

# HT Media

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## Warmed Up: Yet to Catch Fever 104

We remain positive on HT Media even as the stock has risen 51% since our upgrade on 29 March 2009. While continued strength in readership for Hindustan Times, Hindustan, and Mint provides support to our estimates, a surge in radio ratings is a positive surprise. Concerns on private treaties (advertising for equity deals) expressed recently in media (largely in the context of BCCL), are a potential short-term negative.

**All of a sudden, Fever 104 rocks!:** In Radio Audience Measurement (RAM) ratings for Week 17, Fever 104 has emerged as the #1 channel of Mumbai, and #2 channel in Delhi and Bangalore (see appendix for details). Healthy ratings of Fever 104 could raise earnings, and also offer opportunities to promote its own products and provide a wider variety of solutions to media buyers.

**Fever 104 broke even in 4Q09:** Fever 104 reportedly broke even in 4QFY09, even before the radio stations saw a ramp up in ratings. S. Keerthivasan, CEO, HT Music and Entertainment Ltd has said "...We are poised to become the most profitable radio operation in the country in times to come."\* Our estimates incorporate a minor loss for HT Media radio operations in FY10 (~Rs 250mn loss for FY09).

**IRS 2009 R1 results—HT Delhi continues to lead on AIR:** IRS 09 R1 results indicate that the newspapers of the company continue to perform, although growth has slowed. Mint and Hindustan have shown continued growth, while Hindustan Times continues to be #1 in Delhi and NCR on Average Issue Readership (AIR). HT Mumbai readership grew ~4% over the previous survey.

**Mint readership trends positive, to grow in visibility:** HT Media's business newspaper, Mint, has entered into a content partnership agreement with TV-18—positive as it provides targeted support to the Mint brand, especially in light of the reports that Mint is set to launch two new editions in Kolkatta and Chennai\*.

**Media Reports on BCCL's private treaties' losses likely to weaken sentiment:** Recent media reports have questioned private treaties, and some have indicated that Bennett Coleman and Company Limited may have incurred losses in excess of 40% on private treaties entered into by the company (see appendix). This is likely to be a sentimental negative for HT Media stock, with results around the corner.

We see a strong possibility of both earnings improvement and continued multiple expansion in the stock as concerns on radio operations weaken. We reiterate our BUY rating on HT Media with a price target of Rs 88.

### Valuation summary

Y/E Mar, Rs mn	FY2008	FY2009E	FY2010E	FY2011E
Net Sales	12,033	13,592	13,757	14,796
Growth, %	15.8%	13.0%	1.2%	7.6%
EBITDA	1,702	1,233	2,107	2,457
EBITDA margins, %	14.1%	9.1%	15.3%	16.6%
Net profit	1,017	329	973	1,338
Net profit growth, %	-12.3%	-67.7%	196.2%	37.5%
EPS, Rs	4.3	1.4	4.2	5.7
EPS Growth, %	-12.3%	-67.7%	196.2%	37.5%
PER, x	15.2	47.1	15.9	11.6
EV/EBITDA, x	9.9	15.1	8.7	6.9
EV/Net Sales, x	1.4	1.4	1.3	1.1
Price/Book Value, x	1.8	1.8	1.6	1.4
ROIC, %	13.2	5.6	13.3	16.0
ROE, %	12.4	3.8	10.7	13.2

Source: Company, MF Global India Research Estimates

\*Source: contentsutra.com

Maintain Buy / Rs 66  
Target Rs 88 (+33%)

#### Sector Rating

OW	N	UW

#### Stock Rating

B	OP	N	UP	S
> 10%	5% to 10%	5% to -5%	-5% to -10%	< -10%

- This note should be read for: Summary of recent news-flow for HT Media and analyst's views on the same.

Bloomberg code : HTML IN  
Reuters code : HTML.BO  
www.hindustantimes.com

BSE Sensex : 11683  
NSE Nifty : 3555

#### Company data

O/S shares :	234mn
Market cap (Rs) :	16bn
Market cap (USD) :	317mn
52 - wk Hi/Lo (Rs) :	146 / 36
Avg. daily vol. (3mth) :	75,159
Face Value (Rs) :	2

