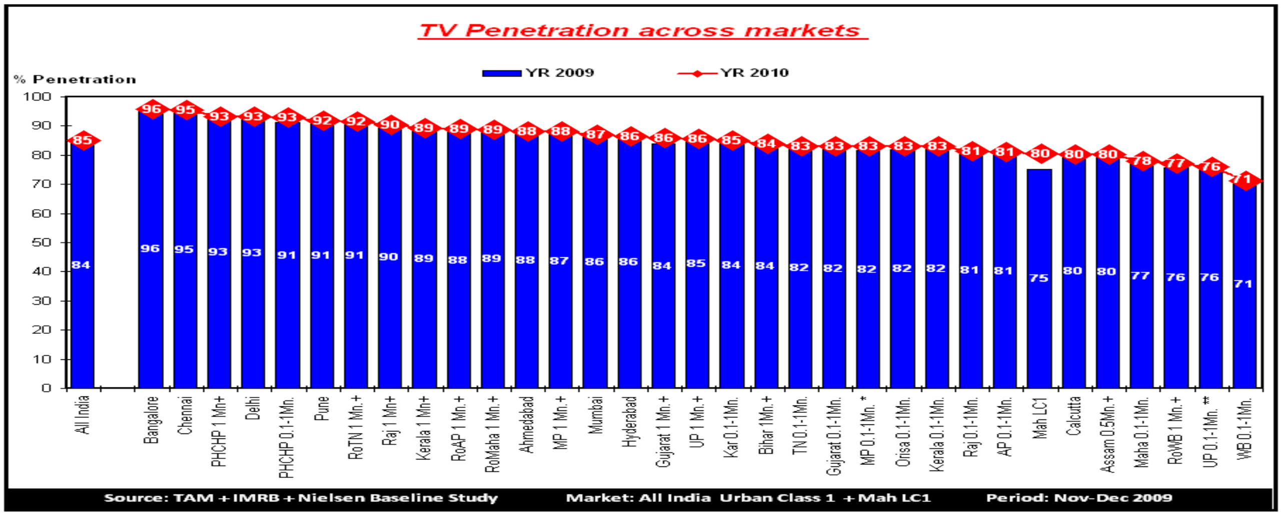
Chart # 8



Source: TAM, ULJK Securities

The TV penetration across markets in India as an aggregate has gone up by 1% from 84 to 85%. The largest increase was seen in the Maharashtra circle, which saw a jump of 5% this year.

Chart # 9



Source: TAM, ULJK Securities

Growth drivers in Television:

- Rapid growth in number of digitalized households
- Steady increase in ARPU through digital distribution platforms
- Growth in number of TV channels
- Growth in number of TV household

Challenges in the television sector:

- Under declaration of subscribers by cable operators resulting in large subscription revenue losses for the broadcasters
- Delay in implementing of CAS
- Increasing content costs for TV channels as the broadcasting space gets over crowded
- Intense competition among DTH players leading to a commoditized market

Key actions to be taken in Broadcasting Sector:

Building channel bouquets:

Going forward, a basket approach would be appropriate for success in the broadcasting industry. Creation of channel bouquets would increase the bargaining power of broadcasters with distributors and innovative bouquet offerings would also attract advertisers.

Focus on differentiation of content:

Overcrowding of Indian channels has spoilt the consumer for choice and only channels with distinguished content and target audience would do well with even the advertisers preferring them.

Building a strong content library to capitalize on various revenue streams:

Some of the avenues for future revenues are dubbing of content in regional languages and proper valuation of library content. Broadcasters are now intelligently tapping revenue potential from mobile interactive services for talent hunts and reality shows. Backward integration in terms of producing content themselves since the cost of content is steadily going up. Mobile users 500 mn plus is still an untapped market; with Internet catching up, mobile is another ready market that can be looked at by content owners.

