

Balaji Telefilms Limited

Company Overview

Balaji Telefilms Limited is in Media & Entertainment sector and it is in film production distribution & entertainment industry. BTL was incorporated in 1994 as a private limited company and became listed in the year 2000. BTL produces Television serial content, Movies and digital content.

BTL has produced 18000 hours of Television content since its inception. BTL has produced some of the best television serials in the country including the famous K series of daily soap: 'Kyunki Saas Bhi Kabhi Bahu Thi', 'Kahani Ghar Ghar Ki' and more recently created 'Naagin-1', 'Naagin-2' a weekend fiction based programming.

Segment Summary

The company operates in 3 segments.

1. TV Serial Production

The backbone of the company is their TV serial production business. BTL is in this business from the incorporation of the company in 1994. The returns from the TV Business are steady because the company operates on a cost-plus model, whereby company adds profit to the whole cost of production and bill that to the broadcaster.

2. Movie Production

The company started movie production in 2001. Movie production business is highly risky because it requires high investment initially in creating movie and revenue generation at the release of a movie is not fixed. To decrease risk, the company prefers pre-sale of distribution rights, satellite rights and music rights.

3. OTT Platform- ALT Balaji

The digital business of the company is in the investing phase right now and the company is planning to invest Rs. 150-170 Cr. every year in next 3 years, out of which 70% would be for strengthening content offerings. The company aims to launch 45-50 shows in the next 2 years. Company follow SVOD model (Subscription based video on demand) for revenue creation.

BSE Code	532382
BSE Symbol	BALAJITELE

Key Highlights

Latest Date	17 Sept 2018
Latest Price (Rs.)	106.5
52 Week High (Rs.)	181
52 week low (Rs.)	102
Face Value (Rs.)	2
Market Cap. (Rs. in Cr.)	1112
Net Worth (Rs. in Cr.)	853
TTM EPS (Rs.)	-4.61
PE Ratio (x)	0
PB Ratio (x)	1.34
EV/ EBITDA (x)	-31.01
Market Cap./ Sales (x)	3.19

Shareholding Pattern

Promoters	33%
FII	18%
DII	35%
Non-Institutional	14%

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Industry Outlook

Indian Television Industry

- The TV industry grew from Rs.59,400 Cr. in 2016 to Rs.66,000 Cr. in 2017, a growth of 11%. In Rs. 66,000 Cr., Advertising revenue is 40% at Rs.26,700 Cr. While Distribution revenue is 60% at Rs. 39,300 Cr.
- The number of license private satellite non-news channels reached 488.
- As per BARC (Broadcast Audience Research Council) India 2018 report, India currently boasts 298 million homes, of which 197 million homes have a TV set, having an opportunity of almost 100 million more TV sets in the country.
- No. of TV viewing individuals grew by 7.2% to 836 million from the previous year's figure of 780 Million. TV remains the most effective platform for both content creators and advertisers to reach their audience.

Indian Film Industry

- Indian film Industry grew by 27% in 2017 and reached 156 billion.
- Hindi films contribute 40% of the net Box office collections annually, despite comprising only 17% of the films made. Films in 29 other languages account for around 75% of the films released and contribute 50% to the net box office collection annually.
- Single screens have reduced from 9,710 screens with a 91% share of the total screens in India in 2009 to less than 71% share in 2017 with 6,780 screens. Multiplexes have grown at a steady rate of over 10% in the last 3 Years.

Revenues	2016	2017	2018E	2020E
Domestic theatricals	85.6	96.3	103.0	118.0
Overseas theatricals	8.5	25.0	25.0	28.0
Broadcast rights	16.0	19.0	20.0	22.0
Digital / OTT rights	6.0	8.5	10.0	14.5
In-cinema advertising	5.9	6.4	7.5	9.0
Home video	0.4	0.3	0.2	0.2
Total	122.4	155.5	165.7	191.7

All figures are gross of taxes (₹ in billion)

Source: FY 2017-18 Annual Report

- In 2017, 39% of revenue came from other than domestic theatricals, which includes Overseas theatricals, broadcast rights, Digital/ OTT rights, in-cinema advertising.

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OTT Industry

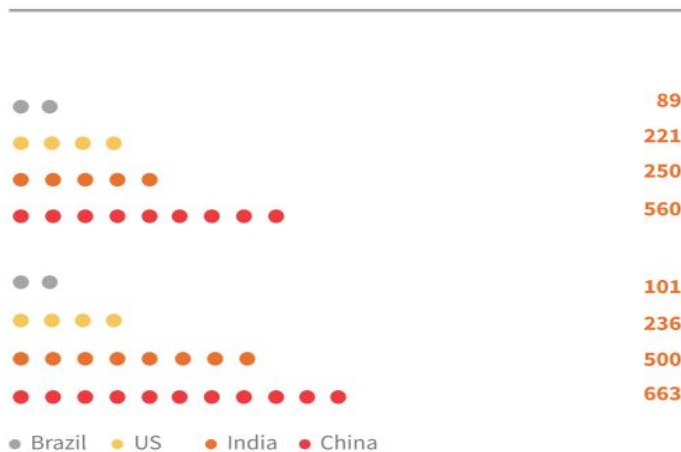
- Over The Top (OTT) is a term used to refer to content providers that distribute streaming media as a standalone product directly to consumers over the internet bypassing telecommunication, multi-channel television and broadcast television platform that traditionally act as a controller or distributor of such content.
- OTT video market in India growing at a CAGR of around 23%, revealed data from PWC. OTT video revenue in India has been pegged at Rs 2000 Cr. in 2017, according to PWC report. It is expected to reach Rs. 5600 Cr. by 2022. More than 30 OTT players are in India.

OTT Players in India

ALT Balaji	Yupp TV	Arre	Hungama Play	AIB
Netflix	Hot Star	Voot	Eros Now	NexGTV
Amazon Prime	Zee5	Viu	Sony liv	sunNxt
HOOQ	Ditto TV	Spuul	TVF Play	shemaroo

- OTT Players spent Rs. 1000 Cr. last year for rights of Hindi movies and Rs.680 Cr. for Hollywood movies. FICCI & EY Report digital/OTT rights currently make up 5.5% of films overall revenue. Rs.2500-3300 Cr. has been committed to creating original content over 3-5 years across the 30 OTTs in India according to a Deloitte report.