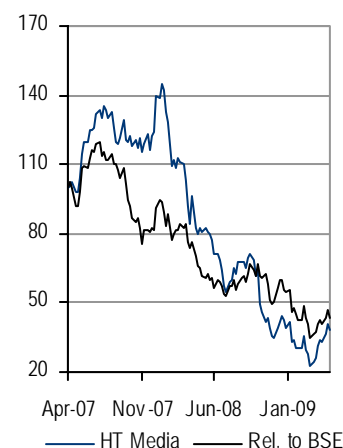
#### Share holding pattern, %

Promoters :	68.7
FII / NRI :	15.5
FI / MF :	13.1
Non-Promoter Corp. Holdings :	0.2
Public & Others :	2.4

#### Price performance, %

	1mth	3mth	1yr
Abs	13.5	4.9	-52.5
Rel to BSE	5.3	-16.5	-22.7

### Price vs. Sensex



Source: Bloomberg, MF Global India Research

## FINANCIALS

### Income Statement

Y/E Mar, Rs mn	FY2008	FY2009E	FY2010E	FY2011E
Net sales	12,033	13,592	13,757	14,796
<i>Growth, %</i>	15.8	13.0	1.2	7.6
Other operating income	0	0	0	0
Total income	12,033	13,592	13,757	14,796
Operating expenses	-10,330	-12,359	-11,650	-12,339
<b>EBITDA</b>	<b>1,702</b>	<b>1,233</b>	<b>2,107</b>	<b>2,457</b>
<i>Growth, %</i>	-10.9	-27.6	70.9	16.6
<i>Margin, %</i>	14.1	9.1	15.3	16.6
Depreciation	-570	-635	-614	-586
<b>EBIT</b>	<b>1,133</b>	<b>598</b>	<b>1,493</b>	<b>1,871</b>
<i>Growth, %</i>	-25.2	-47.2	149.8	25.4
<i>Margin, %</i>	9.4	4.4	10.9	12.6
Interest received/(paid)	-178	-355	-355	-323
Other Income	439	227	253	391
<b>Pre-tax profit</b>	<b>1,393</b>	<b>469</b>	<b>1,390</b>	<b>1,939</b>
Tax provided	-377	-141	-417	-601
<b>Profit after tax</b>	<b>1,017</b>	<b>329</b>	<b>973</b>	<b>1,338</b>
Minorities	0	0	0	0
<b>MF Net profit</b>	<b>1,017</b>	<b>329</b>	<b>973</b>	<b>1,338</b>
<i>Growth, %</i>	-12.3	-67.7	196.2	37.5
Extraordinary items: Gains/(Losses)	0	128	0	0
Unadj. shares (m)	234	234	234	234
Wtd avg shares (m)	234	234	234	234

### Cash Flow

Y/E Mar, Rs mn	FY2008	FY2009E	FY2010E	FY2011E
Pre-tax profit	1,393	469	1,390	1,939
Depreciation	570	635	614	586
Chg in working capital	-891	590	-822	-140
Total tax paid	-377	-141	-417	-601
Other operating activities	0	128	0	0
<b>Cash flow from operating activities</b>	<b>695</b>	<b>1,681</b>	<b>765</b>	<b>1,784</b>
Capital expenditure	-2,311	-1,300	-400	-300
Chg in investments	1,073	-1,700	0	0
Chg in marketable securities	0	0	0	0
Other investing activities	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-1,238</b>	<b>-3,000</b>	<b>-400</b>	<b>-300</b>
Free cash flow	-543	-1,319	365	1,484
Equity raised/(repaid)	-220	-256	0	0
Debt raised/(repaid)	581	1,000	0	0
Dividend (incl. tax)	-107	-107	-107	-107
Other financing activities	0	0	0	0
<b>Cash flow from financing activities</b>	<b>255</b>	<b>637</b>	<b>-107</b>	<b>-107</b>
Net chg in cash	-288	-682	258	1,377

## Balance Sheet

As at 31st Mar, Rs mn	FY2008	FY2009E	FY2010E	FY2011E
Cash & bank	774	93	351	1,728
Marketable securities at cost	0	0	0	0
Debtors	1,983	2,240	2,267	2,439
Inventory	1,155	1,304	1,320	1,420
Loans & advances	1,064	1,202	1,217	1,309
Other current assets	223	252	255	274
Total current assets	5,199	5,091	5,410	7,169
Investments	2,656	4,356	4,356	4,356
Gross fixed assets	7,005	8,305	8,705	9,005
Less: Depreciation	1,765	2,400	3,014	3,600
Add: Capital WIP	589	589	589	589
Net fixed assets	5,829	6,494	6,280	5,994
Non-current assets	0	0	0	0
<b>Total assets</b>	<b>13,685</b>	<b>15,942</b>	<b>16,047</b>	<b>17,520</b>
Current liabilities	2,560	3,691	2,926	3,148
Provisions	244	276	279	300
Total current liabilities	2,804	3,967	3,205	3,448
Non-current liabilities	2,352	3,352	3,352	3,352
Total liabilities	5,156	7,319	6,558	6,800
Paid-up capital	469	469	469	469
Reserves & surplus	8,060	8,154	9,020	10,251
Shareholders' equity	8,529	8,622	9,489	10,719
<b>Total equity &amp; liabilities</b>	<b>13,685</b>	<b>15,942</b>	<b>16,047</b>	<b>17,520</b>

