

Major indices movements

Major indices	Clsq	1d (%)	3m (%)	6m (%)
BSE Sensex	17,441	(0.1)	(2.8)	(1.5)
Nifty	5,236	0.0	(2.4)	(0.9)
Dow	9,686	(0.5)	(11.7)	(8.4)
Nikkei	9,182	(0.9)	(18.6)	(14.4)
Hang Seng	19,822	(0.1)	(8.0)	(11.6)
Brasil Bovespa	60,865	(0.9)	(14.4)	(13.9)
Mexico Bolsa	31,391	0.0	(7.1)	(4.4)

Turnover

Value Traded (Rs bn)	5 July 2010	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	28.6	(37.3)	94.0	29.3
Cash NSE	77.7	(34.3)	241.6	18.2
Total	106.2			
Del.(%)	39.9			
F&O	358.0	(44.6)	1661.9	425.6
Total Trade	464.3			

Fund Activity

Net Inflows				
(Rs bn)	Purch	Sales	Net	YTD
2 July 2010				
FII's	18.0	(20.4)	(2.3)	233.4
Domestic Funds	6.5	(5.6)	0.9	98.8
5 July 2010				
Cash Provisional			(1.3)	
F&O - Index	40.5	(46.2)	(5.7)	(27.6)
F&O - Stock	6.9	(7.4)	(0.5)	(11.6)

Advances/declines BSECash

5 July 2010	A	B1	B2	Total
Advance	109	1092	271	1,472
Decline	90	864	185	1,139

Commodity Prices

Commodity	6 July 2010	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	71.0	(0.4)	(17.2)	(13.4)
Copper(usd/t)	6,469	0.9	(18.0)	(13.6)
Aluminum H.G.(usd/t)	1,937	0.0	(17.6)	(15.9)
Zinc(usd/t)	1,807	1.5	(24.8)	(29.8)

Debt/Forex Mkt	Clsq	1d (%)	3m (%)	6m (%)
Re/USD	46.78	0.0	(5.0)	(1.1)
10 yr Gsec Yield	7.63	1.2	(2.5)	0.1

Contents

■ Research Update included

Hero Honda Management Meet Update; Volumes outlook remains strong; ACCUMULATE; Target Price: Rs 2,250

Emkaynomics; June 18, 2010; Fortnightly round up of key banking and economic indicators

HMVL; IPO Note; Strong vernacular play at reasonable discount

■ Technical Comments

News clippings

- **Reliance Industries Ltd.'s** daily crude oil imports fell about 23 per cent in May from April due to a planned shutdown of a secondary unit. Reliance imported nearly 1.09 million barrels per day (bpd), down from 1.42 million bpd in April and up from about 721,900 bpd in May last year.
- **Consolidated Construction Consortium Ltd (CCCL)** has bagged orders worth Rs 1,218 crore during the month of June this year. The orders booked include power plants, metro rail, buildings and factories.
- **Fortis Healthcare** promoter firm has revoked 3.91 crore pledged shares, bringing down the percentage of the total pledged stake in the company to 31 per cent.
- Pitching for telecom PSUs BSNL and **MTNL**, Telecom Minister A Raja has approached Finance Minister Pranab Mukherjee seeking reimbursement of Rs 18,500.38 crore and Rs 11,097.97 crore, respectively paid by them for spectrum.
- **Escorts** has bagged Indian tractor industry's largest ever order for tractors. Valued at USD 40 million (about Rs 1.85 billion) the prestigious order has been awarded to Escorts by the government of the United Republic of Tanzania.
- **Tata Communicationstoday** would provide Telepresence facilities to Germanreinsurance company Hannover Re, serving the group's internal teams in 18 locations across 16 countries, worldwide.

July 5, 2010

ACCUMULATE

Price	Target Price
Rs 2,021	2,250
Sensex	17,461

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	4	18	46
Rel. to Sensex	(2)	5	18	23

Source: Bloomberg

Stock Details

Sector	Automobiles
Reuters	HROH.BO
Bloomberg	HH@IN
Equity Capital (Rs mn)	399
Face Value(Rs)	2
No of shares o/s (mn)	200
52 Week H/L	2,075/1,251
Market Cap (Rs bn/USD mn)	403/8,626
Daily Avg Volume (No of sh)	515246
Daily Avg Turnover (US\$m)	21.4

Shareholding Pattern (%)

	Mar'10	Dec'09	Sep'09
Promoters	55.0	55.0	55.0
FII/NRI	30.1	28.9	28.6
Institutions	6.7	7.9	8.2
Private Corp	0.5	0.5	0.4
Public	7.8	7.9	7.8

Source: Capitaline

- **Demand is strong, near stock out situation. Inventory of 7 to 10 days in the system. Maintains volume guidance of 5.3m**
- **Margins (our est. is 15.3%, QoQ decline of 220 bps) under pressure in 1QFY11 due to higher metal prices and IPL related cost allocation.**
- **Disappointed with no price hikes to pass on cost pressures of emission norms. Price hikes in June 2010 excludes Splendor**
- **Upgrading volumes est. by 2.6% but lowering EPS by 1.5% (Rs 129) and 1.4% (Rs 150) for FY11 and FY12 respectively. Lower TP by 1.4% to Rs 2,250, maintain ACCUMULATE**

Key meeting highlights

Demand outlook

Demand outlook is robust. Facing near stock out situation with system inventory of ~7 to 10 days. Expect the strength in demand to sustain. Normal monsoon can result in strong festival season sales. Maintain volume target of 5.3 mn. Monsoon remains the key.

Cost pressures

Significant pressures on the raw material front as increase in emission norms not passed on (we are disappointed). Raised prices across products (Rs 500- Rs 700) except for Splendor and Karizma in June 2010. Also, 1QFY11 to have allocation of IPL related expenses ~ Rs 250mn. However, some benefit is expected with declining metal prices from 2QFY11.

New launches

FY11 will witness a series of variants along with altogether new motorcycle. Also, the focus on high-end motorcycle will increase. Pleasure continues to surprise positively with run rate touching 25,00 units. However, nothing significant is planned in ungeared scooter segment in FY11.

Capacity

Current capacity is 5.4 mn vehicles. Can increase the capacity by 5% to 7% inc asse the demand surprises positively. Even vendors are geared up incase there is increase in demand. The decision ofr location of new plant is still under discussion. Expect an investment of ~ Rs 9 bn. Terminal capacity of Haridwar is 2.1 mn units for tax benefit purpose.

