

FIRST GLOBAL

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India Research



Sector: Media

What Happened Last Quarter

HT Media Ltd. (HTML.IN)/(HTML.BO)

Market Perform (CMP: Rs.116.05, Mkt. Cap. Rs.27.2 bn, \$0.6 bn Aug 6, '08)
Relevant Index: S&P CNX Nifty: 4517.55 (Aug 6, '08)

Long-term opportunities in Hindi segment to continue driving expansion into new geographies...

Actual impact of rising newsprint costs to become visible in coming quarters...

Last report's recommendation: Market Perform (MP: Rs.136.5, May 23, '08)

Relevant Index: CNX Nifty: 4946.55 (May 23, '08)

Relative performance since last rating change: CNX Nifty: Down 23.0%, HTML: Down 45.3%

August 6, 2008

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

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IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.



Price and Rating History Chart

Ratings Key

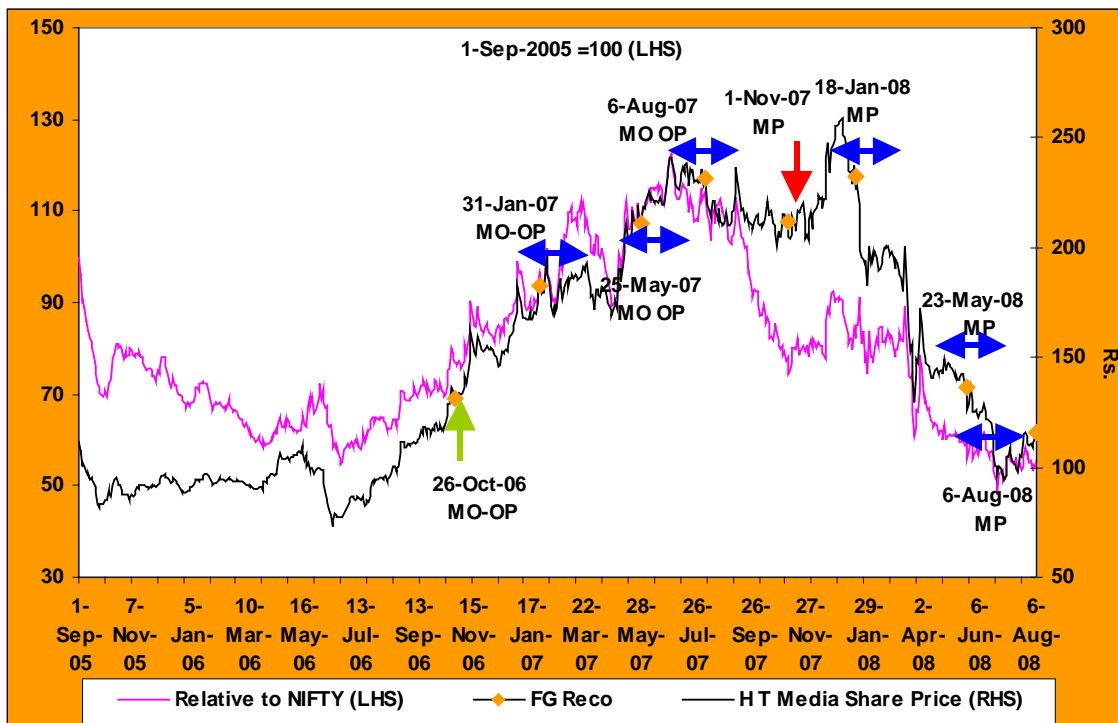
Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate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

ST: Short Term

MT: Medium Term

LT: Long Term

HT Media Ltd. (HTML.IN)/(HTML.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 31) (in mn Rupees)	FY 05	FY 06	FY 07	FY 08	FY 09E	FY 10E
Total Revenue	6,269	8,262	10,521	11,918	13,513	14,620
Revenue Growth (Y-o-Y)	50.4%	31.8%	27.3%	13.3%	13.4%	8.2%
EBIDTA	668	988	2,036	2,285	2,467	2,734
EBIDTA Growth (Y-o-Y)	414.5%	47.8%	106.1%	12.2%	7.9%	10.8%
Net Profit	273	373	1,151	1,446	1,382	1,647
Net Profit Growth (Y-o-Y)	1249%	36.3%	208.7%	25.6%	-4.4%	19.2%
Shareholders Equity	3,870	6,732	7,838	9,157	10,430	11,967
Number of Diluted shares (mn)	234.2	234.2	234.2	234.3	234.2	234.2