Comparison of online video audience (in mn)



Source – FICCI-EY M&E Report 2018

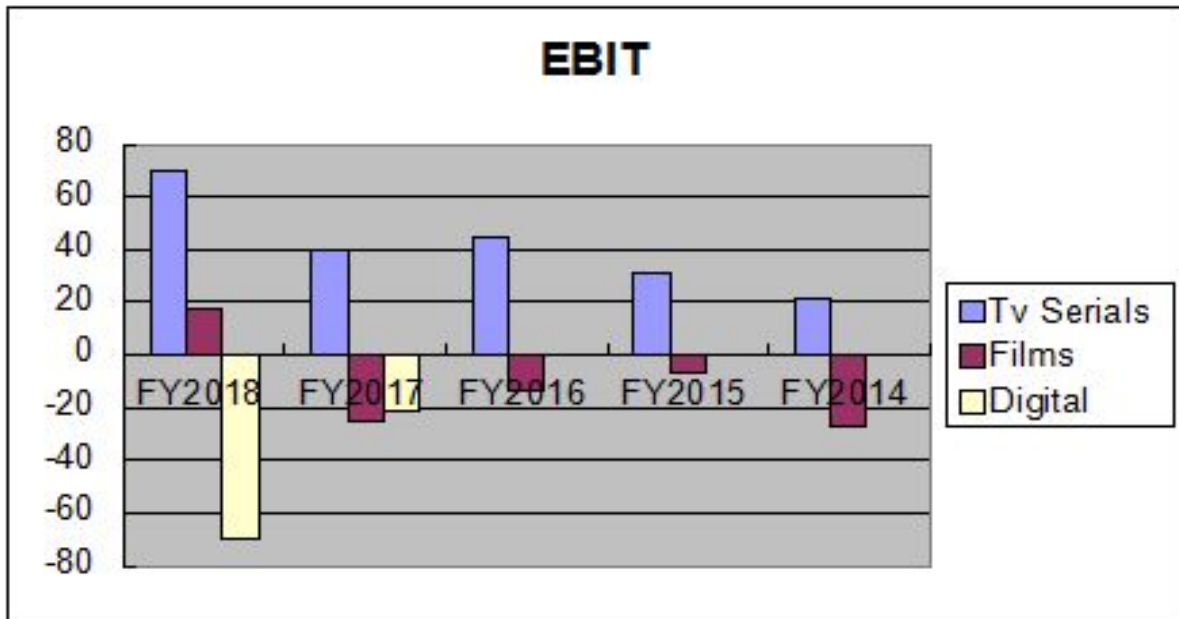
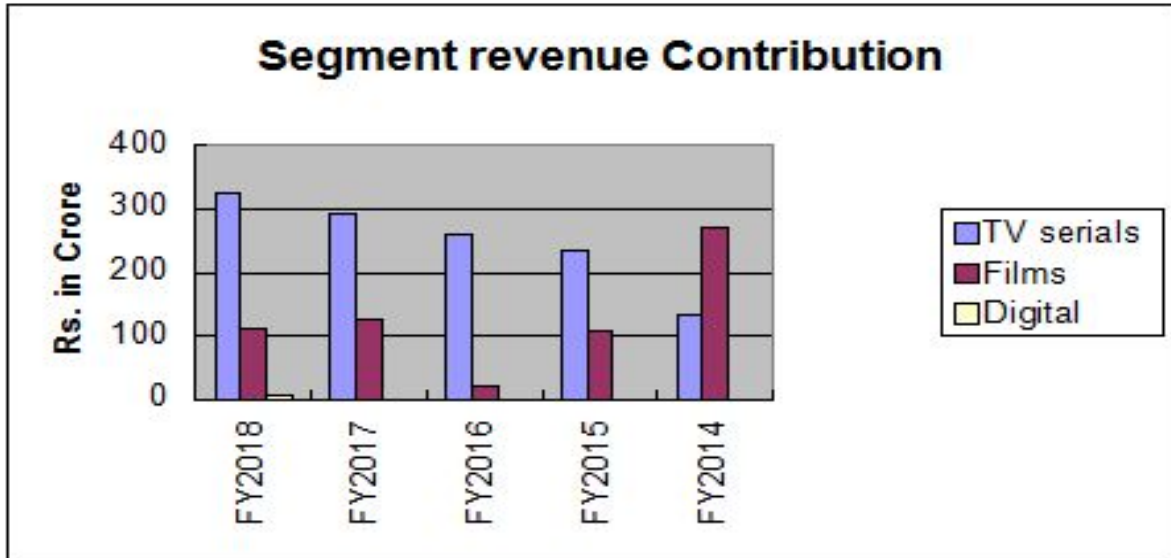
Source: FY 2017-18 Annual Report

- Online video viewing audience is expected to grow to 50 Cr. viewers by 2020 from 25 Cr. (Currently) in 2017, a 2X growth driven by increase in mobile penetration, internet speeds, the advent of 4G and falling data charges.

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- At June 2018, 42.5 Cr. wireless broadband subscribers (Mobile internet users) in India which is around 33% of Indian population.

Revenue and Earning contribution



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Business Segments

1. TV Serial Business

BTL accounts for 16% of India's prime time GEC TV (General Entertainment channels) rating. In India, prime times occur at 8 PM to 10.30 PM. Present serials on the air in prime time include 'Kumkum Bhagya', 'Kundali Bhagya', 'Dil Hi Toh Hai' and 'Naagin' and out of 6 serials in air 4 serials are in Primetime.

Since inception, about 18000 hrs. of production and more than 150 shows across numerous languages (Hindi, Tamil, Telugu, Kannada, Malayalam) has been created by the company.

Revenue from TV serial segment growing at 16% CAGR and EBIT growing at 26% CAGR. Average realization per hour grew by 13% and reach to Rs. 33 Lac in FY 2018 from Rs. 29 lac in FY 2017.

Year	FY 2015	FY 2016	FY 2017	FY 2018	CAGR
Revenue	233	260	282	312.5	16%
EBIT	31	45	62	72	26%
EBIT %	13%	17%	21%	23%	

In the TV serial segment, the company earns by selling content to the broadcaster. The company follows a cost-plus model. So according to model, the company adds his profit margin on the cost incurred by the company to produce content and then bill it to the broadcaster.

TV serial production is providing steady income and it is around 75% of the revenue of BTL. Minimal capital expenditure is required in near future.

Details of shows in air are given below.

Name	Network	Aired on	episodes		Time
			(As of 5 Aug)	Weekday/Weekend	
Yeh Hai Mohabbatein	Star Plus	Dec-13	1537	Weekday	22.30-23.00
Kumkum Bhagya	Zee TV	Apr-14	1158	Weekday	21.00-21.30
Kundali Bhagya	Zee TV	July 17	279	Weekday	21.30-22.00
Naagin (Season 3)	Colours	June-18	19	Weekend	20.00-21.00
Dil Hi Toh Hai	Sony TV	June-18	35	Weekday	22.00-22.30
Qayamat Ki Raat	Star Plus	June-18	14	Weekend	19.00-20.00
Kasautii Zindagii Kay	Star plus	Sept-18	0	Weekday	20.00-20.30

BTL follows a strategy of launching high cost and high impacted initial episodes. The cost moderate as the show stabilizes.

