

October 28, 2010

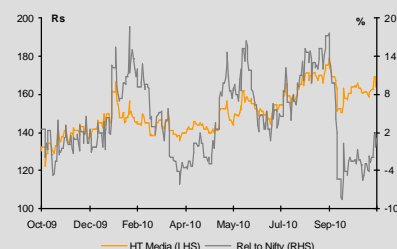
Reco	Previous Reco
Hold	Hold
CMP	Target Price
Rs165	Rs175
EPS change FY11E/12E (%)	NA
Target Price change (%)	10
Sensex	19,941
Nifty	5,988

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	4	18	29
Rel. to Nifty	4	(6)	3	4

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Print Media
Bloomberg	HTML@IN
Equity Capital (Rs mn)	470
Face Value(Rs)	2
No of shares o/s (mn)	235
52 Week H/L	186/119
Market Cap (Rs bn/USD mn)	39/876
Daily Avg Volume (No of sh)	113979
Daily Avg Turnover (US\$m)	0.4

Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	68.8	68.8	68.8
FII/NRI	12.5	12.3	12.4
Institutions	14.1	14.0	13.7
Private Corp	1.6	1.6	2.2
Public	3.0	3.2	2.8

Source: Capitaline

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- **Q2FY11 headline profit growth although strong at 61% yoy to Rs388mn, is slightly below our estimate of Rs431mn**
- **Cons. ad-revenues grew by 17% yoy with Hindi ad-revenue growth of 30% yoy and English at 13% yoy**
- **EBIDTA margins increased by 310bps yoy to 17.8% v/s our estimate of 21.8% due to higher revenue contribution from Burda, which registered EBIDTA loss**
- **Estimates maintained. Retain HOLD rating with revised target price of Rs175 (v/s Rs159 earlier)**

Q2FY11 profits below estimates

Although HT Media's Q2FY11 headline profit growth of 61% appears strong, the same is below our estimate of Rs431mn due to lower than estimated ad-revenue growth. Net sales grew by 27.3% yoy to Rs4.45bn, ahead of our estimate of Rs4.3bn due to higher revenue contribution from Burda JV. The EBIDTA grew by 54.5% yoy to Rs791bn with margin improving by 310bps to 17.8% v/s our estimate of 21.8%. Despite increased minority interest (on dilution in HMVL) the net profit grew by 61% yoy due to lower tax rate (28% v/s run rate of 33%) and higher other income.

Hindi business (HMVL) profitability under pressure

The recently listed Hindi business subsidiary HMVL reported 22.5% yoy revenue growth led by 30% ad-revenue growth. However the revenues are down 5.3% sequentially due to ad-revenue decline of 5% QoQ and fall in circulation revenue on cover price cuts owing to competitive pressures. HMVL's EBIDTA fell by 12.5% yoy due to increased employee and promotional expenses. While HMVL continues to witness strong ad-revenue growth on its lower base, it also is facing healthy competitive pressures resulting in margin pressure for the company.

Burda begins operations

HT Media's 51:49 JV with Hubert Burda for outsourced printing has begun operations in Q2FY11. In the first quarter of its operations it recorded revenues of Rs280mn with Gross margins of Rs40mn. However, since the operations are yet to stabilize and also scale up, the JV recorded EBIDTA loss of Rs30mn. Management commentary indicated for EBIDTA margins of 15-20% from the JV going forward.

Retain HOLD rating with target price Rs175

We maintain our cons. EPS estimates of Rs7.8 and Rs9.7 for FY11E and FY12E implying EPS CAGR of 26.3% over FY10-12E. While the Hindi business of HMVL is witnessing significant competitive pressures, we believe that the buoyancy in the economy provides large opportunity for healthy growth in ad-revenues that would drive the profit growth going forward.

We have revised the target price on the stock to Rs175 (v/s Rs159 earlier) valuing the stock at 18x FY12E EPS v/s SOTP based valuation (with hold-co discount to HMVL). At CMP of Rs165, stock trades at 21.1x and 16.9x our estimated EPS of Rs7.8 and Rs9.7 for FY11E and FY12E, respectively. Retain HOLD rating on the stock.