Key Operating Ratios

(YE March 31)	FY 05	FY 06	FY 07	FY 08	FY 09E	FY 10E
EPS (Rs) (Diluted)	1.16	1.58	4.91	6.17	5.90	7.03
EPS Growth (Y-o-Y)	1230.6%	36.4%	210.4%	25.6%	-4.4%	19.2%
CEPS (Rs.)	2.1	3.2	6.6	8.1	8.2	9.5
EBIDTA (%)	10.7%	12.0%	19.4%	19.2%	18.3%	18.7%
NPM (%)	4.4%	4.5%	10.9%	12.1%	10.2%	11.3%
Tax Rate (%)	37.6%	39.1%	34.8%	28.2%	33.1%	33.0%
RoE (%)	8.2%	7.0%	15.8%	17.0%	14.1%	14.7%
RoCE (%)	6.0%	6.5%	14.3%	15.7%	13.4%	14.2%
Return on Op. Assets (%)	6.2%	6.6%	17.6%	10.4%	6.4%	6.6%
Book Value per share (Rs.)	16.5	28.7	33.5	39.1	44.5	51.1
Debt/Equity (x)	0.42	0.24	0.21	0.23	0.16	0.14
Dividend Payout (%)	14.7%	15.6%	6.1%	6.5%	6.8%	5.7%

Valuation Metrics

(YE March 31)	FY 05	FY 06	FY 07	FY 08	FY 09E	FY 10E
P/E (x)					19.7	16.5
P/BV (x)					2.6	2.3
P/CEPS (x)					14.2	12.2
EV/EBIDTA (x)					11.4	9.7
Net Cash/Market Cap (%)					5.8%	12.6%
Market Cap./ Sales (x)					2.0	1.9
Dividend Yield (%)					0.3%	0.3%

DuPont Model

(YE March 31)	FY 05	FY 06	FY 07	FY 08	FY 09E	FY 10E
EBIDTA/Sales (%)	10.7%	12.0%	19.4%	19.2%	18.3%	18.7%
Sales/Operating Assets (x)	1.4	1.5	1.7	0.9	0.7	0.7
EBIDTA/Operating Assets (%)	15.1%	17.9%	33.6%	18.1%	12.2%	12.5%
Operating Assets/ Net Assets (x)	0.8	0.8	0.7	1.3	1.8	1.8
Net Earnings/ EBIDTA (%)	40.6%	37.5%	56.5%	63.2%	56.0%	60.2%
Net Assets/ Equity (x)	1.6	1.3	1.2	1.2	1.2	1.1
Return on Equity (%)	8.2%	7.0%	15.8%	17.0%	14.1%	14.7%



Commonsized P & L Statement

(YE March 31)	FY 05	FY 06	FY 07	FY 08	FY 09E	FY 10E
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Raw Materials	45.7%	41.4%	41.0%	38.3%	38.2%	38.5%
SG & A Expenses	31.0%	32.3%	25.8%	28.1%	29.1%	28.0%
Personnel	12.6%	14.3%	13.8%	14.5%	14.4%	14.8%
EBITDA	10.7%	12.0%	19.4%	19.2%	18.3%	18.7%
Depreciation and Amortization	3.6%	4.7%	3.8%	3.7%	4.0%	4.0%
Interest	1.1%	1.7%	1.4%	1.5%	1.5%	1.2%
Non -operating Income	0.4%	1.3%	1.8%	2.4%	2.5%	3.4%
Net Extra ordinary Income	0.7%	0.5%	0.8%	0.6%	0.0%	0.0%
PBT	7.0%	7.4%	16.8%	16.9%	15.3%	16.8%
Tax	2.6%	2.9%	5.8%	4.8%	5.1%	5.5%
PAT	4.4%	4.5%	10.9%	12.1%	10.2%	11.3%

