For Private Circulation only

# FIRST GLOBAL

**www.firstglobal.in**

## India Research

# Sector: Media

# What Happened Last Quarter

# Deccan Chronicle Holdings Ltd.
## (DECH.IN/DCHL.BO)

**Moderate Outperform** *(CMP: Rs.186.7, Mkt. Cap. Rs. 44.6 bn, $1.1 bn May 10,'07)*

*Relevant Index: S&P CNX Nifty: 4066.8 (May 10,'07)*

**30% increase in ad rates to be fully reflected in FY07-08 and also aid higher revenue growth**

**Stock is cheap, at 17x FY08 earnings. And what's more, trades at a discount to its peers**

**Margin expansion to continue**

*Recommendation: Moderate Outperform (MP: Rs.140.5, Dec 15,' 07)*

*Relevant Index: CNX Nifty: 3843.05 (Dec 15,' 07)*

*Relative performance since last rating change: CNX Nifty: Up 5.8% DCHL: Up 32.9%*

**May 11, 2007**

**Research Contact:** Associate Director, Research: Hitesh Kuvelkar Mob. +91 9833 732633
Email: hiteshk@fglobal.com

**Sales Offices:** India Sales: Tel. No: +91-22-400 12 440 Email: indiasales@fglobal.com
fgindiasales@bloomberg.net

US Sales: Tel. No: 1-212-227 6611 Email: us@fglobal.com

Asia & Europe Sales: Tel.: 44-207-959 5300 Email: uk@fglobal.com

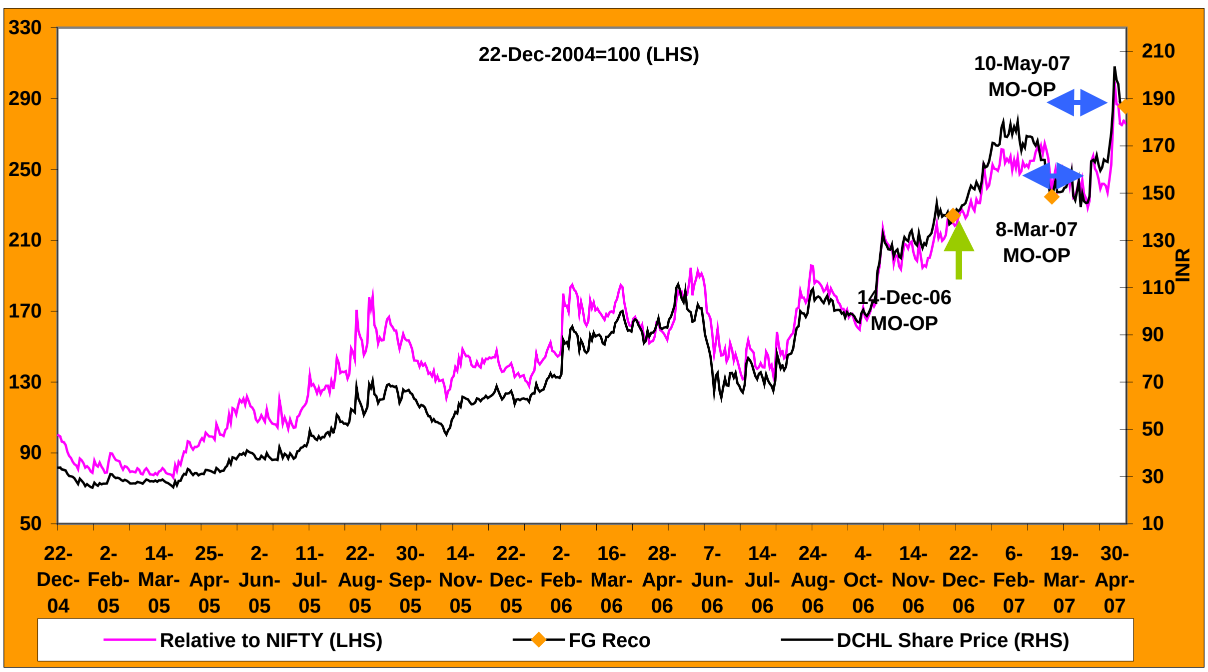
# *Price and Rating History Chart*

## *Ratings Key*

| | | | |
|---|---|---|---|
| Positive Ratings | B = Buy | BD = Buy at Declines | OP = Outperform |
| | S-OP = Sector Outperform | M-OP = Market Outperform | MO-OP = Moderate Outperform |
| Neutral Ratings | H = Hold | MP = Market Perform | SP = Sector Perform |
| Negative Ratings | S = Sell | SS = Sell into Strength | UP = Underperform |
| | A = Avoid | MO-UP = Moderate Underperform | S-UP = Sector Underperform |

