Company report

Consumer Brands & Retail
Media
Equity – India

HSBC Global Research

HT Media Ltd

Overweight

Target price (INR)	230
Share price (INR)	178
Potential total return (%)	29.7

Mar	2006a	2007e	2008e
HSBC EPS	1.58	4.56	7.40
HSBC PE	115.1	39.9	24.6

Performance	1M	3M	12M
Absolute (%)	-0.1	12.2	102.6
Relative^ (%)	0.4	20.6	74.3

Note: (V) = volatile (please see disclosure appendix)

30 March 2007

Percy Panthaki *
Analyst
HSBC Securities and Capital Markets (India) Private Limited
+91 22 2268 1240
percypanthaki@hsbc.co.in

Matt Marsden *
Analyst
The Hongkong and Shanghai Banking Corporation Limited (HK)
+852 2996 6531
matt.marsden@hsbc.com.hk

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Issuing office: Mumbai

To make a Mint

- **HT Media is transforming from a newspaper play into a comprehensive media offering, building out its radio and internet properties, powering EPS growth of 126% FY07-09e**
- **We estimate that group revenues will grow at a CAGR of 28.7% FY06-08e as HT Media cements its national footprint, cross-sells advertising space and rolls out new formats**
- **We establish a 12-month DCF and PE multiple based target price of INR230, representing 29.7% absolute upside and upgrade our rating to Overweight**

We analyse HT Media in depth by division. While we expect the traditional print business to keep on growing ad revenues by over 20% pa, we anticipate that new ventures in radio and the internet will provide an additional leg of growth. We anticipate a 28.7% top line CAGR FY06-08e as the group's strategy of bundling ad space accelerates HT Media's ability to garner revenues from geographical expansion and new media formats.

The company's new business newspaper, *Mint*, produced in association with the *Wall Street Journal*, has been successfully launched with an initial print order of 80,000 copies achieving a No.2 position in Delhi and Mumbai market combined. The group plans expansion into other cities, making *Mint* an important weapon in HT media's arsenal.

The group's new internet venture plans to leverage on its newspaper business to achieve verticals in matrimonial, real estate and recruitment. We estimate on-line revenues of INR250m in FY08e, growing to INR1.3bn by FY11e.

HT Media's "Fever 104 FM" gives the group exposure to FM radio, one of the fastest growing media markets in India. We estimate revenue generation of INR400m in FY08e and EBIT break even by FY10e.

We anticipate that the company's high operating leverage will ensure that profit grows much faster than revenues, driving 126% EPS growth FY07-FY09e. HT media's FY08e PE multiple of 24.0x is lower than Indian TV stocks' average PE of 30.8x, but the stock offers superior EPS growth of 62.4%, compared to the 30.4% average in the TV sector. Our 12-month PE multiple/DCF price target emerges at INR230, implying 29.7% total return.

Index^0	BOMBAY SE IDX
Index level	12884.34
RIC	HTML.BO
Bloomberg	HTML IN

Source: HSBC

Enterprise value (INRm)	40410
Free float (%)	20.5739
Market cap (USDm)	990
Market cap (INRm)	42,595

Source: HSBC

Financials & valuation

Financial statements

Year to	03/2006a	03/2007e	03/2008e	03/2009e
Profit & loss summary (INRm)				
Revenue	8,215	10,444	13,501	16,147
EBITDA	1,359	2,208	3,449	4,537
Depreciation & amortisation	-397	-405	-602	-661
Operating profit (EBIT)	962	1,803	2,847	3,875
Net interest	-138	-144	-141	-141
PBT	584	1,656	2,706	3,734
Taxation	-240	-623	-1017	-1344
Net profit	354	1,068	1,735	2,415
Cash flow summary (INRm)				
Cash flow from operations	614	1,423	2,227	3,134
Capex (including intangibles)	-1,070	-500	-550	-600
Cash flow from investment	-772	-541	-377	-649
Dividends	-66	-248	-499	-832
Change in net debt	-2334	-639	-1,351	-1,653
FCF equity	-386	910	1,662	2,518
Balance sheet summary (INRm)				
Intangible fixed assets	942	982	907	812
Tangible fixed assets	4,051	4,106	3,912	3,946
Current assets	5,388	6,668	8,705	10,955
Cash & others	2,806	3,449	4,801	6,454
Total assets	10,789	12,205	14,017	16,255
Operating liabilities	1,836	2,443	3,049	3,713
Gross debt	1,696	1,700	1,700	1,700
Net debt	-1,110	-1,749	-3,101	-4,754
Shareholders funds	6,916	7,739	8,977	10,562
Invested capital	5,806	6,112	6,173	6,378

Ratio, growth and per share analysis

Year to	03/2006a	03/2007e	03/2008e	03/2009e
Y-o-y % change				
Revenue	30.7	27.1	29.3	19.6
EBITDA	59.5	62.5	56.2	31.5
Operating profit	56.6	87.4	58.0	36.1
PBT	32.4	183.7	63.4	38.0
HSBC EPS	11.5	188.5	62.4	39.3
Ratios (%)				
Revenue/IC (x)	2.8	1.8	2.2	2.6
ROIC	26.5	20.6	30.6	41.1
ROE	10.2	14.6	20.8	24.7
ROA	8.6	9.8	13.6	16.4
EBITDA margin	16.5	21.1	25.5	28.1
Operating profit margin	11.7	17.3	21.1	24.0
EBITDA/net interest (x)	9.9	15.3	24.4	32.2
Net debt/equity	-15.9	-22.6	-34.7	-45.3
Net debt/EBITDA (x)	-0.8	-0.8	-0.9	-1.0
Per share data (INR)				
EPS	1.58	4.56	7.40	10.31
EPS (before exceptionals)	2.39	4.57	7.40	10.31
DPS	0.25	0.92	1.85	3.09
NAV	30.90	33.03	38.32	45.09

Key forecast drivers

Year to	03/2006a	03/2007e	03/2008e	03/2009e
Print Ad revenue growth	31.8%	32.5%	25.0%	20.0%
Radio revenue growth	-	-	900.0%	40.0%
Internet revenue growth	-	-	212.5%	80.0%
Print EBITDA margin	18.2%	24.6%	28.8%	31.0%
Radio EBITDA margin	-	-	-20.0%	0.0%
Internet EBITDA margin	-	-	10.0%	20.0%

DCF analysis

HSBC assumptions		DCF, comprising	
Beta	1	Value of enterprise	52097
Cost of Equity	13.5%	Value of non core assets	493
WACC	13.3%	Value of equity	55725

Sensitivity and valuation range

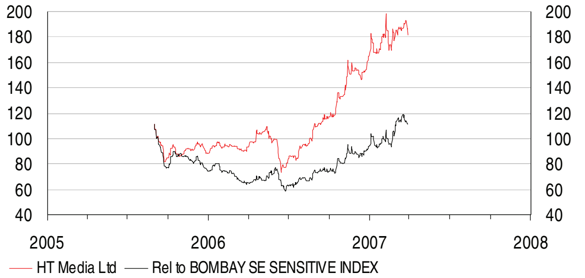
Cost of capital vs fade period	5 years	10 years	15 years
11.3%	281	286	290
12.3%	256	260	263
13.3%	235	237	240
14.3%	216	218	220
15.3%	199	201	202

Valuation data

Year to	03/2006a	03/2007e	03/2008e	03/2009e
EV/sales	2.5	3.8	2.9	2.3
EV/EBITDA	15.1	18.1	11.2	8.1
EV/IC	3.5	6.5	6.3	5.8
PE*	58.3	39.0	24.0	17.3
P/NAV	3.0	5.4	4.6	3.9
Dividend yield (%)	0.3%	0.5%	1.0%	1.7%

Note: * = Based on HSBC EPS (fully diluted)

Price relative



Source: HSBC

Note: price at close of 29 Mar 2007

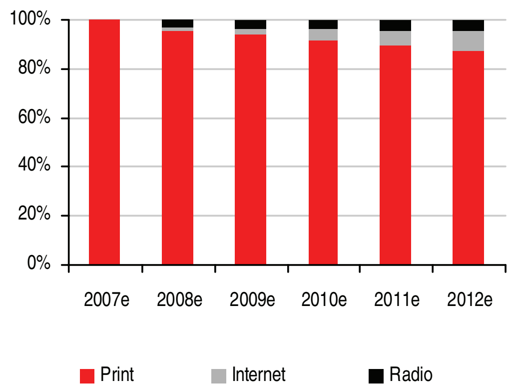
Disclaimer & Disclosures. This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, that form part of it.

Investment summary

- Print business continues to expand; business newspaper *Mint's* initial print order makes it a strong second by circulation
- In our opinion, earnings growth from radio and internet ventures is not fully priced in
- HT Media offers potential EPS growth of 126% FY07-09e, yet trades on a 2008e PEG discount of 58% to the Indian TV sector

The changing face of HT Media

HT Media: Revenue by medium FY06-FY12e



Source: HSBC

The profile of HT Media is transforming from a print company to a comprehensive media offering with the addition of radio and internet businesses.

We think that media channel and geographical diversification will increase exposure to fast growing radio and on-line segments, and also insulate earnings from shifts in spend by medium and advertising category.

Printing money

HT Media's newspaper business continues to outperform. We expect the 30%+ momentum in ad revenue growth in FY06 to continue in FY07e. FY08e growth is expected to slow to 25%, still 6-8% higher than the industry.

We forecast total print revenues to grow by 27.5% in FY07e and by 22.5% in FY08e, driven by an increased national footprint, selling ad space in packages and the successful launch of the new business newspaper, *Mint*.

Newspaper industry outlook

Contrary to the trend observed in the developed world, where ad spend is shifting away from print towards TV and newer media like the internet, we do not see any decline in newspapers' share of Indian ad spend and expect it to remain constant at 41-42%. Increasing urbanisation, literacy rates and an English-speaking population should keep readership levels, and ad revenues, for the newsprint business strong. We estimate 16.8% ad spend CAGR growth for the industry 2005-10e.

HT Media's print strategy rests on two pillars:

- Expanding national footprint. Most of HT Media's newspapers have a leading or number 2 market position in their respective categories. The hub and spoke model combined with the re-usability of content provides high operating leverage
- Bundling advertisement space. More than 70% of HT Media's advertising space is sold as packages either across geographies or across editions, accelerating HT Media's ability to garner revenues from geographical expansion and new media formats

Making a Mint

The recently launched business newspaper, *Mint*, is already a strong number 2 in the Mumbai and Delhi market with a circulation of over 80,000 copies. It has the *Wall Street Journal* logo on its masthead and four pages of international content, leveraging on the global coverage of 1,900+ *Wall Street Journal* journalists. The newspaper is expected to break even in 12-18 months.

Fever Bolo

Recent liberalisation in the FM industry leads us to believe that radio will increase its share of the ad spend pie from 2% in 2005 to 3.5% in 2010e.

We estimate that HT Media will add INR400m to its top line in FY08e with the launch of Fever 104 FM in Delhi, Mumbai and Bangalore over the last six months. Fever is expected to launch in Kolkota in Q1 FY08, and we forecast that the group's radio ad revenues will grow at a 35% CAGR over the next three years.

We expect HT Media's radio operation to break even at the EBIT level in FY10e. However after that, increase in revenue flows directly to the bottom line as almost all costs are non-variable in nature.

Internet: old business new platform

Capitalising on its strengths of being a large newspaper player in the matrimonial, real estate and recruitment advertising segments, HT Media plans on creating verticals in the internet space.

For HT Media's on-line ventures we assume a turnover of INR250m for FY08e growing to INR1.3bn over the next three years. We assume a peak EBITDA margin of 40%, which we consider to be conservative.

Valuation

We believe that the value of HT Media's radio and internet ventures are not yet factored in to the stock price.

Our estimates drive EPS growth of 126% FY07-09e and our PE multiple and DCF models yield a fair value range of INR222-238. We take the mid point to arrive at our 12-month target price of INR230 per share. We upgrade our rating from Neutral to Overweight.