Investment Rationale: Investing in the regional leader – SUN TV LIMITED

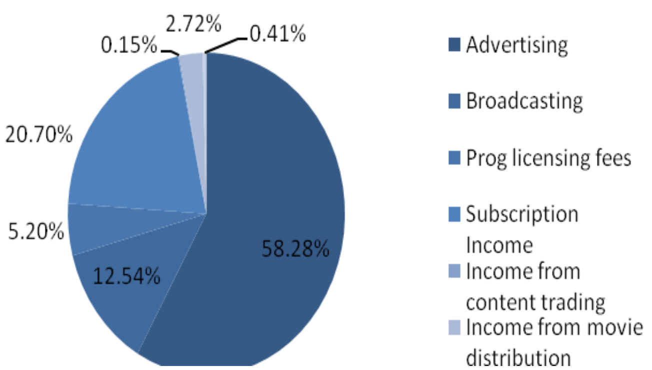
Sun TV has the advantage of being the first mover in the Southern Indian market and has leveraged this to create a significant competitive advantage.

Dominance in the beneficial South Indian markets:

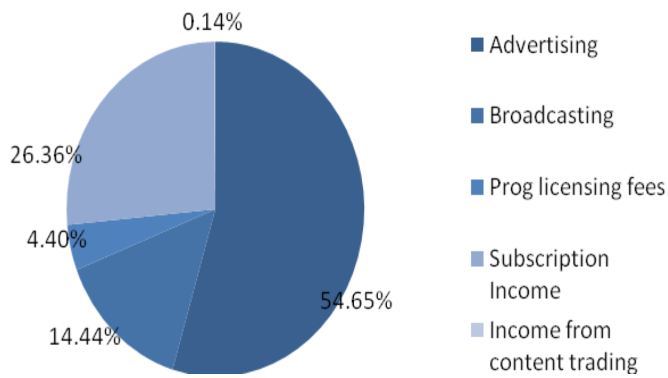
Sun Network has a dominant market share in the four Southern states it operates in namely: Tamil Nadu (70%), Kerala (35%), Karnataka (38%) and Andhra Pradesh (35%). Sun TV has played a prominent role in the recent strong growth witnessed in the regional media markets in India. Sun TV is the market leader in three of the four circles it operates in, it only lags behind in Kerala where it holds the second position with Asianet being on the top slot.

Chart # 10

Revenue Breakup in 2009



Revenue Breakup in 2008



In comparison to the fragmented Hindi film market, the regional markets offers lucrative growth potential in terms of better returns owing to lower content and production costs. 47% of the cable and satellite households are in South India, which accounts for 21% of the population, with no demand for the Hindi bouquet there.

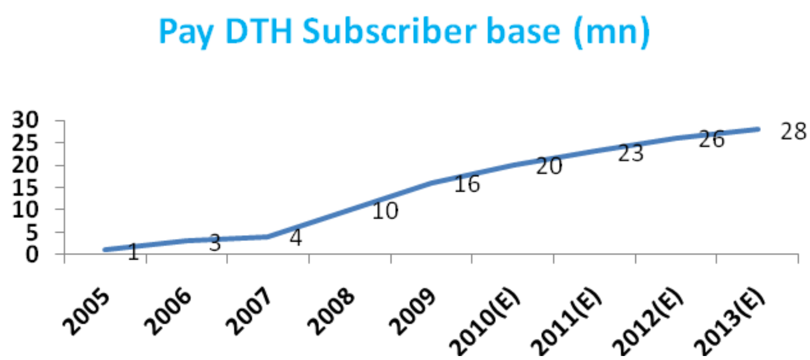
Its presence across genres like general entertainment, movies, music and news ensure a continued and sustained viewership. A steady flow of highly popular programs and a dominant share of audience viewership have given the network a tremendous pricing power vis-à-vis competitors.

All its prominent GEC channels – SUN, SURYA, GEMINI, TEJA and UDAYA are pay channels with SURYA being the latest entrant as a pay channel w.e.from 1st April 2010.

Digitalization to be the way ahead:

As the largest regional television network, Sun Network would be one of the major beneficiaries of the recent growth in the DTH space. With the entry of new players like Big TV, Bharti and others into the DTH market, it is expected that this new stream of revenue for the company arising from the increased South India accounts for 47% of the C&S homes in India, which account for 21% of the population of the country with no demand for Hindi bouquet there.