Financial Snapshot

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY09	123,191	17,277	14.0	12,998	65.1	34.3	38.3	31.0	21.3	10.6
FY10	158,312	27,669	17.5	22,318	111.8	71.7	61.5	18.1	13.4	11.7
FY11E	184,077	30,809	16.7	25,794	129.2	15.6	59.4	15.6	13.4	7.7
FY12E	206,794	35,413	17.1	29,925	149.9	16.0	47.9	13.5	9.4	5.5

Source: Company, Emkay Research

Valuations and View

At Rs 2021, the stock trades at PER of 15.6x and 13.5x and EV/EBIDTA of 11.5x and 9.4x our FY11 and FY12 estimates respectively. We are disappointed with lack of pricing action to pass on the higher cost due to emission norms and cost pressures despite demand being stronger. Our revised estimates factors in the this aspect. We maintain our ACCUMULATE rating with a revised target price of Rs 2250 (lower by 1.4%).

Revision in estimates

Particulars	FY11E			FY12E		
	Earlier	Revised	% change	Earlier	Revised	% change
Volumes	5,156,086	5,288,734	2.6	5,683,865	5,831,342	2.6
Net Sales (Rs mn)	179,683	184,077	2.4	201,832	206,794	2.5
EBIDTA (Rs mn)	31,299	30,809	-1.6	35,939	35,413	-1.5
EBIDTA margins (%)	17.4	16.7		17.8	17.1	
Net profits (Rs mn)	26,186	25,794	-1.5	30,346	29,925	-1.4

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	123,191	158,312	184,077	206,794
Growth (%)	19.2	28.5	16.3	12.3
Expenditure	105,914	130,644	153,267	171,381
Materials Consumed	87,420	107,364	127,905	143,363
Employee Cost	4,487	5,603	6,051	6,777
Other Exp	14,007	17,676	19,310	21,241
EBITDA	17,277	27,669	30,809	35,413
Growth (%)	28.0	60.1	11.4	14.9
EBITDA margin (%)	14.0	17.5	16.7	17.1
Depreciation	1,807	1,915	2,085	2,391
EBIT	15,471	25,754	28,724	33,021
EBIT margin (%)	12.6	16.3	15.6	16.0
Other Income	2,549	2,575	3,524	4,387
Interest expenses	25	12	5	3
PBT	17,995	28,317	32,243	37,406
Tax	4,997	5,999	6,449	7,481
Effective tax rate (%)	27.8	21.2	20.0	20.0
Adjusted PAT	12,998	22,318	25,794	29,925
Growth (%)	34.3%	71.7	15.6	16.0
Net Margin (%)	10.6	14.1	14.0	14.5
E/O items	(180)	-	-	-
Reported PAT	12,818	22,318	25,794	29,925
(Profit)/loss from JV's/Ass/MI	0	0	0	0
PAT after MI	12,818	22,318	25,794	29,925
Growth (%)	32.4	74.1	15.6	16.0

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	15,445	25,742	28,719	33,019
Depreciation	1,807	1,915	2,085	2,391
Interest Provided	25	12	5	3
Other Non-Cash items	-	0	0	0
Chg in working cap	2,401	455	2,052	1,710
Tax paid	-4,997	-5,999	-6,449	-7,481
Operating Cashflow	14,681	22,125	26,413	29,642
Capital expenditure	(2,895)	(1,795)	(4,500)	(2,000)
Free Cash Flow	11,785	20,330	21,913	27,642
Other income	2,549	2,575	3,524	4,387
Investments	(8,019)	2,000	-8,000	-8,000
Investing Cashflow	-5,470	4,575	-4,476	-3,613
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	(535)	-200	-200	-200
Interest Paid	-25	-12	-5	-3
Dividend paid (incl tax)	(4,672)	(25,697)	(8,176)	(9,344)
Income from investments				
Others				
Financing Cashflow	-5,233	-25,909	-8,381	-9,547
Net chg in cash	1,083	-1,004	9,056	14,482
Opening cash position	1,311	2,196	1,192	10,248
Closing cash position	2,196	1,192	10,248	24,730

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	399	399	399	399
Reserves & surplus	37608	34229	51847	72428
Net worth	38,007	34,629	52,247	72,827
Secured Loans	0	0	0	0
Unsecured Loans	785	585	385	185
Loan Funds	785	585	385	185
Net deferred tax liability	1,444	1,444	1,444	1,444
Total Liabilities	40,237	36,658	54,076	74,456
Gross Block	25,163	27,163	30,663	34,163
Less: Depreciation	9,426	11,340	13,425	15,817
Net block	15,737	15,822	17,237	18,346
Capital work in progress	1,205	1,000	2,000	500
Investment	33,688	31,688	39,688	47,688
Current Assets	10,135	14,335	25,805	42,199
Inventories	3,268	4,625	5,542	6,226
Sundry debtors	1,499	3,700	4,434	4,981
Cash & bank balance	2,196	1,192	10,248	24,730
Loans & advances	3,113	4,758	5,522	6,204
Other current assets	59	59	59	59
Current lia & Prov	20,528	26,187	30,653	34,276
Current liabilities	15,259	13,990	16,376	18,312
Provisions	5,270	12,197	14,277	15,964
Net current assets	-10,393	-11,852	-4,849	7,923
Misc. exp	0	0	0	0
Total Assets	40,237	36,658	54,076	74,456

Key ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	14.0	17.5	16.7	17.1
Net Margin	10.6	14.1	14.0	14.5
ROCE	49.6	73.7	71.1	58.2
ROE	38.3	61.5	59.4	47.9
RoIC	684.5	869.2	1,167.9	1,794.8
Per Share Data (Rs)				
EPS	65.1	111.8	129.2	149.9
CEPS	74.1	121.4	139.6	161.8
BVPS	190.3	173.4	261.6	364.7
DPS	20	110	35	40
Valuations (x)				
PER	31.0	18.1	15.6	13.5
P/CEPS	27.3	16.7	14.5	12.5
P/BV	10.6	11.7	7.7	5.5
EV / Sales	3.0	2.3	1.9	1.6
EV / EBITDA	21.3	13.4	11.5	9.4
Dividend Yield (%)	1.0	5.4	1.7	2.0
Gearing Ratio (x)				
Net Debt/ Equity	(0.9)	(0.9)	(0.9)	(1.0)
Net Debt/EBIDTA	(2.0)	(1.2)	(1.6)	(2.0)
Working Cap Cycle (days)	(31.1)	(13.1)	(12.7)	(12.5)