We estimate that HT Media trades at a FY08e PE of 24x, compared to Indian TV stocks average PE multiple of 30.8x, yet HT Media offers 62.4% earnings growth compared to just an average of 30.4% for the TV sector. In our opinion, HT Media's compelling relative valuation supports our Overweight rating.

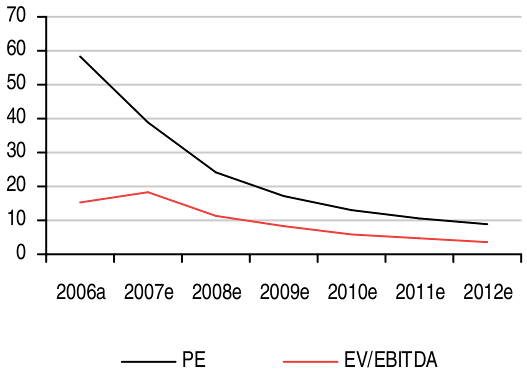
Risks

In our view, the main risks to our rating are the entry of a third player, possibly DNA, into the Delhi market.

HT Media also faces risk from newsprint cost inflation, and macroeconomic factors which may cause Indian advertising spending to slow.

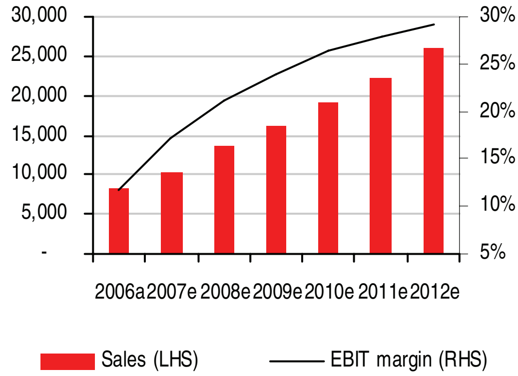
HT Media: HSBC forecasts

PE and EV/EBITDA



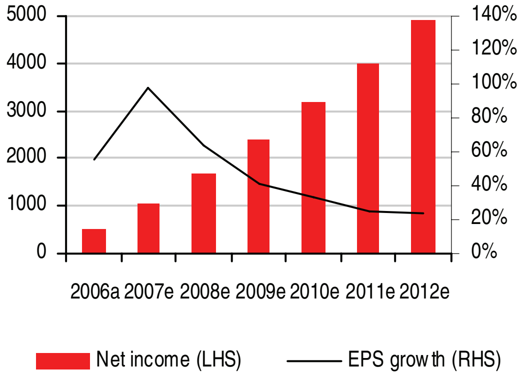
Source: Company data, HSBC

Sales generation and EBIT margin (INRm)



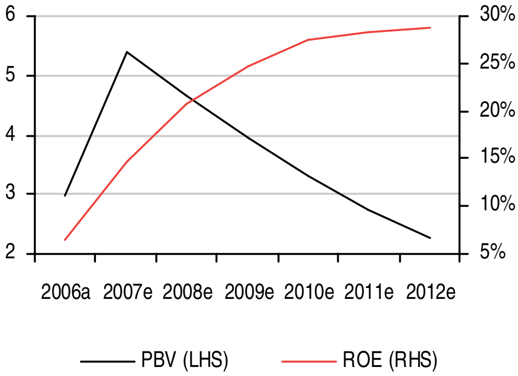
Source: Company data, HSBC

EPS growth and net profit generation (INRm)



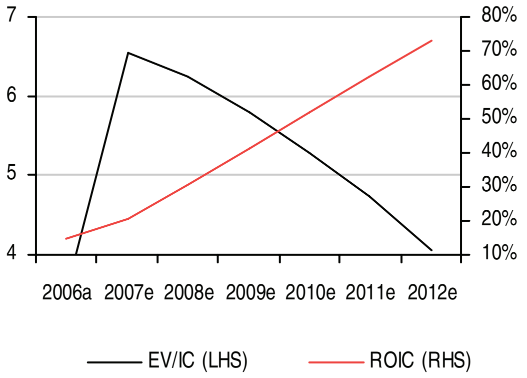
Source: Company data, HSBC

ROE and PBV



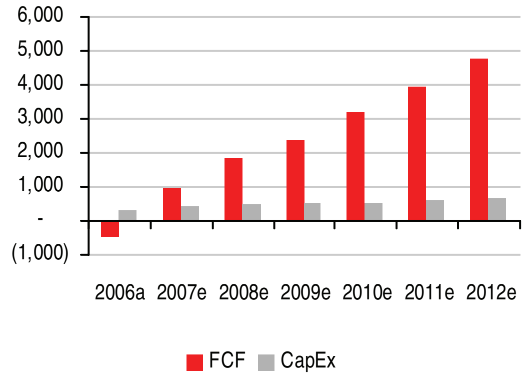
Source: Company data, HSBC

ROIC and EV/invested capital



Source: Company data, HSBC

FCF generation and capex (INRm)



Source: Company data, HSBC

Contents

Printing money

- HT Media's business newspaper, *Mint*, in association with the Wall Street Journal, has launched in Delhi and Mumbai. Initial circulation of 80,000 makes *Mint* the second largest business daily
- 70% of advertisements are now sold in packages, which drives ad revenue growth and helps new editions to rapidly break even
- We anticipate HT Media's top line in print will expand by 27.5% in FY07e y-o-y, and a further 22.7% in FY08e, achieving revenue growth 6-8% higher than the industry average

On 1 February, HT Media launched its business daily newspaper *Mint* in association with the WSJ with *Wall Street Journal* logo on its masthead:

- Managing editor of *Mint* is Raju Narisetti, who in our view has valuable experience as the Editor of *The Wall Street Journal Europe* and a Deputy Managing Editor of *The Wall Street Journal* with overall responsibility of Europe, Middle East and Africa
- The layout of the newspaper is differentiated to the layout of a conventional business daily. Its white background and eye-catching orange font for select content, is a break from the pink background and black headlines that are the current norm in business papers
- Moreover, the newspaper is sized between a tabloid and a broadsheet ('berliner' size) making it handy to read, and contains 24 pages. *Mint* is designed by Mario Garcia, an internationally recognised world renowned newspaper designer, responsible for the redesigning of the *Wall Street Journal*'s US and international editions
- Four pages of content, selected by the Indian editorial team from the international news and analysis put together by the 1,900 journalists of the *Wall Street Journal*, will form part of *Mint*'s offering five days a week
- The newspaper is available at an introductory subscription price of INR299 (USD6.80) per year and has a cover price of INR2 (US cents 4.5) per copy
- The *Wall Street Journal* does not have any equity stake in the arrangement and the venture is on a 'management fee' arrangement, a flat amount per year

Minting 80,000 copies

The business daily market in India is a niche market dominated by *The Economic Times*.

Business daily circulation ('000)

	Delhi + Mumbai	Pan-India
Economic Times	359	618
Business Standard	54	96
Hindu Business Line	17	117
Financial Express (HSBC estimate)	30	90
Mint	80	80
Total	540	1001

Source: ABC circulation figures, Jan-June 2006

The Economic Times has a clear lead, with circulation of 618,000 followed by *Hindu Business Line* with a circulation of 117,000, then the Business Standard with a circulation of 96,000.

English language business dailies have a circulation of about 1m pan-India, with about 540,000 of this in Mumbai and Delhi.

As per the SEC (Socio-economic classification based on education levels and occupation) traditionally, the target audience for a business newspaper has been SEC 'A' households (where the main earner has high educational qualifications) and to some extent SEC 'B' households.

Accordingly, we believe there is a huge potential to increase the circulation figures as 61% of the potential target audience remains untapped.

Business dailies reach ('000)

Total Households of Delhi & Mumbai	7,043
Sec A households in Delhi & Mumbai	1,372
Circulation of business dailies	540
Business dailies as % of target audience	39%

Source: Guide to Indian markets 2006: Hansa Research & Media Research users council

In the table above, we have included only Sec A in the target audience: if we include Sec B also, then the penetration figure is just 20%, implying huge scope for increased circulation of business dailies.

The Mint strategy

The *Mint* format is attempting to appeal to a broader target audience than the existing business newspaper competition.

Ease of use

Fragmentation of news media has resulted in lesser time spent on reading newspapers. In Europe, time spent online (four hours per week in 2006 from two hours per week in 2004) has exceeded the time reading newspapers (three hours per week in 2006, static over the past two years), and television is far ahead at 12 hours per week (from 10 hours per week in 2004) (Source: *Financial Times,* 8 October 2006).

HT Media believes that India will follow the same trend. Keeping this in mind, *Mint* has:

- Restricted itself to a Berliner format with 24 pages
- A table of contents/index on page 2 to facilitate easy navigation
- Done away with complex terminologies and jargon for ease of understanding to appeal to a larger target audience such as students, entrepreneurs without formal business education, family businesses and lower management levels of the service class

More analysis

With the fragmentation of news media, newspapers are often not the first means of communication for any given news item as television and internet are "real-time" news media.

Readers, therefore, expect more than just 'news reporting' from newspapers. Keeping this in mind, *Mint* has more views and analysis and will have contributions from prestigious commentators, such as Jack Welsh, the Dean of the Kellogg School of Management, and the Dean of Wharton business school.

Sec B audiences

By positioning itself as an easy to understand business paper, *Mint* is likely to appeal to a large audience who currently do not read business newspapers. Students, entrepreneurs without formal business education, and lower management levels of the service class have a low exposure to business newspapers, leaving the door open for *Mint* to tap these audiences.

In our view, it is possible that *Mint* becomes a second business newspaper in some households for college-going sons/daughters. The Sec B audience in Mumbai and Delhi is about as large as the Sec A audience, implying a large potential target audience for *Mint*.

Wall Street Journal credibility

Mint has two well known brands backing it: *Hindustan Times*, which is the number 1 English daily in Delhi and the *Wall Street Journal*, internationally known for its business news reporting. *Mint* will have 4 pages of *Wall Street Journal* content 5 days a week, which will give it an edge in international business news reporting, in our opinion.

Association with the *Wall Street Journal* has been one of the major factors responsible for creating a substantial initial circulation of 80,000 copies, making *Mint* the second largest business daily in Mumbai + Delhi by a clear margin. We expect circulation to touch 100,000 by end 2007.

Reader database

Most *Mint* sales are through direct subscription. HT Media has set up a call centre in Mumbai which enlists subscribers, but also conducts targeted telemarketing.

The subscribers of *Mint* are mostly from middle/ high income brackets and have higher than average educational backgrounds. The details of this customer database can be shared with advertising media buyers to display the quality of *Mint*'s readership, enabling HT Media to justify firm advertising rates.

Riding on HT distribution

Hindustan Times has a circulation of about 1.3m in Delhi and Mumbai combined. HT Media in the future can sell *Mint* to this audience through combo offers, telemarketing, or giving free samples *to Hindustan Times* subscribers for a limited period.

Online version

Mint is complemented by livemint.com, an online version of the business newspaper, enabling cross selling between the HT Media's newspaper and online properties. For details on livemint.com, please see the chapter 'Internet: same business, new platform' later in this report.

Lounge and *Campaign*

Subscribers also receive *Lounge* on Saturday, a magazine style weekend edition of *Mint* aimed at encouraging a healthier, wealthier and happier lives.

A weekly supplement called *Campaign,* specialising, in the advertising and marketing industries is also planned.

Roll-out to other cities

Mint will be rolled out to other cities in addition to Mumbai and Delhi. Chandigarh and Kolkota editions are a possibility later this year.

