

HT Media Ltd.

Rs 142

KRChoksey
 INTEGRATED FINANCIAL SOLUTIONS

Good quarter in adverse scenario..

BUY

HT Media Ltd's Q2FY12 numbers were in line with our estimates. Total income was Rs 493cr, a healthy growth of 11% over y-o-y and marginally down by 1% over q-o-q. EBITDA stood at Rs 71cr, which is down by 10% over Q2FY11 and 21% over Q2FY11. EBITDA margin for the quarter was 14%. EBITDA Margin was under pressure due to increase in raw material cost. The company reported net profit of Rs 44cr, which is up by 13% over y-o-y and down by 15% on q-o-q. Net profit margin for the quarter was 9%. After muted growth in Q1FY12, subdued growth in advertising revenue in Q2FY12 depicts sluggish in advertising spend in major sectors of the economy. Despite this, we believe that HT Media will grow at a healthy rate given its product mix in both Hindi and English segment.

Muted advertising revenue growth

HT Media recorded 13% increase in advertising revenues of print segment to Rs 370.5cr as compared to Rs 329.4cr driven by advertising yield improvement. The company witnessed slowdown in ad spend by education, BFSI, Telecom and Real estate sectors, However FMCG and Auto showed marginal growth in ad spend. We believe Q3FY12E will show strong growth in advertising revenue driven by festive season.

Strong growth in circulation revenue

Circulation revenue of print segment reported robust growth of 21% y-o-y to Rs 50.7cr as compared to Rs 41.8cr in Q2FY11. The management is confident to see circulation revenue going upward despite stiff competition, with 2-3 new launches planned in H2FY12.

Performance of 'Fever 104' improves

This segment recorded growth of 12% to Rs 15.7cr from Rs14.1cr in same period last year. There are no plans with respect to Phase III are yet on the cards. However the management is confident about exploiting this opportunity and generates better revenues from this segment going forward.

HT Burda- EBITDA Positive

HT Burda had revenue of Rs 31.5cr in Q2FY12 against Rs 29.5cr in Q2FY11. This segment had EBITDA of Rs0.5cr as compared to negative EBITDA of Rs 3.3cr. Currently it is operational at 35%-40%. Considering it is fully operational, the management guided revenue of Rs 200cr. So believe this segment will contribute to higher chunk of revenues in time to come.

Valuation

HT media is a diversified conglomerate with dominance in Hindi and English print segment. The company has strong balancesheet to cater expansion plans. With strong footprint in Hindi belt and expanding presence in English market, HT Media will grow at a healthy rate of 12-15% in next two years. We retain our 'BUY' recommendation on the stock with target price of Rs 190 by assigning 15x pe to FY13E eps of Rs 12.7.

Exhibit 1: Key Financial

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Revenues	1413	1786	2054	2321
EBITDA	291	365	465	558
Net Profit	136	181	252	297
Eps, Rs	5.8	7.7	10.8	12.7
P/E, X	24.4	18.4	13.1	11.8
P/ BV	3.4	2.6	2.2	1.9
EV/EBITDA	13.2	10.5	7.9	6.4
EV/Sales	2.9	2.2	1.8	1.6
RoE	14.0%	13.9%	16.5%	16.4%

Source: Company data, KR Choksey Research

Target Price(Rs): 190

Potential upside: 33%

Previous TP (Rs): 203

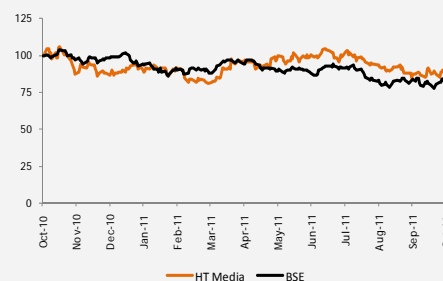
Market Data

Shares outs (Cr)	23.5
Equity Cap (Rs Cr)	47
Mkt Cap (Rs Cr)	3,337
52 Wk H/L (Rs)	185.6/125
Avg Vol (1yr Avg)	1,45,670
Face Value (Rs)	2
Bloomberg Code	HTML: IN

Market Info:

SENSEX	17,255
NIFTY	5,192

Price Performance



Share Holding pattern (%)

Particulars	Jun-11	Mar-11	% Chg
Promoter	68.84	68.84	0.0%
FII	12.53	11.60	8.0%
DII	13.20	13.56	-2.7%
Others	5.43	6.00	-9.5%
Total	100	100	

Source: BSE (Shareholding for Q1FY12 was not published by the company as on 25 October, 2011)

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Key Highlights of Concall

- Advertising revenue for English segment increased by 8% and circulation revenue grew by 24% y-o-y.
- The management expects company to grow ahead of the industry.
- Overall advertising sector to witness some softness, specially real estate and BFSI segment.
- HT will invest in 2-3 new launches in second half of FY12.
- HT Mumbai is growing at 30% to 40% y-o-y due to improvement in readership.
- HT Burda gets 45% of revenue from domestic clients. Currently it is operating at 35%-40% utilization level.
- With 100% utilization, Burda has a potential to go upto Rs 200cr.
- On radio front, ad inventory is full for Delhi. However there is still scope for Mumbai, Bangalore stations to increase inventory utilization.

