

Media

Print media – Will FY12E be a repeat of FY09???

The FY09 carnage...

FY08 ad growth, for Print media companies, was in the range of 16-33% and this growth plummeted to 8-12% in FY09 because of the slowdown experienced in the Indian economy. International newsprint prices rose by an average of 22% (in US\$ terms), in FY09, and average newsprint price, for Indian newspaper companies increased by 14-24%. Profitability, for FY09, plummeted in the range of 7-80% YoY. 1-year forward average PER multiples, for Jagran Prakashan, fell from ~30x in FY08 to ~15x in FY09 and even touched a low of 8x.

Current expectations – FY12E

Our channel checks and interaction with the Print media companies suggest that 1QFY12E will not be all that great as they are experiencing a moderation in ad growth led by fewer spends by the education sector which contributes 12-15% of ad revenue for the Hindi/Vernacular print media (English print media continues to do well) and the general macro scenario is not helping either.

Newsprint prices continue to remain high at Rs 31 per kg and are expected to remain in this range or inch even upwards due to shortage of waste paper and incremental demand coming from the packaging industry (recently the Government banned the use of plastic, as packaging material for gutka, pan masala and chewing tobacco). Interestingly, international domestic prices are more or less constant over the past nine months whereas Indian newsprint prices have been moving up. This means players like HT Media (which use more of international newsprint) will be less affected than Hindi players like Jagran Prakashan (which use more of domestic newsprint).

We are cutting our FY12E/13E earnings estimates (as we show lower than earlier expected ad growth and build in a higher newsprint price number) by 6.6%/6.9% for Jagran Prakashan, 5.8%/6.8% for HT Media and 4.5%/9.5% for Hindustan Media Ventures. With this cut we are 5-9% below consensus and expect consensus earnings downgrade post 1QFY12E results.

FY12 – A repeat of FY09 seems unlikely...

Ironically, average procurement cost of newsprint (per kg), for FY12, is expected to be higher than that of FY09, for most print media companies! The saving grace is that ad growth rates are still not as low as those experienced in FY09. This makes us believe that growth in net profitability, for FY12, will not be a negative number (as experienced in FY09) and hence valuation multiples should not plummet the way they did in FY09!

We are not pressing the panic button yet and maintain our ratings on all Print media stocks under coverage. Nevertheless, if the ad growth falls below our latest expectations, we might review our ratings downwards as forward valuation multiples could take a hit. In the meanwhile, returns for most print media stocks will be back-ended because of the aforementioned reasons and the aggressive expansion plans of most companies. Maintain Outperformer on Jagran Prakashan and HT Media with a preference for HT Media in the short term.

We revise our ad growth expectation downwards to 13-20%, for FY12E...Ad growth rates still not as low as that experienced in FY09...

Average newsprint price for Jagran Prakashan and DB Corp is higher than that experienced even in FY09!

International newsprint prices have remained constant for the past 3 quarters; however, Indian newsprint prices have been rising...It is good for companies like HT Media and bad for Jagran Prakashan, DB Corp (they might now use higher international newsprint in FY12E)...

We feel Print media companies will temper ad growth expectations post 1QFY12 results...

FY12 versus FY09

Historical ad growth and assumption for FY12E

(%)	FY08	FY09	FY11	FY12E
DB Corp	32.9	7.6	23.4	13.9
Jagran Prakashan	28.5	10.6	20.1	15.0
Hindustan Media Ventures	29.7	47.7	26.9	20.0
HT Media	15.9	11.9	22.0	13.0