Top Management Team

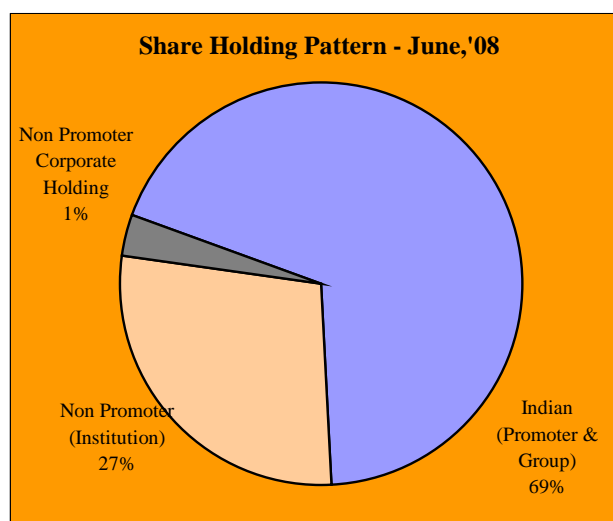
Designation	Name
Director	K K Birla
Vice Chairperson	Shobhana Bhartia
Director	Y C Deveshwar
Director	K N Memani
Whole-time Director	Shamit Bhartia
Additional Director	N K Singh
Whole-time Director	Priyavrat Bhartia
Director	Roger Greville
Vice President & CS	Dinesh Mittal
Director	Ajay Relan

Capital Issue History

Date	Share Capital Post Issue (INR mn)	Mode of Capital Raising
31/03/2004	371.4	As Per Annual Report
31/03/2005	417.5	As Per Annual Report
5/10/2005	468.4	Equity shares issued
24/08/2005	463.9	Public Issue

