

Impressive English ad growth, Re-iterate BUY

May 18, 2011

Reco	Previous Reco
BUY	Buy
CMP	Target Price
Rs156	Rs183
EPS change FY12E/13E (%)	NA
Target Price change (%)	4.6
Nifty	5,439
Sensex	18,137

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	13	(2)	4
Rel. to Nifty	8	6	7	(3)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Print Media
Bloomberg	HTML@IN
Equity Capital (Rs mn)	470
Face Value(Rs)	2
No of shares o/s (mn)	235
52 Week H/L	186/125
Market Cap (Rs bn/USD mn)	37/824
Daily Avg Volume (No of sh)	76104
Daily Avg Turnover (US\$m)	0.2

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	68.8	68.8	68.8
FII/NRI	11.7	12.4	12.5
Institutions	13.6	13.6	14.1
Private Corp	3.6	2.9	1.6
Public	2.3	2.3	3.0

Source: Capitaline

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- Q4FY11 revenues in line, growing 22.1% yoy at Rs 4.7bn. Print ad-rev grew by 20.5% yoy with Hindi ad-revenue growing 19.5% yoy and English by 21% yoy (higher than est. of 16%)
- EBIDTA margins at 18.6% (our est. of 18.9%) declined by 550bps yoy, led by 43.3% rise in raw material cost. However, Radio EBITDA improved to Rs67mn v/s -2mn in Q4FY10
- PAT at Rs529mn (our estimate of Rs470mn) was up 10.3% yoy, primarily on account of higher other income
- Valuations at 15.9x FY12E and 12.8x FY13E. Maintain BUY with revised target price of Rs183

Revenue & EBITDA in line, while other income supports higher PAT

HT Media reported results for Q4FY11, which were in line with expectation on revenue and EBITDA front. Improving yields and volumes led to robust print ad growth of 20.5% yoy. English ad grew 21% yoy and Hindi grew by 20% yoy. Radio revenues grew whopping 80% yoy to Rs 258 million. EBITDA margins at 18.6% declined 550 bps yoy due to higher operating expenditure. Higher EBITDA contribution from radio business aided the margin during the quarter. APAT during the quarter stood at Rs529mn (higher than our estimate of Rs 470mn) recording growth of 10.8% yoy, driven by higher other income.

Hindi business (HMVL) margins improves on QoQ

Ad revenue growth stood at Rs 939 million, growing 20% yoy, lower than our estimate of 28% growth. Circulation revenue grew 7% yoy at 306 million, led by increase in circulation across its markets. EBITDA margin stood at 15.3% v/s 18.6% in Q4FY10 and 14.1% in Q3FY11. Stable raw material cost and lower ad expense during Q4FY11 led to margin improvement on sequential basis. It has launched Hindustan Jobs, employment weekly newspaper at cost of Rs7/ copy.

Radio business – once again superlative performance

Driven by improvement in ad volumes coupled with higher yields, Radio segment registered 80% yoy revenue growth at Rs258mn. Higher revenue realization and controlled cost structure, it reported strong EBITDA of 67mn v/s loss of 2mn in Q4FY10. EBITDA margin stood at 26.0%.

Maintain BUY with revised target price of Rs183

Better than expected English ad revenue growth indicates improvement in both volumes and yields. We believe higher yields would propel ad revenue growth going forward, unlike volume driven growth in FY11. HT Media took an ad rate hike in last quarter, impact of which would be visible in following quarters. Internet business is expected to bleed for sometime, due to continuous investments.

The company has managed to control its raw material cost on sequential basis. Further, international newsprint price have also stabilized at \$665/MT that also indicates the stabilization in raw material prices. We maintain BUY rating on the stock with target price of Rs183. At CMP of Rs156 stock trades at 15.9x and 12.8x our estimated EPS of Rs9.8 and Rs12.2 for FY12E and FY13E, respectively.