**ST: Short Term** **MT: Medium Term** **LT: Long Term**

### *Deccan Chronicle Holdings Ltd. (DECH.IN)/(DCHL.BO)*




*Represents an Upgrade*

*Represents a Downgrade*

*Represents Reiteration of Existing Rating*

**Details of First Global's Rating System given at the end of the report**

# Financial Snapshot

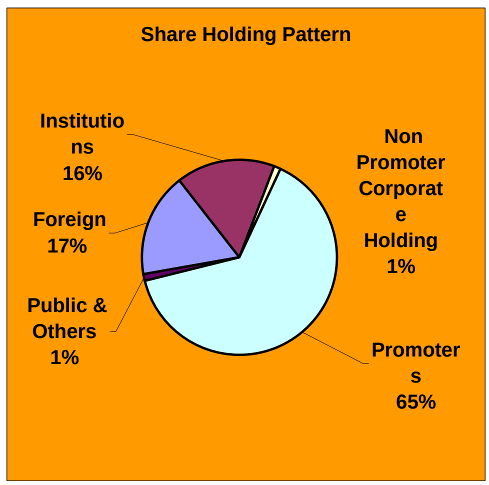
| Key Financials | | | | | |
|---|---|---|---|---|---|
| **(YE March 31st) (Rs. mn)** | **2005** | **2006** | **2007E*** | **2008E** | **2009E** |
| Total Revenue | **1,657** | **3,309** | **5,528** | **7,822** | **10,686** |
| *Revenue Growth (Y-o-Y)* | *41.7%* | *99.7%* | *67.1%* | *41.5%* | *36.6%* |
| **EBIDTA** | **587** | **1,041** | **2,583** | **3,997** | **5,546** |
| *EBIDTA Growth (Y-o-Y)* | *108.8%* | *77.3%* | *148.0%* | *54.8%* | *38.7%* |
| **Net Profit** | **321** | **679** | **1,615** | **2,634** | **3,747** |
| *Net Profit Growth (Y-o-Y)* | *83.5%* | *111.7%* | *138.0%* | *63.1%* | *42.3%* |
| **Shareholders Equity** | **2,650** | **3,177** | **7,127** | **9,673** | **13,331** |
| **Number of Diluted shares(mn)** | 206.13 | 206.15 | 239.10 | 239.10 | 239.10 |
| **Key Operating Ratio** | | | | | |
| **(YE March 31st)** | **2005** | **2006** | **2007E*** | **2008E** | **2009E** |
| **EPS (Rs) (Diluted)** | **1.55** | **3.29** | **6.76** | **11.01** | **15.67** |
| *EPS Growth (Y-o-Y)* | *83.5%* | *111.7%* | *105.2%* | *63.1%* | *42.3%* |
| CEPS (Rs.) | 1.8 | 3.8 | 7.5 | 12.0 | 16.8 |
| EBIDTA (%) | 35.5% | 31.5% | 46.7% | 51.1% | 51.9% |
| NPM (%) | 19.3% | 20.5% | 29.2% | 33.7% | 35.1% |
| **RoE (%)** | **17.6%** | **24.3%** | **32.4%** | **32.0%** | **33.0%** |
| **RoCE (%)** | **10.6%** | **11.7%** | **20.1%** | **26.3%** | **28.1%** |
| Book Value per share (Rs.) | 12.5 | 14.6 | 29.1 | 39.8 | 55.1 |
| Debt/Equity (x) | 0.93 | 1.95 | 0.35 | 0.26 | 0.19 |
| Dividend Payout | 12.9% | 6.1% | 5.1% | 3.1% | 2.2% |
| **Valuation Ratio** | | | | | |
| **(YE March 31st)** | **2005** | **2006** | **2007E*** | **2008E** | **2009E** |
| P/E (x) | | | | 17.0 | 11.9 |
| P/BV (x) | | | | 4.7 | 3.4 |
| P/CEPS (x) | | | | 15.6 | 11.1 |
| EV/EBIDTA (x) | | | | 11.1 | 7.6 |
| Market Cap./ Sales (x) | | | | 5.7 | 4.2 |
| Dividend Yield (%) | | | | 0.21% | 0.21% |
| **DuPont Model** | | | | | |
| **(YE March 31st)** | **2005** | **2006** | **2007E*** | **2008E** | **2009E** |
| EBIDTA/Sales (%) | 35.5% | 31.5% | 46.7% | 51.1% | 51.9% |
| Sales/Operating Assets (x) | 0.76 | 0.75 | 0.82 | 0.98 | 1.13 |
| EBIDTA/Operating Assets (%) | 27.0% | 23.7% | 38.4% | 50.2% | 58.7% |
| Operating Assets/ Net Assets(x) | 0.59 | 0.60 | 0.70 | 0.72 | 0.66 |
| Net Earnings/ EBIDTA (%) | 55% | 65% | 63% | 66% | 68% |
| Net Assets/ Equity (x) | 2.02 | 2.60 | 1.92 | 1.35 | 1.25 |
| **Return on Equity (%)** | **17.6%** | **24.3%** | **32.4%** | **32.0%** | **33.0%** |

