

HT Media (HTMED)

₹ 125

WHAT'S CHANGED...

| | |
|--------------------|------------------------------|
| PRICE TARGET | Changed from ₹ 164 to ₹ 147 |
| EPS (FY12E) | Unchanged |
| EPS (FY13E) | Changed from ₹ 10.2 to ₹ 9.8 |
| RATING | Unchanged |

Affected by slowing economy; as expected...

HT Media reported its Q3FY12 numbers, which were in line with our expectations on the topline and bottomline front. The topline for the quarter stood at ₹ 526.6 crore vs. our estimate of ₹ 516.8 crore, growing 13.2% YoY led by ad revenue growth of 10.1% to ₹ 407.3 crore. EBITDA for the quarter stood at ₹ 77.7 crore vs. our estimate of ₹ 95.0 crore, marred by a forex loss of ₹ 10 crore and a provision of ₹ 7.5 crore for diminution in value of investments relating to partnership for growth business. The EBITDA margin stood at 14.8%, down 424 bps YoY but up 31 bps QoQ. PAT for the quarter stood at ₹ 48.2 crore vs. our estimate of ₹ 46.0 crore.

Highlights of the quarter

English ad revenues grew 10.7% to ₹ 296.6 crore, which included 18% growth shown by 'Mint'. Hindi ad revenues posted a modest growth of 8.4% to ₹ 102.4 crore as Hindi ad revenue for Q3FY11 included a one-time revenue from Bihar elections. The radio segment reported a marginal decline YoY in the revenue to ₹ 17.4 crore. HT Burda reported an increase in revenue from ₹ 14.9 crore to ₹ 22.6 crore while reducing EBITDA losses from ₹ 4.9 crore to ₹ 1.7 crore. The overall EBITDA margin, however, contracted by 424 bps to 14.8% as the company endured forex losses of ₹ 10 crore and a provision related to 'partnership for growth' business of ₹ 7.5 crore.

Valuation

Due to continuous pressure on ad growth and menacing newsprint prices, we have reduced our EPS estimates for HT Media from ₹ 10.2 to ₹ 9.8 for FY13. At the CMP of ₹ 125, HT Media is trading at 15.6x FY12 EPS and 12.8x FY13 EPS. We have valued the stock at 15x FY13 EPS to arrive at a target price of ₹ 147 implying an upside potential of 17%. We maintain our **BUY** rating on the stock.

Exhibit 1: Valuation Metrics

| (₹ Crore) | Q3FY12 | Q3FY12E | Q3FY11 | Q2FY12 | QoQ (Chg %) | YoY (Chg %) |
|-------------------|--------|---------|--------|--------|-------------|-------------|
| Operating Income | 526.6 | 520.8 | 465.1 | 493.1 | 6.8 | 13.2 |
| EBITDA | 77.7 | 95.0 | 88.3 | 71.3 | 9.1 | -12.0 |
| EBITDA Margin (%) | 14.8 | 18.2 | 19.0 | 14.4 | 31 bps | -424 bps |
| Depreciation | 22.0 | 25.2 | 21.7 | 23.3 | -5.5 | 1.3 |
| Interest | 8.3 | 6.9 | 4.6 | 7.4 | 11.9 | 79.3 |
| Other Income | 16.8 | 8.5 | 6.4 | 20.4 | -17.7 | 162.9 |
| Reported PAT | 48.2 | 46.0 | 47.8 | 43.8 | 9.9 | 0.9 |
| EPS (₹) | 2.1 | 2.0 | 2.0 | 1.9 | 9.9 | 0.9 |

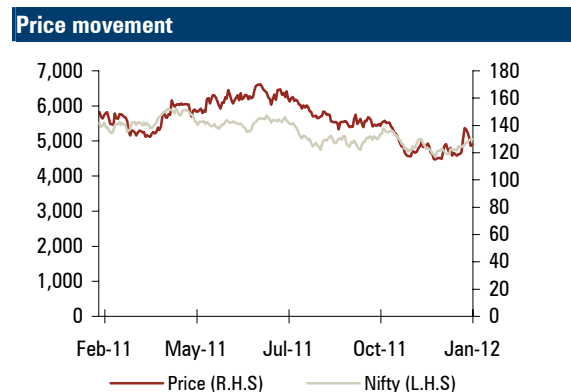
Source: Company, ICICIdirect.com Research

| Rating matrix | |
|------------------|-------------|
| Rating | : Buy |
| Target | : ₹ 147 |
| Target Period | : 12 months |
| Potential Upside | : 17% |

| Key Financials | | | | |
|----------------|-------|---------|---------|---------|
| ₹ Crore | FY10 | FY11 | FY12E | FY13E |
| Net Sales | 1,412 | 1,767.4 | 2,028.1 | 2,189.9 |
| EBITDA | 255.4 | 317.1 | 328.7 | 408.0 |
| Net Profit | 135.9 | 180.9 | 188.7 | 229.5 |
| EPS (₹) | 5.8 | 7.7 | 8.0 | 9.8 |

| Valuation summary | | | | |
|-------------------|------|------|-------|-------|
| | FY10 | FY11 | FY12E | FY13E |
| P/E | 21.6 | 16.3 | 15.6 | 12.8 |
| Target P/E | 25.3 | 19.0 | 18.2 | 15.0 |
| EV / EBITDA | 12.3 | 9.9 | 8.9 | 6.4 |
| P/BV | 3.0 | 2.3 | 2.0 | 1.7 |
| RoNW | 14.0 | 13.9 | 12.7 | 13.3 |
| RoCE | 14.1 | 13.4 | 12.7 | 15.0 |

| Stock data | |
|-----------------------------|----------------|
| Market Capitalization | ₹ 2941.3 Crore |
| Total Debt (FY11) | ₹ 312.2 Crore |
| Cash and Investments (FY11) | ₹ 115.8 Crore |
| EV | ₹ 3137.8 Crore |
| 52 week H/L | 170 / 115 |
| Equity capital | ₹ 47 Crore |
| Face value | ₹ 2 |
| MF Holding (%) | 12.9 |
| FII Holding (%) | 11.8 |