Compare to weekday shows revenue contribution of weekend shows are less.

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2. Movie Business-Balaji Motion Picture Limited

BTL started movie production business in FY 2001 and transfer business to subsidiary by creating wholly owned subsidiary Balaji Motion Picture Limited in FY 2007. In FY 2018 movie production business transfer to the parent company and BMPL will concentrate in Movie distribution segment.

Total 36 movies produced till now. Some of its past movies include 'Shootout at Lokhandwala', 'Ragini MMS', 'Once Upon A Time In Mumbai', 'Kya Cool He Hum', 'The Dirty Picture'.

No. of Movie produced detail

FY	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. Of film	2	1	4	1	5	2	1	4	2

The company has planned 3 movie releases in FY 2019, 'Veere di wedding', 'Mental hai kya' and 'Laila Majanu'. Rs.60 Cr. was been committed in terms of production cost and further Rs.15 Cr. take for Promotion & advertisement. The company already locked in 60% to 65% revenue for all 3 movies. It should be from the pre-selling of distribution rights, satellite rights, Music rights. The company have to recover only 35% of the Box office.

The movie business was making losses continuously in the previous 5 years except in FY 2018. Accumulated losses are more than Rs. 100 Cr.

It has borrowed Rs.227 Cr. (inclusive of interest) from holding company. Holding company has given a loan at 6% interest rate. Rs 128 Cr. is borrowed in FY 2016.

	FY 2015	FY 2016	FY 2017
Film Produced	2	1	4
Total Income (Rs. In Cr.)	111	23	128

Common size statement

	FY 2015	FY 2016	FY 2017
Total Income	100	100	100
Cost of film produce	93	135	115
Employee Benefit Exp.	5	19	3
Financial cost	0	48	10
Other Expenses	7	35	6
Net profit	-5	-139	-35

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Major Expenses in Film Production

(Rs. In Cr.)

Expenses	FY 2016	FY2017	Total	% of total exp	Avg. Cost for one film
Total Cost of film produce	114	108	222	100%	44.4
Artist, Director & other technician fees	25	34	59	26%	12
Shooting & location Exp	11	15	26	12%	5
Line Production cost	52	10	62	28%	12
Marketing & Distribution Exp	9	33	42	19%	8
Remaining	17	16	33	15%	
The Total cost of film	114	108	222	100%	

3. ALT Balaji

ALT Balaji platform launched with 6 original shows (5 in Hindi & 1 in Tamil) in April 2017. It was incorporated in July 2015 as a wholly owned subsidiary company of BTL.

The Company is in the B2C digital content business and will operate a subscription-based video on demand (SVOD) over the top (OTT) platform.

Through the digital vertical, the company aim to create IP ownership and exploit new avenues of monetization. They are working towards building a strong and valuable B2C brand that will take the company to its next level of growth. It is to leverage the group's position and creative abilities in television and film content.

Management intends to invest Rs300 to Rs.400 Cr. in ALT Balaji. The focus is on original and never seen before original content.

Management is hoping that by FY 2020, revenue split is equally between TV, Movie and Digital and By FY 2025, they expect ALT digital to be bigger than both their TV & Movie businesses.

Source: FY 2016-17 Annual report



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A. Content of ALT Balaji

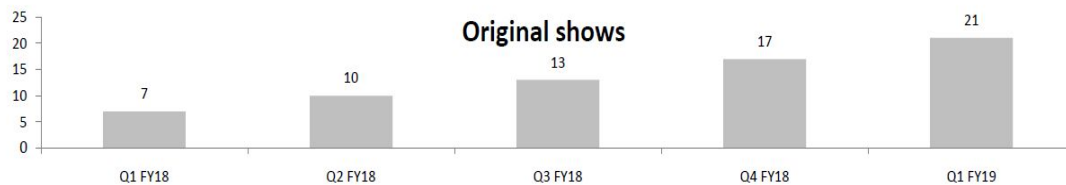
Content made is targeted towards urban Indians and Indian Diaspora. More than 150 hours of original content streaming on ALT Balaji.

At present, content includes,

Original shows	21 shows- 20 in Hindi, 1 in Tamil & 1 in Bengali
TV shows	2 shows -1. Dil Hi To Hai 2. Box Cricket League Match
Kids Shows	13 shows- 2 in Hindi, 8 in English
Stand up comedy	In 6 regional languages & avg 5 shows in each of Avg 5 minute
Movies	10 Movies

Details of original shows in Annexure I

ALTBalaji growing exponentially as the internet spreads in the country



Source: company quarterly updates

Average 3 shows are launched in every quarter. The management plans to do 24 shows in FY 2019 and cost will be about Rs.110 Cr. Length of the season will be 12-16 shows of 22 minutes each episode and doing more season 2. Season 2 coming in this year for 'Dev DD', 'Ragini MMS', 'The Test case'.

Till March 2018, Rs 100 Cr. has been spent on content. The company ended up making 18 original shows, 3 kid shows until March 2018. For Hindi content, the spending of Rs 60 lac per hour is done and for Non-Hindi it is not more than Rs15 Lac per hour.

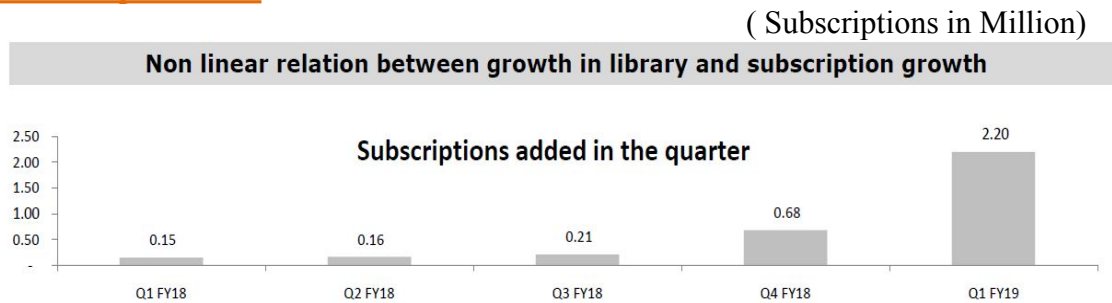
70% of the produced content is outsourced. The test case series produced by 'Endemlo Shine India', Bose: Dead/ Alive produced by 'Big Synergy Media'.

Content also dubbed in 6 regional languages viz. Tamil, Telugu, Malayalam, Arabic, Bahasa Indonesia, Bahasa Malaysia. Dubbing in Sinhala for Sri-Lanka, and Bengali will be available before Sept 2018.

Management says that they will probably end this year with 24 new shows taking the library to anywhere between 40 and 45 shows across two financial years. The company currently have 50 concepts under various stages of development out of which 11 are on the floor of production and 39 are in the writing stage.