## Per-share data

	FY2008	FY2009E	FY2010E	FY2011E
MF EPS (INR)	4.3	1.4	4.2	5.7
Growth, %	-12.3	-67.7	196.2	37.5
Book NAV/share (INR)	36.4	36.8	40.5	45.8
FDEPS (INR)	4.3	1.4	4.2	5.7
CEPS (INR)	6.8	4.1	6.8	8.2
CFPS (INR)	2.1	5.7	2.2	5.9
DPS (INR)	0.4	0.4	0.4	0.4

## Financial structure

	FY2008	FY2009E	FY2010E	FY2011E
Total debt/Equity (%)	26.2	37.5	34.0	30.1
Net debt/Equity (%)	17.1	36.4	30.3	14.0

## Profitability, Productivity, Liquidity and Valuation Ratios

	FY2008	FY2009E	FY2010E	FY2011E
Return on assets (%)	8.9	3.8	7.5	9.2
Return on equity (%)	12.4	3.8	10.7	13.2
Return on Invested capital (%)	13.2	5.6	13.3	16.0
RoIC/Cost of capital (x)	1.1	0.5	1.1	1.3
RoIC - Cost of capital (%)	0.8	-6.7	1.1	3.7
Return on capital employed (%)	10.9	4.9	9.7	11.5
Cost of capital (%)	12.4	12.2	12.3	12.3
RoCE - Cost of capital (%)	0.8	-1.5	-7.4	-2.6
Asset turnover (x)	1.9	1.8	1.8	1.8
Sales/Total assets (x)	0.9	0.9	0.9	0.9
Sales/Net FA (x)	2.4	2.2	2.2	2.4
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Fixed capital/Sales (x)				
Receivable days	60	60	60	60
Inventory days	35	35	35	35
Payable days	90	109	92	93
Current ratio (x)	1.9	1.3	1.7	2.1
Quick ratio (x)	1.4	1.0	1.3	1.7
Interest cover (x)	6.4	1.7	4.2	5.8
Dividend cover (x)	10.9	3.5	10.4	14.3
PER (x)	15.2	47.1	15.9	11.6
PEG (x) - y-o-y growth	-1.2	-0.7	0.1	0.3
Price/Book (x)	1.8	1.8	1.6	1.4
Yield (%)	0.6	0.6	0.6	0.6
EV/Net sales (x)	1.4	1.4	1.3	1.1
EV/EBITDA (x)	9.9	15.1	8.7	6.9
EV/EBIT (x)	14.9	31.1	12.3	9.1
EV/NOPLAT (x)	20.5	44.5	17.6	13.1
EV/CE	1.6	1.6	1.4	1.2
EV/IC (x)	3.9	3.2	2.7	4.5

Source: Company, MF Global India Research Estimates

## Appendix:

### RAM Ratings, Past Ten Weeks

Week Ending	26-Apr-09	19-Apr-09	12-Apr-09	5-Apr-09	29-Mar-09	22-Mar-09	15-Mar-09	8-Mar-09	1-Mar-09	22-Feb-09
Mumbai	Week 17	Week 16	Week 15	Week 14	Week 13	Week 12	Week 11	Week 10	Week 9	Week 8
Red FM	15.8	16.7	15.7	16.3	16	18.1	18.3	18.1	18.1	17.3
Radio Mirchi	15	14.6	14.7	14.4	14.4	15.5	16.3	17	14.1	16.4
Fever	16.9	15.8	15.5	14.9	13.9	11.5	8.8	8.5	8.6	7.4
Big FM	12	13	12.7	14	13.2	13.3	14.4	14.5	15.8	14.7
Air FM	10.3	10.7	12.7	11.8	13	12.1	12.5	10.9	10.8	12.7
Radio City	11.2	10.5	11.9	10.7	10.3	10.7	12.1	12.2	13.3	13.9
Radio One	6.5	6.3	6.2	5.7	6.4	6.1	7.1	6.7	7.1	7.1
Air FM Rainbow	4.6	4.8	3.8	4.3	4.3	5.2	3.2	4.8	5	3.9
Meow	2.3	2.6	2.3	3.1	3	3.2	2.6	2.6	2.7	2.1
Akashvani	3	3.3	2.9	2.8	2.8	2.6	2.9	2.6	2.8	2.9
Vividh Bharti	2.4	1.8	1.7	2	1.7	1.6	1.8	2	1.9	1.5