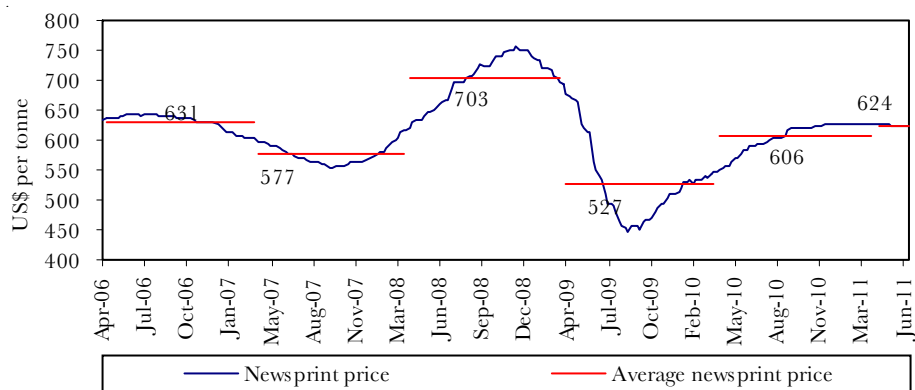
Source: Companies, B&K Research

Historical newsprint price and assumption for FY12E

(Rs per kg)	FY08	FY09	YoY (%)	FY11	FY12E	YoY (%)
DB Corp	25.8	29.7	15.3	27.1	30.5	12.2
Jagran Prakashan	25.3	28.9	14.1	26.8	30.0	12.0
Hindustan Media Ventures	27.7	33.2	20.0	28.4	31.2	9.7
HT Media	27.6	34.3	24.4	30.3	32.1	6.0

Source: Companies, B&K Research

Trend of newsprint price over the last five years



Source: Bloomberg, B&K Research

Commentary by Print media companies post 4QFY11 results

On advertising growth

Shailesh Gupta, Director Marketing, Jagran Prakashan – “17 or 18% of the growth is achievable, 20% plus is little tough but even last year we did that.”

Girish Agarwal, Director, DB Corp – “This year we have grown by almost 29% on the whole year basis, which would include print and radio put together and we feel this kind of growth should continue.”

Rajiv Verma, CEO, HT Media – “Though we don’t give any forward-looking statements but we definitely believe for all the initiatives that we have started in the last two quarters both, in Hindi and English which are really to do with ad-space sales, realization enrichment etc. It should hold us in good stead and we should have a stellar next year as well.”

Amit Chopra, CEO, HMVL – “In terms of revenues moving forward while there are various kinds of signals emanating from the economy in terms of hardening of interest rate, etc., we still believe in time to come and with Hindustan’s efforts towards increasing pricing, should pave a way for growth in addition to a

substantial readership increases.”

On Newsprint prices

RK Agarwal, CFO, Jagran Prakashan – “I think our expectations were wrong and the newsprint prices might see an increase of another 10% in the year 11/12”

Girish Agarwal, Director, DB Corp – “Newsprint if you look at last year, price wise there has been an 8% increase of the newsprint on a 12 month basis, if I consider this 12 months with last 12 months, this year’s newsprint has further gone up. So we assume that the newsprint price will go up to almost 15% around that price.”

Piyush Gupta, CFO, HT Media – “Our personal outlook is that they will probably plateau out at this level or marginally go up a few percentage points before they start softening a little bit. That’s what our projections are based on and that’s what the industry is also taking cognizance. But being such a close commodity which is not even traded on the exchanges it is very tough to really call out what is going to happen going forward...Present price is about Rs 32,000 a tonne that has come in to COGS in 4QFY11 which is about 15% to 18% higher on a YoY basis. Now if you look at it in comparison to December 2008, it is definitely about 15% short of where it peaked at about US\$ 980 a metric tonne but we don’t expect it to go to that level.”

Change in estimates table

Jagran Prakashan

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Ad revenues	10,025	11,769	9,773	11,338	(2.5)	(3.7)
Growth YoY (%)	18.2	17.4	15.2	16.0	–	–
Subscription revenue	2,491	2,403	2,470	2,364	(0.8)	(1.6)
Growth YoY (%)	4.7	(3.5)	3.9	(4.3)	–	–
Others	1,681	1,984	1,599	1,886	(4.9)	(5.0)
Growth YoY (%)	0.4	0.4	0.4	17.9	–	–
Net sales	14,197	16,156	13,843	15,587	(2.5)	(3.5)
Growth YoY (%)	16.3	13.8	13.4	12.6	–	–
EBITDA	4,003	4,662	3,754	4,338	(6.2)	(6.9)
Growth YoY (%)	12.2	16.5	5.2	15.6	–	–
EBITDA margin (%)	28.2	28.9	27.1	27.8	(110) bps	(100) bps
PAT	2,376	2,796	2,218	2,601	(6.6)	(7.0)
Growth YoY (%)	14.3	17.7	6.7	17.3	–	–
PAT margin (%)	16.7	17.3	16.0	16.7	(70) bps	(60) bps
EPS (Rs)	7.5	8.8	7.0	8.2	(6.6)	(6.9)
Growth YoY (%)	15.6	17.7	5.5	17.3	–	–