Chart # 11



Source: FICCI KPMG Media Report 2010

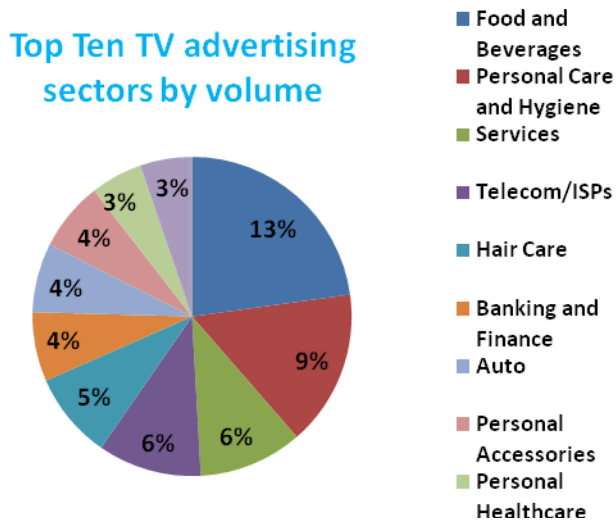
Majority of Sun's DTH subscribers are from Sun Direct, which is aggressively targeting to becoming a pan India player. Sun has not entered into any fixed subscription revenue model with broadcasters, which ensures its incremental revenue from every additional subscriber. As of 3Q FY10 Sun had 5.6 mn subscribers paying it about Rs. 26/- per month.

Strong growth in advertising spends to augment revenues:

Advertising industry is set to benefit from the economic recovery that our country is now witnessing. The correlation between advertising ad spends and economic recovery is just over 1. Thus indicating that during a boom or recovery period advertising ad spends tends to increase faster than the GDP growth.

Going by that standard, we assume the industry to post a comfortable 10-15% growth (partially owing to low base effect).

Chart # 12



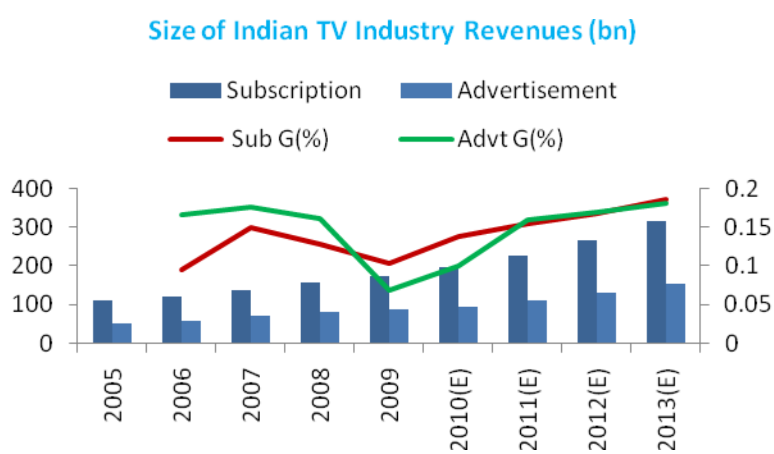
Source: TAMS AdEx 2008

Sun TV has been the first one to undertake an ad rate hike across the regions it operates in (average 12-15%).

Unique Business model:

Sun is able to practice its strategy of selling telecast slots under exclusive agreements and additionally ensuring a continued supply of quality content.

Chart # 13



Source: FICCI KPMG Media Report 2010

Sun, in return for a fixed fee broadcasts the content of content providers and in return gives them four out of the six minutes advertising slot in a thirty minute programme. This allows the content providers to partially recover their costs by selling these minutes. Sun's slot sales model is proficient in incentivizing the content providers who would prefer Sun compared to other channels thus giving them access to quality content and making the deal a win-win situation for both the parties.

The content producer who also bears the risk of failure of the content incurs the cost of production. 50% of the programming hours on any weekday is based on this model and for the other segments like Music, Movies and Comedy Sun TV procures copyrights of movies. The failure of the other content providers while trying to implement this model makes Sun TV the only and thus dominant player in this segment.

