



EQUITY RESEARCH REPORT

SRI ADHIKARI BROTHERS TELEVISION
NETWORKS LTD.

BSE CODE: 530943
NSE CODE: SABTN

Sector: Media & Entertainment
Market Cap: 892.76 (Million)
Date: September 05, 2010

CMP: Rs. 41.75 (05/09/2010)
Target Price: Rs. 115
Time Period: 18 – 24 months



Saral Gyan Capital Services
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An Independent Equity Research Firm

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1. Company Background

Sri Adhikari Brothers Television Network Ltd has from its inception in 1995 been the trendsetter in the Television arena. It has been a pioneer in the field of television Programming and programme content.

The Company which was started by brothers Mr. Gautam Adhikari & Mr. Markand Adhikari in 1985 began as a small family owned business and went on to become the first publicly- listed television production company in India when it was listed on the BSE in 1995.

“Nothing splendid has ever been achieved except by those who dared believe that something inside them was superior to circumstance.”

After achieving leadership in the content production, the company moved one notch further by forward integrating into broadcasting as a logical extension of its existing business operations. The company launched a Hindi General Entertainment Platform “SAB TV” ON 23rd April 2000. SAB TV has the distinction of having won the hearts of its viewers through the quality of its content and programming. SAB TV soon re-positioned itself as a humour centric channel and with the popularity of programs like “Office-Office”, “Yes Boss” etc... soon achieved brand equity of its own among its competitors.

With the television industry booming & viewers being continuously exposed to foreign channels, the demand for technically superior content with new shows and formats are on the rise. The company wanted to concentrate in the area of core competence since inception i.e. the production of television software and after due deliberation decided to enter into a deal for transfer the SAB TV brand and related assets to SET satellite (Singapore) Pte Ltd on 15th April, 2005 in a deal worth US\$ 13 million (United states Dollar Thirteen million only)

SABTN Historical Updates

Sri Adhikari Brothers Television Network Ltd. has had a consistent track record in terms of pioneering achievement in the field of television content production.

Made in India: The first standup comedy and slot leader from its initial week itself on DD1 [1998].

5 day Thriller: The first daily thriller in a five day format to be aired on DD2 [1998]

India Progress: The first English language half an hour magazine show made in India.

Tea Time Manoranjan: The first daily variety entertainment show.

Suraag: The first one hour thriller on primetime DD1.

Sunhare Pal: The first music based program in the afternoon band in DD.

All the Best: The first music based countdown to be woven around a sitcom on DD2.

Commander: The first serial to be telecasted on the first cable & satellite channel viz; ZEE TV. The program achieved no.1 program status in the cable & satellite segment during its three year run in Zee TV.

Waqt Ki Raftar: Specially produced for a U.S Network – TV Asia, the soap opera achieved instant popularity among its audience both abroad as well as in India

A number of popular programmes produced by SAB between 1995 to 2005 which includes Made in India, Tea Time Manoranjan, Suraag, Sunhare Pal, All the Best, Commander, Waqt Ki Raftar, Shriman Shrimathi and many more for various TV Channels. Company was performed exceedingly well till 2001 and its share price touched Rs.2350/- in February 2000. Company's misfortune starts with the launch of its own TV Channel SAB TV, which turn as a disaster. In order to launch this channel company raised huge debt which it could not serviced and its content development business affected severely. The new TV Channel too didn't pick up and ultimately sold it to Sony for 570 million.

2. Recent Development

Outcome of Board Meeting held on 12 August 2010

Sri Adhikari Brothers Television Network Ltd has informed BSE that the Board of Directors of the Company at its meeting held on August 12, 2010, inter alia, has approved the following:

1. Fixed the date of Annual General Meeting on September 29, 2010.
2. Approved the allotment of 51,25,000 Equity Shares of Rs.10 each on receipt of entire allotment money to the following:

(i). Name of the allottees: Inayata Consturctions Pvt. Ltd (Non-Promoter)
- No. of Shares: 13,75,000

(ii). Name of the allottees: Assent Trading Pvt. Ltd (Non-Promoter)
- No. of Shares: 13,75,000

(iii). Name of the allottees: Keynote Enterprise Pvt. Ltd (Non-Promoter)
- No. of Shares: 13,75,000

(iv). Name of the allottees: Ravi Adhikari (Promoter)
- No. of Shares: 5,00,000

(v). Name of the allottees: Kailashnath Adhikari (Promoter)
- No. of Shares: 5,00,000

With this allotment, the paid up capital of the Company is enhanced from Rs.162,585,000 to Rs.213,835,000/- divided into 21,383,500 Equity Shares of Rs.10/- each.