Delhi	Week 17	Week 16	Week 15	Week 14	Week 13	Week 12	Week 11	Week 10	Week 9	Week 8
Radio Mirchi	24.8	24.7	25.9	26.4	26.3	25.6	26	27.2	26.4	27.5
Fever	17	15.7	17.9	16.9	15.4	19.4	13.7	12.8	13	13.4
Air FM	15.5	15.7	16.2	16.8	15	14.8	16.1	15.6	15.2	14.3
Radio City	10	10.8	8.7	8.4	8.5	8.7	8.5	9	9.3	8.5
Red FM	8.5	8.6	8	8.4	8.5	8.5	8.4	9.2	8.6	8.6
Radio One	5.9	6.5	6.1	6.6	7.2	5.6	7.1	7.3	8	8.3
Big FM	6	6.6	5.5	5.9	6.8	6.3	6.6	6	6.3	6.4
Meow	3.9	4	4.6	5	4.5	3.4	4.9	5.2	4.7	4
Hit FM	3.1	3.5	2.7	2.6	3.7	2.6	3.5	2.9	3.2	3.6
Air FM Rainbow	2.8	3	2.7	2.6	3	3.2	3.4	2.7	3.5	3.3
Vividh Bharti	2.2	1.7	1.3	0.8	1.5	1.6	1.5	1.8	1.6	1.9
Akashvani	0.3	0.3	0.4	0.2	0.3	0.4	0.3	0.3	0.2	0.2

Bangalore	Week 17	Week 16	Week 15	Week 14	Week 13	Week 12	Week 11	Week 10	Week 9	Week 8
Big FM	18.6	20.4	21.4	22.1	23.9	21.7	23.6	23	23	21.7
Radio Mirchi	16.6	17	16.2	15.4	16	16.1	17.6	16.9	17.7	19.5
AIR FM Rainbow	12.8	13	12.6	14	12.2	11.8	11.5	13	12.3	13.3
Radio One	10.7	10.7	12.7	13.3	11.6	11.1	10.2	10.6	9.3	7.9
Radio City	9.9	10.3	9.6	9.7	11.4	8.9	8.5	8.9	8.2	8.5
Fever	16.9	12.2	12.3	9.2	9.6	10.6	8.7	8	10.1	9.3
S FM	6.9	8.4	8.7	8	8.1	11.1	9.7	8.8	10.4	8.2
Vividh Bharti	3.5	3.7	2.5	3.5	3	3.4	4.1	4.4	3.9	5.8
Radio Indigo	1.9	2.8	2.6	3.2	2.7	3.4	4.1	3.7	3.2	2.9
Gyan Vani	1.3	1.1	0.9	1.1	1	1.4	1.3	1.6	0.6	1.1
Akash Vani	0.8	0.5	0.4	0.5	0.4	0.7	0.6	1.1	1.4	1.8

Kolkata	Week 17	Week 16	Week 15	Week 14	Week 13	Week 12	Week 11	Week 10	Week 9	Week 8
Radio Mirchi	17.4	19.1	18.2	19.1	18.9	19.6	19.3	18.6	19.4	18.9
Big FM	16.6	15	16.5	17.5	16.1	16.9	16.6	16	15.8	16.9
Friends FM	13.6	13.7	14.5	14.4	13.3	13.7	13.6	12.2	12.8	12.4
Amaar FM	9.7	10.2	9.8	9.5	10.1	10	8.8	10.3	10.1	9.1
Red FM	8.4	7.9	7.8	8.9	8.7	7.9	7.9	7.7	8.1	8.5
Radio One	8	7.5	7.6	7.1	7.8	7.5	7.6	7.3	7.6	7.2
Fever	7.4	7.9	7.6	6.6	7	7.2	7.6	8	7.2	9.1
Meow	5.6	5.5	5.9	5.4	6.1	5.6	6.2	7.1	6.4	5.8
AIR FM Rainbow	4.2	4.4	3.5	3.7	3.6	3.8	4.8	4.8	4.6	4.2
AIR FM Gold	4	3.6	3.3	3	3.5	3.2	3	3.1	3.5	3.4
Akashvani	2.4	2.5	2.6	2.3	2.3	2.3	2.1	2.2	2.2	2.2
Power FM	1.6	1.5	1.5	1.3	1.6	1.4	1.5	1.5	1.5	1.7
Vividh Bharti	1.1	1.1	1.2	1.1	0.9	1	1	1.2	0.7	0.7