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B. Subscription Base



Source: company quarterly updates

Subscription base already reached to 0.33 Cr. paid subscribers except for Reliance Jio subscribers, which was 0.12 Cr. at the end of FY 2018. Management target is to make 0.8 Cr. subscriber base till FY 2020 and reach break even at ARPU of Rs.20.

C. Revenue from ALT Balaji

Revenue in FY 2018 is Rs. 6.8 Cr. from nil in FY 2017 because ALT Balaji was launched in April 2017. Management estimates that revenue in FY 2019 will be around Rs 85 Cr. in FY 2019.

Company follow SVOD (Subscription based Video On Demand), model. In this model, company charge subscription fees to users and earn revenue. The company established ALT Balaji application on which user need to subscribe for a period and he could watch all the content there for that period.

There are about 30 Million Indian abroad who could consume ALT Balaji original content. By dubbing content in foreign local languages like Bahasa Malaysia, Bahasa Indonesia, Sinhala in Sri-lanka, company plans to target the foreign local public to consume ALT Balaji content.

Management says that 60% to 70% of the value is generated by Telecom. partners.

D. Partnerships

Through partnership companies, BTL can reach to customers of partners and by that, the company can save on marketing expense for reaching to the mass public.

The partnership works on a revenue share basis, so typically a partner's revenue share model can range anywhere from 1.5% to 30% revenue sharing. In case, of a large deal involving more than 5 Lac customers, the ARPU (Average Revenue per User) varies depending on volume.

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Type	Partners
OEM	Micromax phone, Sony TV
Telecom.	Vodafone, Airtel, Reliance Jio
ISP / DTH	Act Fibernet
Payment Partners	Paytm, Mobikwik, PayU, UPI, Paypal
Streaming Partners	Amazon fire TV, Yupp TV, Roku, Apple TV

OEM Partners

By OEM (Original equipment manufacturer) partnership ALT Balaji app is pre-installed on equipment. When a user of that equipment subscribes for the app and pays subscription fees, both the OEM Partner and ALT Balaji get benefitted. Deals are done on a revenue sharing basis.

Telecom. Partnership

At now 80% of traffic on ALT Balaji is of Telecom. subscriber and 70% of the revenues are generated by Telecom. subscribers.

All content of ALT Balaji is available on telecom. app. Telecom. subscribers need to use Telecom. app for watching content. Content is coming from ALT Balaji server only.

If the customer watches content on the Telecom. app for the certain number of seconds that person is billed to the company at a certain rate and this billing is done on a monthly rate bases. Monthly ARPU (Average revenue per user) is in double-digit but what exactly the rate is not disclosed but management said that Telecom. user ARPU is around Rs.15.

Telecom. partnerships providing content of ALT Balaji free to their customer on Telecom. app and on behalf of their customer Telecom. partners pay to ALT Balaji. Management said that ARPU will not be at the same rate if Telecom. partners not giving free content to Telecom. subscriber.

In the International market, Telecom. partners of Balaji Telefilms include XL Axiata (Indonesia), Dialog (Sri Lanka), Celcom (Malaysia), Ooredoo (Oman), Telkomsel (Indonesia).

ISP (Internet Service Provider) Partnership

To subscribe ALT Balaji subscription, a customer of ACT Fibernet can visit ACT Fibernet website and select ALT Balaji as value added service. Through this customer can pay a unified bill every month.

Currently, ACT Fibernet is giving 1-month free subscription of ALT Balaji and then Rs.35 per month.

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Payment Partners: Through this partnership, the company gives payment options to subscribers.

E. International Market

In FY 2019 company focus is in the International market to get connected with about 200 Million users who are having internet connection in Indonesia by dubbing existing content in Bahasa and also Bahasa Malaysia.

In the international market, company focuses on volume in Indonesia, Malaysia and Bangladesh and focuses on value will be in the US, UK.

F. Future Prospects

In FY 2019, cash burn will be Rs.165 Cr. out of which content will be about Rs.110 Cr. Revenue target for FY 2019 is Rs.85 Cr. with 5 million subscribers at ARPU is Rs 20. The break-even target is at 0.8 Cr. subscribers at ARPU of RS.20 and So, top-line will be at around Rs160 Cr. at the end of FY 2020.

G. Subscription charges & facilities

Subscription charges are Rs 100 for the quarter, Rs.180 for 6 months and Rs 300 for Year. With one Subscription 5 user can log in. A subscriber can also download videos.

H. Peers Comparison

More than 30 OTT players exist in India. OTT players can be differentiated in many categories which are described below.

I) Business Model

OTT players follow two business models.

1. SVOD (Subscription based Video On demand)
2. AVOD (Advertise based Video on Demand)



Type	No.of Players
SVOD	9
AVOD	6
SVOD & AVOD	4

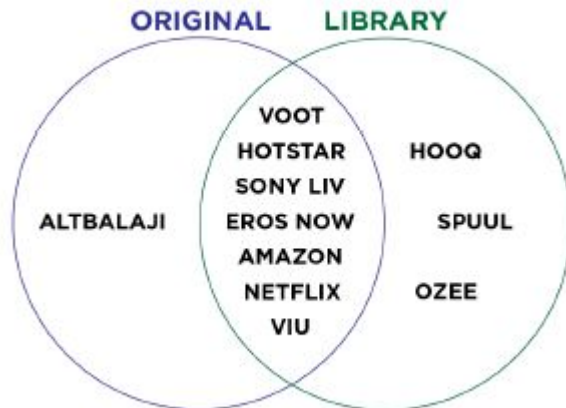
Source: FY 2016-17 Annual report

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II) OTT Player Indian & Overseas

Indian	International
ALT Balaji	Netflix
Spuul	Amazon
Hotstar	Viu
Sony Liv	Eros Now
VOOT	HooQ
ZEE5	

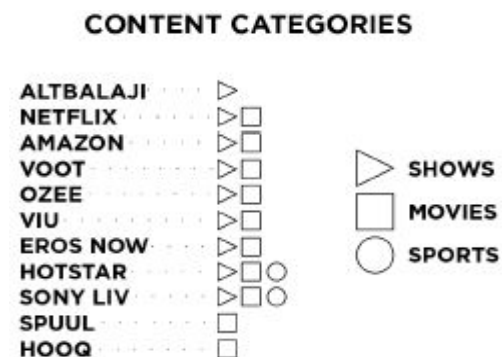
III) Original & Library



Type	No.of Players
Original	1
Library	3
Both	8

Source: FY 2016-17 Annual report

IV) Content Category



Type	No.of Players
Shows	9
Movies	10
Sports	2






Source: FY 2016-17 Annual report

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V) Peer companies Subscription charges & facilities

