



**NEUTRAL**

<b>Price</b>	<b>Rs113</b>
<b>Target Price</b>	-
<b>Investment Period</b>	-

**Stock Info**

Sector	Print Media
Market Cap (Rs cr)	2,657
Beta	0.5
52 WK High / Low	144/36
Avg Daily Volume	54,215
Face Value (Rs)	2

BSE Sensex	15,375
Nifty	4,572

BSE Code	532662
NSE Code	HTMEDIA
Reuters Code	BLTE.BO
Bloomberg Code	HTML @IN

**Shareholding Pattern (%)**

Promoters	68.8
MF/Banks/Indian FIs	15.5
FII/ NRIs/ OCBs	13.2
Indian Public	2.5

<b>Abs.</b>	<b>3m</b>	<b>1yr</b>	<b>3yr</b>
Sensex (%)	35.2	7.7	43.1
HT Media (%)	57.0	(1.9)	19.0

**Anand Shah**

Tel: 022 – 4040 3800 Ext: 334  
e-mail: anand.shah@angeltrade.com

**Performance Highlights**

- **Flattish Top-line growth, up by 1%:** For 1QFY2010, HT Media posted a flattish Top-line growth of 1% yoy to Rs328.1cr (Rs324.7cr), on a standalone basis, largely aided by a 24% jump in circulation revenues (added by cover price hikes) to Rs44.4cr (Rs35.8cr), and the inclusion of the Radio Business (merged in 4QFY2009), which contributed Rs8.8cr to the Top-line. However, a 0.9% fall in advertising revenues to Rs278.1cr (Rs280.5cr) impacted Top-line growth. According to the management, Hindi markets registered a growth of 32% yoy and *Mint* revenues grew at 24% yoy. However, English dailies declined by 12% yoy, partially impacted by a fall in government advertising (small benefit for Print Media from incremental Election spends).
- **Earnings dip 14%:** In terms of Earnings, the company posted a marginal decline of 2.2% yoy to Rs36.9cr (Rs37.7cr), on a recurring basis, despite a 66.1% yoy jump in Other Income to Rs13.6cr (Rs8.2cr), owing to muted Top-line growth, Margin contraction, and a 52.5% yoy jump in Interest costs to Rs7.8cr (Rs5.1cr). However, on a reported basis, the company posted a decline of 14.1% yoy to Rs32.4cr, impacted by an exceptional item of provision for diminution in value of JV (Metropolitan Media Company), amounting to Rs4.5cr.
- **Margins contract 152bp:** At the operating front, the company posted a decline in Margins by 152bp yoy to 18.9% (20.4%), resulting in a 6.5% fall in standalone EBITDA to Rs62cr (Rs66.3cr), owing to a 67bp jump in newsprint costs (it is still using a high-priced newsprint inventory), and a 359bp jump in staff costs (largely on account of the Merger of the Radio business). However, a 281bp reduction in advertising spends (aided by cost rationalisation measures and no significant product launch expenses) helped arrest a further Margin fall. Going forward, we expect HT Media to benefit on account of lower newsprint prices (will start kicking in post-2QFY2010, once the built-up inventory gets absorbed), and better cost efficiency by reducing newsprint consumption through the rationalisation of grammage and pagination.

**Key Financials (Standalone)**

<b>Y/E March (Rs cr)</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010E</b>	<b>FY2011E</b>
<b>Net Sales</b>	<b>1,186</b>	<b>1,323</b>	<b>1,442</b>	<b>1,616</b>
% chg	14.1	11.5	9.0	12.1
<b>Net Profit (Adj.)</b>	<b>144.5</b>	<b>104.1</b>	<b>121.3</b>	<b>159.7</b>
% chg	25.6	(28.0)	16.6	31.6
OPM (%)	18.8	14.0	16.7	18.7
<b>EPS (Rs)</b>	<b>6.2</b>	<b>3.6</b>	<b>5.2</b>	<b>6.8</b>
P/E (x)	18.3	31.1	21.8	16.6
P/BV (x)	2.9	2.9	2.6	2.4
RoE (%)	15.8	11.5	12.0	14.6
RoCE (%)	15.3	9.9	11.8	14.6
EV/Sales (x)	2.3	2.0	1.9	1.7
EV/EBITDA (x)	12.1	14.6	11.3	8.9

Source: Company, Angel Research

## Outlook and Valuation

While we continue to be bullish on HTML's overall Print portfolio, we are slightly disappointed with the 1QFY2010 results, on the revenue front, signaling a lack of advertising revenue traction in HTML's core Delhi market (registered a decline for the third consecutive quarter). Moreover, *HT Mumbai*, despite a significant improvement in readership, is registering slower growth rates owing to overall weakness in the market. Hence, with English dailies expected to post single-digit growth rates, HTML's growth hinges completely on the expansion of *Hindustan*, the scale-up of *Mint*, and higher circulation revenues (aided by price hikes). Hence, we have toned down our revenue estimates for FY2010E and FY2011E by 3% and 4%, respectively. At the operating front, we have modeled in a 471bp Margin expansion during FY2009-11E, owing to lower newsprint prices (the impact is likely to be felt only in 2HFY2010E, after the absorption of the high-priced inventory), rupee appreciation and better cost optimisation. In terms of Earnings, we have marginally tweaked our numbers to account for weaker revenues and better Margins (lower newsprint prices and the increased focus on cost-rationalisation measures by the management). Hence, we expect HTML to post a CAGR of 37% in its standalone Earnings.