Key Statistics

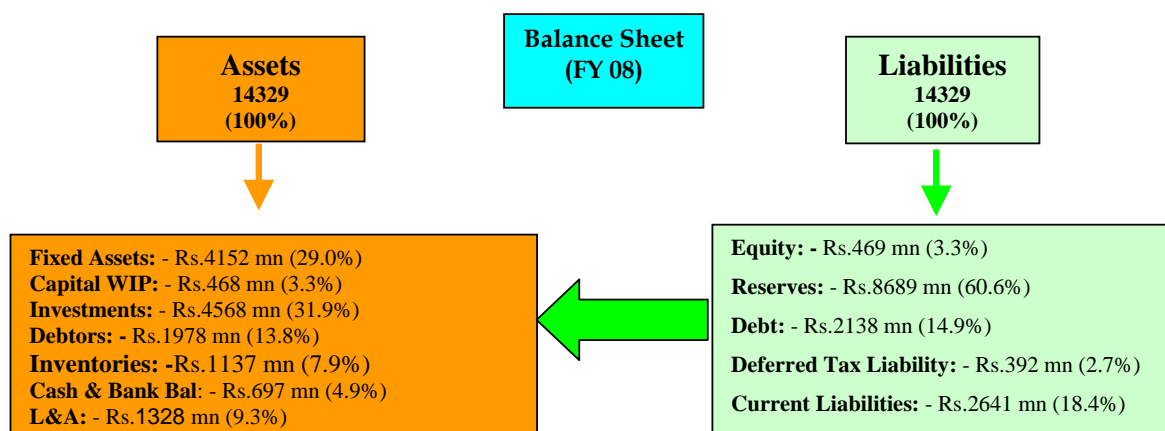
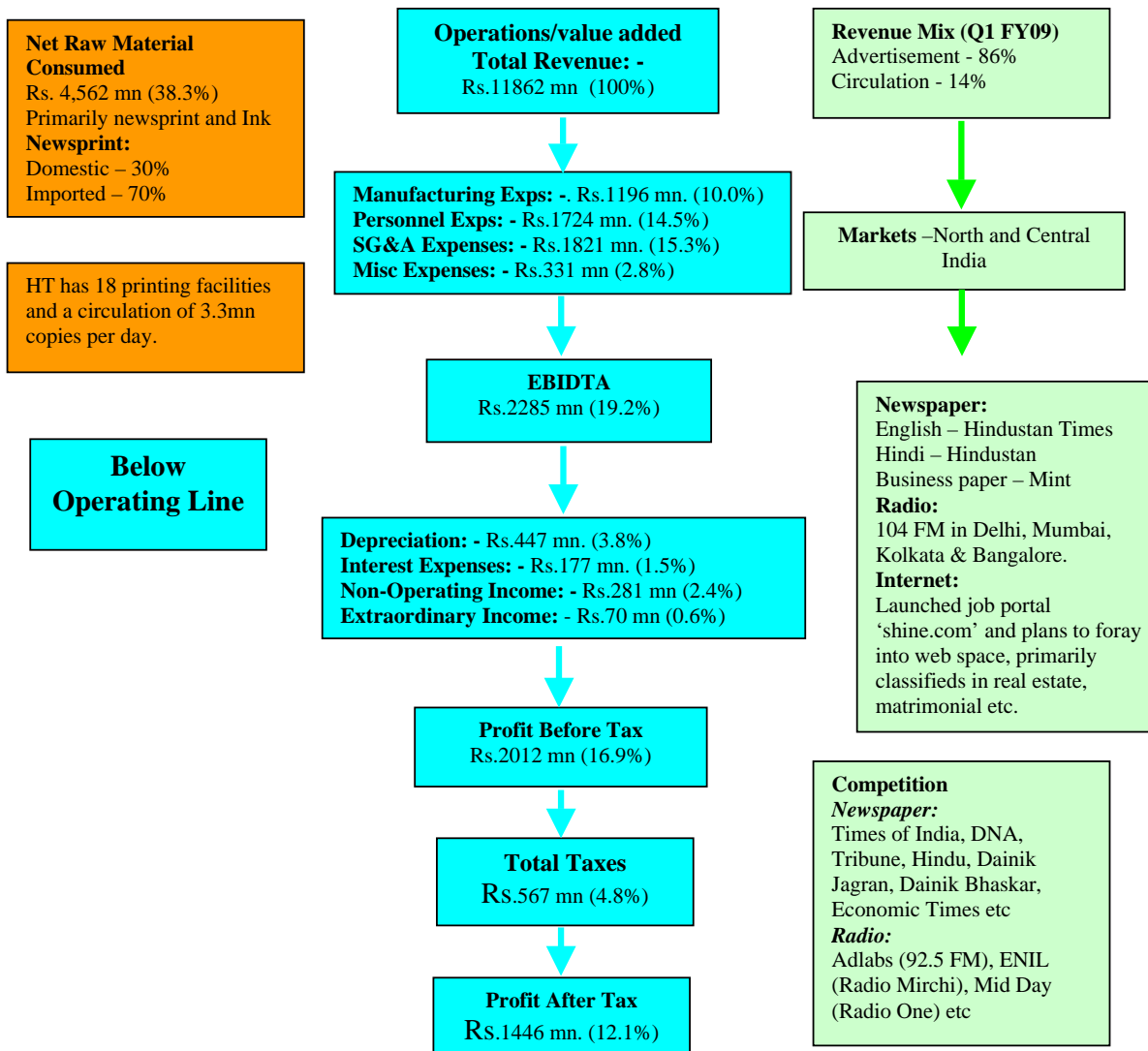
Industry:	Media Sector
52 Week Hi: Lo:	Rs.259 / 94
CMP:	Rs. 116.05
Avg Daily Vol (20 days):	0.09 mn
Avg Daily Val (20 days):	Rs.10.16 mn
Performance over 52 weeks:	
HTML:	Down 47.1%
Nifty:	Up 4.1 %





HT Media's Business in Pictures... (FY08)

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





What Happened Last Quarter...

HT Media Ltd. (HTML.IN)/(HTML.BO) once again demonstrated its ability to drive an expansion in margins amidst rising newsprint costs and an economic slowdown through efficient sourcing and better cost control. In Q1 FY09, the company's revenues increased 18.8% Y-o-Y to Rs.3247 mn in the quarter, as against our estimate of Rs.3090 mn, driven by a strong growth in advertisement and subscription revenues, while the EBIDTA margin improved by 10 bps Y-o-Y to 20.4%. Raw material costs increased 9.7% Y-o-Y to Rs.1191 mn, but declined, as a percentage of sales, by 304 bps Y-o-Y to 36.7%, due to low cost inventory build up and the company's proven strength in sourcing from varied geographies, which enabled better cost control. In Q1 FY09, 'Hindustan' attained the No. 1 position in Lucknow and Jharkhand.

Going forward, we expect HT Media to continue expanding into new geographies, considering the long-term opportunities in the Hindi segment.