Source: Company. Emkay Research

Fortnightly round up of key banking and economic indicators

July 5, 2010

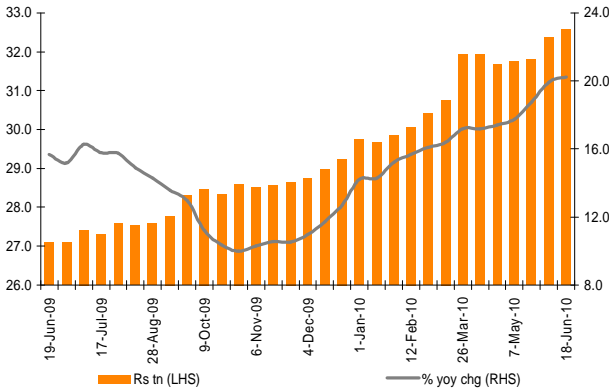
- **The growth in the non food credit improved to 20.2% for the week ended June 18, 2010, while deposit mobilization growth dropped to 13.9%.**
- **As a result the CD ratio climbed sharply to 73.3% during the week ending June 18, 2010.**
- **Call money rate stands at 5.58% and has crossed the upper end of the LAF band, i.e., repo rate. The spread between call money and reverse repo rates stood at 208bps as on July 02, 2010.**
- **Excess liquidity in the system has dried up completely and repo balances stand at Rs480bn. for the week ended June 18, 2010. This is likely to continue to put pressure on call money rates.**
- **The narrowing spread between the long and short end OIS has eased marginally, but still show expectations of a further rate hike.**

Econometer

	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08
GDP# (% yoy chg)	8.60	6.50	8.60	6.00	5.76	5.80	7.75	7.90
IIP (% yoy chg)	15.05	13.10	9.10	3.74	0.52	0.77	4.69	5.20
Trade Balance (US\$ bn)	(27.15)	(28.63)	(22.14)	(15.50)	(15.05)	(30.15)	(39.53)	(30.40)
Current account balance (US\$ bn)	(13.00)	(12.03)	(12.60)	(5.80)	4.70	(14.60)	(12.54)	(10.70)
Fiscal balance (US\$ bn)	(22.28)	(24.06)	(15.18)	(25.54)	(23.24)	(23.71)	(3.78)	(20.69)
Inflation (%)	9.45	4.50	-0.62	0.48	3.05	8.54	12.47	9.52
10-year bond yield (%)	7.83	7.14	7.14	6.60	7.01	5.26	8.63	8.20
INR/\$ (avg)	45.92	46.63	48.41	48.67	49.76	48.76	43.75	41.62
INR/\$ (quarter end)	45.14	46.20	47.98	47.87	50.95	48.45	43.27	42.85

Base: 2004-2005

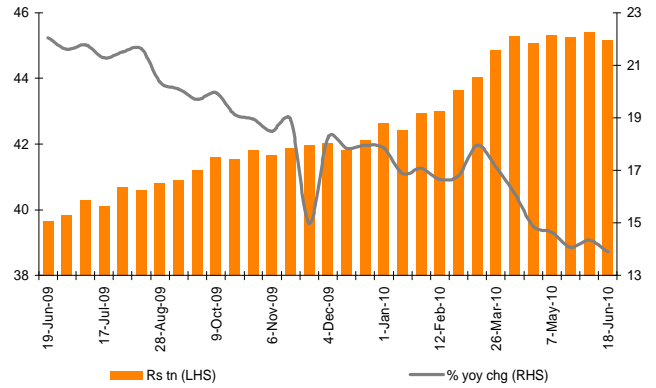
Non food credit



- The growth in the non food credit improved to 20.2% in the week ending June 18, 2010 from 19.2% last fortnight.

Source: RBI, Emkay Research

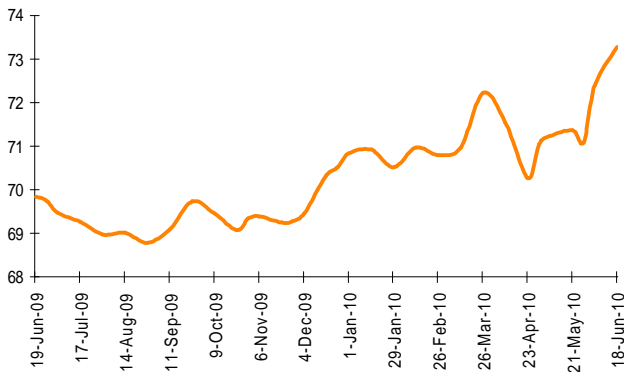
Deposits



- The growth in deposit mobilization dropped to 13.9% for the week ended June 18, 2010, from 14.3% in the preceding fortnight.

Source: RBI, Emkay Research

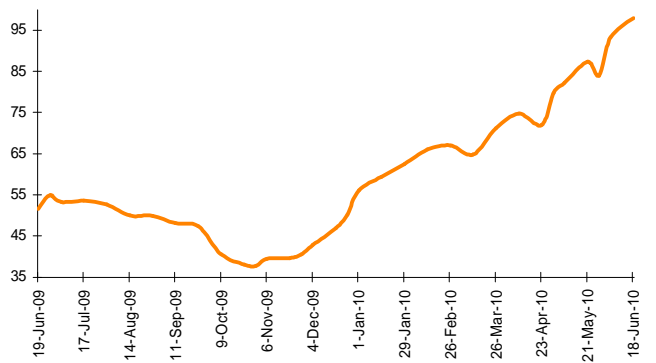
CD Ratio (%)



- The CD ratio climbed sharply to 73.3% during the week ending June 18, 2010.

Source: RBI, Emkay Research

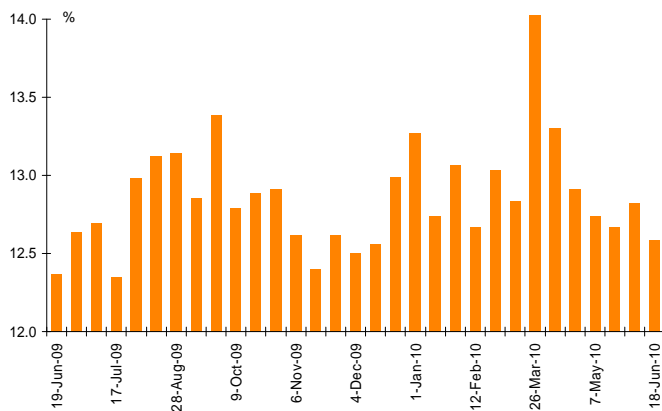
TTM CD Ratio (%)



- The TTM CD ratio drastically improved to 98% during the week ending June 18, 2010, from 93.2% the previous fortnight.