Name	Subscription charges		Remark
	Monthly	Yearly	
ALT Balaji	-	300	Quarterly Rs.100 & Rs.180 half yearly and 5 log-in in 1 Subscription.
HOTSTAR	199	999	Rs. 299 per year plan for Only All sports. Single subscription
Amazon Prime	129	999	30 days free trial available. 2 log-in are available
Netflix	500	-	1 log-in is available but with premium package of Rs.650-2 log in and of Rs.800-4 log-in is allowed. First month free subscription allowed
Zee5	99	499	Many content is free while for premium content subscription is required. Single subscription

VI) Subscription base of Peer companies

Player	Revenue Model	*Monthly Active Subscribers (in million)	Parent Firm	Subscription Cost (US\$ per month, approx.)	% of paying subscribers
	Hybrid	75	Star India	US\$3	3-5%
	Advertisement	22	Viacom 18	Free	Not Applicable
	Subscription	11	Amazon	<US\$1-2	100%
	Hybrid	5	Sony	**<US\$1	0-1%
	Subscription	5	Netflix	***US\$7.8	6-8%

Source: Article of Economic Times

Hotstar is leading with the highest subscription, Hotstar has a big library of TV serial & movies and many sports covered live. 80% of content is given free and earning on the base of advertising and 20% premium content for which subscription is required. VOOT

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is providing content totally free. So the trend seems is Indian public like free content and not ready to pay for the subscription.

While Amazon has the highest monthly active subscription in SVOD model 11 million. Amazon service includes prime video, prime music, and fastest delivery of packages.

VII) Peer Companies original content data

Amazon Prime

Amazon market cap is Rs.70 lac Cr. (\$ 1 trillion). Amazon acquired digital telecasting rights for more than 2 dozen films for its OTT platform. Amazon Prime Video has committed the largest stake through an investment of Rs 2,000 Cr. to acquire the rights of Bollywood films and produce local original content. Amazon Prime Video will end the year with six originals including 'Breathe', 'Inside Edge', and its comedy reality series 'Comicstaan'. In 2019, the company will produce ten new originals.

Amazon has 77 original shows of which 4 shows are Indian origin.
Details of original shows in Annexure I

Netflix

Netflix Indian library has 4706 titles. Netflix earmarked about Rs.500-600 Cr. spent on Indian original shows and plan is to produce 8 to 10 Indian origin feature films per year. Netflix is not currently available in mainland China. Netflix CEO says that the next 100 million users could be from India. Netflix monthly paid subscriber is between 3 lac to 5 lac. Netflix cannot enter to China market because of government restriction and because of that second highest population is in India so they could invest a heavy amount to capture the Indian market.

Netflix currently has 3 India originals.
Details of original shows in Annexure I

Hotstar

HOTSTAR application has 50,000 Hrs of TV Content and movies across 8 languages and every major sport covered live. Hotstar owns streaming rights to the vast majority of cricket tournaments played in India and by the Indian cricket team. In India, Hotstar stands No.1 on subscriber base with 75 Million subscribers. Hotstar launched SVOD service in US and Canada at a monthly charge of \$10.

Hotstar has 3 original shows and 19 original movies in Cineplay.
Details of original shows in Annexure I

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Zee5

Zee5 has a plan to make 90 original shows in FY 2019. It was launched on Feb 2018. 18 shows are launched. Most of the content is converted into regional languages. It also has a large collection of movies & TV serials.

Details of original shows in Annexure I

VOOT

VOOT is a digital arm of Viacom 18. Total 12 Hindi and English originals shows & all colour channels, MTV; 35000 Hrs of content. It has the largest Kid's content. It completely works on AVOD model. VOOT content is completely free for watching.

Details of original shows in Annexure I

VIII) Telecom. Partnerships of Peers

No .	Reliance Jio	Airtel	Vodafone
1	Arre	Eros Now	Netflix
2	ALT Balaji	HOOQ	Amazon prime
3	Eros Now	Amazon Prime	ALT Balaji
4	VB	ALT Balaji	Arre
5	Dice Media		Eros Now
6	Cheers		Hooq
7			Hungama play
8			Yupp TV
9			Ditto TV

On Airtel TV app, prepaid and postpaid costumers of Airtel have ALT Balaji and most content is free till 30 December 2018. One year Amazon prime free subscription is available to Airtel postpaid plan of Rs.499 and more..

Vodafone is also giving free access of content in Vodafone play to there prepaid and postpaid customers but Netflix & Amazon prime content is not on Vodafone play but they have postpaid plans through which they give a free subscription of Amazon Prime and Netflix. A subscriber of Vodafone red plan of Rs.399 and above get Amazon prime subscription for 12 months and plan of Rs.999 and above get Netflix and Amazon both 1-year subscription.

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4. Other subsidiaries of BTL

Subsidiary	Business segment
Bolt Media Limited	Create & produce cutting-edge TV concepts across mainstream & regional Television. It is proposed to cover genres like youth, reality, factual entertainment besides exploring brand solutions and short-form programming.
Chayabani Balaji Entertainment Private Ltd.	Creator & producer of Bengali content
Marinating films private limited	Creator of Intellectual property rights & producer of reality shows & events
Event Media LLP	Creating promotional and other entertainment related events

	BOLT Media	Chhayabani	Marinating	Event Media	Total
Incorporated	2013	2016	2016	2015	
Ownership	100%	50%	99.87%	51%	
Capital Invested (Rs. in Cr.)	0.05	1.88	9.24	0.005	11.18
Loan by Parent Company	2.86	0	0	0.88	3.74
Total Revenue (Rs in Cr.)	20	8	31.49	11	70.49
Total Profit/ Loss (Rs. in Cr.)	-2	-1.31	-6.07	-0.72	-10.1
ROCE	-69%	-70%	-66%	-81%	-68%
Present Status	Merged in BTL	Exist	Exist	Exit from Partnership	

5. Other Ventures

A) Brand EK

- It is comprising of women Indian ethnic wear and exquisite jewellery which is available online space & through TV shopping network. The range ensembles the designs worn by TV celebrities on the popular TV shows.
- Leverage social media such as Twitter, Facebook and Instagram to increase visibility of the brand.

B) Hoonur

- It launched in FY 2010. It is a platform for media professionals & entertainment consumers used in both online & mobile space.