3. Reviewed future positioning strategy of "MASTiii", a Music and Comedy Television Channel launched through subsidiary company, which has already become No.1 Music Channel within 3 weeks of launch in Mumbai and major Hindi Speaking Markets.
4. Re-appointed Mr. Markand Adhikari as Managing Director for the period of five years w.e.f. August 18, 2010, subject to approval of Central Government & Shareholders.

Mumbai, August 19, 2010:

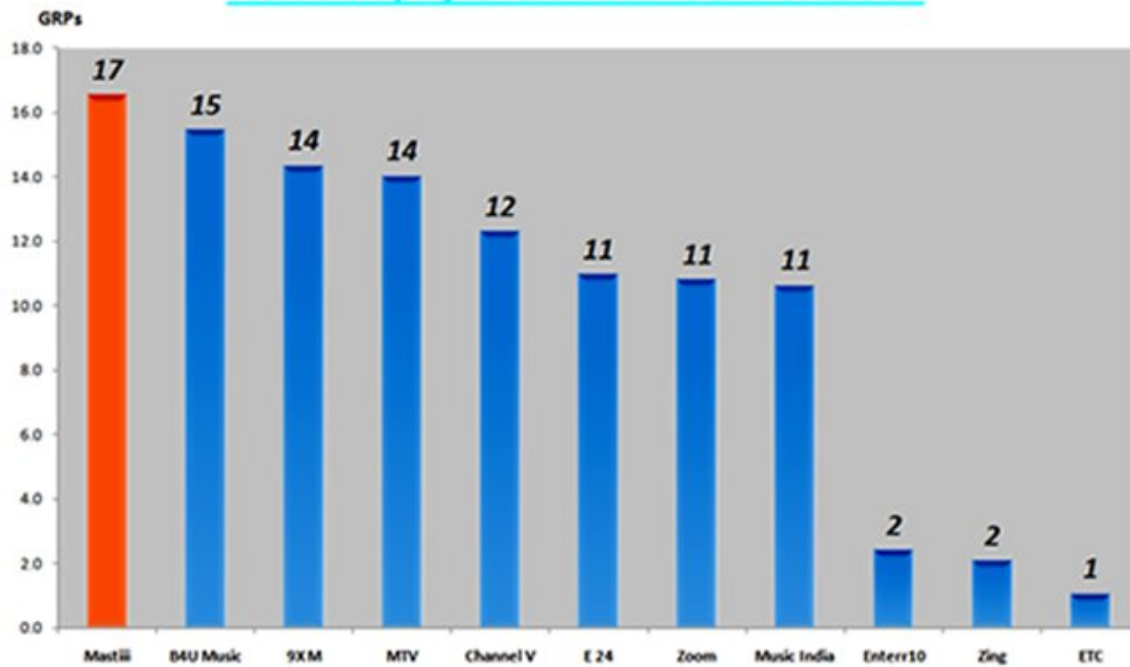
Mastiii becomes no. 1 Music Channel



Mastiii, promoted by Sri Adhikari Brothers becomes the number 1 music channel

Creates history by becoming number 1 music channel across HSM in just 6 week

Viewership of Music Channels in Week 33



Source: TAM Peoplemeter System
 TG: CS 15+ Yrs
 Markets: HSM Markets
 Time Period: WK 33, 2010 - ending 14th August*

Mumbai, August 19, 2010:

Within six weeks of its launch, Mastiii, the Hindi music and comedy channel from the house of Sri Adhikari Brothers has created history. The 24-hour free-to-air channel has left behind all competitors in the music genre to capture the top slot across Hindi Speaking Markets (HSM). Mastiii has garnered 16.5 GRPs in the CS15+ group (SEC A,B,C) across HSM as per the TAM data for week 33. The channel is also number 1 in the CS4+ group across HSM, making it the most popular channel in its genre amongst children, youth and adults alike. For the first time in the history of Indian television a newly launched channel has achieved this feat in such short duration.