Source: RBI, Emkay Research

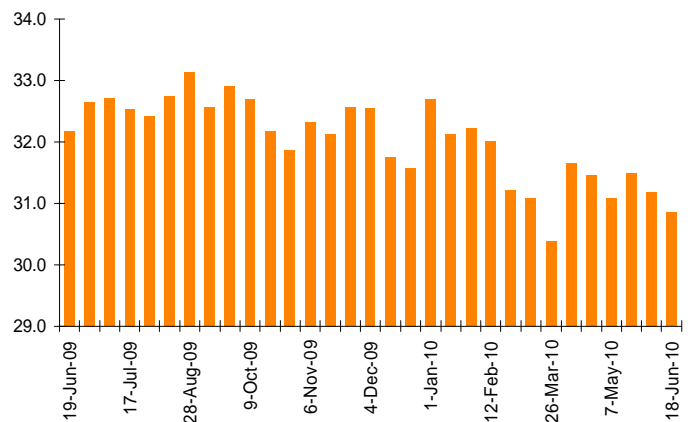
CASA as % of total



- The demand deposits marginally dropped to 12.6% of the total deposits for week ended June 18, 2010 as against a 12.7% average for the month of May.

Source: RBI, Emkay Research

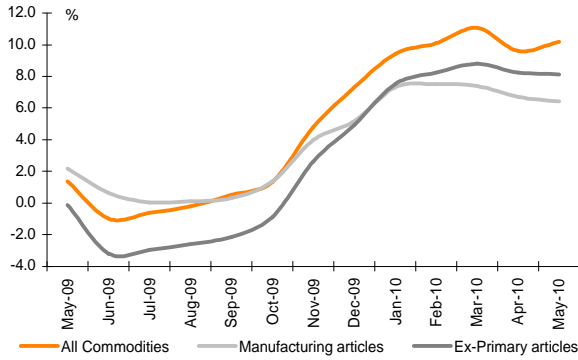
SLR as % of NDTL



- SLR ratio stood at 30.9% for the week ended June 18, 2010, from 31.2% last fortnight.

Source: RBI, Emkay Research

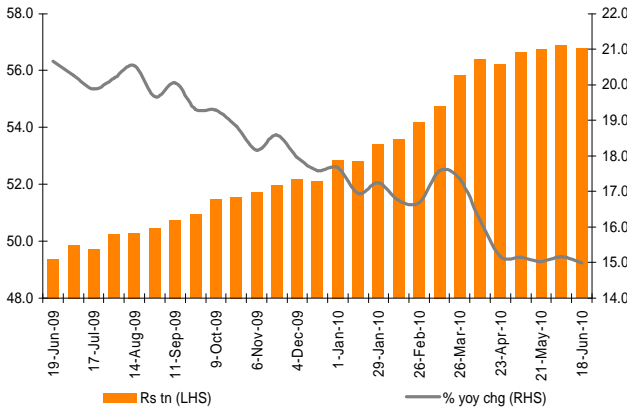
Inflation (%)



- The inflation has risen steeply over last few months to 10.2% in May 2010 driven by sharp rise in the prices of non-food articles and manufactured products.

Source: RBI, Emkay Research

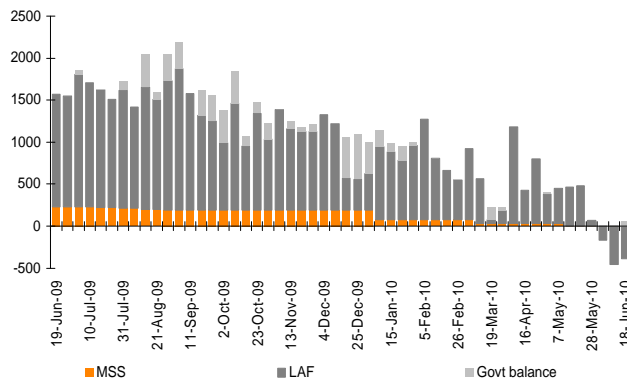
M3



- M3 growth has dropped marginally to 15.0% for the week ended June 18, 2010, from 15.2% last fortnight.

Source: RBI, Emkay Research

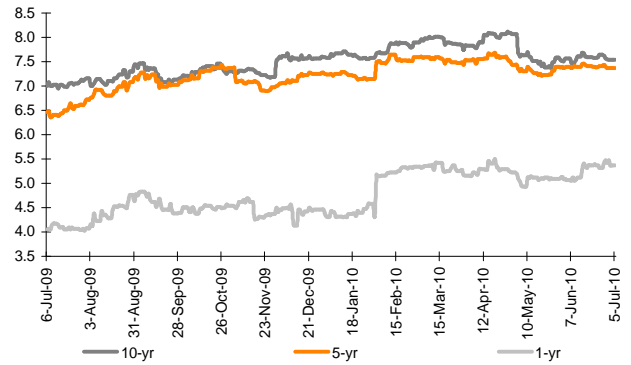
Excess liquidity (Rs bn)



- The excess liquidity in the system has dried up and repo balances stand at Rs480bn. for the week ended June 18, 2010.

Source: RBI, Emkay Research

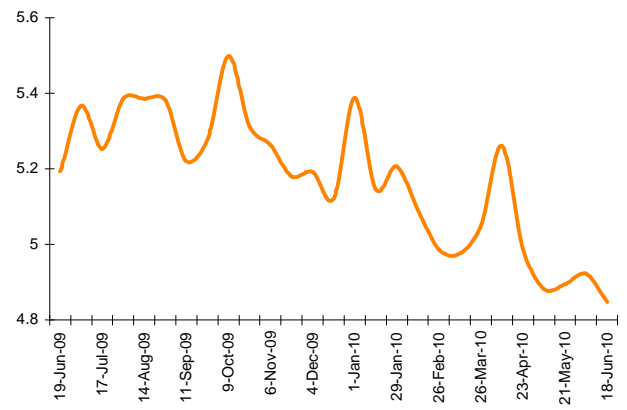
Government bond yields (%)



- From the previous fortnight, 10 year bond yields inched down to 7.54% as on July 02, 2010 from 7.65% and 1 year bond yields moved up to 5.36% from 5.32%.

Source: RBI, Emkay Research

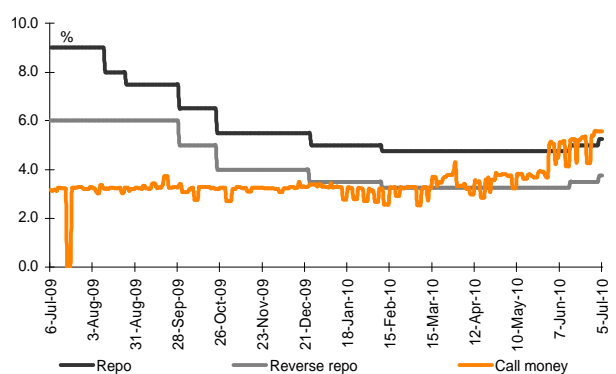
Money multiplier (x)



- The money multiplier has dropped to 4.85 for week ended June 18, 2010 suggesting lower velocity of money.