Metro

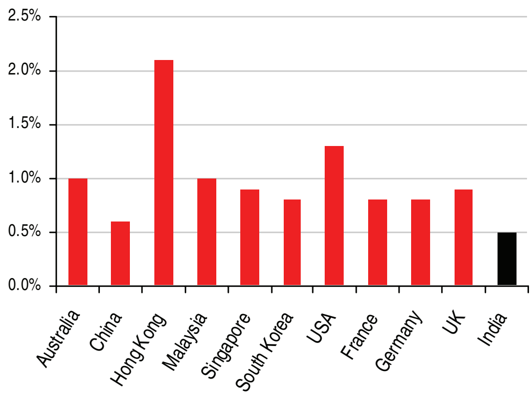
Metro, a tabloid in association with the *Times* of India, was launched in Delhi on 5 February 2007, with an estimated circulation of about 100,000.

Metro has been launched as a "flanker". This is a strategic move to hamper potential new competition (eg a third player such as DNA) in entering the Delhi newspaper market.

Metro is launched with a cover price of just INR1 and we expect this paper to contribute zero to the bottom line.

Print industry overview

Ad spend % GDP



Source: KPMG report on Indian entertainment industry

India has a very low ad-spend as a percentage of GDP. India at 0.5% is low compared not only to the global average, but also to Asian countries like China (0.6%), Singapore (0.9%) and Malaysia (1.0%).

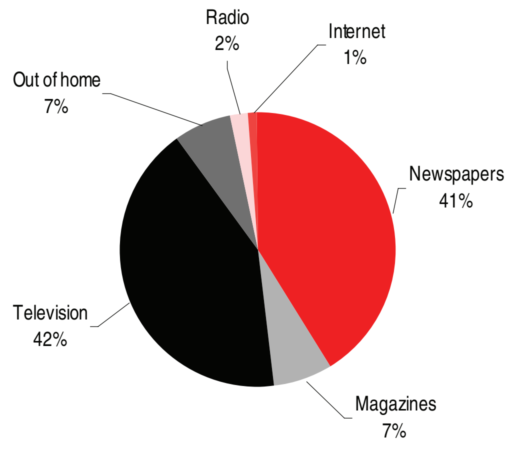
We believe that development of ad spend in India is likely to follow the path of other developed nations, giving us confidence in the long-term Indian media investment theme.

Ad spend growth is related to nominal GDP growth (which is about 15% in India currently) However, since ad spend as a percentage of GDP is low in India, we estimate ad spend to grow at a faster pace.

Print media (comprising newspapers and magazines) has the largest share of the ad spend pie at 48%. Newspapers alone have a share of 41% on a par with television at 42%.

Further segmentation of newspaper ad revenues shows that 48% is attributed to English newspapers, 21% to Hindi newspapers, 23% to regional newspapers and 8% to business dailies.

Indian ad spend break-up by segment



Source: HT Media

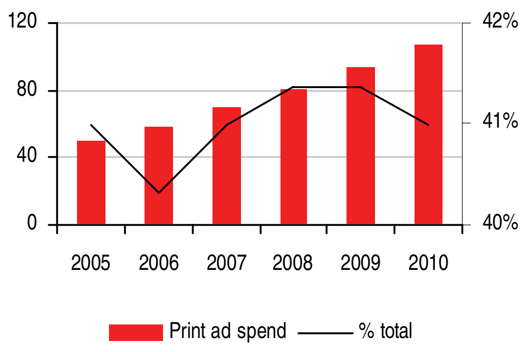
Growth drivers

Although in developed countries, we have seen a declining trend in print ad revenue market share, as TV takes dominance, we see a different scenario in India:

- Literacy rate in India is on the rise – increased from 52% in 1995 to 62% currently implying an absolute increase of 185m potential readers
- The English-speaking population is increasing even faster, about 30% of India is currently English-speaking
- Since ad rates in English dailies are higher than that of Hindi/vernacular dailies, ad revenues of English newspapers should be positively affected
- The medium is improving – new players like DNA and new newspapers like Mumbai *Mirror* and *Mint* have come into the market, improving and widening consumer choice
- Print advertising sales forces argue that with the proliferation of TV channels (most households receive close to 100 channels) and ‘channel surfing’ resulting in TV ads often going unseen, advertisers are realising the value of ‘greater permanency’ that newspapers offer

Indian newspapers market

Indian newspaper ad revenue projection (INRbn)



Source: HSBC estimates

In the comprehensive report *The Indian Media and Entertainment Industry – Unravelling the Potential*, Price Waterhouse Coopers (PWC) estimates that the Indian print advertising market will grow at a CAGR of 12% for 2005-10e. However, in our view, PWC's estimates are overly conservative as newspapers are growing much faster than total print.

Accordingly, we estimate a greater CAGR of 16.8% for 2005-10e, for Indian newspaper advertising revenues.

Ad revenue strategy

HT media's strategy for maximising advertising revenue is based on:

- Increasing national footprint
- Selling bundled ad space in packages

Increasing national footprint

- HT Media is the second largest print media company in India with a reader base of over 13 million (2.6 million copies in circulation)
- Its editions cover 65% of India's population
- HT Media has a pan-India sales presence
- HT Media's English daily *Hindustan Times* is number one in Delhi, Punjab and Bihar and Jharkhand, number two in Uttar Pradesh and number three in Mumbai (in less than one and a half years after launch) and West Bengal
- HT Media's Hindi daily *Hindustan* is number one in Bihar and Jharkhand, number two in Delhi and number 3 in Uttar Pradesh

The group's national footprint is increasing, with new Hindi editions being planned in Uttaranchal and Uttar Pradesh. South India is not presently covered, but we think that it is likely that HT Media will consider entry strategies within the next two years.

The national footprint enables HT Media to operate a hub and spoke model which reduces capital intensity and costs.

Any town or city which is 2-3 hours away from a publishing centre can be brought within this model. For example, editions for Agra, Meerut, Delhi and Kanpur are printed at the printing press at greater Noida, at a cheaper cost than more localised printing, and transported overnight to be available before sunrise at the reader's doorstep.

This saves investment in printing press and overheads. News content is much the same for these cities, which are only about 150 km away from each other, and therefore the incremental cost of adding a new edition in an existing hub and spoke model is just the cost of newsprint and ink for the extra copies.

Bundling advertising space

Selling advertising space in packages goes hand in hand with increasing national footprint

- Media buyers are incentivised to go for packages as rates are lesser than the sum of individual regional rates. For example, for advertising in the English daily *Hindustan Times*, there is a cumulative discount of 5% off rate card for every edition added into the package

- The package offers increased advertising reach for an advertiser, at a one-stop shop

HT media: Advertising packages

INR per sq cm	Rate	Savings
HT Delhi	1390	-
HT Mumbai	700	-
HT Chandigarh	310	-
Package Delhi + Mumbai	1986	105
Package Delhi + Mumbai + Chandigarh	2160	240

Source: Company data

HT Media sells 70% of its advertisement as packages and offers over 750 packages across geographies, editions and languages.

Although it may seem that the company may suffer from discounting, this strategy makes good sense if we consider incremental costing:

- The incremental cost of an additional edition is lesser than that of a standalone one
- The discount on ad rates is much lesser than the operating leverage of the company and therefore the incremental profit for HT media is positive

This is amply demonstrated by group EBITDA margin expansion from 13.6% in FY05 to 16.5% in FY06 and 21.1% in FY07e.

A further benefit to HT Media is that it helps generate advertisement revenue for new publications ie it's a hard sell to get an advertiser to commit to an unknown publication, but much easier if it can be bundled with existing proven advertising vehicles.

Our forecasts

We estimate robust ad revenue growth of 32.5% for FY07e as the HT Mumbai edition has increased circulation over FY06, and for full year impact.

Increasing national footprint and inflation in ad rates should grow FY08e ad revenues 25% y-o-y, and 20% in FY09e y-o-y. We expect subscription revenue per copy to decrease 4% in FY07e and remain flat in FY08e onwards; increase in subscription revenues are due to increase in circulation only. We estimate total print revenue growth of 27.5% in FY07e and 22.7% in FY08e.

HT Media: Print business projections

INRm	FY06	FY07e	FY08e	FY09e	FY10e
Ad revenues	6548	8674	10843	13011	15288
y-o-y growth	31.8%	32.5%	25.0%	20.0%	17.5%
Subscription revenues	1368	1484	1672	1772	1861
y-o-y growth	9.0%	8.4%	12.7%	6.0%	5.0%
Other operating revenues	298	316	337	354	372
y-o-y growth	-	6.0%	6.6%	5.2%	5.0%
Total revenue	**8214**	**10474**	**12851**	**15137**	**17520**
y-o-y growth	30.7%	27.5%	22.7%	17.8%	15.7%
Gross profit (Sales - raw materials)	4775	6087	7732	9374	11092
Gross margin	58.1%	58.1%	60.2%	61.9%	63.3%
EBITDA	1190	2130	3127	4031	4948
EBITDA margin	18.2%	24.6%	28.8%	31.0%	32.4%
Depreciation/ Amortisation	397	405	442	489	537
EBIT	794	1725	2685	3542	4411
EBIT margin	9.7%	16.5%	20.9%	23.4%	25.2%

Source: HSBC

Newsprint costs have increased over the last few quarters. We believe it possible that newsprint may decline in Q1/Q2 FY08e. However, we keep our assumptions prudent by assuming flat print costs of USD700 per ton in FY07e and FY08e.

We assume employee cost to increase 17.1% in FY07e and 17.5% in FY08e, impacted by the full year effect of *Mint* staff costs.

Marketing expense in FY07e is estimated 26% lower y-o-y as FY06 cost hit an all-time high due to the launch of *Hindustan Times* in Mumbai.

However, we estimate FY08e marketing expenditure to increase 18.5% y-o-y due to the *Mint* launch.

Our forecasted EBITDA margins increase from 18.2% in FY06 to 24.6% in FY07e and 28.8% in FY08e as the business has high operating leverage and benefits from rising revenues.

HSBC

Fever Bolo

- Radio industry in India undergoing a paradigm shift: entry has opened up for private and foreign players (20% FDI allowed), resulting in focus on producing content which can be monetised
- Urbanisation, appeal to young audiences, increasing commuting times and localised content are major growth drivers – radio advertising market to grow to INR6.75bn from 2006-08e (+80%)
- We expect Fever 104 FM's differentiated strategy of 'more music less talk' to appeal to youth audiences, and estimate market share increase from 8% in FY08e to 8.9% in FY10e

Sizing the market

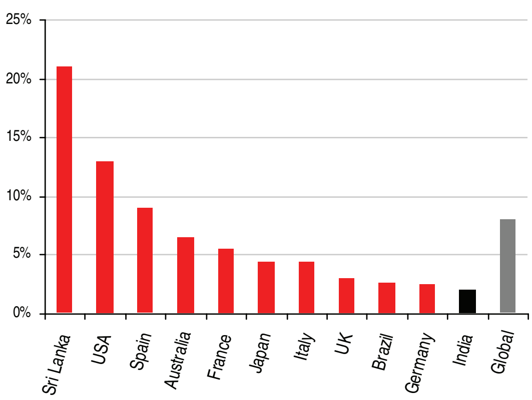
Historically, radio in India has been dominated by the state owned AIR (All India Radio), which has a broadcast footprint of 91% and reaches 99% of the population. However, as AIR is a public broadcaster, and is subject to restrictive formats, we believe that its commercial appeal to advertising media buyers is limited.

The FM radio segment in India is undergoing a paradigm shift and is gaining momentum with the entry of private and foreign players. We expect ad revenues to experience sustained high growth rates.

Global scenario

As mentioned in the previous section, global ad spend as a percentage of GDP is at 0.98%. India at 0.5% is low compared not only to the global average, but also to Asian countries like China (0.6%), Singapore (0.9%) and Malaysia (1.0%).

Radio ad revenues % total ad revenues



Source: KPMG report on Indian entertainment industry

According to government estimates, real GDP will grow at 9.2% in the current fiscal year (which equates to about 15% nominal growth). There is a high correlation between GDP growth rate and ad-spend, and we expect robust ad-revenue growth.

Radio as a percentage of total ad-spend globally is at around 8%, with countries such as Sri Lanka (21%) and USA (13%) at the higher end. Indian radio's market share, at just 2%, is low by any standards.