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However, with HT Media's low cost inventory almost exhausted, we expect the actual impact of rising newsprint costs on the company's performance to become visible in the coming quarters. Also, HT Media's Other expenses, which primarily include SG&A expenses, are expected to increase due to investments in the re-launch of HT City and higher spend on brand visibility of Hindustan, HT Media's Hindi daily, through television commercials, thereby pressurizing the company's margins. On the

valuations front, the stock currently trades at a P/E of 19.7x and an EV/EBIDTA of 11.4x our FY09 EPS estimates, which is at a premium to its peers. We reiterate our rating of Market Perform on HT Media.

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Comparative Valuations

Company	Year End	P/E (x)		P/S (x)		P/BV (x)		EV/Sales (x)		EV/EBITDA (x)		EBIDTA Margin (%)	RoE (%)	RoCE (%)	Annual EPS Growth (%)	Annual Sales Growth (%)
		FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E					
HTML	Mar	19.7	16.5	2.0	1.9	2.6	2.3	2.1	1.8	11.4	9.7	18.3%	14.1%	13.4%	19.2%	8.2%
JAGP	Mar	20.5	16.8	2.3	2.0	3.5	3.2	2.3	2.0	11.8	9.6	20.7%	19.9%	17.2%	21.8%	17.8%
DCHL	Mar	12.3	9.2	3.2	2.8	2.3	2.0	3.0	2.4	5.9	4.6	49.9%	19.6%	17.4%	33.9%	16.7%

Source: First Global estimates



Quarterly Result Analysis

YE March 31 (in mn Rupees)	FY 09	FY 08	Y-o-Y	FY 08	Q-o-Q
	Q1	Q1	Change	Q4	Change
Net Sales Revenue	3,247	2,733	18.8%	3,134	3.6%
Net Raw Materials	1,191	1,086	9.7%	1,121	6.3%
Personnel	451	402	12.1%	497	-9.4%
Other Expenses	942	690	36.6%	914	3.1%
Total Cost	2,584	2,178	18.7%	2,532	2.0%
EBIDTA	663	556	19.3%	601	10.3%
Less: Depreciation	129	106	20.9%	117	9.8%
EBIT	534	449	19.0%	484	10.4%
Less: Interest	51	42	21.8%	43	17.8%
Non-operating Income	82	103	-20.8%	123	-33.6%
PBT	565	511	10.7%	564	-7.4%
Less: Total Tax	188	169	11.2%	148	27.0%
Profit After Tax	377	342	10.4%	416	-9.3%
Earnings Per Share (In Rs.)	1.61	1.46	10.4%	1.78	-9.3%
Weighted average Shares Outstanding (mn)	234.3	234.3		234.3	
EBIDTA Margin (%)	20.4%	20.3%		19.2%	
EBIT (%)	16.5%	16.4%		15.4%	
PBT Margin (%)	17.4%	18.7%		18.0%	
NPM (%)	11.6%	12.5%		13.3%	
Effective Tax Rate (%)	33.3%	33.1%		26.3%	

Source: Company Reports

HT Media reported a higher than expected top line in Q1 FY09, although the company's performance on the profitability front was in line with our estimates. The topline came in at Rs.3.25 bn, which was higher than our estimate of Rs.3.10 bn, while the net profit stood at Rs.377 mn, up 10.4% Y-o-Y, as against our estimate of Rs.378 mn. HT Media reported an EPS of Rs.1.61 in Q1 FY09, as against Rs.1.46 in Q1 FY08.

Advertisement revenues increased by 19.4% Y-o-Y to Rs.2.81 bn (top line contribution of 86.4%) in Q1 FY09, on the back of higher advertising rates and expansion into new geographies, while subscription revenues grew 15.3% Y-o-Y to Rs.442 mn (top line contribution of 13.6%).

Raw material cost increased 9.7% Y-o-Y to Rs.1191 mn but declined, as a percentage of sales, by 304 bps Y-o-Y to 36.7%, due to low cost inventory build up and the company's proven strength in sourcing from varied geographies, which enabled better cost control. Personnel cost, as a percentage of sales, declined 83 bps Y-o-Y to 13.9% in the quarter. Other expenses, which primarily includes SG&A expenses, increased 36.6% Y-o-Y to Rs.942 mn and, as a percentage of sales, grew 153 bps Y-o-Y to 29%, due to increased investment in the re-launch of HT City and higher brand visibility of Hindustan through television commercials. The company's total costs increased 18.7% Y-o-Y to Rs.2584 mn, resulting in an increase of 19.3% Y-o-Y in the EBIDTA to Rs.663 mn. HT Media reported an EBIDTA margin of 20.4% in Q1 FY09, as against 20.3% in Q1 FY08.