* Profit & Loss a/c numbers for FY07 are actuals and Balance Sheet numbers for FY07 are FG estimates.

| Common Sized Profit & Loss Account | | | | | |
|---|---|---|---|---|---|
| **(YE March 31st)** | **2005** | **2006** | **2007E*** | **2008E** | **2009E** |
| **Total Revenues** | **100%** | **100%** | **100%** | **100%** | **100%** |
| Net Raw Materials | 41.30% | 47.81% | 36.78% | 33.22% | 33.00% |
| Manufacturing Expenses | 7.57% | 9.70% | 6.75% | 6.09% | 5.40% |
| SG&A Expenses | 9.16% | 7.00% | 6.00% | 6.02% | 6.80% |
| Personnel | 5.98% | 3.11% | 2.67% | 2.53% | 2.20% |
| Miscelleaneous Exp | 0.54% | 0.91% | 1.08% | 1.04% | 0.70% |
| **EBITDA** | **35.45%** | **31.47%** | **46.72%** | **51.10%** | **51.90%** |
| Depreciation and Amortization | 3.59% | 3.01% | 3.10% | 3.03% | 2.52% |
| Interest | 4.92% | 5.85% | 6.00% | 4.57% | 2.77% |
| Non-operating income | 2.81% | 6.45% | 5.85% | 6.20% | 4.80% |
| **PBT** | **29.75%** | **29.06%** | **43.46%** | **49.70%** | **51.41%** |
| Tax | 5.67% | 6.00% | 14.25% | 16.03% | 16.35% |
| **PAT** | **19.35%** | **20.51%** | **29.22%** | **33.67%** | **35.06%** |

# *Key Statistics*

| **Industry:** | **Media Sector** |
|---|---|
| **52 Week Hi:Lo:** | Rs.203.6/63.48 |
| **CMP:** | Rs. 186.7 |
| **Avg Daily Vol (20 days):** | 0.36 mn |
| **Avg Daily Val (20 days):** | Rs.64.43 mn |
| **Performance over 52 weeks:** | |
| **DCHL** | up 69.80 % |
| **Nifty:** | up 8.33 % |



# DCHL's Business in Picture…(FY07*)

*(All figures are in Rs. Mn except where stated otherwise. All percentages are percent of revenues, unless stated otherwise)*

**Operations/value added**
Total Revenue Rs 5528 mn

**Revenue Mix**
Advertisement (90.9%)
Circulation (9.1%)

**Net Raw Materials Consumed**
Rs. 2033 mn (36.8%)
Main R.M. are News print and Ink

Manufacturing Expenses Rs. 373mn. (6.8%)
Personnel Rs.148 mn. (2.7%)
SG&A expenses Rs. 332 mn. (6.0%)
Miscellaneous expenses Rs. 60 mn. (1.1%)

**Circulation (FY06)**
0.92 mn
**Readership (FY06)**
1.59 mn

The mix of imported and indigenous newsprint consumption is in the ratio of 58:42.