Speaking about the milestone, Markand Adhikari, Vice Chairman and Managing Director, SAB Group, "We are encouraged with the great response we have received within a few weeks of the channel's launch. It doesn't come as a surprise as we were very confident of our differentiated product that offers 24-hours of non-stop music and comedy. We conceptualized 'Mastiii' as an 'electronic radio', where people can tune in any time of the day for their dose of unadulterated fun". "This is just the beginning as we are committed to bringing our viewers non-stop Mastiii and achieve many more milestones in the time to come. For us, sustained leadership of the genre will be a mark of our success and we are gearing up to achieve just that", he added.



Sugandha Mishra amongst others.

Mastiii is a channel for everyone, no matter how old one is or what mood one is in... it aptly suggests 'Mastiii Chaalu Rakho'. When viewers on Mastiii are not swaying to thumping beats and heart rending melodies, they are sure to be in splits with the series of gags, spoofs, pranks and other comic acts put on by some of India's most loved comedians including Raju Srivastav, Suresh Menon, Sunil Pal, Shailesh Lodha, Raj Vyas, Kiku Sharda, Howard Rosemeyer and

Music on Mastiii ranges from the latest chartbusters to evergreen favourites. One of the bigger differentiating factors about the channel is that viewers are not left craving for their favourite part of any song because Mastiii plays full songs, un-abridged.

Fixes Book Closure for Dividend & AGM – 24th August 2010

Sri Adhikari Brothers Television Network Ltd has informed BSE that the Register of Members & Share Transfer Books of the Company will remain closed from September 24, 2010 to September 29, 2010 (both days inclusive) for the purpose of Payment of Dividend & Annual General Meeting (AGM) of the Company to be held on September 29, 2010.

May 29, 2010 - The board of Sri Adhikari Brothers Television Network in its meeting on 28 May 2010 has recommended dividend at the rate of Re. 0.60 per share for the financial year ended 31 March 2010

3. Financial Performance

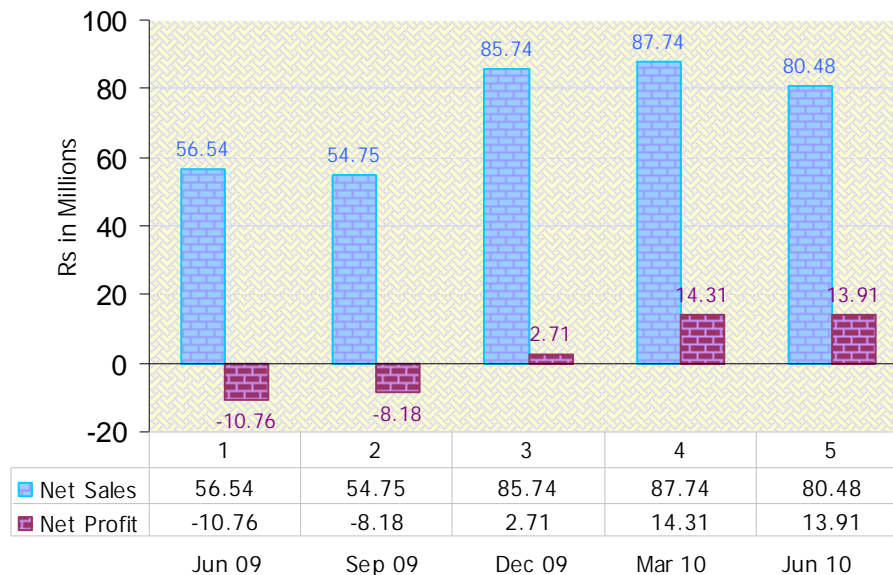
Sri Adhikari Brothers Television Network sales rises 42.48% to Rs. 80.5 million in June 2010.