We believe that HTML is undergoing a major expansion phase – penetrating deep into the Hindi Market, an entry into another media platform (mobile solutions services, internet portals and a JV with Burda), and the expansion of *Mint*. While the Radio business is gaining traction and is likely to contribute positively to Earnings in FY2010E, *HT Mumbai*, *Mint* and the Internet business will break-even only in 2HFY2011E, dragging consolidated results. **At Rs113, HTML is trading at 16.6x FY2011E standalone EPS of Rs6.8, which limits any upside potential from the stock. Moreover, concerns over the timing of a break-even in its new ventures, uncertainty over advertising revenues in its core Print business, and doubts over the timing of benefits accruing from lower newsprint prices, are likely to keep the stock under check from its current levels. Hence, we recommend a Neutral view on the stock.**

**Exhibit 1: 1QFY2010 Performance (Standalone)**

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>328.1</b>	<b>324.7</b>	<b>1.0</b>	<b>1,323.0</b>	<b>1,186.2</b>	<b>11.5</b>
Consumption of RM	122.6	119.1	2.9	540.1	456.2	18.4
(% of Sales)	37.4	36.7		40.8	38.5	
Staff Costs	57.3	45.1	27.1	203.6	175.6	15.9
(% of Sales)	17.5	13.9		15.4	14.8	
Advertising	17.6	26.5	(33.7)	114.7	92.0	24.7
(% of Sales)	5.4	8.2		8.7	7.8	
Other Expenses	68.6	67.7	1.3	279.3	239.5	16.6
(% of Sales)	20.9	20.8		21.1	20.2	
<b>Total Expenditure</b>	<b>266.0</b>	<b>258.4</b>	<b>2.9</b>	<b>1,137.7</b>	<b>963.3</b>	<b>18.1</b>
<b>Operating Profit</b>	<b>62.0</b>	<b>66.3</b>	<b>(6.5)</b>	<b>185.3</b>	<b>222.9</b>	<b>(16.9)</b>
OPM	18.9	20.4		14.0	18.8	
Interest	7.8	5.1	52.5	31.7	17.7	78.7
Depreciation	16.4	12.9	27.2	55.0	44.7	23.1
Other Income	13.6	8.2	66.1	34.7	40.7	(14.6)
<b>PBT (excl. Ext Items)</b>	<b>51.5</b>	<b>56.5</b>	<b>(9.0)</b>	<b>133.3</b>	<b>201.2</b>	<b>(33.7)</b>
Ext. Income/(Expense)	(4.5)	-		(18.8)	-	
<b>PBT (incl. Ext Items)</b>	<b>47.0</b>	<b>56.5</b>	<b>(16.9)</b>	<b>114.5</b>	<b>201.2</b>	<b>(43.1)</b>
(% of Sales)	14.3	17.4		8.7	17.0	
Provision for Taxation	14.6	18.8	(22.5)	29.3	56.7	(48.3)
(% of PBT)	31.0	33.3		25.6	28.2	
<b>Recurring PAT</b>	<b>36.9</b>	<b>37.7</b>	<b>(2.2)</b>	<b>104.1</b>	<b>144.6</b>	<b>(28.0)</b>
PATM	11.2	11.6		7.9	12.2	
<b>Reported PAT</b>	<b>32.4</b>	<b>37.7</b>	<b>(14.1)</b>	<b>85.2</b>	<b>144.6</b>	<b>(41.0)</b>
Equity shares (cr)	23.4	23.4		23.4	23.4	
<b>EPS (Rs)</b>	<b>1.4</b>	<b>1.6</b>		<b>3.6</b>	<b>6.2</b>	

Source: Company, Angel Research



**Research Team: Tel: 4040 3800**

**E-mail: [research@angeltrade.com](mailto:research@angeltrade.com)**

**Website: [www.angeltrade.com](http://www.angeltrade.com)**

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**Ratings (Returns) :** **Buy (Upside > 15%)**  
**Reduce (Downside upto 15%)**

**Accumulate (Upside upto 15%)**  
**Sell (Downside > 15%)**

**Neutral (5 to -5%)**