**EBIDTA**
***Rs. 25831mn.(46.7%)***

**Market**
Andhra Pradesh, Tamilnadu and Karnataka

Below Operating Line

*Depreciation* ***Rs. 171 mn. (3.1%).***
*Interest Expenses* ***Rs. 332 mn. (6.0%).***
*Non-Operating Income* ***Rs 323 mn. (5.9%)***

**Competition:**
Times of India, Hindustan Times, Hindu, Indian Express, DNA etc.,

**Profit Before Tax**
***Rs. 2403 mn. (43.5%)***

**Total Taxes**
***Rs. 788 (14.2%)***

**Profit After Tax**
Rs. 1615 mn. (29.2%)

---

**Assets***

**Fixed Assets**- Rs.3280 mn (33.5%)
**Capital WIP**- Rs. 406 mn (4.1%)
**Investments**- ***Rs. 1152 mn (11.8%)***
**Debtors**- Rs.1358 mn (13.9%)
**Inventories**- Rs. 392 mn (4.0%)
**Cash & Bank Bal** -Rs. 2034 mn (20.8%)
**L&A**- Rs. 1014 mn. (10.3 %)
**Miscellaneous Assets**- Rs. 164 mn. (1.7 %)

**Liabilities***

**Equity**- Rs. 412 mn. (4.2%)
**Reserves**- Rs. 2765 mn. (28.2%)
**Debt**- Rs. 5888 mn. (60.1%)
**Deferred Tax Liability**- Rs. 243 mn (2.5%)
**Current Liabilities**- Rs. 493 mn. (5.0%)

* Profit & Loss a/c numbers are of FY07 and Balance Sheet numbers are of FY06.

# *What Happened Last Quarter…*

***Deccan Chronicle Holdings (DCHL.IN/DCHL.BO) once again delivered an excellent set of numbers in Q4 FYO7, on the back of the huge growth in advertisement revenues due to increasing contribution from the Chennai edition, coupled with incremental contribution from its newer editions. DCHL's strategy of expanding its national footprint to drive revenues and margins higher appears to be working well and the company will be launching its Bangalore edition in FY08. It is also planning to earn more revenues from Internet properties aggressively in the near future.***

DCHL recorded a top line growth of around 131.9% Y-o-Y to Rs.1476 mn, which came in lower than our estimate of Rs.1515 mn, mainly due to a muted growth in circulation revenues. The growth in the top line can be attributed mainly to the huge growth in ad revenues, accompanied by a growth in the volumes of ad space sold, as well as increased ad rates. The growth can also be attributed to increased contribution from the Chennai edition, where DCHL has proved its mettle against a stronger competitor Hindu. DCHL delivered an excellent performance in FY07 as well, with the topline growing by around 67.1% Y-o-Y to Rs.5528 mn in FY07, supported by a strong growth in advertisement revenues, which was aided by a strong contribution of around Rs.1500 mn to the net revenues from the Chennai edition.

***The growth in the top line can be attributed mainly to the huge growth in ad revenues, accompanied by a growth in the volumes of ad space sold, as well as increased ad rates. The growth can also be attributed to increased contribution from the Chennai edition, where DCHL has proved its mettle against a stronger competitor Hindu***

The company recorded an improvement of 1660 bps Y-o-Y in the EBIDTA margin to 49.5% in Q4 FYO7, primarily due to the strong growth in revenues, as well as cost optimisation, on the back of a huge decline in newsprint expenses as a percentage of sales to 40.7% in the quarter, as compared to 60.7% in Q4 FY06. Newsprint prices had peaked in Q4 FY06 and the average cost of newsprint in FY06 was around $630, which declined to an average of $580 in FY07. The overall EBIDTA improved significantly by 111.8% Y-o-Y in Q4 FY07.

The company has already announced a 30% increase in the ad rates across all the segments, effective from May FY07. Despite the increase in ad rates, the cost of advertising with Deccan Chronicle is still cheaper than its competitors. We expect ad revenues to contribute around 94% of the net revenues in FY08, as against 92% in FY07. The increase in ad rates will be fully reflected in the year FY07-08 and also aid the growth in revenues.