Source: B&K Research

HT Media

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Ad revenues	16,020	18,091	15,720	17,805	(1.9)	(1.6)
Growth YoY (%)	15.1	12.9	13.0	13.3	–	–
Subscription revenue	1,756	1,678	1,860	1,678	5.9	–
Growth YoY (%)	(4.2)	(4.4)	1.5	(9.8)	–	–
Others	1,789	2,017	1,789	2,017	(0.0)	–
Growth YoY (%)	20.0	12.8	20.0	12.8	–	–
Net sales	20,564	23,286	20,369	23,000	(0.9)	(1.2)
Growth YoY (%)	15.1	13.2	14.0	12.9	–	–
EBITDA	4,220	4,931	4,019	4,638	(4.7)	(5.9)
Growth YoY (%)	25.7	16.8	19.7	15.4	–	–
EBITDA margin (%)	20.5	21.2	19.7	20.2	(80) bps	(100) bps
PAT	2,170	2,604	2,043	2,426	(5.8)	(6.8)
Growth YoY (%)	19.9	20.0	12.9	18.7	–	–
PAT margin (%)	10.6	11.2	10.0	10.5	(50) bps	(60) bps
EPS (Rs)	9.2	11.1	8.7	10.3	(5.8)	(6.8)
Growth YoY (%)	19.9	20.0	12.9	18.7	–	–

Source: B&K Research

Hindustan Media Ventures

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Ad revenues	4,705	5,646	4,517	5,420	(4.0)	(4.0)
Growth YoY (%)	25.0	20.0	20.0	20.0	–	–
Subscription revenue	1,124	974	1,248	1,048	11.1	7.6
Growth YoY (%)	18.5	14.1	20.8	15.6	–	–
Others	245	269	245	269	0.0	0.0
Net sales	6,074	6,889	6,010	6,738	(1.0)	(2.2)
Growth YoY (%)	16.7	13.4	15.5	12.1	–	–
EBITDA	1,138	1,430	1,090	1,296	(4.4)	(9.4)
Growth YoY (%)	27.5	25.6	21.9	19.1	–	–
EBITDA margin (%)	18.7	20.8	18.1	19.2	(60) bps	(150) bps
PAT	744	948	711	858	(4.5)	(9.5)
Growth YoY (%)	38.8	27.4	32.7	20.3	–	–
PAT margin (%)	12.2	13.8	11.8	12.7	(40) bps	(100) bps
EPS (Rs)	10.1	12.9	9.7	11.7	(4.5)	(9.5)
Growth YoY (%)	38.8	27.4	32.7	20.3	–	–

Source: B&K Research

B&K estimates versus Bloomberg consensus

Jagran Prakashan

(Rs mn)	B&K		Consensus		Variance (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Sales	13,843	15,587	13,579	15,409	1.9	1.2
Growth (%)	13.4	12.6	11.2	13.5	–	–
EBITDA	3,754	4,338	3,999	4,684	(6.1)	(7.4)
EBITDA margin (%)	27.1	27.8	29.5	30.4	–	–
PAT	2,218	2,601	2,367	2,822	(6.3)	(7.8)
PAT margin (%)	16.0	16.7	17.4	18.3	–	–
EPS (Rs)	7.0	8.2	7.6	9.0	(7.9)	(8.7)
EPS growth (%)	5.5	17.3	38.3	18.4	–	–

Source: Bloomberg, B&K Research

HT Media

(Rs mn)	B&K		Consensus		Variance (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Sales	20,369	23,000	20,315	23,025	0.3	(0.1)
Growth (%)	14.0	12.9	13.7	13.3	–	–
EBITDA	4,019	4,638	4,030	4,743	(0.3)	(2.2)
EBITDA margin (%)	19.7	20.2	19.8	20.6	–	–
PAT	2,043	2,426	2,170	2,642	(5.8)	(8.2)
PAT margin (%)	10.0	10.5	10.7	11.5	–	–
EPS (Rs)	8.7	10.3	9.2	11.2	(5.4)	(7.5)
EPS growth (%)	32.7	18.7	12.9	21.4	–	–