Financial Snapshot

Rs Mn

	Net Sales	EBITDA (Core)	(%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	EV/EBITDA	P/BV	P/E
FY09	13,591	1,004	7.4	200	0.9	-79.7	0.1	41.3	4.5	192.7
FY10	14,129	2,553	18.1	1,428	6.1	613.9	14.9	15.8	4.0	27.0
FY11E	16,501	3,618	21.9	1,965	7.8	27.8	17.3	11.1	3.4	21.1
FY12E	18,169	4,398	24.2	2,507	9.7	24.9	23.8	8.6	2.9	16.9

Quarterly financials

	2Q10	3Q10	4Q10	1Q11	2Q11	YoY %	QoQ %	YTD '10	YTD '11	YoY %
Net sales	3,500	3,661	3,851	4,042	4,455	27.3	10.2	6,866	8,497	23.8
Raw material cost	1,234	1,135	1,155	1,303	1,649	33.6	26.6	2,471	2,952	19.5
% of sales	35.3	31.0	30.0	32.2	37.0			72	69	
Employee cost	622	621	631	749	734	18.0	-2.0	1,268	1,483	17.0
% of sales	17.8	17.0	16.4	18.5	16.5			37	35	
Advtg & sales promotion	342	350	270	285	322	-5.8	12.8	537	607	13.1
% of sales	9.8	9.6	7.0	7.1	7.2			16	14	
Other operating cost	790	810	867	905	959	21.4	5.9	1,500	1,864	24.3
% of sales	22.6	22.1	22.5	22.4	21.5			44	44	
EBIDTA	512	745	928	799	791	54.5	-1.0	1,090	1,590	45.9
Depreciation	186	165	181	194	211	13.4	8.7	361	405	12.3
EBIT	326	580	748	605	580	77.9	-4.1	729	1,185	62.5
Interest	74	72	71	64	55	-25.7	-14.1	153	119	-22.1
Other income	29	19	45	58	61	110.3	5.2	95	119	25.7
PBT	281	527	722	599	586	108.5	-2.2	671	1,185	76.5
Tax	44	160	223	198	165	275.0	-16.5	155	363	134.5
PAT	237	353	485	401	421	77.6	4.9	517	822	59.2
Minority Int	-4	-5	6	-12	-33	719.5	168.7	-11	-45	298.1
Net profit	241	358	479	414	388	61.1	-6.2	528	802	51.9
EPS	1.03	1.59	2.11	1.76	1.65	61.1	-6.2	2	3	51.9

Margin %						bps	bps			bps
EBIDTA	14.6	20.3	24.1	19.8	17.8	313	(202)	15.9	18.7	284
EBIT	9.3	15.8	19.4	15.0	13.0	370	(195)	10.6	13.9	332
EBT	8.0	14.4	18.8	14.8	13.2	513	(167)	9.8	13.9	417
PAT	6.9	9.8	12.4	10.2	8.7	183	(152)	7.7	9.4	175
ETR	15.7	30.4	30.8	33.0	28.2	1,250	(481)	23.0	30.6	756

Financials

Income statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	13,591	14,129	16,501	18,169
Growth (%)	12.9	4.0	16.8	10.1
Expenditure	12,587	11,576	12,883	13,771
RM cost	5,588	4,761	5,286	5,672
Staff cost	2,419	2,520	3,053	3,125
Other expenses	4,580	4,295	4,545	4,973
EBITDA	1,004	2,553	3,618	4,398
Growth (%)	-40.9	154.4	41.7	21.6
EBIDTA %	7.4	18.1	21.9	24.2
Depreciation	688	707	867	947
EBIT	-680.7	-688.8	-844.9	-922.6
EBIT %	-5.0	-4.9	-5.1	-5.1
Other Income	206	409	250	250
Interest	323	295	194	120
PBT	9	1,891	2,807	3,582
Tax	125	536	842	1,074
ETR		28.4	30.0	30.0
APAT	200	1,428	1,965	2,507
Growth (%)	-79.6	613.9	37.6	27.6
APAT Margin	1.5	10.1	11.9	13.8
Minority interest	-125	-4	141	228
Net profit after MI	9	1,358	1,824	2,279
exceptional item	-189.5	-69.3	0.0	0.0
Reported PAT	9	1,358	1,824	2,279