***Despite the increase in ad rates, the cost of advertising with Deccan Chronicle is still cheaper than its competitors. We expect ad revenues to contribute around 94% of the net revenues in FY08, as against 92% in FY07. The increase in ad rates will be fully reflected in the year FY07-08 and also aid the growth in revenues***

Along with its stronger presence in two markets - Hyderabad and Chennai – ***its entry into the Bangalore market will provide DCHL more leverage in selling advertisement space to target the whole South Indian audience, which is more skewed towards these three cities. This will also provide the company with different combinations of space on various editions to advertisers through volume discounts and also allow it to enjoy higher utilisation of space available in the Bangalore edition, along with higher effective yields for other editions***. ***The key future growth drivers for DCHL are the increasing***

***brand power of Deccan Chronicle with its expansion across the South Indian market, lower Cost Per Thousand (CPT) readers, huge potential for increasing ad rates across segments, and the expected overall consumption growth in the South Indian market*.**

Management has guided for revenues in the range of Rs.7500-8000 mn in FY08, implying growth of around 36-45% and an EPS of around Rs.11-12 in FY08. In view of the company's performance in Q4 FY07 and the positive outlook for advertisement revenues, we have fine-tuned our estimates accordingly. We now expect revenues of Rs.7822 mn in FY08 and have modelled for a diluted EPS of Rs.11.02 for FY08 (as against our previous revenue estimates of Rs.7890 mn and EPS estimates of Rs.10.77 for FY08). We are introducing our FY09 revenue estimates of Rs.10686 mn and EPS estimates of Rs.15.67 in FY09 and have modelled for a diluted EPS of Rs.2.61 for Q1 FY08 on revenues of Rs.1660 mn.

## *Comparative Valuations*

| | | P/E | | P/S | | P/BV | | EV/EBITDA | | EV/Sales | | EBITDA Margin % | ROE % | ROCE % | EPS Growth % | Sales Growth % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | YE | FY | | FY | | FY | | FY | | FY | | FY | FY | FY | | |
| Company | | 08E | 09E | 08E | 09E | 08E | 09E | 08E | 09E | 08E | 09E | 08E | 08E | 08E | 09/08 | 09/08 |
| **DCHL** | Mar | 17.0 | 11.9 | 5.7 | 4.1 | 4.7 | 3.4 | 11.1 | 7.6 | 5.6 | 3.9 | 51.1% | 31.8% | 26.8% | 42.3% | 36.6% |
| HTML | Mar | 27.5 | 18.2 | 3.7 | 3.0 | 5.1 | 4.0 | 15.1 | 9.8 | 3.4 | 2.6 | 23.2% | 20.5% | 17.3% | 51.3% | 23.8% |
| JAGP | Mar | 21.1 | 14.6 | 3.2 | 2.7 | 4.0 | 3.3 | 12.2 | 8.2 | 3.2 | 2.5 | 25.9% | 20.3% | 17.0% | 44.6% | 17.9% |

DCHL trades at a P/E of 17x our FY08 earnings estimates and 11.1x EV/EBIDTA (FY08), which is at a discount to its peers. In view of the company's EPS growth of 42.3% and the expected margin improvement in FY08, we reiterate our Moderate Outperform rating on DCHL.

***DCHL trades at a P/E of 17x our FY08 earnings estimates and 11.1x EV/EBIDTA (FY08), which is at a discount to its peers. In view of the company's EPS growth of 42.3% and the expected margin improvement in FY08, we reiterate our Moderate Outperform rating on DCHL***