An increase of 20.9% Y-o-Y in depreciation, a rise of 21.8% Y-o-Y in interest cost due to hardening of interest rates, and a decline of 20.8% Y-o-Y in Other income on account of draw-down of invested fund for expansion into new geographies and the adverse Rupee movement against the US Dollar led to an increase of 10.4% Y-o-Y in the net profit to Rs.377 mn in Q1 FY09, as against Rs.342 mn in Q1 FY08.

HT Media commenced the printing of its Hindi daily, Hindustan in Dehradun in May 2008 and will reach cities including Rishikesh, Haridwar, Roorkee and Saharanpur. In Q1 FY09, 'Hindustan' attained the No. 1 position in Lucknow and Jharkhand. Going forward, the company will continue to expand into new geographies, considering the long-term opportunities in the Hindi segment.

HT Media has joined hands with the German media group, Hubert Burda in order to tap the growing media platforms in Asian countries. The 51:49 joint venture (JV) leverages HT Media's expertise in printing and publishing and Burda's global multimedia operations. The deal will also enable HT Media to bring global best practices and technology to the printing side of its business among other areas and capitalise on opportunities in the booming high-end magazine and catalogue printing space in India as well as the Asia-Pacific region. In the Internet business, the company plans to build real estate and matrimonial verticals through its subsidiary Firefly e Ventures Ltd.



Earnings Model

YE March 31 (in mn Rupees)	Q1	Q2	Q3	Q4	FY08	Q1	Q2	Q3	Q4	FY09E
	FY08	FY08	FY08	FY08		FY09	FY09E	FY09E	FY09E	
Total Revenue	2,733	2,810	3,194	3,134	11,918	3,247	3,113	3,635	3,518	13,513
Net Raw Materials	1,086	1,129	1,226	1,121	4,562	1,191	1,254	1,414	1,302	5,162
Personnel	402	423	433	497	1,724	451	473	498	528	1,950
Other expenses	690	772	943	914	3,348	942	893	1,083	1,017	3,936
Total Cost	2,178	2,325	2,602	2,532	9,633	2,584	2,621	2,995	2,846	11,047
EBIDTA	556	485	592	601	2,285	663	492	640	672	2,467
Less: Depreciation	106	110	114	117	447	129	133	136	138	535
EBIT	449	375	479	484	1,839	534	359	503	534	1,931
Less: Interest	42	44	45	43	177	51	50	51	52	204
Add: Non-operating Income	103	85	87	123	281	82	87	82	87	338
PBT	511	416	521	564	2,012	565	396	535	569	2,065
Less: Total Tax	169	97	153	148	567	188	131	176	188	683
Profit After Tax	342	319	369	416	1,445	377	265	358	381	1,382
Earnings Per Share (In Rs.)	1.46	1.36	1.57	1.78	6.17	1.61	1.13	1.53	1.63	5.90
Weighted average Shares Outstanding (mn)	234.25	234.25	234.25	234.25	234.25	234.25	234.25	234.25	234.25	234.25
EBIDTA Margin (%)	20.3%	17.3%	18.5%	19.2%	19.2%	20.4%	15.8%	17.6%	19.1%	18.3%
EBIT (%)	16.4%	13.4%	15.0%	15.4%	15.4%	16.5%	11.5%	13.9%	15.2%	14.3%
PBT Margin (%)	18.7%	14.8%	16.3%	18.0%	16.9%	17.4%	12.7%	14.7%	16.2%	15.3%
NPM (%)	12.5%	11.4%	11.5%	13.3%	12.1%	11.6%	8.5%	9.9%	10.8%	10.2%
Effective Tax Rate (%)	33.1%	23.3%	29.3%	26.3%	28.2%	33.3%	33.0%	33.0%	33.0%	33.1%



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



First Global's Rating System

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.*

(iii) 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.: +91-22-400 12 400

email: fgindiasales@bloomberg.net

FG Markets, Inc.

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

Dealing Desk (US):

Tel. No: +1-212-227 6611

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: +44-207-959 5300

email: uk@fglobal.com

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