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Profit Before Tax	9	1,891	2,807	3,582
Depreciation	688	707	867	947
Interest Expenses	300	263	194	120
(inc) /dec working capital	1,313	1,695	(1,490)	203
Less:Direct Taxes	(205)	(407)	(842)	(1,074)
Others	(16)	(97)	(250)	(250)
Operating Cashflow	2,089	4,052	1,286	3,527
(inc)/dec in fixed assets	(2,597)	(1,575)	(1,000)	(1,000)
Free Cash Flow	(508)	2,477	286	2,527
(inc)/dec in investments	(1,103)	(1,811)	-	-
others	256	607	0	0
Investing cash flow	(846)	(1,204)	-	-
Incr/(Dec) in Borrowings	1,491	(490)	(1,250)	(750)
Incr/(dec) in equity	-	-	-	-
Dividend Paid	(110)	(82)	(213)	(267)
Interest Paid	(300)	(249)	(194)	(120)
others	2	(22)	250	250
Financing cash flow	1,084	(844)	(1,407)	(887)
Net Inc/(Dec) in Cash	(270)	429	(1,121)	1,640
Opening Balance	620	705	1,087	(40)
Others	355	(48)	(5)	-
Closing Balance	705	1,087	(40)	1,601

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity Capital	470	470	470	470
Reserves	8,015	9,241	10,851	12,864
Net worth	8,485	9,711	11,322	13,334
Minority interest	(69)	218	355	583
Total Debt	3,706	3,125	1,875	1,125
Deferred Tax Liabilities	207	178	178	178
Capital Employed	12,329	13,233	13,730	15,220
Gross Block	8,238	10,335	11,335	12,335
Less Depreciation	2,467	3,217	4,083	5,030
Net Fixed Assets	5,771	7,118	7,251	7,305
CWIP	1,946	1,289	1,289	1,289
Investments	3,035	4,755	4,755	4,755
Inventory	1,756	1,200	1,808	1,742
Debtors	2,199	2,422	2,486	2,738
Cash and Bank	705	1,087	(40)	1,601
Loans & Advances	2,315	1,995	1,582	1,742
Current liabilities	5227	6377	5208	5734
provisions	172	279	217	239
Cur Liab & Provisions	5,399	6,655	5,425	5,973
Net Current Assets	1,577	49	413	1,850
Miscellaneous exp		22	22	22
Total Assets	12,329	13,233	13,730	15,220

Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	7.4	18.1	21.9	24.2
Net Margin	1.5	10.1	11.9	13.8
ROCE	2.7	14.4	20.4	23.8
ROE	0.1	14.9	17.3	18.5
RoIC	3.9	23.1	33.5	38.6
Per Share Data (Rs)				
EPS	0.9	6.1	7.8	9.7
CEPS	3.0	8.8	11.5	13.7
BVPS	36.2	41.3	48.2	56.7
DPS	0.3	0.4	0.8	1.0
Valuations (x)				
PER	192.7	27.0	21.1	16.9
P/CEPS	55.3	18.7	14.3	11.9
P/BV	4.5	4.0	3.4	2.9
EV / Sales	3.0	2.9	2.4	2.1
EV / EBITDA	41.3	15.8	11.1	8.6
Dividend yield%	0.2	0.2	0.5	0.6
Gearing Ratio (x)				
Net Debt/ Equity	(0.0)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	0.0	-1.1	-0.8	-1.2
Working Cap Cycle (days)	(34)	(71)	(20)	(25)

Recommendation History: HT Media Ltd – HTML IN

Date	Reports	Reco	CMP	Target
29/07/2010	HT Media Q1FY11 Result Update	Hold	158	159
12/05/2010	HTML Q4FY10 Result Update	Buy	150	172
05/05/2010	Print Media Sector Indelible Ink			

Recent Research Reports

Date	Reports	Reco	CMP	Target
27/10/2010	DB Corp Q2FY11 Result Update	Hold	284	284
26/10/2010	Idea Cellular Q2FY11 Result Update	Sell	72	60
26/10/2010	Lakshmi Machine Works Q2FY11 Result Update	Hold	2,766	2,660
21/10/2010	Sterlite Tech Q2FY11 Result Update	Hold	92	100

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