Sri Adhikari Brothers Television Network reported net profit of Rs 13.9 million in the quarter ended June 2010 as against net loss of Rs 10.8 million during the previous quarter ended June 2009. Sales rose 42.48% to Rs 80.5 million in the quarter ended June 2010 as against Rs 56.5 million during the previous quarter ended June 2009

FY 2009-2010 Result Updates:

For the audited full year, net loss reported to Rs 1.1 million in the year ended March 2010 as against net loss of Rs 48.5 million during the previous year ended March 2009. Sales rose 27.48% to Rs 281.6 million in the year ended March 2010 as against Rs 220.9 million during the previous year ended March 2009

Last 5 Quarters Net Sales & Profit



Current & Expected Earnings:

Quarterly Ended Profit & Loss Account

Particulars (Rs in Millions)	Sep 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010 E	Dec 2010 E
Audited / UnAudited	UA	UA	UA	UA	UA	UA
Net Sales	54.75	85.74	87.74	80.48	92.56	108.78
Total Expenditure	37.32	58.49	50.33	42.71	50.34	59.13
PBIDT (Excl OI)	17.43	27.25	37.41	37.77	42.22	49.65
Other Income	0.63	5.3	12.61	0.74	4.43	5.32
Operating Profit	18.07	32.56	50.01	38.51	46.65	54.97
Interest	6.5	9.92	10.85	4.32	5.1	5.92
Exceptional Items	0	0	0	0	0	0
PBDT	11.57	22.63	39.16	34.19	41.55	49.05
Depreciation	19.75	19.93	19.77	19.95	19.95	19.95
Profit Before Tax	-8.18	2.71	19.39	14.23	21.6	29.1
Tax	0	0	5.08	0.32	0.48	0.65
Provisions & contingencies	0	0	0	0	0	0
Profit After Tax	-8.18	2.71	14.31	13.91	21.12	28.45
Extraordinary Items	0	0	0	0	0	0
Prior Period Expenses	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0
Net Profit	-8.18	2.71	14.31	13.91	21.12	28.45
Equity Capital	92.84	92.84	162.59	162.59	162.59	162.59
Face Value (IN RS)	10	10	10	10	10	10
Reserves	0	0	0	0	0	0
Calculated EPS	-0.88	0.29	0.88	0.86	1.3	1.75
Calculated EPS (Annualised)	-3.52	1.17	3.52	3.42	5.2	6.99
No of Public Share Holdings	5142242	5142241	9267241	9267241	9267241	9267241
% of Public Share Holdings	55.39	55.39	56.99	56.99	56.99	56.99

Expected Earnings for 2nd & 3rd Qtr FY 2010-11:

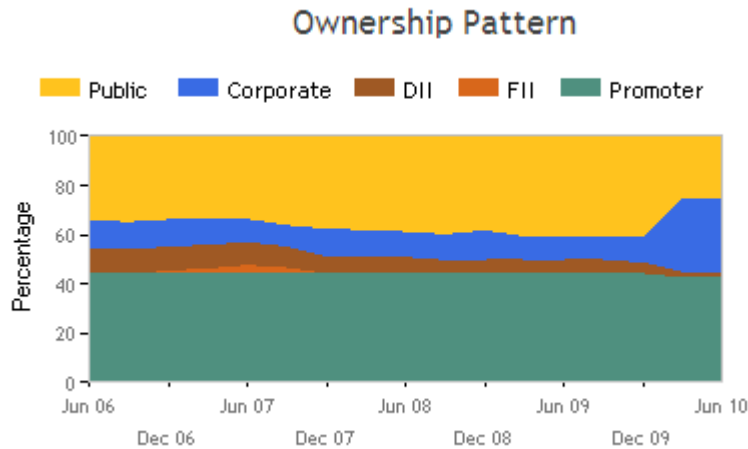
Based on recent developments, we expect SABTN will deliver robust growth in revenues and profitability in next 3 quarters of FY 2010-11 and for full FY 2011-12. Recently launched television music channel will help company to achieve double digit growth in top line with improved profit margins considering good acceptance from audience.

In financial front, company's performance improved and it posted 60% growth in turnover and net turn to positive after many years in December 2009 quarter.

4. Charts & Graphs

i) Share holding Pattern:

Promoters share holding in Sri Adhikari Brothers Television Network Ltd is 43 %, with recent infusion of money by allotment of shares, corporate bodies holding increased to 29.86 %. Institution like Mutual Fund and Insurance companies holding is 2.22%.