Exhibit 2: Q2FY12 Consolidated Result

Particulars (Rs Crs)	Q2FY12	Q1FY12	q-o-q	Q2FY11	y-o-y
Net Sales	488.9	494	-1%	431	13%
Other Operating Income	4.2	3	68%	15	-71%
Total Income	493.1	497	-1%	446	11%
(Increase)/Decrease in stock in Trade & WIP	1.9	-1	-246%	3	-24%
Cons. of raw material	184.2	174	6%	162	13%
Employee Cost	84.9	88	-4%	73	16%
Advertising & Sales Promotion	24.2	33	-27%	32	-25%
Other Expenses	126.6	113	12%	96	32%
EBITDA (Excl OI)	71	90	-21%	79	-10%
OPM %	14%	18%	-400bps	18%	-400bps%
Other Income	20.4	15	40%	6	234%
EBITDA (Incl OI)	92	105	-13%	85	8%
OPM %	19%	21%	-200bps	19%	-30bps
Depreciation	23.3	21	9%	21	10%
Financing Cost	7.5	5	42%	6	36%
Profit Before Tax	61	78	-22%	59	4%
Tax Expenses	14	24	-42%	17	-15%
Profit after Tax	47	54	-13%	42	12%
Exceptional Items	0	0		0	
Share of Minority Interest	-3.1	-3	24%	-3	-6%
Net Profit	44	52	-15%	39	13%
NPM %	9%	10%	-14%	+100bps	-400bps

Source: Company data, KRChoksey Research

Exhibit 3: Income Statement

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Revenues	1439	1786	2054	2321
Expenses	1163	1450	1624	1803
EBITDA (Excl OI)	276	336	430	518
EBITDA Margin (%)	19.2%	18.8%	20.9%	22.3%
Other Income	15	29	35	40
EBITDA (Incl OI)	291	365	465	558
Margin (%)	20.2%	20.4%	22.6%	24.0%
Depreciation	71	84	97	116
Interest	30	24	20	15
PBT	191	257	348	427
Taxes	54	71	90	120
Adjusted PAT	136	181	252	297
Margin (%)	9.4%	10.1%	12.3%	12.8%

Source: Company data, KRChoksey Research

Exhibit4: Balance Sheet

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Sources of Funds				
Share Capital	47	47	47	47
Reserve and Surplus	924	1255	1475	1750
Net Worth	971	1302	1522	1797
Loan funds	402	312	245	190
Minority Interest	22	130	130	130
Total	1395	1744	1897	2117
Application of Funds				
Fixed assets	841	824	843	916
Investment	476	760	836	855
Deferred tax	-18	9	9	9
Current Assets				
Sundry Debtors	242	253	265	289
Inventories	120	146	160	173
Cash & Bank Balance	109	115	164	237
Other Current Assets	4	31	35	40
Loan and Advances	196	211	215	248
Current liability	549	557	578	607
Provisions	28	46	52	57
Total	1395	1744	1897	2117

Source: Company data, KRChoksey Research

Exhibit 5: Cash Flow

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Profit before taxes	189	257	348	427
Operating profit before working capital changes	276	330	363	465
Net cash provided by operating activities	414	249	267	300
Net cash used in investing activities	-278	-295	-290	-331
Net cash used in financing activities	-93	67	23	41
Net increase in cash & cash equivalents	43	21	40	63
Cash with banks	31	16	25	35
Cash & Cash equivalents at the beginning of the year	35	78	99	139
Cash & Cash equivalents at the end of the year	109	115	164	237

Source: Company data, KRChoksey Research

Exhibit 6: Ratios

Particulars	FY10	FY11	FY12E	FY13E
EBITDA Margin (%)	19%	19%	21%	22%
Net Profit Margin (%)	9%	10%	12%	13%
Revenue Growth (%)	7.1%	24.1%	15.0%	13.0%
Net Profit Growth (%)	12730.2%	33.1%	39.2%	17.9%
EPS, Rs	5.8	7.7	15.5	12.7
PE, (x)	24.4	18.4	13.1	11.8
P/BV, (x)	3.4	2.6	2.2	1.9
RoE (%)	14.0%	13.9%	16.6%	16.5%
EV/EBITDA (x)	13.2	10.5	7.9	6.4

Source: Company data, KRChoksey Research

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HT Media Ltd.				Rating Legend	
	CMP (Rs)	TP (Rs)	Recommendation	Our Rating	Upside
25-Oct-2011	142	190	BUY	Buy	More than 15%
19-July-2011	166	203	BUY	Hold	5% - 15%
19-May-2011	161	194	BUY	Reduce	0 – 5%
19-Jan-11	143	194	BUY	Sell	Less than 0%

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