Bargaining power to remain:

Sun TV has a good hold over the Southern Indian market and thus enjoys a higher bargaining power with its acquaintances. Sun TV does not offer discounts to its advertisers and distributors and does not pay any carriage fees to MSO's.

Sun TV charges a 20% pricing premium in all the four markets that it operates in owing to its superior content and its strong distribution reach.

Film Content:

Sun TV buys 80-85% perpetual satellite rights of the movies released in Southern India. The cost of the movie rights is written off the first time the movie is screened as against Hindi GEC channels who amortize the cost within five years and any subsequent telecast revenues add directly to the bottom line.

Strong set of numbers:

The sales and EPS have been growing at a CAGR of 25.22% and 27.24% respectively for the last five years.

EBDITA margin of Sun stands at ~76%, which is higher compared, to its peers owing to:

- No carriage fees
- Lower content costs due to slot sales model
- Lower distribution and marketing costs given its strong dominance
- Lower personal costs

Table # 4

DuPont Analysis

Particulars	FY11(E)	FY10(E)	FY09	FY08	FY07
Net Profit/PBT	0.71	0.70	0.65	0.64	0.64
PBT/EBDITA	0.71	0.72	0.71	0.79	0.75
EBDITA/Sales	0.76	0.75	0.73	0.71	0.72
Sales/Fixed Assets	0.70	0.76	0.74	0.91	1.18
Fixed Asset/Net worth	0.91	0.90	0.88	0.70	0.51
ROE(%)	24.19%	26.03%	21.65%	22.55%	20.62%

Source: Company, ULJK Securities

The DuPont Analysis of Sun TV shows that all five factors contribute equally to the ROE.

Distribution Backbone:

Sun TV in the third quarter has announced plans to strengthen its distribution network and has in the process set up two verticals; one focusing on managing the South India operations and International operations and the other focused on expanding Sun's network in North, East and Western parts of India. As a part of this strategy Sun has set up a wholly owned subsidiary, "Sun TV network Europe Limited" in UK to broadcast and distribute its channels in Europe and UK.

Sun Pictures:

Sun TV has ventured into movie production and distribution through its wholly owned subsidiary Sun Pictures. An annual capex of Rs. 7 bn have been approved for the subsidiary with them aiming at revenue of Rs. 1 bn in FY11. Sun TV has one big movie release coming up in this quarter "Endhiran", which would be a wild card play as it is riding on a budget of Rs. 7 bn. Sun also has plans to dub this movie in regional and Hindi languages.

Sun TV has an extensive movie library consisting of telecast rights of about 8,000 movies which is approximately about 80% of all the movies released in Southern India across all four languages. The company holds perpetual rights for most of the movies. These movies have untapped revenue potential from video on demand in DTH platform and various other alternative offerings that require innovative thinking.

Radio Business:

Sun TV has entered the Radio business through its two subsidiaries Southern Asia FM Ltd (59% stake) and Kal Radio Ltd (98% stake). Sun has 42 radio stations under its umbrella. Southern Asia FM has 23 licenses under its umbrella and operates in the Northern, Eastern and Western parts of the country. Sun's radio business is also seeing a robust growth with Kal Radio already EBDITA positive.

Sun TV – Company Profile:

Sun TV was incorporated in December 1985 and listed in July 2006. Headquartered in Chennai Sun Network Limited is one of the largest television and radio entertainment companies in India having presence across TV Broadcasting, distribution and distribution, Radio, Print and DTH.

It has a portfolio of about of 20 channels spread across four languages and in six genres of GEC, movies, music, news, kids and comedy and with this it continues to maintain its dominant position in the Southern markets of India.