Growth drivers

We have reason to believe that radio ad-revenues will grow much faster than other media, such as print and television, due to beneficial changes in the industry:

Entry of new players

The sector has been opened up to private players since 1999, and in 2005, 20% FDI has been allowed. This resulted in an explosion of FM channels. For example, in phase 2 of allotment in Jan-Feb 2006, licenses for about 250 channels were allotted in 87 cities, a far cry from the days when the staid AIR was the only player in the segment.

Penetration of young audiences

Radio as a medium appeals to younger target audiences:

- FM radio offers opportunities for interactivity via phone ins and SMS – relevant for young audiences comfortable with mobile usage
- Radio can create a relevant media experience for younger target audiences by using fashionable jockeys to address issues relevant to young Indians, building an emotional bond/brand equity

Time on the move

Although in India currently home consumption is dominant, the trend of listening to FM while commuting is quickly gaining popularity.

- As the ratio of urban population is increasing (300 bps increase from 26% in 1991 to 29% in 2005), cities are expanding into the suburbs. Commuting time is increasing due to the increased distance as well as increased congestion
- The number of people owning cars is on the rise. In the last year, the total number of cars in India has increased by 1.1m, totalling 11.8m in 2006.
- The footprint of FM radio has increased and now covers highways to some extent

Cost vs. benefit

International research indicates that radio has 60% of television's effectiveness at increasing campaign awareness among an audience of 16-44 year old radio listeners. (Source: KPMG). However, the cost of radio advertising is 7-10 times lower than the cost of television advertising, making it an efficient medium for advertising buyers in terms of cost for effective advertising reach.

Localised content

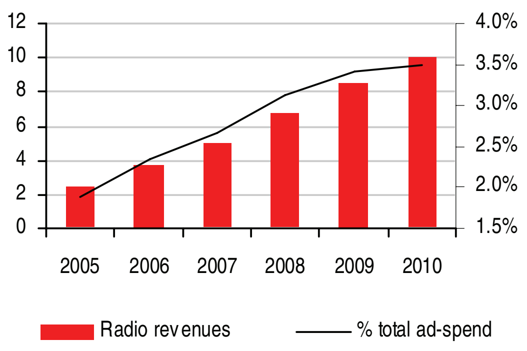
Since an FM station has reach restricted to a particular city, most of the content is very localised in terms of traffic updates, local events (eg contests in a particular college) which makes radio consumption a relevant "To me" experience for the individual, building a loyal listener base.

Indian radio market outlook

In 2005, radio contributed about 2% to the ad-revenue pie at INR2.5bn. 2006 estimates are at INR3.5-4bn. According to PWC – FICCI, this is expected to increase to INR12bn by 2010.

According to KPMG, however, this will reach only INR8bn by 2010. We feel that an appropriate figure would lie somewhere in between: the chart below shows HSBC estimates for Indian radio ad revenue.

Radio ad revenues growth projections (INRb)



Source: HSBC estimates

We estimate:

- Radio ad-revenues to grow by 33.3% in 2007e to INR5bn and 35.0% in 2008e to INR6.75bn
- Ad revenues from radio at INR10bn in 2010e, to form 3.5% of the total pie, implying a CAGR of 31.9% 2005-10e

Fever 104 FM

HT Media's FM radio venture, HT Music and Entertainment Company Ltd, in technical collaboration with Virgin Radio was first launched in November 2006 in Delhi. This was followed by the launch in Mumbai on 15 January and Bangalore launch on 6 March. Kolkota launch is scheduled for Q1 FY08 (April – June 2007)

HT Media owns 75% of this venture and the remaining 25% is owned by its parent, Hindustan Times. Virgin Radio does not have an equity stake; there is a technical collaboration agreement and a management fee, similar to that being paid to WSJ for *Mint*.

Format play

Fever 104 FM is different from other FM radio stations in terms of music content as well as how the content is presented.

Insights derived from research in Indian listening habits have been combined with Virgin Radio's expertise resulting in an FM station which concentrates more on music and less on talk:

- Fever 104 FM has identified its target audience as Sec A and B individuals between the ages of 20 and 35. Based on the research of thousands of titles, HT media believes it has a good idea about what the target customer prefers. Accordingly, Fever 104 FM will play 80% Hindi and 20% international music taken from the post 1980's period. Fever 104 FM will not play any regional language music
- The music will be tweaked to suit local tastes and preferences. Delhi will tilt towards Bhangra beats and Mumbai would be influenced by a higher Bollywood mix
- Most other FM stations which have block radio programming: there are morning, afternoon, evening and late night segments with different themes (such as traffic situation in peak hours, romance late at night) for each segment. Fever 104 FM however has a constant and steady flow of music alternating between Hindi and English so that the consumer always knows what to expect
- "No recipes, no agony aunts, no silly jokes and no astrologers - only music" is Fever 104 FM's mantra. Their research shows that their target audience is the core listener who likes to enjoy music without the jabber of a radio jockey (RJ)

Fever Bolo

Fever 104 FM has adopted an effective technique to increase brand awareness and listenership of its FM station. In Delhi, it ran the "Fever Bolo" contest. Every 104 minutes, Fever 104 FM would call a local phone number at random. If the call is received with the words "Fever Bolo" (translated into English "Say Fever") then the respondent gets INR104,000.

Delhi has a target audience of 3m individuals, of which 'Radio Mirchi' has two-thirds and 'Radio City' has one third. HT Media estimates that Delhi Fever 104 FM now has approximately one million listeners, the same amount of listeners for as there are for Radio City thereby making it either number 2 or a close number 3.

In addition to the Fever Bolo contest, HT Media runs other eye-catching promotional events targeted towards youth audiences, such as people with their mouths sealed stationed at various points across the city to promote the "less talk" concept.

Fever 104 FM also runs outdoor/print advertising showing cooks, astrologers, radio jockeys with their mouths sealed. We forecast advertisement and promotion costs of INR80m for FY08e.

Revenue projections

We project revenues of INR400m from Fever 104 FM for FY08e (year ending March 2008). We derive revenue forecasts by two methods:

Market share method

In the first method, we take the market size at INR5bn.

Internationally, two or three cities contribute the bulk of radio ad revenues for the entire country. For example, in South Africa, Johannesburg and Cape Town account for 80% and in Australia Melbourne, Sydney and Brisbane account for 75% of total radio revenues.

HT Media estimates that Delhi and Mumbai together account for 50%+ share of total radio revenues. We estimate that the four cities that Fever 104 FM will operate in viz. Delhi, Mumbai, Bangalore and Kolkota will account for about 70% of total Indian radio advertising revenues.

Fever 104 FM revenue projections (INRm)

Method 1: Total market share	
Total market size	5,000
Share of 4 cities	70%
Revenue from 4 cities	3,500
Average number of channels per city	8
Fever 104 FM revenues, assuming equal share for all players	**438**
Method 2: Competitor study (Radio Mirchi)	
Radio Mirchi consensus sales estimates FY08	2,704
Share from Radio operations assumed at	2,434
Share of 4 cities	70%
Revenue from 4 cities	1,704
Fever 104 FM's first year revenues % Radio Mirchi's	33%
Fever 104 FM revenues	**562**
Average of the two methods	500
20% discount	100
Final figure	**400**

Source: Industry, HSBC

We therefore estimate that out of the total market size of INR5bn, INR3.5bn will be accounted for by these four cities.

On an average there are eight FM stations in each of these cities. We assume that HT Media will achieve mean market share, which we believe is a reasonable assumption given that out of the eight channels, only three or four are really popular, the rest being local/vernacular players with lower advertising revenues. On this basis we derive revenue of INR438m for Fever 104 FM.

Competitor method

The second method takes the market leader ENIL (Radio Mirchi) as a base. Radio Mirchi has operations in over 10 cities and therefore we assume that 70% of its revenues will derive from the four cities targeted by Fever 104 FM. We expect listnership for Fever 104 FM to be around half that of Radio Mirchi. Ad revenues always follow listnership with a lag, and therefore we estimate Fever 104 FM to have one third of Radio Mirchi's revenue from those four cities. This gives us a revenue target of INR562m for Fever 104 FM.

We keep our estimates conservative and apply a discount of 20% to the average revenue of INR500m and peg Fever 104 FM's revenue at INR400m for FY08e.

We estimate revenues to grow by 40% to INR560m in FY09e and 35% to INR756m in FY10e, increasing market share from 8% in FY08e to 8.9% in FY10e.

Margins

We assume -20% EBITDA margin in FY08e, EBITDA breakeven in FY09, going up to 15% in FY10e, steadily increasing to a peak margin of 33% by FY12. We believe this is prudent compared to ENIL's (Radio Mirchi) current EBITDA margins of c35%, which still have potential to grow.

HT Media has paid INR750m as license fees, and as the license is valid for 10 years, we amortise this over a period of 10 years.

We estimate that the total capex for setting up all the four channels (most of which has already been spent) is around INR350m.

HT media: Fever 104 FM estimates revenue and profit estimates

(INRm)	FY08e	FY09e	FY10e	FY11e	FY12e
Revenue	400	560	756	983	1229
EBITDA	-80	0	113	246	405
EBITDA margin (%)	-20.0%	0.0%	15.0%	25.0%	33.0%
Amortisation	110	110	110	110	110
EBIT	-190	-110	3	136	295
EBIT margin (%)	-47.5%	-19.6%	0.4%	13.8%	24.0%
HT Media's share in EBIT (75%)	-143	-83	3	102	222

Source: HSBC

On our forecasts, the business breaks into profitability at the EBIT level by FY10e and by FY12e the business should be generating an EBIT of INR295m on a turnover of INR1229m, giving a respectable EBIT margin of 24%.

Internet: old business, new platform

- Internet revenues in India at nascent stage, but set for hyper-growth: internet penetration, tactical advertising and disintermediation drive 650% growth 2005-10e
- HT Media is well positioned to venture into the online space in matrimonials, recruitment and finance, leveraging on its strengths in the print business
- We estimate FY08e revenues of INR250m, growing to INR788m by FY10e, and FY08 EBITDA margin of 10% growing to 30% by FY10e

Sizing the market

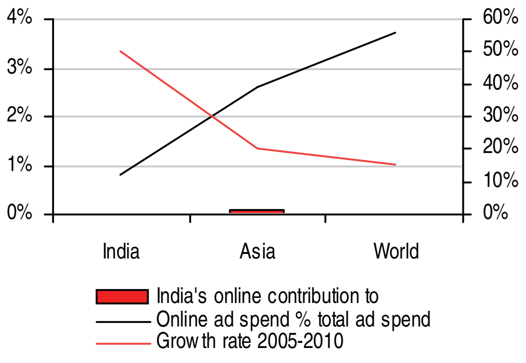
According to Euromonitor, global online ad spend in 2005 was USD14.8bn, representing 3.7% of total global ad spend. According to PWC in *Global Entertainment and Media Outlook 2006-2010*, this is expected to rise to USD25.2bn by 2010.

India at nascent stage

India, in comparison, has a meagre online ad spend of INR1bn (USD22m) in 2005, representing 0.1% of global online ad spend and 0.8% of India's total ad spend.

India is still significantly behind the Asia-Pacific average of online ad spend of 2.6% of total ad spend. Asia-Pacific contributes 13.7% to global online ad spend, and India only contributes 1.1% to Asia-Pacific online ad spend.

Online ad spend: India vs Asia and world



Source: Euromonitor, PWC, HSBC

India's online industry has small, but rapidly increasing revenues from e-commerce. IAMAI, a non-profit organisation founded in January 2004 by leading Indian Internet portals, projects that e-commerce revenues in India will reach INR2.3bn in the fiscal ended March 2007, growing at 95% over the previous year.

Growth drivers

Although online ad spend is low in India currently, we have reason to expect spectacular growth over the next 3-5 years.