Source: afaqs.com

## Recent Articles on Concerns over Private Treaties

Following is a list of articles that have appeared in the media over the past few days/ weeks discussing private treaties:

Times Private Treaties Under The Spotlight; Portfolio Erosion, Investor Concerns

<http://www.contentsutra.com/entry/419-times-private-treaties-under-the-spotlight-portfolio-erosion-investor-cl/>

Bennett, Coleman's private treaties business sees sharp value erosion

<http://www.business-standard.com/india/news/bennett-coleman%EF%BF%BD39s-private-treaties-business-sees-sharp-value-erosion/357692/>

Private treaties, a public (& investor) menace?

<http://www.dnaindia.com/report.asp?newsid=1254804>

This Goliath has tripped on its own (Source:

[http://www.exchange4media.com/e4m/news/fullstory.asp?section\\_id=8&news\\_id=34491&tag=29680&search=y](http://www.exchange4media.com/e4m/news/fullstory.asp?section_id=8&news_id=34491&tag=29680&search=y)

Vineet Bhatnagar  
James Rowsell  
Sajid Khalid  
Jignesh Shah

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### Equity Research

Alok Dalal	Pharmaceuticals	91-22-6667 9950	alok.dalal@mfglobal.in
Ambrish Mishra	Automobiles & Auto Component	91-22-6667 9758	ambrish.mishra@mfglobal.in
Amit Mahawar	Engineering & Capital Goods / Power	91-22-6667 9759	amit.mahawar@mfglobal.in
Anjali Verma	Economist	91-22-6667 9969	anjali.verma@mfglobal.in
Avishek Agarwal	Logistics & Shipping	91-22-6667 9986	avishek.agarwal@mfglobal.in
Deepali Gautam	Power	91-22-6667 9974	deepali.gautam@mfglobal.in
Dipesh Sohani	Real Estate	91-22-6667 9965	dipesh.sohani@mfglobal.in
Gauri Anand	Oil & Gas / Fertiliser	91-22-6667 9943	gauri.anand@mfglobal.in
Kapil Bagaria	Midcap	91-22-6667 9987	kapil.bagaria@mfglobal.in
Kunal Motishaw	Metals	91-22-6667 9996	kunal.motishaw@mfglobal.in
Manish Agarwalla	Banking	91-22-6667 9962	manish.agarwalla@mfglobal.in
Naveen Kulkarni, FRM	Telecom	91-22-6667 9947	naveen.kulkarni@mfglobal.in
Nimesh Mistry	IT Services	91-22-6667 9768	nimesh.mistry@mfglobal.in
Ritwik Rai	Media	91-22-6667 9766	ritwik.raim@mfglobal.in
Vaibhav Agarwal	Cement	91-22-6667 9967	vaibhav.agarwal@mfglobal.in
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Ganesh Deorukhkar	Production	91-22-6667 9756	ganesh.deorukhkar@mfglobal.in
Roshni Kalloor	Editor	91-22-6667 9762	roshni.kalloor@mfglobal.in

### Institutional Cash Equity Sales

Kartik Broker	Equity Sales	91-22-6667 9934	kartik.broker@mfglobal.in
Kinshuk Tiwari	Equity Sales	91-22-6667 9946	kinshuk.tiwari@mfglobal.in
Priyanka Birmecha	Equity Sales	91-22-6667 9944	priyanka.birmecha@mfglobal.in
Nasir Mohamed	Equity Sales - UAE	009714 3325052	nasir.mohamed@mfglobal.in

### Institutional Cash Equity Sales Trading

Chetan Savla	Sales Trader	91-22-6667 9749	chetan.savla@mfglobal.in
Rajesh Ashar	Sales Trader	91-22-6667 9746	rajesh.ashar@mfglobal.in
Sunil Kamath	Sales Trader	91-22-6667 9747	sunil.kamath@mfglobal.in

### Institutional Cash Equity Dealing

Chetan Babaria	Dealer	91-22-6667 9945	chetan.babaria@mfglobal.in
Mayur Shah	Dealer	91-22-6677 9945	mayur.shah@mfglobal.in
Sagar Shah	Dealer	91-22-6677 9945	sagar.shah@mfglobal.in

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