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Key Management

Name	Designation	Joining BTL	Industry Experience	Past experience
Sunil Lulla	Group CEO	2018	30 Years	Grey Group India, HMV (now Saregama Ltd.), MTV India, Sony Entertainment, The Time Group
Nachiket Pantvaitya	Group COO, ALT Balaji CEO	2015		BBC, Walt Disney (India), Fox Television studio, Sony Entertainment,
Sunil Nair	ALT Balaji COO	2015	11 Years	Nautanki Tv, Star India
Manav Sethi	ALT Balaji CMO	2017	15 Years	Askme.com

Positive Aspects

1. TV Business of BTL is giving stable revenue and working on cost plus model.
2. ALT Balaji have Telecom. Partnerships, who are giving content free of cost to their customers, which is helping to reach mass audience and cut down the marketing expenses. It also contributes 70% of revenue of the ALT Balaji.
3. Reliance Industry hold 24.9% stake in company and having two board seats. Because of this probability of improvement in management efficiency and integrity.

Risk Factors

1. High investment plan to ALT Balaji venture

BTL plan to invest Rs.300 to Rs.400 Cr. in ALT Balaji venture which is 35% to 45% of overall net worth of Rs. 850 Cr.. So if ALT Balaji venture fails in future it is going to reduce share capital drastically.

2. Own Production by Telecom. partner

As per articles, Reliance JIO, Telecom. partner of ALT Balaji, is planning to come with its own production of short films and web series for their Jio subscribers. It could result into low bargaining power, decrease in viewership and in worst scenario, exit from partnership.

3. Telecom. subscription cannibalize Direct subscription

ALT Balaji original exclusive content is given free by all 3 Telecom. partners. It will heavily cannibalize direct subscription. Management believes that B2C and B2BC approaches cannot cannibalize each other. Management is of the opinion that Telecom.

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subscribers cannot download content but on Vodafone Play app., but in reality it can be downloaded.

4. International companies in OTT Market

OTT players includes International players like Netflix, Amazon prime. Their capacity to spend on content creation is far greater than ALT Balaji and they are also concentrating in creating Indian original content in Hindi. Netflix target is 100 million subscribers from India and planning to create 100 hrs of Indian origin content while Amazon prime came with budget of Rs.2000 Cr. for production of Indian original content.

5. Outsource of ALT Balaji production

70% production is outsourced, so dependency from suppliers is high. Many OTT players are outsourcing production work like Big synergy is slated to create 6-7 web series for platform such as ALT Balaji, Netflix, Amazon prime, Vuclip, Voot. Because of this cost of production could rise and supply could be delay. Company does not seem to have pricing power.

6. Dilution of Share capital

For ALT Balaji OTT business, BTL raised Rs 150 Cr. through preferential allotment of 10.72 million shares to foreign portfolio managers in FY 2016 and Rs 413 Cr. through preferential allotment of 25.2 million shares in FY 2017 which diluted 36% stake of share holders. Promoters holding decrease to 32% from 47%. Before Dilution of share capital total shares were 65 million and after that 101 million.

7. Cash balance disclosed in demonetization

In FY 2016-17, BMPL, a subsidiary of BTL reported Rs.7720 Cr. as closing cash balance on December 30, 2016 for disclosure required for disclosure on Specified Bank Notes which is at least 15X of revenue of holding company and at the end of the year FY 2017 cash & cash equivalent balance around Rs. 4 Cr.. This incident raises a question on management integrity.

25 DISCLOSURE ON SPECIFIED BANK NOTES (SBNS)

Disclosure as per notification, dated March 30, 2017, issued by Ministry of Corporate Affairs are as follows:

(₹ in Lacs)			
Particulars	Specified bank notes (SBNS)*	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	11,500.00	965.00	12,465.00
Add: Permitted receipts	772,000.00	1,000.00	773,000.00
Less: Permitted payments	11,500.00	-	11,500.00
Less: Amount deposited in banks	-	-	-
Closing cash in hand as on December 30, 2016	772,000.00	1,965.00	773,965.00

* For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic affairs member S.O. 3407(E), dated the November 8, 2016.

Source: Annual report FY 2016-17

Snapshot is of Rs.7720 Cr. cash in hand balance from FY 2016-17 Annual report (page No. 224).

We have mailed to the company for clarity on above cash in hand balance and only after the management replies, we could come to a conclusion on this matter. We will provide the update for this.

Balaji Telefilms Limited

Financial Information

Balance sheet

(Rs. In Cr.)

	FY 2015	FY 2016	FY 2017	FY 2018
Shareholder's Fund	382	524	504	850
Total debts	48	76	131	100
Total Liabilities	430	600	635	950
Non-current assets				
Property, Plant, Machinery	27	35	45	34
Intangibles	2	2	2	10
Investments	32	32	40	32
Long term loans & advances	64	78	9	9
Other non current asset	6	7	77	104
Total Non- current Assets	131	154	173	189
Current Assets				
Inventories	30	119	98	128
Current Investments	145	171	157	442
Cash & cash equivalents	11	17	16	23
Short term loan & advances	34	44	0	4
Other current assets	79	95	191	164
Total Current Assets	299	446	462	761
Total Assets	430	600	635	950

Profit & loss Account

(Rs. In Cr.s)

	FY 2015	FY 2016	FY 2017	FY 2018
Total Income (Rs. In Cr.)	357	315	439	432
Expenses				
Cost of production & acqution	296	227	335	323
Marketing & distribution	0	0	36	55
Employee Benefit Exp.	15	20	28	31
Depreciation	8	9.5	13	18
Other Exp.	29	40	39	55
Total Exp.	348	297	451	482
PBT	9	18	-12	-60
PAT	3	16	-29	-46

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Common size Profit & Loss Account				
	FY 2015	FY 2016	FY 2017	FY 2018
Total Income	100	100	100	100
Expenses				
Cost of production & acquisition	83	72	76	75
Marketing & distribution	0	0	8	13
Employee Benefit Exp.	4	6	6	7
Depreciation	2	3	3	4
Other Exp.	8	13	9	13
Total Exp.	97	94	103	112
PBT	2	6	-3	-14
PAT	1	5	-7	-11

Cash flow Statement

(Rs in Cr.)

Particulars	FY 2015	FY 2016	FY 2017	FY 2018
Cash flow from Operating Activity	-1.84	-106.8	-12.75	-104
Cash flow from Investing Activity	9.81	-22.19	11.80	-275
Cash flow from financial activity	-4.72	134.92	0	391

Return on capital employed

Average ROCE of last 5 years from FY 2014 to FY 2018

(Rs. In Cr.)

	TV Serial	Movie	ALT Balaji	Unallocated	Total
Capital Employed	78	123	44	301	545
Sales	248	128	3.4		380
EBIT	42	-11	-91	-24	-84
ROCE	53%	-9%	-205%		-15%

Capital Expenditure Plan

Segments	Type	Amount
TV Serial Business	Minimal	Rs.1.5 Cr. Per Month
Movie Business	No Fresh allocation	Nil
ALT Balaji	Maximum	Rs. 400 Cr.