Online ad spend growth drivers

- India has an internet penetration of 5%, and has 60m users. HT Media expects this figure to double to 122m by 2009
- Time spent browsing is increasing. The percentage of 'heavy users' who spend 8.2 hrs per week on the net increased from 16% in 2001 to 20% in 2004 and 28% in 2006 (Source: Report on Internet in India 2006) by IMRB International & IAMAI
- The internet advertising model is changing from linear broadcasting to tactical placement. For example, if a user is searching for a particular topic, advertisements for that particular topic are displayed to him
- Higher online shopping means more eyeballs, translating into higher ad spend on that site
- Penetration of hand-helds /mobiles with 3G technology will increase browsing on the move; an entire new segment should open up for online advertisers

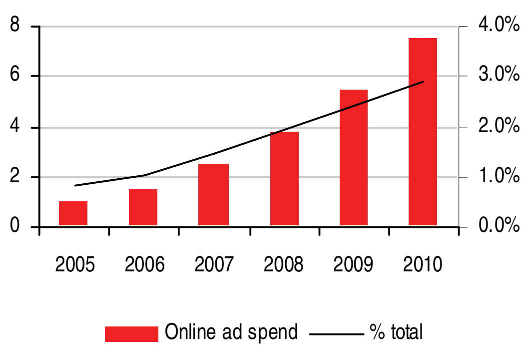
E-commerce (subscription) growth drivers

- Successful business models have emerged across verticals, enabling new players to follow suit and increase the options available to the internet audience.
- Credit card penetration in India is increasing at a fast pace. For the fiscal year ending March 2006, the total number of credit cards in India grew 48% y-o-y from 12m to 18m. Since most online transactions are through credit cards, increase in number of cards will increase the capability of consumers to buy online
- The internet, by enabling direct contact to customers at a low cost, has resulted in making the middleman/advertising agencies redundant and reducing physical infrastructure requirements for sales offices, enabling marketers to contact end consumers at discounted prices. A good example of this is the airline industry in India which clocked online ticket sales of INR8bn, from almost nil three years ago. Approximately 60% of air tickets are booked online and this accounts for 33% of total online spend in India

Indian online ad spend market outlook

The internet contributes less than 1% of Indian ad-spend with INR1bn for 2005. According to PWC estimates, this will go up to INR7.5bn by 2010.

Radio ad spend growth projections (INRbn)



Source: PWC report on Indian media & entertainment, HSBC

HT Media: Mapping the internet space

We examine the opportunities that HT Media has to expand its internet businesses:

- Matrimonials
- Job site
- Financial portal
- Others

Matrimonials

HT Media is one of the largest publishers of classified matrimonial advertisements in its dailies. There is physical infrastructure (usually a part of the HT Media office which remains open long hours) where persons seeking a partner can go and submit their advertisement to be published in the newspaper. HT Media would be able to offer its clientele a additional online platform on which to post their classifieds.

Growth drivers

- Favourable demographic profile of India implies a high percentage of population of marriageable age (estimated at 300m)
- Arranged marriages are common in India and in fact is a community effort by parents, friends and relatives to search for a bride/bridegroom
- Although being geographically removed, Indians prefer to get married within their community/region. Matrimonial sites transcend geographical barriers
- Matrimonial sites are interactive – aspirants can post their details as well as search for partners
- Filters on various parameters such as caste, age group, lifestyle habits, location, income, education, etc available only on websites (not through personal contact or print advertisements)
- For a youth target audience, provides a more contemporary means of searching for a partner

Sizing the market

According to *Businessworld*, February 2006, the total market size for matrimonial sites is INR400m, with a growth rate of 35% in year ending March 2005. Matrimonial sites are the highest paid content generators on the internet in India accounting for INR200m, the rest coming from advertisements.

Numbers of subscribers has gone up 77% from 2.25m to 4m in the period June 2003-October 2004 (Source: IAMAI press release Jan 2005)

The main players in this market are shaadi.com, bharatmatrimony.com and jeevansaathi.com.

We forecast 40-50% revenue growth in this segment with revenues touching INR2-2.5b by 2010

Projections for HT Media

Since HT Media has good synergies in this segment, we expect a launch of a matrimonial site in FY08e, if not earlier. Currently, HT Media operates under an arrangement with Bharatmatrimony to which it diverts traffic from its flagship website hindustantimes.com, presumably on a payment per click basis.

We expect that a matrimonial portal launched by HT Media would garner about 15-20% market share in the first complete year of operations, but we keep our assumptions prudent, especially since timing of launch is unknown, and forecast INR60m as revenues for FY08e.

We estimate increase in revenues to INR499m and estimated market share of around 15% by FY12e.

Recruitment

We examine HT Media's opportunity in the online recruitment space.

HT media has synergies with its print business in the vertical of recruitment advertisements. It is well known in the job market as a desirable platform to post vacancies, and can therefore cross-sell its ad space across print and online platforms through package rates.

Growth drivers

- Favourable macro economic factors such as a booming economy Indian economy, private sector contribution in overall employment increasing and high employee turnover in the service sector
- Availability of qualified manpower to meet the needs of corporates in India as well as in other countries
- Emerging sectors such as retail, media, and telecom are human resource intensive and are expected to have human resource growth rates of about 20%
- High growth in internet and PC penetration: internet users expected to double 2005-09
- Cultural factors such as willingness of Indian labour to relocate, leading to recruitment across regions benefiting seamless platforms such as the net

Sizing the market

According to Businessworld, the total market size for online recruitment is INR1.35bn with a growth rate of 35% in FY05. Online recruitment accounts for 10%+ of the total recruitment market in India.

92.7% of the online recruitment market revenue is derived from recruitment classifieds and related services, with the remaining being subscription fees from corporate customers.

The main players in this market are naukri.com, monster.com, timesjob.com, jobstreet.com and clickjobs.com.

We forecast growth 40-50% for this segment, with revenues to touch INR9b by 2010e.

Projections for HT Media

The timing of the launch for this venture is not known. However, we expect that HT Media would not want to miss out on a share of this large pie (three times the revenues of matrimonials).

Currently, HT Media operates under an arrangement with Clickjobs.com to which it diverts traffic from its flagship website hindustantimes.com, presumably on a payment per click basis.

We estimate that HT Media can take about 10%-12% market share in the first complete year of operations, however since the timing of launch is not known, we keep our assumptions conservative and assume INR80m for FY08e going to INR665m (estimated market share 6-8%) by FY12e.

Finance

We examine HT Media's opportunity in the finance portal space.

With the launch of *Mint*, HT Media has entered into the specialised business/finance publication space. To complement the business daily, HT Media has also started the website livemint.com. The audience of *Mint* will generate pull for Livemint and has the potential of being a fully integrated finance portal offering business news, stock quotes, alerts, and share trading platforms.

Livemint.com vs. Economictimes.com

We have analysed the online version of Economic times and Mint. The object is to compare these two websites which are similar in terms of positioning to find out where they stand versus each other.

Livemint scores over economictimes

- Layout of the site is better and links / information is not clustered
- Livemint has live stock quotes scrolling for major companies
- Links to latest financial results of Indian companies and recent M&A activity
- Can subscribe to email alerts on keyword criteria

Economictimes scores over Livemint

- News by industry, such as auto, consumer product, energy, healthcare, finance etc
- Can make own portfolio of stocks and track them

Although economictimes may have more content, it is not as eye-catching and easy to navigate.

Market size and HT Media projections

Although estimates for total market size for online share trading are not available, Indiabulls reported a total turnover of INR6.1bn (INR2.6b from brokerage, INR2.2bn from interest).

We however do not think that HT Media would enter into this in the short-term as it would require building infrastructure and expertise in broking.

The finance portal would generate revenues through:

- Monetise the traffic on its website through advertisements
- Revenue from partners such as bharatmatrimony and clickjobs for traffic routed to these sites from the portal

We estimate revenues of INR40m for HT Media growing to INR333m by FY12e.

Others

HT Media will earn internet revenues through other sources such as:

- Advertising revenues from its flagship portal hindustantimes.com
- *Hindustan Times* has digitised over 80 years of content and will be available on payment basis to whoever wishes to dip into the archives
- HT Media may also launch a real estate portal. Booming real estate markets and synergies with advertisement in its print versions make HT Media well positioned to enter this vertical.

We estimate revenues of INR70m from these activities increasing to INR582m by FY12e

Projections

HT Media: Internet business projections (INRm)

	FY08e	FY09e	FY10e	FY11e	FY12e
Matrimonials	60	108	189	312	499
Recruitment	80	144	252	416	665
Financial portal	40	72	126	208	333
Others	70	126	221	364	582
Total revenue	250	450	788	1299	2079
y-o-y growth		80.0%	75.0%	65.0%	60.0%
EBITDA	25	90	236	520	832
EBITDA margins	10.0%	20.0%	30.0%	40.0%	40.0%
Depreciation / Amortisation	50	63	78	98	122
EBIT	-25	28	158	422	710
EBIT margins	-10.0%	6.1%	20.1%	32.5%	34.1%

Source: HSBC

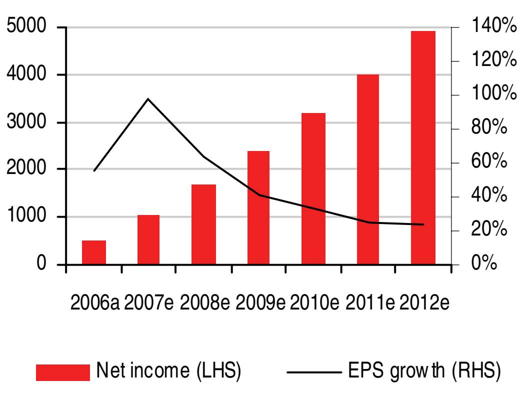
We estimate internet revenues to cross INR2bn in FY12e from the INR250m in FY08e. We assume EBITDA margins of 10% in FY08e growing to a peak of 40% by FY11.

Valuation

- Our forecasts drive EPS growth of 126% FY07-09e, giving us confidence to target a PE multiple of 30x
- Our PE multiple and DCF models yield a fair value range of INR222-238
- We take the mid point of INR230 as our one-year target price, representing 29.7% total return

Our revenue and margin forecasts drive a net profit progression of 507% FY06-10e.

EPS growth and net profit generation



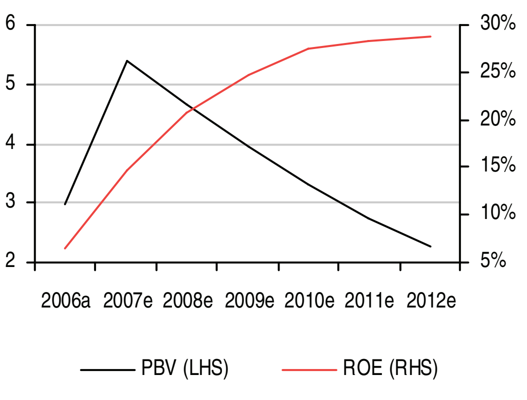
Source: HSBC, Company data

Return metrics

In our experience, increasing return metrics support expanding stock valuation multiples.

HT Media has a ROE CAGR FY06-10e of 44%. We estimate FY10e ROE at an respectable 27%

ROE and PBV

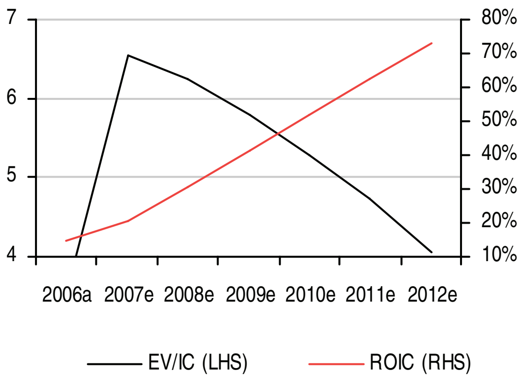


Source: HSBC, Company data

Our ROIC projections show hyper growth from 15% in FY06 to 52% in FY10e as the company is able to leverage its advertising revenue collection model to increase revenues with minimal cost increases and incremental capital expenditure as its current plant still has spare capacity.