Source: RBI, Emkay Research

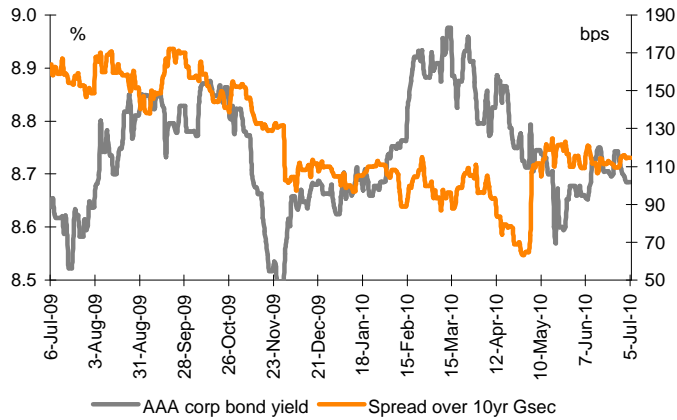
Call money borrowing rate (%)



- Call money rate stands at 5.58% and has crossed the upper end of the LAF band, i.e., repo rate.
- The spread between call money and reverse repo rates stood at 208bps as on July 02, 2010.

Source: RBI, Emkay Research

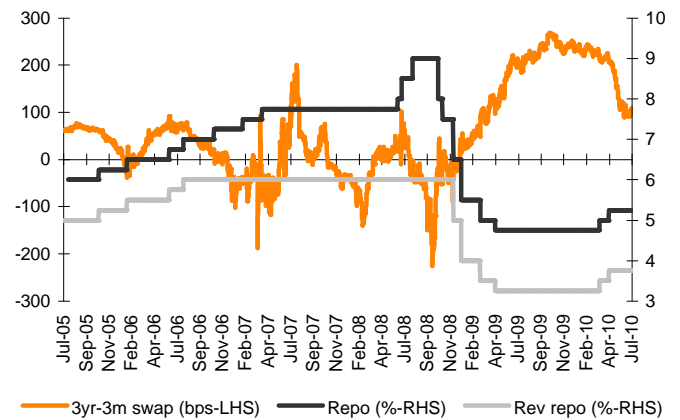
10-year AAA corporate bond yield



- The spread between yield on 10-year AAA corporate bonds and similar tenure G-Sec, remains range bound and stands at 115bps on July 02, 2010.

Source: Bloomberg, Emkay Research

3 year – 3 month swap spread



- The spread between the long and short end OIS has eased marginally but is still showing a downtrend.

Source: Bloomberg, Emkay Research

Government auction calendar

Period of auction	Amount (Rs bn)	Term of the Security
July 5- 9, 2010	120	i) 5-9 year security for Rs.5,000-6,000 crore ii) 10-14 year security for Rs.4,000-5,000 crore iii) 20-year and above security for Rs.2,000-3,000 crore
July 12-16, 2010	130	i) 5-9 year security for Rs.6,000-7,000 crore ii) 10-14 year security for Rs.5,000-6,000 crore iii) 15-19 year security for Rs.2,000-3,000 crore
July 26- 30, 2010	150	i) 5-9 year security for Rs.6,000-7,000 crore ii) 10-14 year security for Rs.5,000-6,000 crore iii) 15-19 year security for Rs.2,000-3,000 crore iv) 20-year and above security for Rs.2,000-3,000 crore
Total	400	

July 5, 2010

SUBSCRIBE

Issue Details

Sector	Print Media
Price Band	Rs162 – Rs175
Issue opens	5 th July 2010
Issue closes	7 th July 2010
Funds to be raised	Rs2,700mn
No of shares pre-issue	57.1mn
Issue size (shares)	15.4 – 16.7mn
No of shares post-issue	72.6 – 73.8
Post issue Market cap	Rs11.9-12.7bn

- **HMVL prints and publishes the 3rd largest read Hindi newspaper daily 'Hindustan' with readership of 9.9mn**
- **Healthy GDP growth, recovery in ad-volumes, recent rate hike of >10% are key growth catalyst**
- **The fastest growing print media play 'Hindustan', being offered at 14 to 21% discount to leader Jagran Prakashan - SUBSCRIBE**
- **Increasing competition and newsprint price are key risks**

Hindustan - 3rd largest read Hindi daily with readership of 9.9mn

HMVL prints and publishes 'Hindustan' – the 3rd largest read newspaper in India with readership of 9.9mn (source: IRS Q1 2010). Hindustan has strong presence in 6 out of the 14 Hindi newspaper markets, with leadership in Bihar & Jharkhand markets. Hindustan has seen consistent and highest growth in readership over the last 5 years taking itself from 8th largest to 3rd largest in terms of readership. We believe that the launch of new editions would further grow the readership which would result in healthy ad-revenue growth, going forward.

Ad-market revival and strong GDP growth provide healthy opportunity

Economic revival and expectations of strong GDP growth provides very healthy environment for growth in advertisement revenues. While the industry advertisement revenues are expected to grow by 12% CAGR over FY10-12E, we believe that the vernacular print medium would outperform the industry growth. Recent ad-rate increase of over 10% together with volume growth recovery would result in strong ad-revenue growth for the company.

EBIDTA and PAT to grow by 45% and 48% CAGR over FY10-12E

We expect HMVL to register 11% revenue CAGR despite 16.4% ad-revenue CAGR due to the impact of cover price cut on the circulation revenues. With steady newsprint prices and high operating leverage in the business, we expect EBIDTA and PAT CAGR at 44.5% and 48% over FY10-12E. The high growth of HMVL over its peers can also result in valuation premium to peers, in our view.

Valuation at reasonable discount to peers - SUBSCRIBE

Since the Hindi newspaper business under the brand Hindustan was transferred from HT Media to HMVL w.e.f. 1st Dec-2009, the financial performance of HMVL is not the right indicator of the business performance and potential. Based on our estimated PAT of Rs781mn & Rs993mn for FY11E & FY12E respectively, the issue is priced at 12x and 12.8x our estimated earnings at lower and upper price band for FY12E respectively. Considering the reasonable discount of 14-21% v/s the market leader Jagran Prakashan, we recommend investors to SUBSCRIBE to the issue.

Peer group valuation comparison

P/E Valuation	Jagran Prakashan	D B Corp	Hindustan	
			Lower band	Upper band
FY10	21.4	23.7	23.5	25.4
FY11E	17.9	18.3	15.3	12.0
FY12E	14.6	15.1	16.3	12.8

Source: Company. Emkay Research

Expansion to fuel further growth

Through the IPO proceeds, Hindustan plans to set-up 8 new facilities for launch of new editions in new markets like MP, Punjab, and Rajasthan, where it is currently not operating as well as to strengthen its presence in existing markets. Each new facility with printing capacity of 40,000 copies/ hour would likely get operational by FY12.