Balaji Telefilms Limited

Valuation

Estimation for FY 2020 onward

Scenario 1 (Base case scenario)

ALT Balaji Segment

➤ Revenue from Operation

1. Telecom. Subscribers

Assumption 1. At present awareness of content of ALT Balaji is available free to the users in India through Telecom. networks but it will going to increase in next 2 years.

Assumption 2. Young population is more familiar with video content on mobile and most content is also created for them. So it is assumed that 40% percentage of youth will watch at least 1 show in 10 to 12 shows produced in year.

Age group	17-31	32-41	42-61
Population (in Cr.)	36.3	19.0	28.4
Estimated 1 show watching population in year % (considering Telecom. subscriber getting it free to watch)	40%	20%	5%
Estimated watching population (in Cr.)	14.4	3.8	1.4
Revenue generate by company (In Cr.) @ ARPU of Rs.10	144	38	14
Total revenue generated	196 Cr.		

2. Indian Diaspora

Assumption1. NRI public would like to see Indian content and subscription charges are reasonable for them. It is assumed that NRI public would like to see at least 1 show he like and for that they subscribe for 1 month.

Assumption 2. NRI in US, UK & Canada is 78 Lac out of which assuming only 4% will subscribe for one month. In other countries NRI are 222 lac out of which assuming only 4.5% will subscribe.

Indian Diaspora (as per Wikipedia December 2017 report)	300 lac
NRI in US, UK & Canada	78 Lacs
Estimating subscribe for 1 month in year	3 lacs
Revenue generated at Rs70 subscription charge (\$ 1)	2 Cr.

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NRI in Other countries	222 Lacs
Estimating subscribe for 1 month	10 Lacs
Revenue generated at Rs.30 subscription charge	3 Cr.
Total revenue generated	5 Cr.

Note- Subscription charges for developed countries is \$ 1 while for other countries it taken at similar rate of India.

3. Foreign Subscribers

Company is also targeting foreign audience by dubbing content in there languages.

Assumption1 When content is available in their local languages people would like to watch content, so from whole population assuming 0.01% population will subscribe for 1 month.

Country	Language	Population (in Cr.)
Indonesia	Bahasa Indonesia	26
Malaysia	Bahasa Malaysia	3
Oman	Arabic	0.44
Sri Lanka	Sinhala	2.1
Total		31 Cr.
Revenue generated		
Estimating 30 Lac Population watch for 1 month.		
Subscription charges Rs.30 per month		9 Cr.

Total Revenue generated from 3 sources

(Rs. In Cr.)

Telecom. Subscribers	196
Indian Diaspora	5
Foreign Subscribers	9
Total	210

➤ Expenses of ALT Balaji

1. Production cost

Per Hour production cost	60 lac
Episodes in 1 show	16 episodes
Frequency of 1 episode	22 minutes
Hours of production of 1 Show	5.87 hour
Cost of 1 show production	3.52 Cr.
Shows in 1 year	12
Cost of content production	42 Cr.

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2. Other cost (in Cr.)

	Estimated	FY 2018
Employee cost	15	14.2
Marketing Expenses	30	42
Legal & professional charges	5	8.5
Rent including lease rent	1.3	1.3
Digital space charges	1.8	1.8
Software expense	0.5	1.8
License & hosting fees	3.4	3.4
Director sitting fees	0.09	0.09
Other Miscellaneous	0.5	2.22
Total cost	57.60	75.30

Estimated profit from ALT Balaji

Revenue from operation	210 Cr.
Expenses of ALT Balaji	100Cr.
Estimated EBIT	110 Cr.

TV business Segment

Assumption: Expected Revenue growth rate in FY 2019E & FY 2020E is taken at CAGR of 16% and EBIT margin of 25% in FY 2019 and 27% in FY 2020.

Year	FY 2015	FY 2016	FY 2017	FY 2018	CAGR	FY2019E	FY 2020E
Revenue	233	260	282	312.5	16%	361	418
EBIT	31	45	62	72	55%	90	113
EBIT %	13%	17%	21%	23%		25%	27%

In FY 2020 estimated EBITDA of Balaji Telefilms Limited

Segment	Rs.
Commission programming EBIT	113 Cr.
ALT Balaji EBIT	110 Cr.
Total EBIT	223 Cr.
Depreciation	19 Cr.
EBITDA	241 Cr.

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Equity shares of company in FY 2020 on EV/EBITDA basis

	EV/EBITDA 10X	EV/EBITDA 8X
EBITDA	241 Cr.	241 Cr.
EV	2410 Cr.	1928 Cr.
Market cap	2388 Cr.	1906 Cr.
No. Of shares	10.11 Cr.	10.11 Cr.
Share Price	236	188

Equity shares price of company in Scenario 1 Base case scenario in FY 2020 on PE ratio basis

Particulars	Amount
EBIT	223 Cr.
Less: Tax @ 30%	67 Cr.
PAT	156 Cr.
EPS	15.43
P/E	15
Share Price	231

Scenario 2 (Worst case scenario)

ALT Balaji Segment

➤ Revenue from Operation

1. Telecom. Subscribers

Assumption: It is possible that assumptions in **Base case scenario** not work out in that proportion so on conservative basis decrease percentage of watching population.

Age group	17-31	32-41	42-61
Population (in Cr.)	36.3	19.0	28.4
Estimated 1 show watching population in year % (considering Telecom. subscriber getting it free to watch)	20%	10%	1%
Estimated actively watching population (In Cr.)	7.26	1.9	0.28
Revenue generate by company (In Cr.) @ ARPU of Rs.10	72.6	19	2.8
Total revenue generated	94.4 Cr.		

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2. Indian Diaspora

Assumption: It is possible that NRI public have many options to view Indian content and decrease in subscription so on conservative bases around 50% decrease in subscribers.

Indian Diaspora (as per Wikipedia December 2017 report)	300 lac
NRI in US, UK & Canada	78 Lac
Estimating subscribe for 1 month	1 lac
Revenue generated at Rs70 subscription charge (\$ 1)	0.70 Cr.
NRI in Other countries	222 Lac
Estimating subscribe for 1 month	5 Lac
Revenue generated at Rs.30 subscription charge	1.5 Cr.
Total revenue generated	2.2 Cr.

Note- Subscription charges for developed countries is \$ 1 while for other countries it taken at similar rate of India.

3. Foreign Subscribers

Assumption: It is possible that foreign population may not respond as described in Base case scenario. So on conservative basis decrease subscribers to 10 lac.

Country	Language	Population (in Cr.)
Indonesia	Bahasa Indonesia	26
Malaysia	Bahasa Malaysia	3
Oman	Arabic	0.44
Sri Lanka	Sinhal	2.1
Total		31 Cr.
Revenue generated		
Estimating 10 Lac Population watch for 1 month.		
Subscription charges Rs.30 per month		3 Cr.

Total Revenue generated from 3 sources

(Rs. In Cr.)