# *Key Quarterly Highlights*

| Rs. Million<br>Year ended March 31st | 2007<br>Q4 | 2006<br>Q4 | *Y-o-Y Change* | 2007<br>Q3 | *Q-o-Q Change* | FY07<br>12M | FY06<br>12M | *Y-o-Y Change* |
|---|---|---|---|---|---|---|---|---|
| **Total Sales Revenue** | **1476** | **636** | ***131.9%*** | **1464** | ***0.8%*** | **5528** | **3309** | ***67.1%*** |
| Net Raw Materials | 601 | 349 | *72.4%* | 595 | *1.1%* | 2406 | 1903 | *26.4%* |
| Personnel | 55 | 34 | *61.8%* | 60 | *-8.5%* | 215 | 152 | *41.4%* |
| Selling, Distn & Admn Exps | 89 | 45 | *99.3%* | 101 | *-12.2%* | 324 | 212 | *52.4%* |
| **Total Cost** | **745** | **427** | ***74.4%*** | **756** | ***-1.4%*** | **2945** | **2268** | ***29.9%*** |
| **EBIDTA** | **731** | **209** | ***249.0%*** | **708** | ***3.2%*** | **2583** | **1041** | ***148.1%*** |
| Less: Depreciation | 47 | 23 | *103.4%* | 44 | *7.3%* | 171 | 100 | *72.0%* |
| **EBIT** | **684** | **186** | ***267.1%*** | **664** | ***2.9%*** | **2412** | **942** | ***156.2%*** |
| Less: Interest | 113 | 46 | *144.7%* | 81 | *39.5%* | 332 | 193 | *71.8%* |
| Non operating Income | 205 | 40 | *412.0%* | 52 | *292.5%* | 323 | 213 | *51.6%* |
| **PBT** | **776** | **180** | ***330.9%*** | **635** | ***22.1%*** | **2403** | **962** | ***149.9%*** |
| Less: Total Tax | 520 | 37 | *1308.4%* | 151 | *244.2%* | 788 | 293 | *168.9%* |
| **Profit After Tax** | **256** | **143** | ***78.8%*** | **484** | ***-47.2%*** | **1616** | **669** | ***141.6%*** |
| Earnings Per Share (In Rs.) | 1.1 | 0.7 | | 2.16 | | 6.41 | 2.75 | |
| Weighted average Shares Outstanding (mn) | 239.1 | 206.2 | | 223.9 | | 239.1 | 206.2 | |
| EBIDTA Margin (%) | 49.5% | 32.9% | *16.6%* | 48.4% | *1.1%* | 46.7% | 31.5% | *15.3%* |
| EBIT (%) | 46.3% | 29.3% | *17.1%* | 45.4% | *1.0%* | 43.6% | 28.5% | *15.2%* |
| PBT Margin (%) | 52.6% | 28.3% | *24.3%* | 43.4% | *9.2%* | 43.5% | 29.1% | *14.4%* |
| NPM (%) | 17.3% | 22.5% | *-5.1%* | 33.1% | *-15.7%* | 29.2% | 20.2% | *9.0%* |
| Effective Tax Rate (%) | 67.0% | 20.5% | *46.5%* | 23.8% | *43.2%* | 32.8% | 30.5% | *2.3%* |

## *Increased ad rates drives topline growth*

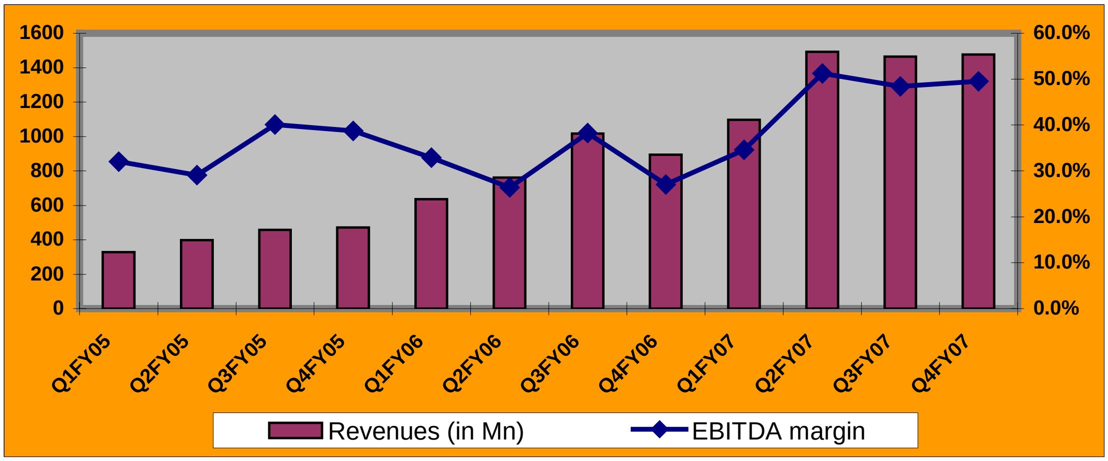
DCHL recorded a top line growth of around 131.9% Y-o-Y to Rs.1476 mn, which came in lower than our estimate of Rs.1515 mn, mainly due to a muted growth in circulation revenues. The growth in the top line can be attributed mainly to the huge growth in ad revenues, accompanied by a growth in the volumes of ad space sold, as well as increased ad rates. The growth can also be attributable to increased contribution from the Chennai edition, where DCHL has proved its mettle against a stronger competitor Hindu.