States	Dainik Jagran	Dainik Bhaskar	Hindustan
Bihar	✓	P	✓
Jharkhand	✓	P	✓
Chandigarh	✓	✓	X
Delhi	✓	✓	✓
Gujarat	X	✓	X
Haryana	✓	✓	✓
Himachal Pradesh	✓	✓	X
Jammu & Kashmir	✓	P	X
Madhya Pradesh	✓	✓	P
Chhattisgarh	X	✓	X
Maharashtra	X	X	X
Punjab	✓	✓	P
Rajasthan	X	✓	P
Uttar Pradesh	✓	X	✓
Uttaranchal	✓	X	✓

Source : Company, Emkay research

	P		
Leader	Plan to enter	No.2 position	Present

Leading position in Bihar & Jharkhand

Out of 6 of its existing markets Hindustan enjoys leadership position in 2 of its markets – Bihar & Jharkhand, in terms of readership. Similar to the contribution from key markets to the overall readership of leading Hindi newspaper dailies Jagran (UP, Bihar) Dainik Bhaskar (MP, Rajasthan), Bihar & Jharkhand constitute 70% of Hindustan's overall readership.

Considering the increase in competition in coming quarters (due to launch of Dainik Bhaskar), management intends to increase its reach in Bihar, Jharkhand region to not only maintain but enhance its leadership position.

Readership – Bihar (000)	2010 Q1	2009 R2	2008 R2	2007 R2
Hindustan	4,475	4,331	4,564	4,547
Dainik Jagran	2,526	2,382	2,505	2,595
Prabhat Khabar	173	191	242	323

Source: Company, Emkay Research

Readership Jharkhand (000)	2010 Q1	2009 R2	2008 R2	2007 R2
Hindustan	1,353	1,196	1,216	1,086
Dainik Jagran	854	776	869	801
Prabhat Khabar	981	1,003	923	1,014

Source: Company, Emkay Research

Consistent track record of readership growth

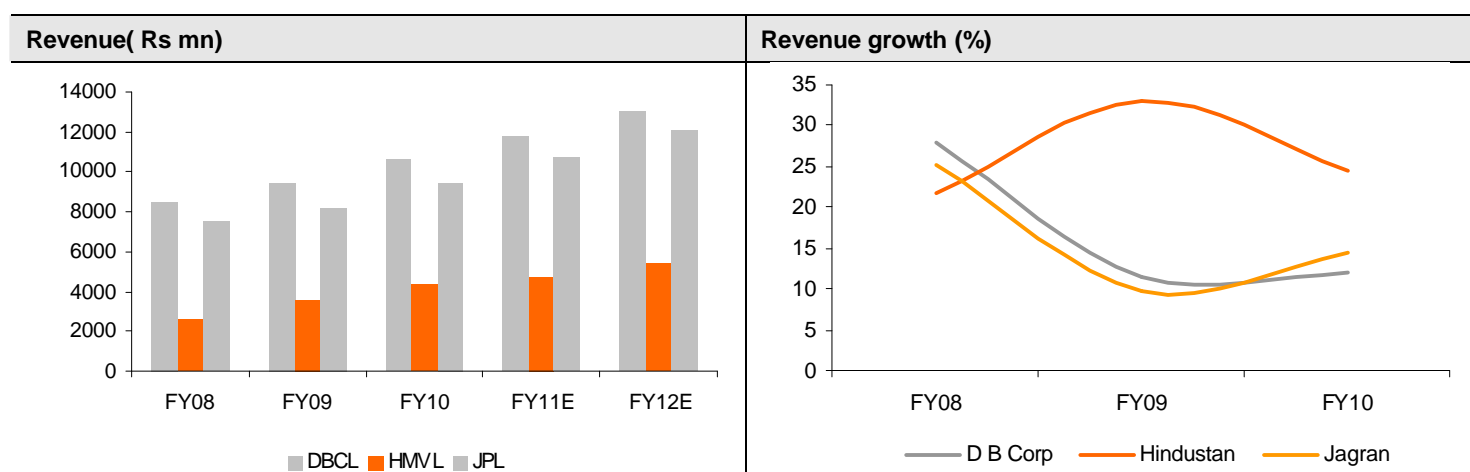
Hindustan is very well recognized and established brand in Hindi newspaper market in 6 out of the 14 key Hindi newspaper markets - Bihar, Jharkhand, Delhi NCR, Uttarakhand, Uttar Pradesh and Punjab. Hindustan is 3rd largest newspaper in India with consistent performance of rising readership - readership of 9.9mn in Q12010. As HMVL expands its foot print we believe that it would further increase its readership that would enable it to become a national newspaper which would result in the paper's ability to get higher share in the national advertisements.

Readership (mn)	2010 Q1	2009 R2	2008 R2	2007 R2	2006 R2	2005 R2	2003 R2*
Dainik Jagran	16.3	16.1	16.3	16.5	18.2	19.2	16.4
Dainik Bhaskar	13.3	12.9	13.0	12.8	13.5	15.1	13.4
Hindustan	9.9	9.3	9.2	8.6	9.7	9.0	7.9
Malayalam Manorama	9.6	9.2	8.4	8.7	9.1	9.4	9.2
Amar Ujala	8.5	8.3	8.1	8.1	9.4	9.9	8.9
Daily Thanthi	7.4	7.5	7.7	7.9	9.3	10.6	9.2
The Times Of India	7.0	7.1	6.7	6.8	6.9	7.3	7.1
Lokmat	7.4	7.1	6.6	6.7	7.7	8.9	7.3
Rajasthan Patrika	6.7	6.5	6.7	7.4	6.7	6.1	5.9
Ananda Bazar Patrika	6.5	6.5	6.7	6.9	6.9	6.2	5.1

Source: Company, IRS Emkay Research

Fastest growing print media play

Hindustan has been the fastest growing print media play with revenue growth of 26.4% CAGR (advertisement revenue growth of 32.5% CAGR) over FY07-10 led by increased yields and rising readership. Considering wide and narrowing ad-rate gap between the prime markets of Hindustan such as Bihar and other large Hindi newspaper markets such as MP, Punjab, etc., we expect Hindustan to continue to deliver strong ad-revenue growth going forward. The higher growth rate for Hindustan is also due to the lower base effect.



Source: Company, Emkay Research

Target M-cap Rs12 – 12.7bn and dilution 21.3 - 22.6%

Based on the issue size of Rs2,700mn and the price band of Rs162 to Rs175, HMVL's post issue market capitalization would range between Rs11.95bn and Rs12.7bn.

