

HT Media

VISIT NOTE

Sensex: 13, 942 CMP: Rs 167

January 02, 2007

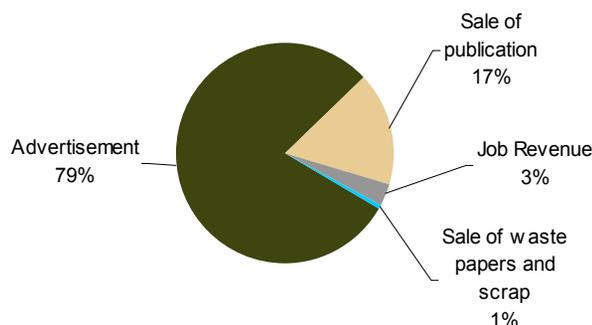
Introduction

Incorporated in December 2002, HT Media Ltd is India's second largest print media company in terms of circulation of daily newspaper and has a reader base of over 13mn. The Company is well diversified and well established media house in the Indian media and entertainment industry with presence in print, events, internet and very recently radio. Going forward the Company aims to leverage existing infrastructure to establish national footprints and entry in other segments of the industry as well thereby creating a one stop shop for the advertiser fraternity.

Business model

HT Media is very strong player in Hindi as well as English newspaper segment, which account for more than 75% of the total print ad spend. It has two daily newspaper Hindustan Times (in English) and Hindustan (in Hindi). Hindustan Times continues to be the market leader in Delhi market (reader base of close to 2mn), while it is strengthening its position in the newly entered Mumbai market. Hindustan is the 4th largest daily in the country with a readership base of more than 10mn and is the market leader in Bihar and Jharkhand.

The Company has four business verticals, namely print, internet, events and radio. Its print business is the largest revenue generator contributing close to 96% of the total topline, while events and internet contribute 2% each. Radio business just took off in the month of October 2006.

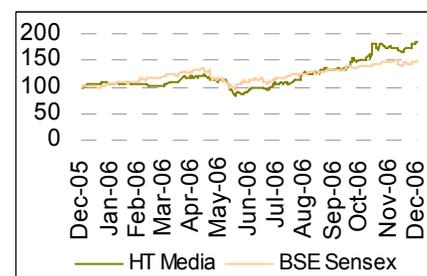


Bloomberg Code	: HTML@IN
Reuters Code	: HTML.BO
BSE Code	: 532662
NSE Code	: HTMEDIA
52-Week Range(H/L)	: 175 / 71
Market Cap (Rs.mn)	: 39, 081
Shares O/S (mn)	: 234
Free Float (mn)	: 73
3m Avg. Volume	: 18,714
Face Value	: 2

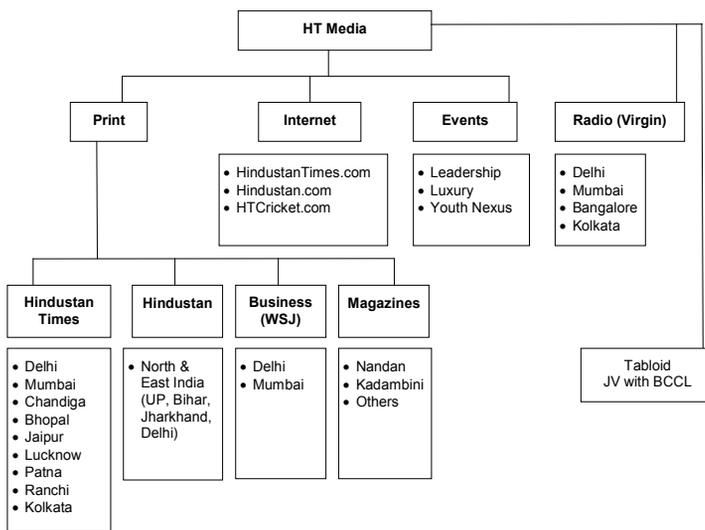
Price Performance: (%)