DCHL delivered an excellent performance in FY07 as well, with the topline growing by around 67.1% Y-o-Y to Rs.5528 mn in FY07, supported by a strong growth in advertisement revenues, which was aided by a strong contribution of around Rs.1500 mn to the net revenues from the Chennai edition.

## *Margins on an expanding trend*

In Q4 FY07, ZEEL's EBIDTA margin improved by 1660 bps Y-o-Y in the EBIDTA margin to 49.5% in Q4 FYO7, primarily due to the strong growth in revenues, as well as cost optimisation, on the back of a huge decline in newsprint expenses as a percentage of sales to 40.7% in the quarter, as compared to 60.7% in Q4 FY06. Newsprint prices had peaked in Q4 FY06 and the average cost of newsprint in FY06 was around $630, which declined to an average of $580 in FY07. The overall EBIDTA improved significantly by 111.8% Y-o-Y in Q4 FY07.

***Trend in Revenues & EBIDTA margin***




The overall PBT improved significantly by 330.9%, due to the huge increase in non-operating income, even after adjusting for higher depreciation expenses and interest expenses in Q4 FY07. The non-operating income rose sharply to Rs.205 mn, mainly due to the amount raised through QIP, which earned an interest of around Rs.60 mn, as well as the currency differential of FCCB earned of around Rs.100 mn. Even after adjusting for the higher effective tax rates, the net profit grew by 78.8% Y-o-Y to Rs.256 mn in Q4 FY07. The company's effective tax rates increased steeply to 67.0% in Q4 FY07, as compared to 20.5% in Q4 FY06.

# *Entry into Bangalore market likely to payoff in long term*

DCHL already have a stronger presence in Andhra Pradesh (AP) and Chennai market, its entry into Bangalore will allow the company to target advertisers who are looking at the entire South Indian market. The company plans to launch the Bangalore edition in FY08 itself, with initial copies of around 1 lakh. We believe that the company's strategy of launching a low cost edition (Re.1) might also allow it to successfully penetrate deeper into the Bangalore market, which already has two strong players, Times of India (0.3 mn copies) and Deccan Herald (0.08 mn copies). Management believes that the culture in the Bangalore market being similar to that in the AP and Chennai markets, and after successfully fighting off TOI's onslaught in the Hyderabad market, the company will be in a better position to target new readers in the Bangalore market.

The company had already spent Rs.450 mn towards machineries and facilities for the launch of its Bangalore edition. Management has guided for the Bangalore edition to achieve breakeven after a period of one year.

# *Outlook*

- ***Management guides for revenues of Rs.7500-8000 mn in FY08, up 36-45%***

Management have provided a very positive guidance in terms of the overall revenue growth of around 36-45% over FY07-08. The company has already announced a 30% increase in the ad rates across all the segments, effective from May 2007. Despite the increase in ad rates, the cost of advertising with Deccan Chronicle is still cheaper than its competitors and we expect ad revenues to contribute around 94% of the net revenues in FY08, as against 92% in FY07. The increase in ad rates will be fully reflected in the year FY07-08 and also aid the growth in revenues.

We estimate the company's revenues to grow by around 41.5% to Rs.7822 mn in FY08, considering the increase in ad rates across all segments, as well as the higher contribution expected from the newer editions.

### ➢ *Management guides for EPS of Rs.11-12 in FY08*

Management has guided for an EPS of Rs.11-12, marking a growth of around 25-30% in FY08. We expect the company's EBIDTA margin to improve to 51.1% in FY08, due to higher operating leverage and cost optimisation, which arising mainly due to a decline in newsprint expenses. We estimate the net profit to grow by 62.9% to Rs. 2634 mn in FY08 and expecting an EPS of around Rs.11.02 in FY08.