	Lower band	Upper band
Issue price	162.0	175.0
Issue size	2,700.0	2,700.0
Shares to be issued (mn)	16.7	15.4
Existing equity shares (mn)	57.1	57.1
Post issue equity shares (mn)	73.8	72.6
Dilution %	22.6	21.3
Market Cap (Rs mn)	11,954.9	12,697.5
EV (Rs mn)	10,604.9	11,347.5

Source: Emkay Research

HMVL issue priced at reasonable discount to peers - SUBSCRIBE

We highlight that the financial performance of HMVL is not the right indicator of the performance of the business that the company operates. The key Hindi newspaper business was transferred from HT Media to HMVL with effect from 1st December 2009 and hence the financial performance of HMVL reflects only 4 month performance of the Hindi business Hindustan.

In our detailed sector report "Print Media Sector – Indelible Ink", we have valued HT Media based on SOTP considering separate estimates and value of the Hindi and English & Radio businesses. Based on our estimates for the Hindi business - Hindustan, the IPO is being priced at 12x and 12.8x FY12 earnings at lower and upper band (Rs162-175) of the IPO, respectively. These valuations are at 14-21% discount to the leader Jagran Prakashan and 18-26% discount to D B Corp on FY12E earnings depending on the issue price. Considering the reasonable valuation discount along with promising high earnings growth story, we recommend investors to SUBSCRIBE to the IPO.

Hindustan –Income statement

	FY08	FY09	FY10	FY11E	FY12E
Advertisement revenue	1652	2440	2966	3411	4015
Growth %	29.7	47.7	21.5	15.0	17.7
Circulation & others	998	1087	1423	1322	1378
Growth %	10.6	8.9	30.9	-7.1	4.2
Revenue	2649	3527	4389	4734	5393
Growth %	21.8	33.1	24.4	7.9	13.9
Raw materials	1315	1738	1727	1544	1659
Personnel expenses	348	464	567	568	647
Operating and other expenses	876	1191	1281	1278	1389
Total Expenditure	2539	3393	3576	3390	3695
EBIDTA	110	134	813	1343	1698
Growth %		22.0	505.5	65.2	26.4
Depreciation and amortisation	87	122	147	171	237
PBIT	24	12	666	1173	1461
Financial expenses	16	51	65	30	20
other income	8	10	56	23	41
PBT	16	-30	657	1165	1482
Tax	0	0	204	385	489
PAT	16	-30	453	781	993
Growth %				72.5	27.2

Peer group valuation comparison

(Rsmn)	Jagran Prakashan		DB Corp		Hindustan	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Revenue	10,708	12,092	11,805	13,044	4,734	5,393
EBIDTA	3,285	4,002	3,997	4,689	1,343	1,698
PAT	2,104	2,581	2,366	2,867	781	993
P/E at lower band	17.9	14.6	18.3	15.1	15.3	12.0
P/E at upper band	17.9	14.6	18.3	15.1	16.3	12.8
Premium at lower band	17%	21%	20%	26%		
Premium at upper band	10%	14%	13%	18%		

Source: Emkay Research

Objective of issue

Expenditure items	Total estimated costs (Rsmn)	Amount estimated to be utilized from net proceeds (Rsmn)
Setting up new publishing units	660	660
Upgrading existing plant and machinery	550	550
Prepayment of loans	1,350	1,350
General corporate purposes (bal)		
Total fund raising	2700	2700

Setting up new publishing units

HMVL plans to set up 8 new publishing units at new geographies with investment of Rs 660 mn. The management indicated that these new facilities are likely to be operational by FY12. Each new publishing unit is proposed to have a capacity for printing 40,000 newspaper copies per hour.

Upgrading existing plant and machinery

HMVL has earmarked Rs 550mn for up-gradation of its existing printing facilities located in UP, Bihar and Jharkhand. Also the company plans to purchase second hand plant and machineries from its promoter HT Media Ltd at the cost of Rs 31.04 mn.

Prepayment of Loan

At the end of March 2010, the outstanding debt on HMVL's books stood at Rs 1.35bn, which it had taken to purchase Hindi business from its parent, HT Media Ltd. The company plans to repay this debt via IPO proceed.

Key risks

Increasing competition

The foray of DB Corp in Bihar & Jharkhand region, (where Hindustan is the leader) would result in increased competition. Any loss of readership in the two key markets may directly impact the advertisement revenues from these markets. We believe that Bihar & Jharkhand are the largest contributors to Hindustan's advertisement revenue pie. However, we appreciate the pro-active approach of reduction in cover price by Hindustan from Rs4 to Rs2 per copy. While lower cover price impacts the circulation revenues of the company, the management expects increased readership on lower cover price to subsequently increase advertisement revenues and adequately compensate for the impact towards cover price cut.

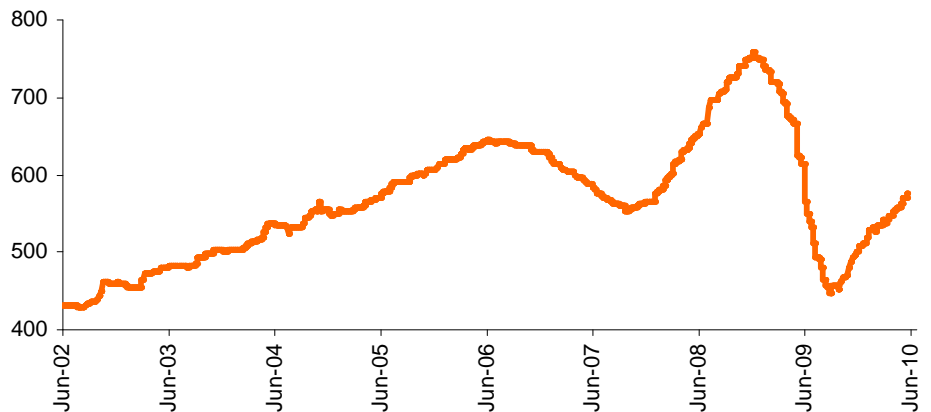
New editions – risk of failure

HMVL intend to launch few more editions. Although Hindustan has healthy track record of successful launches, we believe that new editions possess high risk of success due to strong readership habits which we believe is among the key entry barriers in the sector. Inability to garner reasonable readership would result in lack of ad-revenues and hence losses from the editions impacting the overall financial performance of the company.

Newsprint price increase

Since 45-50% of the operating costs of a print media company is constituted by newsprint, any increase in the newsprint prices directly impact the profitability of the print media companies.