Financial Snapshot

Y/E	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS % chg	ROE (%)	P/E	EV/ EBITDA	P/BV
FY10	14129	2554	18.1	1359	6.1	725.2	14.0	25.7	15.0	3.7
FY11P	17879	3375	18.9	1831	7.8	28.2	16.0	20.0	11.6	3.1
FY12E	20401	4229	20.7	2304	9.8	25.8	16.9	15.9	8.7	2.5
FY13E	23071	5105	22.1	2867	12.2	24.4	17.5	12.8	7.2	1.9

Quarterly financials

Particulars	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY11P	FY10	YoY (%)
Sales	3,851.0	4,042.0	4,455.4	4,651.0	4,703.9	22.1	1.1	17,852.3	14,378.2	24.2
Raw Material	1152.9	1350.6	1624.0	1659.0	1652.4	43.3	(0.4)	6,286	4,761	32.0
<i>as % of sales</i>	29.9	33.4	36.5	35.7	35.1			35.2	33.1	
Employee Cost	630.6	749.0	734.4	760.0	765.9	21.5	0.8	3,009	2,520	19.4
<i>as % of sales</i>	16.4	18.5	16.5	16.3	16.3			16.9	17.5	
SG&A expenses	270.4	286.0	322.5	360.0	384.6	42.2	6.8	1,353	1,158	16.8
<i>as % of sales</i>	7.0	7.1	7.2	7.7	8.2			7.6	8.1	
Other Operating Exp.	868.2	863.0	983.9	989.0	1024.9	18.0	3.6	3,861	3,176	21.6
<i>as % of sales</i>	22.5	21.4	22.1	21.3	21.8			21.6	22.1	
Total Expenditure	2922.1	3248.6	3664.8	3768.0	3827.8	31.0	1.6	14509.2	11614.6	24.9
EBITDA	928.9	793.4	790.6	883.0	876.1	(5.7)	(0.8)	3343.1	2763.6	21.0
Depreciation	180.6	194.0	211.0	217.0	219.6	21.6	1.2	841.6	707.2	19.0
EBIT	748.3	599.4	579.6	666.0	656.5	(12.3)	(1.4)	2502	2056	21.6
Other Income	45.3	58.0	61.1	64.0	116.7	157.6	82.3	299.8	159.7	87.7
Interest	70.9	64.0	54.7	46.0	71.0	0.1	54.3	235.7	295.8	(20.3)
Exceptional Items	15.0	0.0	0.0	0.0	0.0			0.0	29.0	
PBT	707.7	593.4	586.0	684.0	702.2	(0.8)	2.7	2565.6	1891.3	35.7
Tax	222.3	197.0	165.5	184.0	166.4	(25.1)	(9.6)	712.9	536.2	33.0
PAT before MI	485.4	396.4	420.5	500.0	535.8	10.4	7.2	1852.7	1355.1	36.7
Minority interest	5.5	-12.0	32.5	22.0	6.4			48.9	-10.9	
PAT	480	408.4	388.0	478.0	529.4	10.3	10.8	1803.8	1366.0	32.1
Margins (%)						bps chg	bps chg			bps chg
EBIDTA	24.1	19.6	17.7	19.0	18.6	(550)	(36)	18.7	19.2	(49)
EBIT	19.4	14.8	13.0	14.3	14.0	(547)	(36)	14.0	14.3	(29)
EBT	18.4	14.7	13.2	14.7	14.9	(345)	22	14.4	13.2	122
PAT	12.5	10.1	8.7	10.3	11.3	(121)	98	10.1	9.5	60
ETR	31.4	33.2	28.2	26.9	23.7	(771)	(320)	27.8	28.4	(56)

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Net Sales	14,129	17,879	20,401	23,071
<i>Growth (%)</i>	4.9	26.5	14.1	13.1
Raw material	4,761	6,281	6,984	7,791
Employee cost	2,520	3,009	3,244	3,526
SG&A expenses	4,295	5,214	5,944	6,649
Total operating expenditure	11,575	14,504	16,172	17,966
EBITDA	2,554	3,375	4,229	5,105
<i>Growth (%)</i>	190.6	32.2	25.3	20.7
Depreciation	707	847	923	1,003
EBIT	1,847	2,528	3,306	4,102
EBIT margin (%)	13.1	14.1	16.2	17.8
Other Income	409	300	385	473
Interest expenses	295	236	168	139
Exceptional items	69	0	0	0
PBT	1,891	2,592	3,523	4,435
Tax	536	713	1,057	1,331
<i>Effective tax rate (%)</i>	28.4	27.5	30.0	30.0
PAT before MI	1,355	1,880	2,466	3,105
Minority interest	-4.3	48.9	162.4	238.0
Adjusted PAT	1,359	1,831	2,304	2,867