# *Earnings Model*

| Rs. Million | Q1 | Q2 | Q3 | Q4 | FY07 | Q1E | Q2E | Q3E | Q4E | FY08E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Sales Revenue** | **1,096** | **1,492** | **1,464** | **1,476** | **5,528** | **1,660** | **1,967** | **2,085** | **2,110** | **7,822** |
| Net Raw Materials | 600 | 610 | 595 | 601 | 2,406 | 677 | 787 | 803 | 808 | 3,075 |
| Personnel | 48 | 52 | 60 | 55 | 215 | 63 | 71 | 79 | 80 | 293 |
| Other Expenses | 68 | 65 | 101 | 89 | 324 | 108 | 122 | 104 | 122 | 456 |
| **Total Cost** | **717** | **727** | **756** | **745** | **2,945** | **848** | **980** | **986** | **1,011** | **3,825** |
| **EBIDTA** | **380** | **765** | **708** | **731** | **2,583** | **812** | **987** | **1,099** | **1,099** | **3,997** |
| Less: Depreciation | 40 | 40 | 44 | 47 | 171 | 50 | 59 | 63 | 65 | 237 |
| **EBIT** | **340** | **724** | **664** | **684** | **2,412** | **762** | **928** | **1,036** | **1,034** | **3,761** |
| Less: Interest | 64 | 73 | 81 | 113 | 332 | 84 | 89 | 94 | 91 | 357 |
| **Non operating Income** | 29 | 37 | 52 | 205 | 323 | 141 | 134 | 100 | 110 | 485 |
| **PBT** | **304** | **688** | **635** | **776** | **2,403** | **819** | **973** | **1,043** | **1,052** | **3,888** |
| Less: Total Tax | 72 | 45 | 151 | 520 | 788 | 195 | 220 | 308 | 532 | 1,254 |
| **Profit After Tax** | **233** | **643** | **484** | **256** | **1,616** | **624** | **753** | **735** | **521** | **2,634** |
| Earnings Per Share (In Rs.) | 1.13 | 3.12 | 2.16 | 1.07 | 7.22 | 2.61 | 3.15 | 3.08 | 2.18 | 11.02 |
| Weighted average Shares Outstanding (mn) | 206.2 | 206.2 | 223.9 | 239.1 | 223.9 | 239.1 | 239.1 | 239.1 | 239.1 | 239.1 |
| EBIDTA Margin (%) | 34.6% | 51.3% | 48.4% | 49.5% | 46.7% | 48.9% | 50.2% | 52.7% | 52.1% | 51.1% |
| EBIT (%) | 31.0% | 48.5% | 45.4% | 46.3% | 43.6% | 45.9% | 47.2% | 49.7% | 49.0% | 48.1% |
| PBT Margin (%) | 27.8% | 46.1% | 43.4% | 52.6% | 43.5% | 49.4% | 49.5% | 50.0% | 49.9% | 49.7% |
| NPM (%) | 21.2% | 43.1% | 33.1% | 17.3% | 29.2% | 37.6% | 38.3% | 35.3% | 24.7% | 33.7% |
| Effective Tax Rate (%) | 23.6% | 6.5% | 23.8% | 67.0% | 32.8% | 23.8% | 22.6% | 29.5% | 50.5% | 32.3% |

# IMPORTANT DISCLOSURES

## *Price Target*

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and nonfinancial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

***The risks that may impede achievement of the price target/investment thesis are –***

- **Adverse changes in the economic climate**
- **Increase in the newsprint prices and\or supply constraints**
- **Increase in the competition of Print media industry**

# *Rating system of First Global*

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

**Rating in this report is relative to: CNX Nifty 50 Index**

## *Positive Ratings*

**(i) Buy (B) –** *This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

**(ii) Buy at Declines (BD) –** *This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

**(ii) Outperform (OP) –** *This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

## *Neutral Ratings*

**(i) Hold (H) –** *This rating means that we expect no substantial move in the stock price over the specified time period.*

**(ii) Marketperform (MP) –** *This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

## *Negative Ratings*

**(i) Sell (S) –** *This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

**(ii) Sell into Strength (SS) –** *This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

**(iii) Underperform (UP) –** *This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

**(iv) Avoid (A) –** *This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*

## *FIRST GLOBAL*

**Nirmal, 6th Floor, Backbay Reclamation,**
**Nariman Point, Mumbai - 400 021, India.**

**Dealing Desk (India):**
**Tel.: +91-22-4001 2400**
**email: fgindiasales@bloomberg.net**

## *FG Markets, Inc.*

**90 John Street, Suite 703,**
**New York, NY 10038**

**Dealing Desk (US):**
**Tel. No: +1-845-462 3300**
**email: us@fglobal.com**

## *FIRST GLOBAL (UK) Ltd.*

**The Cobalt Building, 19-20, Noel Street,**
**London W1F 8GW, United Kingdom**

**Dealing Desk (UK & Europe):**
**Tel. No: 00-44-207-959 5300**
**email: uk@fglobal.com**