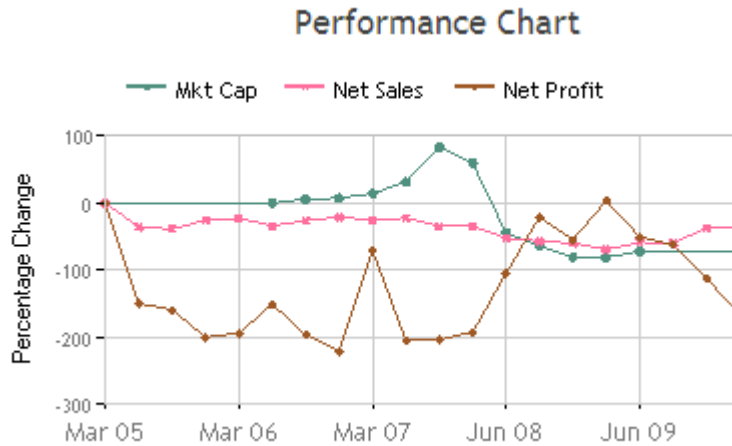
ii) Share Price Moving Average:

SABTN is currently trading above its 50 day and 200 days price moving average near to its 52 week high. Stock seems to be in buying zone with good momentum with high volumes in last 2 week trading sessions.

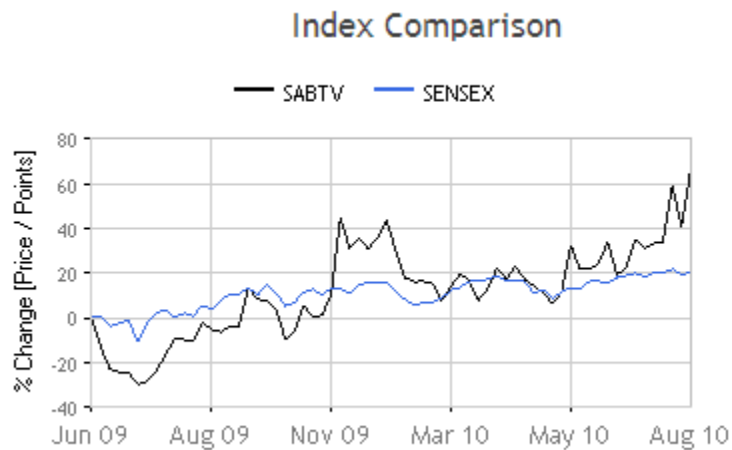


iii) Performance Chart:

FY 2009-2010 is the turnaround year in terms of company performance since last 5 years. Company has shown revival in terms of growth from Dec 2009 onwards.



iv) Comparative Graph:



5. Peer Group Comparison

PEER GROUP	SAB Television Network Ltd	Cinevistaas Ltd	Galaxy Entertainment Corp. Ltd	Mukta Arts Ltd	Saregama India Ltd
CMP	41.75	5.94	30.55	51.8	111.95
52 W H/L	43.20/22.00	7.95/4.55	38.60/17.00	80.00/42.40	163.30/62.00
Market Cap	892.76	341.17	478.11	1169.71	1948.26
Results (in Mn)	Jun-10	Jun-10	Jun-10	Jun-10	Jun-10
Sales	80.48	112.39	88.2	333.38	266.1
PAT	13.91	1.51	-3.87	14.46	4.2
Equity	162.59	114.87	156.5	112.91	174
EPS	0.86	0.03	-0.25	0.64	0.24
P/E	37.93	442.37	0	0	209.83

6. Key Concerns / Risks

- i) Cut throat competition with every day launch of new TV channels.
- ii) Increased competition in the broadcasting and content sphere has also led to increased content cost and reduced margins.
- iii) Producers ability to maintain stickiness to the program is under increasing pressure with thousand of TV channels

7. Industry Overview

The Indian Media & Entertainment industry has registered a growth of 12.4 percent over the previous year. Over the next 5 years the industry is projected to grow at a CAGR of 12.5 percent.

The Indian music television industry is growing at 20-22 per cent year-on-year, and is estimated at Rs 2250 million with a dozen music channels in the fray, according to industry sources. The main players in the market are B4U Music, 9XM, MTV and Channel V. Now they face serious challenge from Mastiii.

The industry has been witnessing changing contours powered by key drivers. The current socio economic environment, the high economic growth that India has been witnessing is one-of them. Narrowcasting, the art of segmentation of the target group & coming up with content and formats that appeals the best to that target group is also a very key driver. This enables the advertisers to reach out to a focus audience.