	3m	6m	12m
Absolute	40.2	97.5	86.9
Relative	29.5	67.5	40.2

Relative Price Movement



(Rs mn)	FY05	FY06	H1 FY07
Net Sales	6,279	8,210	4,891
Other Income	90	177	163
Total Income	6,369	8,387	5,054
Operating Expenses	5,531	7,026	3,895
EBITDA	838	1,361	1,159
EBITDA Margin (%)	13.2	16.2	22.9
Interest	67	135	72
Depreciation	227	385	192
PBT	545	841	895
Tax	165	239	317
PAT	380	602	578
PAT Margin (%)	6.0	7.2	11.4
Exceptional Items	106	229	3
APAT	273	373	575
Equity	418	468	468
EPS (Rs per share)	1.3	1.6	2.5



Recent developments

Fever 104 FM- radio business in partnership with UK based media giant

HT Media has partnered with UK based media company Virgin Radio (part of US\$ 8bn Virgin Group) to operate commercial radio stations in Delhi, Mumbai, Bangalore and Kolkata. HT Media acquired the necessary radio broadcast licenses in January 2006. HT Media will en-cash on services and core expertise in FM-radio management with specific focus on content and programming. As informed by the management the Delhi station - called Fever 104 - was launched in October 2006. Mumbai channel is expected to be launched in the second week of January 2007 followed by Bangalore while Kolkata would be launched in Q1 FY08.

Equal JV with TOI launching Tabloid in Delhi - to avoid competition

In October 2006, the Company signed a MoU with Times of India group to form 50:50 joint venture for daily English lifestyle paper in Delhi. The strategy behind the newspaper is to avoid the potential threat from the competition in future in the Delhi market. The new JV will have separate infrastructure and selling team while it may considerably draw on internal expertise like plant capacities and distribution channel from both the partners.

The JV will function as a standalone business. HT Media has committed Rs100mn as its share in the JV. The JV expects close to 1,00,000 pa copies of the daily in the initial stages of its launch. The newspaper is expected to be launched in the month of February 2007.

HT and the Wall Street Journal- filling the product offering gap

In order to bridge the gap in the business offerings, HT Media is all set to enter the business newspaper market with the launch of its first English business daily in the month of January 2007 in Mumbai and Delhi. The Company has entered into a co-branding and the content sharing agreement wherein the paper would bear both the brands. It will also launch website to publish news and information from the Journal and its online portal.

The Company is targeting close to 70,000 copies in the first year of operation and intend to cater to a very niche segments with not more than 1,50,000 copies over the next two years. The newspaper is expected to incur marginal loss this year while by next year it is expected to break even. HT Media will pay US\$ 5,00,000 as license fees for using the brand.

Future plans of the Company

Despite having strong leadership in Delhi, Patna, Ranchi, Lucknow, Varanasi, Agra, Meerut and Kanpur markets the Company is in the process of enhancing its reach of its **Hindi daily Hindustan**. It has plans to launch the newspaper in the state of Uttaranchal very soon. However we speculate that the company may adopt acquisition route to dominate these markets.

According to the Company there is huge growth potential in the **internet business**. As per industry sources share of internet in the total advertisement industry is expected to increase from 1% in 2005 to 3% in 2010 and that of print is expected to decline from 41% to 39% during the same period. Influenced by this prescience The Company is dwelling on internet business by escalating investments, in the form of relaunching its existing portals and launching new resourceful portals for different purposes.

Although the company is eyeing on its foray into third largest revenue builder, "magazine segment" through acquisition and re-launch route, the Company also intends to increase its footprints in various other segments of the media and entertainment industry by way of entering into the television broadcasting. Thus offering full range of product and becoming one stop shop for the advertisers. However, no concrete plans are underway.

Outlook on the newsprint cost

Over the last 16 quarters prices of newsprint globally have been rising steeply (15% to 20% every quarter). However, of late the prices have stabilized and the Company does not foresee any further inching up of prices, thereby reducing the pressure on margins (paper cost is 40% of the total cost). With the stabilization of newsprint cost, inventory days for the Company have reduced from 85 days to 65 days.