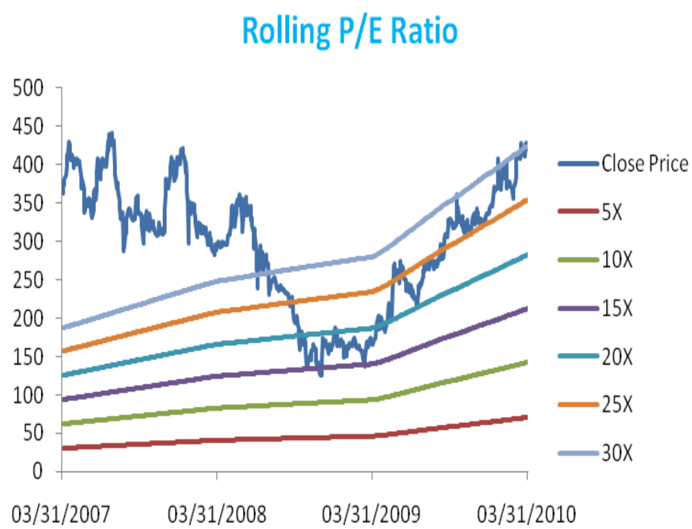
Sun Network also has a large pan India network in the FM Radio broadcasting segment with 44 FM licenses along with its subsidiaries. Sun Network continues to capitalize on its leadership position, built over the years, by fortifying its hold over key aspects of pricing and access to quality content. Sun Network has a distinct advantage in the Southern regional markets because of its strong understanding of the flavor of the market and with key competitive strengths including that of a large movie library of regional languages. Sun Network is the preferred choice for content providers as it is the leader with the maximum reach in the areas it operates in.

Table # 5

SWOT ANALYSIS

STRENGTHS	**WEAKNESS**
➢ Brand Equity ➢ Efficient management ➢ Leadership position in operational areas ➢ Unique business model	➢ Constant need to keep tabs on programmes aired ➢ Content quality and viewer preference have to be constantly monitored
OPPORTUNITIES	**THREATS**
➢ Increasing ad spend ➢ Digitalization to provide significant growth potential ➢ Growth in DTH segment to augment subscription revenues	➢ Advertising income revenue is the main revenue component which can fluctuate widely ➢ Increasing competition and prices may adversely affect the ability to acquire desired programming and artistic talent

Chart # 14



Risks:

The competitive advantage that Sun TV enjoys in the Tamil market doesn't not apply to all the other three circles that it operates in where it is vulnerable to competitive action.

The high remuneration for the management, which is pegged at 5% of standalone PAT every year is also a matter of concern. The management's political connect and inefficient utilization of cash reserves are also a matter of concern.

Table # 6
Financial Tables Consolidated

Consolidated Profit and Loss Account

Particulars (Rs. Mn)	FY09	FY10(E)	FY11(E)
Gross Sales	10393.6	14266.2	16666.4
Other Income	668.1	427.7	449.1
Total Income	11061.6	14693.9	17115.5
Cost of Revenue	1113.8	1201.9	1257.9
Employee Expenses	1155.1	1386.1	1594.0
General and Adm expenses	684.2	998.6	1166.6
Selling Expenses	73.1	142.7	166.7
Financial charges	137.9	143.9	152.1
Depreciation on fixed assets	672.2	849.9	1072.2
Amortization of intangible assets	1532.3	2032.5	2553.5
TOTAL EXPENDITURE	5368.6	6755.6	7963.0
PBT	5693	7938.1	9152.5
Current Tax	2034	2778.3	3203.4
Reported Profit After Tax	3402.2	5159.8	5949.1
Minority Interest After NP	281.1	421.8	527.1
Net Profit after Minority Interest	3683.3	5581.4	6476.2
Adjusted Profit After EOI	3683.3	5581.4	6476.2
Basic and diluted EPS	9.35	14.2	16.4

Consolidated Ratio Analysis

Particulars	FY09	FY10(E)	FY11(E)
Key Ratios			
Debt-Equity Ratio	0.057	0.012	0.010
Long Term Debt-Equity Ratio	0.042	0.012	0.010
Current Ratio	3.827	4.590	5.774
Turnover Ratios			
Fixed Assets	0.697	0.761	0.704
Debtors	4.244	4.371	4.358
Interest Cover Ratio	42.284	56.130	61.187
Coverage Ratios			
debtor days	86.010	83.507	83.754
creditors days	70.000	200.000	200.000
Valuations Ratios			
PER	44.081	29.090	25.071
PBV	9.540	7.569	6.064
EV/EBDITA	19.868	14.303	11.876
Return Ratios			
ROCE (%)	31.73%	36.48%	41.99%
ROE (%)	21.65%	26.03%	24.19%