Regionalization & internationalization of Indian content also would have a big part to play in the overall growth process.

Availability of organized funding, ability to attract foreign capital, corporatization of the industry is likely to result in an abundance of capital availability on sustainable business models. Digitalization & convergence is also expected to transform the landscape of the industry by enabling players to leverage cross media synergies and attract a whole set of new consumers

Opportunities & Threat

Opportunities

Launch of New Channels : Growth in number of channels especially in niche categories will give the Company new opportunities to expand & create various genres of programming based on demand.

Digitisation & Convergence: Newer platforms like DTH, digital cable, IPTV and convergence media is expected to transform the landscape of the industry by enabling players to leverage on cross media synergies and attract a whole set of new viewers. Each platform is expected to create its own demand for software.

Deregulation: Deregulation of the industry norms such as cable operators are permitted to provide digital services is an incentive for cable operators through whom our content reaches the viewers.

Corporatization: With the industry getting increasingly corporatized, more and more systems are getting in place thereby enabling a competitive edge to the product and also encouraging constant innovations & development of newer & sustainable business models

Threats

Increasing competition : Increased competition in the broadcasting and content sphere has also led to increased content cost and reduced margins.

Economic Factors : A lower growth of TV advertising due to economic slow down and subsequent reduction in Ad spends can have its impact on the content industry as well.

Fragmentation risk: With a vast plethora of channels at viewers disposal, the content producers ability to maintain stickiness to the programme is coming under increasing pressure. The producer has to keep a regular update on changing audience tastes.

8. Future Outlook

The Indian Media & Entertainment industry is one of the fastest growing sectors of the country in recent times.

By embracing multiple formats, expanding into new geographies, and exploiting the potential of under penetrated geographies, SABTN promoters have built scale where they can attract foreign media companies and investors.






The television industry is estimated to have grown at a CAGR of around 13.8 percent. During this period advertising has grown at an estimated CAGR of 16.7 percent.

Overall growth in the television sector is expected to be powered by rapid growth in the number of digitized households, growth in the number of channels especially in the niche and regional categories & overall growth in the number of TV & C&S households.

Exports

SABTN owns more than 5500 hours of IPR in various genres. This was successfully leveraged by sub-licensing of the content broadcasters rights on defined usage basis to the broadcasters and operators in India and abroad. The management expects sizeable revenues in the form of exports in future.

9. Saral Gyan Recommendation

-  Promoters have recently pumped in much needed funds with allotment of 5.1 million equity shares to revive company's poor performance. Considering the experience of Promoters and their increased interest in the company, SABTN is poised to deliver good numbers in terms of growth and profitability. Company is also planning to develop a production studio in Mumbai to reduce the cost of production of content.
-  In February 2010, company allotted 2925000 warrants to promoters which will be converted into shares @ 31.85. Company has already bought back its entire outstanding FCCB (total value 100 million) which was allotted in 2007 is another good signal.
-  Stock closing price – 41.75 is near to its 52 week high of 43.20, strong volumes and momentum can move the stock price sharply to 50 – 60 Rs. levels. As per our estimates, SABTN can deliver bottom line of 100 million for full financial year 2010 – 11, annualized EPS of 6.13 Rs with forward P/E ratio of 6.8 X for FY 2010-11, which makes company a decent buy at current market price.
-  SABTN has already declared book closure date for the purpose of dividend payment of 0.60 Rs per equity share in last week of September 2010. Dividend yield is at 1.5%.
-  On equity of Rs. 162.59 million the estimated annualized EPS works out to Rs. 6.13 and the Book Value per share is Rs. 52.05. At a CMP of Rs. 41.75, stock price to book value is 0.80. The scrip is trading at 6.8 X FY 2010-11 earnings which make it an attractive buy when compared with its peers.

Saral Gyan Team recommends **"BUY"** for [Sri Adhikari Brothers Television Network Ltd.](#) at current market price of 41.75 for a target of Rs. 115 over a period of 18-24 months.

10. Disclaimer

Important Notice: Saral Gyan Capital Services is an Independent Equity Research Company.

Disclosure: The author of this article does not hold shares in the recommended company.

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