Source: Bloomberg, B&K Research

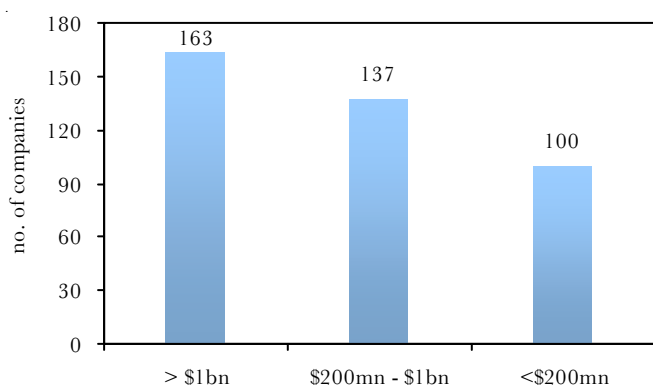
Hindustan Media Ventures

(Rs mn)	B&K		Consensus		Variance (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Sales	6,010	6,738	6,111	7,135	(1.6)	(5.6)
Growth (%)	15.5	12.1	17.4	16.8	–	–
EBITDA	1,090	1,294	1,208	1,594	(9.8)	(18.8)
EBITDA margin (%)	18.1	19.2	19.8	22.3	–	–
PAT	711	856	741	1,006	(3.9)	(14.9)
PAT margin (%)	11.8	12.7	12.1	14.1	–	–
EPS (Rs)	9.7	11.7	10.1	13.7	(4.0)	(14.9)
EPS growth (%)	32.7	20.3	38.3	35.6	–	–

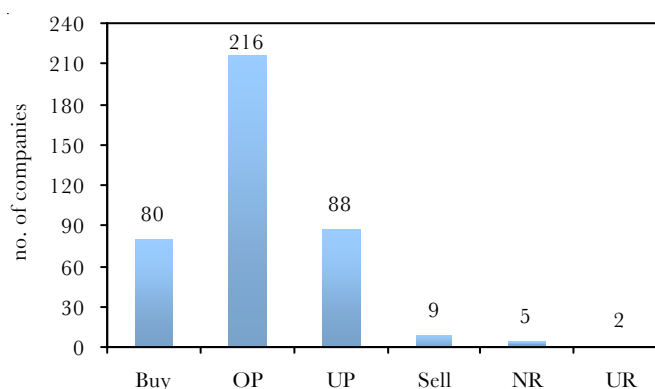
Source: Bloomberg, B&K Research

B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings:

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, print, publishing, photocopying, recording or otherwise without the permission of Batlivala & Karani Securities India Pvt. Ltd. Any unauthorized act in relation to all or any part of the material in this publication may call for appropriate statutory proceedings.

The information contained herein is confidential and is intended solely for the addressee(s). Any unauthorized access, use, reproduction, disclosure or dissemination is prohibited. This information does not constitute or form part of and should not be construed as, any offer for sale or subscription of or any invitation to offer to buy or subscribe for any securities. The information and opinions on which this communication is based have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, correctness and are subject to change without notice. Batlivala & Karani Securities India P Ltd and/ or its clients may have positions in or options on the securities mentioned in this report or any related investments, may effect transactions or may buy, sell or offer to buy or sell such securities or any related investments. Recipient/s should consider this report only for secondary market investments and as only a single factor in making their investment decision. The information enclosed in the report has not been vetted by the compliance department due to the time sensitivity of the information/document. Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when the investment is realized. Those losses may equal your original investment. Some investments may not be readily realizable and it may be difficult to sell or realize those investments, similarly it may prove difficult for you to obtain reliable information about the value, risks to which such an investment is exposed. Neither B&K Securities nor any of its affiliates shall assume any legal liability or responsibility for any incorrect, misleading or altered information contained herein.

Analyst Declaration: We, Rohit Dokania & Vikash Mantry, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

B & K SECURITIES INDIA PRIVATE LTD.

Equity Research Division: City Ice Bldg., 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.

Registered Office: Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: 91-33-2243 7902.

B&K Research is also available on Bloomberg <BNKI>, Thomson First Call & Investext.