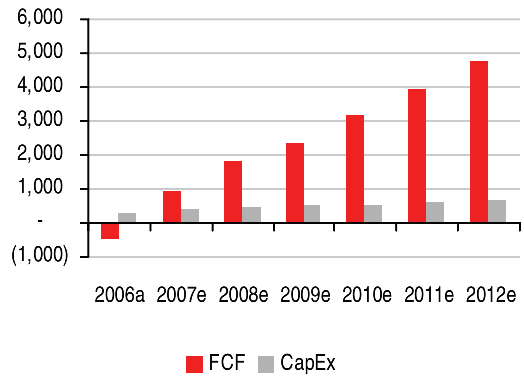
Here, we define ROIC as NOPLAT/average invested capital (operating fixed assets plus working capital).

ROIC and EV / invested capital



Source: HSBC, company data

FCF and capex



Source: HSBC, company data

FCF and capex

The company has invested capex of INR1bn per annum in FY05 and FY06 to install state-of-the-art printing presses, in line with its plan to increase the national footprint.

The current plant and machinery has enough spare capacity, therefore investments in the newspapers business should be restricted to maintenance capex for the next 2-3 years. New capex (tangibles as well as intangibles) would be in the areas of radio and internet. We estimate total capex (including intangibles) of INR500m for FY07e and INR550m for FY08e.

We anticipate impressive growth in FCF generation. We forecast that as the company leverages its national footprint and strengthens its product offering by including *Mint*, FCF generation will expand from negative INR488m in FY06 to INR3,155m in FY10e.

Valuation and rating

Our PE multiple and DCF models yield a range of fair value of INR222-238.

PE multiple valuation

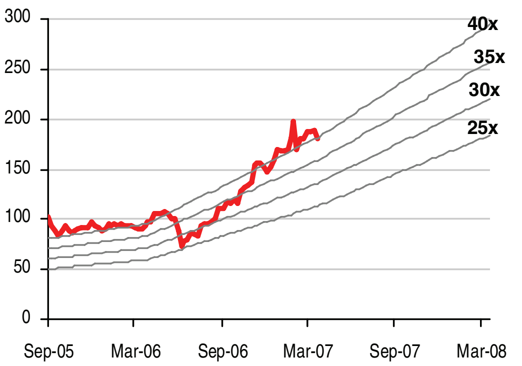
Examining the PE multiple range for the stock, we find that since from August 2005 till May 2006 HT Media traded at a forward PE band of about 40x, but this has not been sustained.

The price fell and in June 2006 it was trading at its lowest PE of 25x. Since then it has steadily re-rated from 25x to 39x currently.

Given the good growth prospects of the company (62% EPS growth in FY08e and 39% in FY09e), we are comfortable applying a FY08e PE multiple target of 30x to the stock.

Using our FY08e (for the fiscal year April 2007-March 2008) fully diluted EPS of INR7.40, this yields a 12-month PE based fair value of INR222 per share.

HT Media rolling PE band



Source: HSBC

DCF valuation

Our forecasts drive a DCF fair value of INR238 per share using a WACC of 13.3%.

ESPRIT: WACC calculation

Risk free rate	5.0%
Estimated beta	1.0
Equity Premium	8.5%
Cost of equity	13.5%
Current market price (INR)	178
No. of shares	234
Market value (INRm)	41699
Debt (INRm)	1700
Proportion of equity	96.1%
Proportion of debt	3.9%
Cost of debt	11.0%
Cost of capital (WACC)	13.3%

Source: HSBC,

Our three-stage DCF model explicitly forecasts out until 2018 and then trends for a semi-explicit period of 13 years, then fades for another 10 years, finishing in the year 2041.

Our DCF model yields a fair value of INR238, as shown in the following sensitivity table.

HT Media: DCF sensitivity: WACC vs fade period

HKD	5 years	10 years	15 years
10.3%	311	318	323
11.3%	282	287	291
12.3%	257	260	263
13.3%	235	238	240
14.3%	216	218	220
15.3%	200	201	203
16.3%	185	187	188

Source: HSBC

Price target and rating

We take the mid-point of our PE multiple and DCF valuation models to arrive at our 12-month target price of INR230 per share.

At our price target of INR230 the stock would trade at a FY08e PE multiple of 31x.

The HSBC rating system requires a 18.5% one-year return, including dividends, to arrive at an Overweight rating for a non-volatile Indian stock. This consists of a (US-based) risk free rate of 5% plus a 8.5% Indian market equity risk premium, plus 5% additional return to justify an Overweight rating.

Our 12-month price target represents 29.2% absolute upside, plus an anticipated 0.5% dividend yield, for calendar 2007 giving a one-year total potential return of 29.7%. We therefore upgrade HT Media to Overweight.

HT media forecasted one year return (to Dec 07)

Price upside	29.2%
CY07 dividend yield	0.5%
Total return	29.7%

Source: HSBC

Relative valuation

- We compare HT media to a peer group of international print stocks, and Indian media stocks
- The stock's valuation looks compelling on almost all metrics, especially PEG
- On our estimates, HT Media offers the highest EPS growth in the Indian media sector

We compare HT Media to two Indian print media companies, seven other Indian media companies and 11 international print media companies.

EPS growth

HT Media's FY07e EPS growth rate of 91.4% and FY08e EPS growth of 62.4% is superior to the media sector average:

- International print stocks have EPS growth of 17.9% in FY07e and 8.8% in FY08e, average
- Indian print stocks have EPS growth of 96% in FY07e and 37.9% in FY08e, average
- Indian TV stocks have EPS growth of 20.5% in FY07e and 30.4% in FY08e, average

PE and PEG ratios

HT Media has a PE ratio of 39x in FY07e and 24x in FY08e. This is higher than international print stocks and Indian print stocks, but lower than Indian TV stocks.

HT Media's PEG of 0.6x in FY07e also looks compelling, much lower than that of the average international print stocks at 2.2x, Indian print stocks of 0.7x and Indian television stocks of 1.5x.

Operating margins

HT Media's FY07e EBIT margins at of 17.3% are just a tad lower than that of international print stocks, but FY08e margins of 21.1% overtake international print margins of 19.7%. Margins are slightly lower Indian TV stocks with margins of 23.5%and 24.4% are higher than HT Media.

A full range of valuation metrics is shown in the following tables.

HT Media: Relative valuation

Stock	Local currency	Current Price	Market cap (USDm)	EPS 2006	EPS 2007	EPS 2008	EPS growth 2006	EPS growth 2007	EPS growth 2008	EPS CAGR 2006-08	PE 2006	PE 2007	PE 2008	PEG 2006	PEG 2007
International print media cos.															
Gannett	USD	56.1	13,162	4.9	4.7	5.1	-1.8%	-3.9%	7.6%	1.7%	11.4x	11.9x	11.1x	-2.9	1.6
Washington Pst.'B'	USD	759.7	5,944	34.9	35.8	40.3	10.8%	2.5%	12.8%	7.5%	21.8x	21.3x	18.8x	8.6	1.7
Tribune	USD	31.1	7,477	2.0	2.0	2.0	-1.9%	-3.9%	4.1%	0.0%	15.3x	15.9x	15.3x	-3.9	3.9
Singapore Press Hdg.	SGD	4.4	4,548	0.3	0.3	0.3	-12.9%	0.0%	7.4%	3.6%	16.1x	16.1x	15.0x	-	2.2
Rcs Mediagroup	EUR	4.0	3,908	0.2	0.2	0.2	-22.3%	-8.7%	9.5%	0.0%	17.3x	19.0x	17.3x	-2.0	2.0
Fairfax Media	AUD	4.7	3,895	0.2	0.2	0.3	-3.5%	-2.4%	12.5%	4.8%	19.2x	19.7x	17.5x	-7.9	1.6
New York Times 'A'	USD	23.4	3,341	1.4	1.1	1.2	-11.2%	-21.7%	8.9%	-7.6%	16.3x	20.8x	19.1x	-0.8	2.3
Mcclatchy 'A'	USD	31.4	1,752	3.1	2.2	2.4	-8.7%	-29.1%	5.9%	-13.4%	10.0x	14.1x	13.3x	-0.3	2.4
Dow Jones & Co	USD	34.2	2,179	1.1	1.5	1.7	13.3%	33.3%	17.6%	25.2%	30.8x	23.1x	19.7x	0.9	1.3
Trinity Mirror	GBP	533.0	3,071	43.6	41.2	43.4	-13.2%	-5.7%	5.5%	-0.3%	12.2x	13.0x	12.3x	-2.1	2.4
Scmp Group	HKD	2.8	561	0.2	0.2	0.2	37.3%	-12.4%	5.3%	-4.0%	12.9x	14.8x	14.1x	-1.0	2.8
International print media cos. average							**20.5%**	**17.9%**	**8.8%**	**1.6%**	**16.7x**	**17.2x**	**15.8x**	**4.8**	**2.2**
HT MEDIA	**INR**	**178.0**	**977**	**1.6**	**4.6**	**7.4**	**11.5%**	**91.4%**	**62.4%**	**116.4%**	**112.6x**	**39.0x**	**24.0x**	**0.6**	**0.6**
HTML vs International print media							**-44.0%**	**410.6%**	**607.2%**	**7186.6%**	**575.1%**	**126.4%**	**52.4%**	**-87.5%**	**-71.4%**
Domestic print media cos.															
Jagran Prakashan	INR	359.8	504	6.5	12.5	18.3	0.0%	93.2%	46.6%	68.3%	55.7x	28.8x	19.7x	0.6	0.6
Deccan Chronicle Hdg.	INR	147.1	817	3.3	6.6	8.5	78.4%	99.2%	29.2%	60.4%	44.6x	22.4x	17.3x	0.4	0.8
Domestic print media cos. average							**78.4%**	**96.2%**	**37.9%**	**64.3%**	**50.1x**	**25.6x**	**18.5x**	**0.5**	**0.7**
HT MEDIA	**INR**	**178.0**	**977**	**1.6**	**4.6**	**7.4**	**11.5%**	**91.4%**	**62.4%**	**116.4%**	**112.6x**	**39.0x**	**24.0x**	**0.6**	**0.6**
HTML vs Domestic print media cos. average							**-85.4%**	**-5.0%**	**64.7%**	**81.0%**	**124.7%**	**52.5%**	**30.0%**	**14.1%**	**-9.6%**
Domestic other media cos.															
Zee Entertainment Ents.	INR	241.2	2430	5.2	5.7	8.7	-31.4%	10.4%	52.5%	29.8%	46.5x	42.1x	27.6x	4.5	0.8
Balaji Telefilms	INR	123.1	186	9.2	11.7	13.3	20.2%	27.3%	14.3%	20.7%	13.4x	10.6x	9.2x	0.5	0.7
TV Today Network	INR	117.0	158	4.8	5.4	6.6	69.3%	12.7%	22.2%	17.4%	24.4x	21.7x	17.7x	1.9	1.0
New Delhi Television	INR	294.6	421	4.3	4.5	5.4	-28.8%	6.3%	19.2%	12.6%	69.2x	65.0x	54.6x	10.9	3.4
Entertainment Net.India	INR	310.5	343	8.7	6.8	8.3	-	-21.5%	22.1%	-2.1%	35.9x	45.7x	37.4x	-1.7	2.1
Sun TV	INR	1541.4	2467	21.0	28.8	43.7	-	36.9%	52.0%	44.3%	73.4x	53.6x	35.3x	2.0	1.0
TV.Eighteen India	INR	579.7	438	13.7	17.7	17.2	-1.4%	29.5%	-2.8%	12.2%	42.4x	32.7x	33.7x	1.4	-11.6
Domestic other media cos. average							**44.7%**	**20.5%**	**30.4%**	**19.2%**	**43.6x**	**38.8x**	**30.8x**	**3.5**	**1.5**
HT MEDIA	**INR**	**178.0**	**977**	**1.6**	**4.6**	**7.4**	**11.5%**	**91.4%**	**62.4%**	**116.4%**	**112.6x**	**39.0x**	**24.0x**	**0.6**	**0.6**
HTML vs Domestic other media cos. average							**-74.4%**	**345.9%**	**105.1%**	**505.0%**	**158.3%**	**0.7%**	**-21.9%**	**-83.1%**	**-58.3%**
Global media sector average							**38.2%**	**35.1%**	**18.7%**	**23.7%**	**29.4x**	**25.6x**	**21.3x**	**3.2**	**1.8**
HTML vs Global media sector							**-70.0%**	**160.4%**	**233.6%**	**390.9%**	**282.5%**	**52.4%**	**12.9%**	**-81.2%**	**-65.5%**