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
PBT	1,476	2,293	3,138	3,963
Depreciation	707	847	923	1,003
Interest	295	236	168	139
Other Non-Cash items	-162	-99	-99	-99
Chg in working cap	1,909	989	-910	1,237
Tax paid	-536	-713	-1,057	-1,331
Operating Cashflow	3,689	3,553	2,164	4,913
Capital expenditure	-1,295	-2,000	-1,000	-1,000
Free Cash Flow	2,394	1,553	1,164	3,913
Other income	409	300	385	473
Investments	-1,720	0	-1,000	-800
Investing Cashflow	-2,606	-1,700	-1,615	-1,328
Equity Capital Raised	277	303	542	1,170
Loans Taken / (Repaid)	-581	0	-1,300	-300
Interest Paid	-295	-236	-168	-139
Dividend paid (incl tax)	0	0	0	0
Financing Cashflow	-600	67	-926	731
Net chg in cash	483	1,920	-378	4,317
Opening cash position	708	1,191	3,111	2,733
Closing cash position	1,191	3,111	2,733	7,050

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Equity share capital	470	470	470	470
Reserves & surplus	9,244	10,976	13,181	15,949
Net worth	9,714	11,446	13,651	16,419
Secured Loans	3,125	3,125	1,825	1,525
Loan Funds	3,125	3,125	1,825	1,525
Net deferred tax liability	178	178	178	178
Minority Interest	218	570	1,274	2,683
Total Liabilities	13,236	15,319	16,929	20,805
Gross Block	9,702	11,514	12,676	13,491
Less: Depreciation	2,498	3,155	3,890	4,708
Net block	7,204	8,359	8,785	8,782
Capital work in progress	1,101	1,100	750	750
Investment	4,755	4,755	5,755	6,555
Current Assets	6,809	9,665	10,422	15,552
Inventories	1,200	1,520	1,755	2,007
Sundry debtors	2,422	2,574	3,127	3,320
Cash & bank balance	1,191	3,111	2,733	7,050
Loans & advances	1,959	2,414	2,754	3,115
Other non current assets	36	46	53	60
Current liabilities	6,377	8,220	8,436	10,400
Provisions	279	360	370	456
Net current assets	153	1,084	1,616	4,696
Misc. exp & Def. Assets	22	22	22	22
Total Assets	13,236	15,319	16,929	20,805

Ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	18.1	18.9	20.7	22.1
Net Margin	9.4	10.3	11.3	12.4
ROCE	14.4	17.4	21.4	22.9
ROE	14.0	16.0	16.9	17.5
RoIC	28.8	40.5	47.2	58.2
Per Share Data (Rs)				
EPS (adjusted)	6.1	7.8	9.8	12.2
CEPS	19.2	15.8	10.6	22.7
BVPS	42.2	51.0	63.4	81.2
DPS	0.3	0.3	0.3	0.3
Valuations (x)				
PER	25.7	20.0	15.9	12.8
P/CEPS	8.1	9.9	14.8	6.9
P/BV	3.7	3.1	2.5	1.9
EV / Sales	2.7	2.2	1.8	1.6
EV / EBITDA	15.0	11.6	8.7	7.2
Dividend Yield (%)	0.2	0.2	0.2	0.2
Gearing Ratio (x)				
Net Debt/ Equity	0.2	0.0	-0.1	-0.3
Net Debt/EBIDTA	-1.1	-1.4	-1.6	-2.4

Recommendation History: HT Media Ltd – HTML IN

Date	Reports	Reco	CMP	Target
28/02/2011	HT Media Management Meet Update	Buy	133	175
19/01/2011	HT Media Q3FY11 Result Update	Buy	145	175
28/10/2010	HT Media Q2FY11 Result Update	Hold	165	175
29/07/2010	HT Media Q1FY11 Result Update	Hold	158	159

Recent Research Reports

Date	Reports	Reco	CMP	Target
13/05/2011	Tulip Telecom Q4FY11 Result Update	Buy	163	218
05/05/2011	Bharti Airtel Q4FY11 Result Update	Hold	358	406
02/05/2011	Sterlite Technologies Q4FY11 Result Update	HOLD	59	54
15/04/2011	Telecom Sector Event Update			

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