Consolidated Balance Sheet

Particulars (Rs. Mn)	FY09	FY10(E)	FY11(E)
Share Capital	1970.4	1970.4	1970.4
Reserves Total	15045.9	19474.7	24798.3
Total Shareholders Funds	17016.3	21445.1	26768.7
Secured Loans	0.0	0.0	0.0
Unsecured Loans	716.1	1.4	1.4
Deferred Tax Liability (net)	261.0	261.0	261.0
Total Debt	977.1	262.4	262.4
Total Liabilities	18378	22158	27581
Gross Block - Fixed Assets	7561.7	9561.7	12061.7
Net Block	5124.7	6274.7	7702.5
Gross Block - Intangible Assets	7352.4	9752.4	12252.4
Net Block	3021.3	3388.8	3335.3
Capital Work in Progress	1572.0	800.0	750.0
Investments	1805.2	1805.2	1805.2
Non Current Assets	232.8	432.8	582.8
Current Assets, Loans & Advances			
Inventories	1.3	1.3	1.3
Sundry Debtors	2449.2	3361.8	3927.4
Cash and Bank	3654.0	5769.0	9032.3
Other current assets	1192.1	1076.8	1276.8
Loans and Advances	1667.4	1881.2	1975.3
Total Current Assets	8964.0	12090.1	16213.0
Total Current Liabilities	2342.5	2634.1	2807.7
Net Current Assets	6621.5	9456.0	13405.3
Total Assets	18378	22158	27581

Consolidated Cash Flows

Particulars (Rs. Mn)	FY09	FY10(E)	FY11(E)
Cash Flow From Operating Activities			
Net Profit before Tax & EOI	5693.1	7938.1	9152.5
Adjustment For:			
Depreciation	672.2	850.0	1072.2
Amortization of Intangibles	1532.3	2032.5	2553.5
Op. Profit before Wkg Cap Chgs	7479.1	10554.6	12420.3
Adjustment For:			
Trade & 0ther receivables	109.0	(912.6)	(565.6)
Non current assets	1485.7	1600.0	2000.0
other current assets	(1710.0)	(1515.3)	(1600.0)
Loans and advances	24.6	(213.8)	(94.1)
Current liabilites and provisions	502.3	291.7	173.7
Cash generated from operations	7892.1	9804.6	12334.3
Direct Taxes paid (net of refunds)	(2017.1)	(2778.3)	(3203.4)
Net cash from /(used in) opg act	5875.0	7026.2	9130.9
Net cash from /(used in) invstg act	(3715.2)	(3128.0)	(4300.0)
Net cash (used in)/from financing activites	(1396.5)	(2211.4)	(1529.5)
Net (decrease)/(increase) in cash	763.3	1686.9	3301.4
cash at the beginning of the year	288.4	360.2	2047.1
cash at the end of the year	360.2	2047.1	5348.5
cash as per schedule	3654.0	5769.0	9032.3

Research Desk Tel: 022- 3028 4719

Institutional Sales Desk Tel: 022– 2272 1687

Disclaimer Appendix

ULJK Group investment rankings: (Time range– 12 months)

BUY (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks and 30% or more for High-Risk stocks); **ACCUMULATE** (expected total return of 5%-15% for Low- Risk stocks, 10%-20% for Medium-Risk stocks and 15%-30% for High-Risk stocks,); **REDUCE (** expected total return of less than 5% for Low Risk stocks, less than 10% for Medium Risk stocks and less than 15% for High Risk stocks) and **SELL** (expected total return of -5% or less for Low-Risk stocks, -10% or less for Medium-Risk stocks, -15% or less for High-Risk stocks, and -20% or less for Speculative stocks).

Analyst(s) holding in the Stock : Nil

Analyst Certification

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