International newsprint prices (USD/MT)



Financial tables

(Rs Mn)	FY06	FY07	FY08	FY09	FY10
Advertisement revenue					1043
Circulation revenue					390
Job work revenue	150	153	163	171	162
Sale of waste paper & scrap	4	6	6	5	
Total Turnover	154	159	168	176	1624
YoY chg	10%	3%	6%	5%	8
RM cost	22	25	24	27	647
employee expenses	59	63	66	66	233
other expenses	61	64	71	78	497
Total expenditure	141	152	160	171	1377
EBIDTA	12	8	8	5	247
YoY chg	19%	-39%	3%	-35%	48
Depreciation	4	3	3	3	46
PBIT	8	4	5	2	201
interest					37
Other income	1	1	0	1	47
Exceptional item	-10				
PBT	-1	5	5	3	210
Tax	0.4	1.4	2.0	0.9	70
PAT	-1.1	3.5	2.8	1.9	140

Balance sheet	FY06	FY07	FY08	FY09	FY10
Equity Capital	40	40	40	70	571
Reserves & surplus	35	38	41	43	183
Net worth	74	78	81	113	754
Share application money			30		
Secured Loan					1350
Unsecured Loan					
Miscellaneous expenditure					-22
Total Loan	0	0	0	0	1350
Differed tax liabilities	1	2	3	3	28
Total Liabilities	75	80	114	116	2110
Gross Fixed asset	97	98	117	129	1484
Depreciation	23	26	30	33	75
Net block	74	71	87	97	1409
CWIP			4		149
Investments					312
Inventories	11	12	17	10	164
Sundry debtors	8	11	10	24	715
Cash	3	4	12	6	271
Loans & Advances	11	12	17	14	259
Total current assets	33	40	55	55	1410
Current liabilities	18	17	15	19	1146
Provisions	13	13	16	16	25
Total current liabilities	31	31	31	35	1171
Total assets	75	80	114	116	2110

Indices

Indices	Today's close	% chg
Sensex	17,441	-0.11
Nifty	5235	-0.02
S&P CNX 500	4379	-0.07
BSE 500	7,025	0.03
BSE Mid-Cap	7,139	0.29
BSE Small-Cap	9,132	0.32
BSE Auto	8,190	0.08
BSE Health	5,738	0.53
BSE FMCG	3,218	-0.01
BSE IT	5,258	0.39
BSE PSU	9,409	-0.37
BSE Bankex	10,698	0.32
BSE Oil & Gas	10,631	-0.79
BSE Metal	14,324	-0.40
BSE Cons Dur	4,723	-0.19
BSE Cap Good	14,454	-0.28
BSE Realty	3,127	-0.25
BSE Power	3,129	-0.32

Levels to watch

	Sensex	Nifty
Day's High	17505	5252
Day's Low	17423	5225
21 EDMA	17426	5226
55 EDMA	17249	5173

Trend Tracker

	Up/ Down	Sensex/ Nifty	Sensex/ Nifty
		Target	Reversal
Short Term*	?	16900/5060	17920/5370
Mid Term*	?	16200/4900	18050/5400
ST: 0-14 Days.		MT: 14-45 Days	

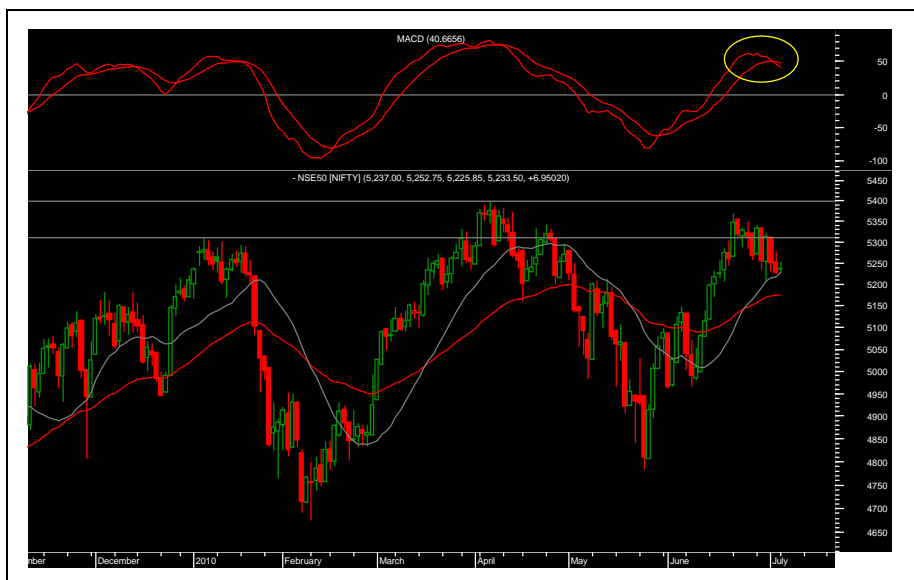
Nifty Intraday levels to watch

	Support	Resistance
Nifty	5225/5212	5240/5252

TechCheck

Flat close

The benchmark Nifty closed on a flat note, after rotating around its previous closing value. Stocks in the healthcare and IT space were trading firm while those from the oil & gas and power space were trading weak. The BSE-Sensex closed down by 19 point while NSE-Nifty closed down by 1 point. On daily chart, the "moving average convergence divergence" oscillator still hold on to its negative crossover and with that we continue to maintain our negative bias.



Sectoral Speak

BSE Oil & Gas

BSE Oil & Gas index broke the support of 10634 and closed at 10631 with a loss of -0.79%. On the daily chart this index had already retraced 38.20% of the recent rally from 10271 to 10899, as well as formed a lower bottom, thus now we may witness some further correction in this index till 10585 and below that 10511, which are 50% and 61.80% retracement level of the above mentioned rally.



Technical Recommendations

EPT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
04.06.10	Herohonda	Sell	2002.70	2123.60	1881/1751	2025.90	-1.15	
25.06.10	BOB	Sell	682.00	731.10	636/591	712.10	-4.23	
29.06.10	LIC Housing	Sell	1005.00	1116.10	941/831	977.85	2.78	
29.06.10	Nifty July	Sell	5260.00	5380.00	5000/4875	5246.00	0.27	
30.06.10	Infosys	Sell	2758.00	2836.10	2626/2476	2743.00	0.55	

EMT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
29.06.10	ICICI Bank	Sell	846.20	882.10	813/795	840.50	0.68	
30.06.10	LT	Sell	1795.00	1844.00	1740/1690	1787.00	0.45	
02.07.10	BHEL	Sell	2394.20	2490.10	2300/2247	2355.00	1.66	
02.07.10	Nifty	Sell	5254.00	5325.00	5175/5110	5246.00	0.15	

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