Telecom. Subscribers	94.4
Indian Diaspora	2.2
Foreign Subscribers	3
Total	100

Balaji Telefilms Limited

➤ Expenses of ALT Balaji

Production cost

Per Hour production cost	60 lac
Episodes in 1 show	16 episodes
Frequency of 1 episode	22 minutes
Hours of production of 1 Show	5.87 hour
Cost of 1 show production	3.52 Cr.
Shows in 1 year	12
Cost of content production	42 Cr.

Other cost (in Cr.)

	Estimated	FY 2018
Employees cost	15	14.2
Marketing Expenses	30	42
Legal & professional charges	5	8.5
Rent including lease rent	1.3	1.3
Digital space charges	1.8	1.8
Software expense	0.5	1.8
License & hosting fees	3.4	3.4
Director sitting fees	0.09	0.09
Other Miscellaneous	0.5	2.22
Total cost	57.60	75.30

Estimated profit from ALT Balaji

Revenue from operation	100 Cr.
Expenses of ALT Balaji	100Cr.
Estimated EBIT	0

B. Estimation of Balaji Telefilms TV business income

Assumption: Expected Revenue growth rate in FY 2019E & FY 2020E is taken at CAGR of 16% and EBIT margin of 23% as in FY 2018.

Year	FY 2015	FY 2016	FY 2017	FY 2018	CAGR	FY2019E	FY 2020E
Revenue	233	260	282	312.5	16%	361	418
EBIT	31	45	62	72	55%	83	96
EBIT %	13%	17%	21%	23%		23%	23%

Balaji Telefilms Limited

In FY 2020 estimated EBITDA of Balaji Telefilms

Segment	Rs.
Commission programming EBIT	96 Cr.
ALT Balaji EBIT	0
Total EBIT	96Cr.
Depreciation	19 Cr.
EBITDA	115 Cr.

Equity shares price of company in FY 2020 on EV/EBITDA basis

	EV/EBITDA 10X	EV/EBITDA 8X
EBITDA	115 Cr.	115 Cr.
EV	1150 Cr.	920 Cr.
Market cap	1128 Cr.	898 Cr.
No. Of shares	10.11 Cr.	10.11 Cr.
Share Price	111	89

Equity shares price of company in Scenario 2 Worst case scenario in FY 2020 on PE ratio basis

Particulars	Amount
EBIT	96 Cr.
Less: Tax @ 30%	28.8 Cr.
PAT	67.2 Cr.
EPS	6.64
P/E	15
Share Price	100

Conclusion

TV business of the company is growing at a stable rate and has high growth potential in ALT Balaji venture. Key management player have good industry experience and good qualification. Promoter holding has decreased from 47% to 33% but Reliance Industries holds 24.9% stake in company and has 2 board of director seats. Company after ALT Balaji Venture launch in FY 2018 started Con-call at every quarterly result.

Competition is high in OTT Market in India but because of Telecom. Partnership, viewers can watch these shows free of cost and company gets reasonably paid by Telecom. partners. So it seems that the company could get high Telecom. subscriptions. Other than this, India diaspora and foreign market are also reasonable sources of revenue.

Balaji Telefilms Limited

So it seems that company could get benefit of growing OTT Market and have increasing TV business revenue.

In coming 3 to 4 years, company could improve its top-line and bottom-line and get good valuation and we could see increase in Balaji Telefilms Limited share price.

Disclaimer

I am not a SEBI registered Research Analyst. No recommendations are given for the company discussed in the report. I do not hold any share of the company, neither am I a beneficiary to any shares of the company.

Authored by Vikas Parikh

Head of Research: Tejas Jariwala

For further information, please contact me on:

parikh.vikas9063@gmail.com

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Annexure I

Original Shows details

1. ALT Balaji

No	Name of the show	Episodes	Avg. Frequency (IN MINUTE)
1	HUM	12	20
2	GANDI BAAT	4	35
3	RAGINI MMS	12	24
4	DEV DD	11	22
5	HAQ SE	20	20
6	KEHNE KO HUMSAFAR HAIN	15	24
7	THE TEST CASE	10	24
8	CLASS OF 2017	20	18
9	KARRLE TU BHI MAHOBAAT-SEASON 1	15	26
10	KARRLE TU BHI MAHOBAAT-SEASON 2	14	23
11	BOSE	9	22
12	BEWAFI SI WAFI	10	23
13	ROMIL AND JUGAL	10	22
14	GALTI SE MIS-TECK	10	5
15	BOYGIRI	10	22
16	CYBER SQUARE	10	25
17	FOUR PLAY	6	22
18	PM SELFIWALI	7	21
19	PAMMI AUNTY	10	4
20	SEEING IS NOT BELIEVING- Tamil Language	16	20
21	DHIMANER DINKAAL- Bengali Language	10	20

2. Amazon Prime

Name	Release date	Genre	Language	Episodes	Frequency (in Minutes)
Breathe	Jan 2018	Crime thriller	Hindi	8	38
Inside edge	July 2017	Politics of cricket	Hindi	10	43
Comicastaa n	July 2018	Comedy reality TV series	Hindi	8	55
The Remix	March 2018	Reality competition	Hindi	10	60

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3. Netflix

Name	Release Date	Genre	Language	episodes	Frequency (in minutes)
Love per square foot	Feb 2018	Romantic comedy	Hindi	Movie	133
Lust stories	June 2018	Anthology Film	Hindi	4 Short movie	120
Sacred Games	July 2018	Thriller	Hindi	8	60

4 Hotstar

Name	Release Date	Genre	Language	Episode	Frequency (in Minutes)
Sarabhai Vs Sarabhai	May 2017	Comedy	Hindi	10	24
Tanhaiya	Feb 2017	News Comedy	Hindi	9	22
As I m suffering from pyaar	June 17	Romantic comedy	Tamil, Telugu, Hindi	10	20
Cineplay		Movies	Hindi & Regional	19 Movies	

5. Zee5

Name of Original Shows			
Lal Bahadur Sastri Death	Zero KMS	Dhatt Teri ki	Appa chellam
Aranya debs	Babbar ka tabbar	Tamashree	Mehman
Lockdown	The Story	Sone bhi do yaroo	Horn OK Please
Karanjit Kaur	Lift man	Jashn e Jindagi	
Badalte chahere	Table No. 5	America mappillia	

6. VOOT

Name	episodes	Frequency (In Minute)
Kaisi yeh yariya	13	20-30
Time out	6	24-34
Stupid Man smart phone	9	22-32
Yo ke hua Bro	5	20-28
Untag	7	18-26
It's not that simple	7	20-26
Shadi boys	8	20-30
Badman	4	19-24
Soadies	6	10-13
Sinskari	1	13
Feet up with the star	1	1