Note: Calculation of averages for PEG and EPS growth ignores negative values
Source: HSBC, Bloomberg, Datastream

HT Media: Relative valuation

Stock	EBIT margin (%)			ROE (%)			PBV			EV/EBITDA		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
International print media cos.												
Gannett	24.9%	23.7%	23.3%	13.6%	12.5%	12.1%	1.6	1.5	1.3	8.5x	8.8x	8.5x
Washington Pst.'B'	12.3%	13.4%	13.2%	0.0%	11.2%	11.3%	-	2.3	2.1	8.4x	7.5x	6.9x
Tribune	20.1%	18.6%	17.5%	12.1%	10.4%	9.7%	1.8	1.6	1.5	9.1x	9.7x	9.8x
Singapore Press Hdg.	51.9%	41.2%	42.0%	23.4%	21.6%	23.5%	3.4	3.5	3.4	10.6x	12.0x	10.9x
Rcs Mediagroup	9.3%	10.3%	11.0%	17.1%	13.4%	14.2%	2.7	2.5	2.3	10.8x	9.0x	8.1x
Fairfax Media	21.8%	22.8%	23.5%	11.3%	10.9%	11.5%	2.1	2.1	2.0	10.9x	9.6x	8.9x
New York Times 'A'	10.6%	9.7%	9.2%	0.0%	17.1%	14.1%	-	3.1	2.7	9.4x	9.9x	10.0x
Mcclatchy 'A'	23.6%	19.5%	18.7%	6.3%	5.5%	5.8%	0.8	0.8	0.7	9.4x	7.3x	7.3x
Dow Jones & Co	8.3%	9.9%	10.8%	28.4%	23.8%	26.3%	8.8	5.5	5.0	11.2x	8.2x	7.5x
Trinity Mirror	19.7%	19.0%	19.4%	17.2%	13.8%	13.3%	2.1	1.7	1.5	0.1x	0.1x	0.1x
Scmp Group	0.0%	28.3%	28.1%	0.0%	16.2%	16.2%	-	2.4	2.3	-	10.5x	10.3x
International print media cos. average	**18.4%**	**19.7%**	**19.7%**	**11.8%**	**14.2%**	**14.4%**	**2.9**	**2.5**	**2.3**	**8.8x**	**8.4x**	**8.0x**
HT MEDIA	**11.7%**	**17.3%**	**21.1%**	**6.4%**	**14.6%**	**20.8%**	**5.8**	**5.4**	**4.6**	**33.6x**	**21.8x**	**13.0x**
HTML vs International print media	**-36.4%**	**-12.3%**	**7.1%**	**-45.2%**	**2.6%**	**44.5%**	**97.9%**	**119.8%**	**103.5%**	**280.0%**	**159.0%**	**61.5%**
Domestic print media cos.												
Jagran Prakashan	11.2%	20.6%	21.7%	11.4%	15.0%	18.8%	4.5	4.1	3.5	19.3x	11.1x	7.4x
Deccan Chronicle Hdg.	33.4%	39.1%	38.0%	23.3%	29.0%	28.2%	9.5	5.2	4.0	30.7x	17.4x	12.2x
Domestic Print media cos. average	**22.3%**	**29.9%**	**29.8%**	**17.4%**	**22.0%**	**23.5%**	**7.0**	**4.7**	**3.7**	**25.0x**	**14.3x**	**9.8x**
HT MEDIA	**11.7%**	**17.3%**	**21.1%**	**6.4%**	**14.6%**	**20.8%**	**5.8**	**5.4**	**4.6**	**33.6x**	**21.8x**	**13.0x**
HTML vs Domestic print media cos. average	**-47.4%**	**-42.2%**	**-29.3%**	**-62.9%**	**-33.6%**	**-11.7%**	**-17.6%**	**15.5%**	**24.7%**	**34.1%**	**53.2%**	**32.8%**
Domestic other media cos.												
Zee Entertainment Ents.	17.7%	19.8%	27.5%	9.4%	10.3%	13.6%	9.4	3.7	3.3	30.9x	29.0x	19.0x
Balaji Telefilms	28.5%	32.0%	29.2%	25.7%	25.2%	24.6%	3.2	2.7	2.3	12.7x	10.3x	9.2x
TV Today Network	26.8%	24.5%	26.5%	0.0%	12.1%	13.6%	3.0	2.7	2.4	8.9x	10.9x	9.4x
New Delhi Television	13.6%	14.9%	20.1%	-1.0%	20.3%	26.6%	8.2	8.3	7.3	102.7x	30.0x	18.8x
Entertainment Net.India	26.9%	13.3%	12.2%	20.8%	10.7%	10.1%	5.6	5.1	4.6	21.8x	21.5x	14.2x
Sun TV	59.0%	59.7%	55.0%	36.4%	27.6%	22.7%	30.8	9.6	7.9	-	39.7x	25.7x
TV.Eighteen India	0.0%	0.0%	0.0%	21.2%	20.4%	19.4%	6.9	3.8	3.2	18.4x	13.3x	9.7x
Domestic other media cos. average	**24.6%**	**23.5%**	**24.4%**	**16.1%**	**18.1%**	**18.7%**	**9.6**	**5.1**	**4.4**	**32.6x**	**22.1x**	**15.1x**
HT MEDIA	**11.7%**	**17.3%**	**21.1%**	**6.4%**	**14.6%**	**20.8%**	**5.8**	**5.4**	**4.6**	**33.6x**	**21.8x**	**13.0x**
HTML vs Domestic other media cos. average	**-52.5%**	**-26.5%**	**-13.4%**	**-59.9%**	**-19.3%**	**11.2%**	**-40.0%**	**5.0%**	**4.7%**	**3.0%**	**-1.2%**	**-14.1%**
Global media sector average	**23.3%**	**23.2%**	**23.5%**	**18.5%**	**16.3%**	**16.8%**	**6.1**	**3.6**	**3.2**	**18.5x**	**13.8x**	**10.7x**
HTML vs Global media sector	**-49.7%**	**-25.6%**	**-10.3%**	**-65.2%**	**-10.8%**	**23.7%**	**-6.2%**	**49.3%**	**46.1%**	**81.0%**	**58.2%**	**21.5%**

Source: HSBC, Bloomberg, Datastream

Risks

- Entry of a third player in the Delhi market could increase competition for ad revenues and cause bargaining power to tilt in favour of media buyers
- Newsprint cost inflation over FY07 levels may endanger our margin assumptions
- HT Media's ad revenue growth may slow due to shift in ad spends from print to other media

DNA entry in Delhi

We estimate Delhi accounts for 72% of advertising revenues of HT Media in FY07. Delhi is a well covered market with two strong players, HT and TOI (combined circulation 1.2m copies). DNA may want to emulate HT Media's success leveraging on Delhi + Mumbai coverage.

This would to some extent put a cap on the advertisement rates that HT Delhi would be able to charge. We, however, believe that with the launch of a separate business paper, *DNA Money*, first in the city of Ahmedabad and then in Mumbai, DNA has its hands full as its Mumbai edition continues to bleed cash.

Metro addresses this risk to some extent by acting as the "tonsils" for HT Media. Delhi is a more difficult market because it is well served at a competitive price by two English dailies. The ad rates are not only competitive but different types of price points have been developed for different types of advertisers.

Newsprint costs

Newsprint costs have been continuously increasing over the last few quarters. We estimate newsprint costs at USD700 per ton for FY07, a 15% increase y-o-y. Management believes that rates could decline in Q1/Q2 FY08 and remain there for a couple of quarters before gradually increasing again. We prudently assume no reduction in FY08e (compared to our earlier assumption of USD30 reduction). However, if newsprint costs increase beyond USD700 per ton for FY08e on an average, our estimates and target price may be at risk.

Ad revenues slowdown

Advertisement revenues may slow down if:

- The economy slows down. We consider this a remote possibility, with real GDP growth rate estimates at 9.2% and 8-8.5% being almost a certainty, in our view

- Ad spend growth rate is lower than GDP growth rate. We consider this less probable as India's ad spend as a percentage of GDP is already low, and emerging sectors such as retail and insurance will need to advertise aggressively
- Ad spends shift away from print to other media. We consider this unlikely as there are favourable macro factors such as rising literacy rate and improved product offerings in print

We believe HT Media ad revenues will grow 6-8% higher than the print industry average and estimate growth of 25% in FY08e and 20% in FY09e.

New ventures might not deliver

HT Media is a new player in the FM radio and internet space. Although in some cases, it has synergies with its print business, it is possible that the ventures do not generate interest, or have heavy cost structures which make it difficult to break even.

We believe that we have been conservative with our estimates to account for this uncertainty. In our model, both radio and internet ventures break even at the EBIT level only in FY10e.

Financials

HT Media: Financial ratios

Year end March	FY06	FY07e	FY08e	FY09e	FY10e	FY11e	FY12e
Valuation measurements							
EV/EBITDA (x)	15.1	18.1	11.2	8.1	6.1	4.6	3.5
FCF/EV	-0.02	0.02	0.05	0.06	0.09	0.12	0.16
PE (x) Basic	58.3	39.0	24.0	17.3	13.1	10.6	8.6
PBV (x)	3.0	5.4	4.6	3.9	3.3	2.7	2.3
Per share measurement							
EPS Basic	1.6	4.6	7.4	10.3	13.6	16.8	20.7
EPS growth (%)	11.5%	188.5%	62.4%	39.3%	31.7%	24.0%	22.7%
DPS	0.25	0.92	1.85	3.09	4.07	5.05	6.20
DPS growth (%)	25.6%	265.0%	101.9%	67.1%	31.7%	24.0%	22.7%
CEPS	3.4	6.3	10.0	13.1	16.7	20.2	24.1
FCF per share	-2.2	3.9	7.8	10.1	13.5	16.8	20.4
Operating CF/share	2.7	6.1	9.5	13.4	16.6	20.2	24.2
Net cash flow per share	2.8	5.8	7.1	9.0	11.2	13.6	15.6
Sales / share	36.7	44.6	57.6	68.9	81.4	94.8	110.6
EBITDA/ share	6.1	9.4	14.7	19.4	24.6	29.7	35.6
EBIT/ share	5.3	7.8	13.1	17.6	22.6	27.6	33.2
BV per share	30.9	33.0	38.3	45.1	54.0	65.1	78.6
Margin measurements							
EBIT margin (%)	11.7%	17.3%	21.1%	24.0%	26.4%	27.8%	29.1%
EBITDA margin (%)	16.5%	21.1%	25.5%	28.1%	30.2%	31.4%	32.2%
PBT margin (%)	7.1%	15.9%	20.0%	23.1%	25.6%	27.2%	28.5%
Net profit margin (%)	4.3%	10.2%	12.9%	15.0%	16.7%	17.8%	18.7%
Return measurements							
ROA (%)	5.1%	10.2%	14.0%	16.6%	18.6%	19.6%	20.3%
ROE (%)	6.4%	14.6%	20.8%	24.7%	27.4%	28.3%	28.8%
ROIC (%)	14.8%	20.6%	30.6%	41.1%	52.0%	62.1%	73.0%
ROCE (%)	6.4%	12.9%	18.2%	22.0%	24.8%	25.9%	26.6%
Leverage measurements							
Gross debt/equity (%)	24.4%	21.9%	19.0%	16.2%	13.5%	11.2%	9.2%
Net debt (cash)/equity (%)	-15.9%	-22.6%	-34.7%	-45.3%	-54.4%	-62.2%	-68.5%
Net Debt/assets (%)	-10.3%	-14.3%	-22.1%	-29.2%	-36.1%	-42.5%	-48.1%
Cash/assets (%)	26.0%	28.3%	34.2%	39.7%	45.1%	50.1%	54.6%
Dividend pay-out ratio (x)	15.9%	20.1%	25.0%	30.0%	30.0%	30.0%	30.0%
Dividend yield (%)	0.3%	0.5%	1.0%	1.7%	2.3%	2.8%	3.5%
Efficiency measurements							
Total Asset turnover ratio (x)	0.9	0.9	1.0	1.1	1.1	1.1	1.1
Fixed Asset Turnover ratio (x)	2.2	2.7	3.5	4.1	4.8	5.6	6.4
Current ratio (x)	2.9	2.7	2.9	3.0	3.2	3.4	3.7
Quick ratio (x)	2.3	2.2	2.3	2.5	2.7	3.0	3.2
Inventory Turnover days	58.3	62.2	59.5	58.0	56.4	54.9	53.0
Receivables / Debtors turnoverdays	53.9	53.9	53.9	53.9	53.9	53.9	53.9
Account payable days	97.8	108.3	110.7	116.7	118.6	119.3	118.9

Source: HSBC

HT Media: Income statement (INRm)

Year end March	FY06	FY07e	FY08e	FY09e	FY10e	FY11e	FY12e
Turnover/ Income from Operations	8215	10444	13501	16147	19064	22207	25899
YoY change (%)	30.72%	27.14%	29.27%	19.60%	18.06%	16.49%	16.62%
Print	8214	10324	12851	15137	17520	19925	22592
Radio	0	40	400	560	756	983	1229
Internet	0	80	250	450	788	1299	2079
Other Income	168	378	378	415	457	502	553
Total Income	8383	10822	13878	16562	19521	22710	26452
Total Raw Material Expense	3439	4386	5118	5763	6428	7170	7973
y-o-y increase	19.03%	27.55%	16.69%	12.59%	11.54%	11.55%	11.20%
Gross Profit	4776	6058	8382	10384	12636	15037	17926
Gross Margin (%)	58.14%	58.00%	62.09%	64.31%	66.28%	67.71%	69.21%
Employee Cost	1244	1516	1926	2288	2694	3207	3820
Advertising and Sales Promotion	684	598	767	862	967	1095	1289
Other Expenditure	1658	2113	2617	3114	3678	4272	5033
Total Expenditure	7024	8614	10429	12026	13766	15745	18116
EBITDA (excluding Exceptional Items)	1359	2208	3449	4537	5754	6965	8336
Operating Margin (%)	16.5%	21.1%	25.5%	28.1%	30.2%	31.4%	32.2%
EBITDA - excluding Other Income	1190	1830	3072	4121	5298	6462	7784
Depreciation & Amortisation	397	405	602	661	725	783	806
EBIT	962	1803	2847	3875	5030	6182	7531
EBIT margin (%)	11.7%	17.3%	21.1%	24.0%	26.4%	27.8%	29.1%
Profit Before Exceptional Items and Tax	825	1659	2706	3734	4888	6041	7390
Profit Before Tax	584	1656	2706	3734	4888	6041	7390
Total Tax	240	623	1017	1344	1704	2058	2472
Effective tax rate (%)	41.11%	37.63%	37.59%	36.00%	34.85%	34.07%	33.45%
Exceptional Items - Seperation Scheme Compensation (Net of Tax)	241	3	0	0	0	0	0
Net Profit before Exceptional Item but after Tax	525	1035	1689	2390	3185	3983	4918
Net Profit after Exceptional Item and Tax	344	1033	1689	2390	3185	3983	4918
Proposed dividend (on preference shares)	2	2	2	2	2	2	2
Share of minority interest in losses	-4	-38	-48	-28	1	34	74
Net income attributatble to equity shareholders	354	1068	1735	2415	3182	3947	4842
Post split EPS before Exceptional Items	2.39	4.57	7.40	10.31	13.58	16.85	20.67
Post split EPS	1.58	4.56	7.40	10.31	13.58	16.85	20.67

Source: HSBC

HSBC

HT Media: Balance sheet (INRm)

Year end March	FY06	FY07e	FY08e	FY09e	FY10e	FY11e	FY12e
Share Capital	668	668	668	668	668	668	668
Reserves and surplus	6248	7070	8308	9894	11983	14574	17753
Shareholders' equity	6916	7739	8977	10562	12651	15242	18421
Minority Interest	45.8	12.6	-34.9	-62.4	-61.5	-27.6	46.2
Secured loans	1696	1700	1700	1700	1700	1700	1700
Deferred Tax Liabilities (Net)	296	310	326	342	359	377	396
Sources of Funds	8953	9762	10968	12542	14649	17292	20563
Gross block	4518	4918	5368	5868	6418	7023	7689
Less : Depreciation	717	1062	1489	1955	2465	3023	3633
Net block	3801	3856	3880	3913	3953	4000	4055
Capital WIP including Capital Advances	32	32	32	32	32	32	32
Intangible Assets	942	982	907	812	697	572	477
Investments	407	448	493	542	596	656	721
Amount recoverable from HT Media Employees Welfare Trust	217	217	0	0	0	0	0
Current Assets, Loans and Advances							
Cash and bank balances	2806	3449	4801	6454	8551	11166	14349
Inventories	1096	1404	1638	1844	2057	2295	2552
Sundry debtors	1212	1541	1992	2383	2813	3277	3822
Loans and advances	274	274	274	274	274	274	274
	5388	6668	8705	10955	13696	17013	20997
Less: Current Liabilities and Provisions							
Trade Creditors	1362	1737	2027	2282	2545	2840	3158
Other Creditors	346	398	458	527	606	696	801
Provisions	128	308	565	904	1175	1446	1762
For Proposed dividend	66	248	499	832	1095	1358	1665
Other provisions	62	60	66	73	80	88	97
	1836	2443	3049	3713	4326	4981	5720
Net Current Assets	3552	4225	5656	7242	9370	12031	15277
Application of Funds	8953	9762	10968	12542	14649	17292	20563

Source: HSBC

HT Media: Cash flow statement (INRm)

Year end March	FY06	FY07e	FY08e	FY09e	FY10e	FY11e	FY12e
EBIT	962	1803	2847	3875	5030	6182	7531
Interest	-138	-144	-141	-141	-141	-141	-141
Exceptional Items - Seperation Scheme Compensation	-241	-3	0	0	0	0	0
Depreciation/amortisation	397	405	602	661	725	783	806
Others	7	1	0	0	0	0	0
Change in Working Capital	-297	-30	-79	67	-30	-46	-63
Direct taxes paid	-76	-608	-1002	-1328	-1686	-2040	-2453
Net cash from operating activities	614	1423	2227	3134	3897	4737	5679
Purchase of fixed assets	-286.2	-400	-450	-500	-550	-605	-666
Amount recoverable from HT Media Employees Welfare Trust	-217.4	0.0	217.4	0.0	0.0	0.0	0.0
Purchase of intagible assets	-784	-100	-100	-100	-100	-100	-100
Purchase/sale of investments	515	-41	-45	-49	-54	-60	-66
Net cash (used) in investing activities	-772	-541	-377	-649	-704	-765	-831
Proceeds from issuance of share capital	2508.4	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from long-term borrowings	-20.3	4.3	0.0	0.0	0.0	0.0	0.0
Receipt from minority shareholder	50	4	0	0	0	0	0
Dividend paid	-66	-248	-499	-832	-1095	-1358	-1665
Net cash from financing activities	2472	-239	-499	-832	-1095	-1358	-1665
Net increase/(decrease) in cash and cash equivalents	2314	643	1351	1653	2097	2615	3183
Cash and cash equivalents at the beginning of the year	492	2806	3449	4801	6454	8551	11166
Cash and cash equivalents at the end of the year	2806	3449	4801	6454	8551	11166	14349
Net Debt Opening	1224	-1110	-1749	-3101	-4754	-6851	-9466
Change in Net Debt	-2334	-639	-1351	-1653	-2097	-2615	-3183
Net Debt Closing	-1110	-1749	-3101	-4754	-6851	-9466	-12649

Source: HSBC

Notes

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Disclosure appendix

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The following analyst(s), who is(are) primarily responsible for this report, certifies(y) that the views expressed herein accurately reflect their personal view(s) about the subject security(ies) and issuer(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Percy Panthaki and Matt Marsden.

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Overweight (Buy)	45%	(17% of these provided with Investment Banking Services)
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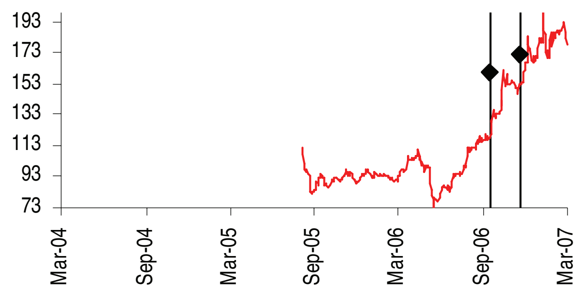
Share price and rating changes for long-term investment opportunities

HT Media Ltd Share Price performance INR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/A	Overweight	13 October 2006
Overweight	Neutral	19 December 2006
Target Price	**Value**	**Date**
Price 1	160.00	13 October 2006
Price 2	172.40	19 December 2006

Source: HSBC

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Issuer of report
HSBC Securities and Capital Markets (India) Private Limited
Registered Office
52/60 Mahatma Gandhi Road
Fort, Mumbai 400 001, India
Telephone: +91 22 2267 4921
Fax: +91 22 2263 1983
Website: www.hsbcnet.com/research

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Global Consumer Brands & Retail Research Team

Global

Mark Husson
Analyst, Global Sector Head
+1 212 525 3134 mark.husson@us.hsbc.com

Europe

Antoine Belge
Analyst
+33 1 56 52 43 47 antoine.belge@ccf.com

Erwan Rambourg
Analyst
+33 1 56 52 43 48 erwan.rambourg@ccf.com

Paul Smiddy
Analyst
+44 20 7991 6757 paul.smiddy@hsbcib.com

Greg Lawless
Analyst
+44 20 7991 6797 greg.lawless@hsbcib.com

North America

Sandy Beebee
Analyst
+1 212 525 5152 sandy.beebee@us.hsbc.com

Lauren Torres
Analyst
+1 212 525 6972 lauren.torres@us.hsbc.com

Nora Kahn
Associate
+1 212 525 5158 nora.kahn@us.hsbc.com

James Watson
Associate
+1 212 525 4905 james.c.watson@us.hsbc.com

Diana P. Lawrence
Associate
+1 212 525 5150 diana.p.lawrence@us.hsbc.com

Asia

Matt Marsden
Analyst
+852 2996 6531 mattmarsden@hsbc.com.hk

Percy Panthaki
Analyst
+91 22 2268 1240 percypanthaki@hsbc.co.in

Sean Yang
Associate
+852 2822 4342 seanyang@hsbc.com.hk

Michael Wheatley
Analyst
+813 5203 3009 michael.wheatley@hsbc.co.jp.

Wenli Fan
Analyst
+813 5203 3203 wenli.fan@hsbc.co.jp

North America

Credit Research

Scott Frost
Analyst
+1 212 525 2382 scott.frost@us.hsbc.com

Specialist Sales

Victoria Lumb
+44 20 7991 5384 victoria.lumb@hsbcib.com

David Harrington
+44 20 7991 5389 david.harrington@hsbcib.com