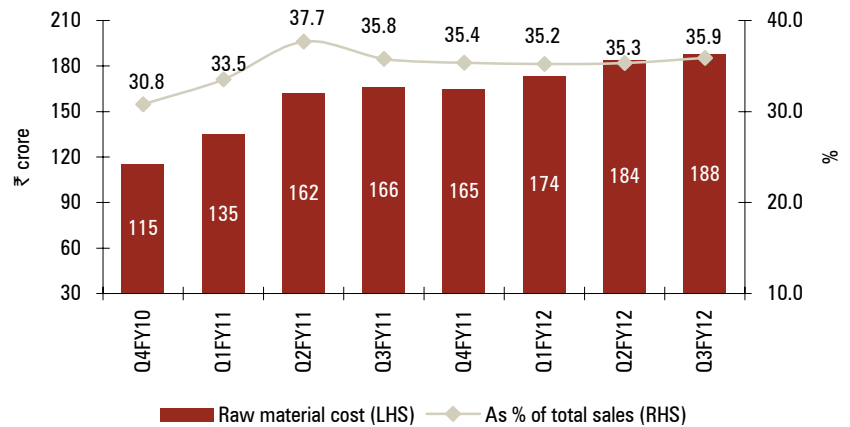
| Analyst's name | |
|----------------|----------------------------------|
| Karan Mittal | karan.mittal@icicisecurities.com |
| Anil Shenoy | anil.shenoy@icicisecurities.com |

Result analysis

Newsprint cost

Newsprint cost for HT Media increased to ₹ 187.7 crore against ₹ 165.9 crore in Q3FY11 due to a rise in newsprint prices and higher circulation. However, the management has indicated that with China expected to cut its consumption of newsprint by ~ 10%, newsprint prices will stabilise or even come down subsequently.

Exhibit 2: Raw material prices trend

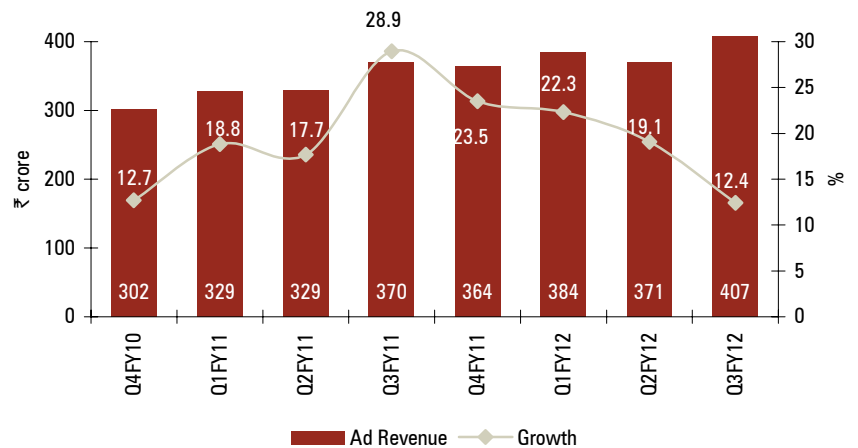


Source: Company, ICICIdirect.com Research

Advertising revenue...

Hindi ad revenues posted modest growth of 8.4% due to a high base of Q3FY11 revenue, which included one-time revenues from Bihar elections. According to the management, excluding the effect of Bihar elections, the Hindi ad revenue grew at ~ 14%. The English ad revenue grew by 10.7%.

Exhibit 3: Ad revenue growth trend



Source: Company, ICICIdirect.com Research

Other highlights...

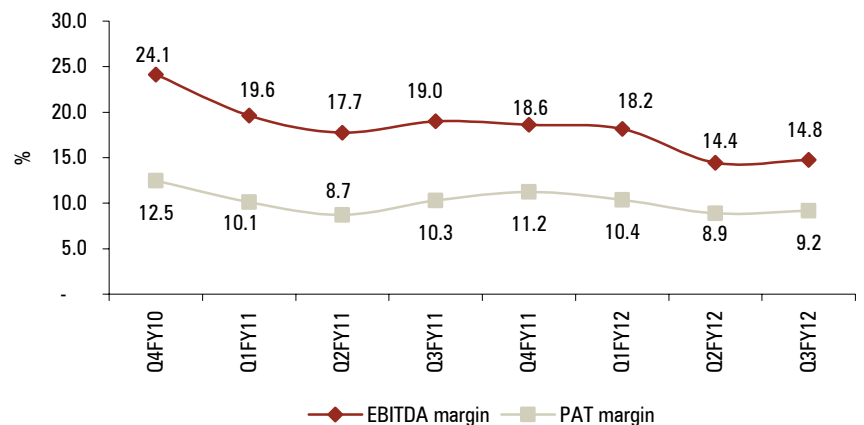
The radio segment reported revenue of ₹ 17.4 crore, down marginally from 18.0 crore in Q3FY11. The management attributed the drop in ad revenue from radio to the recent price hike taken by the company and to the slowdown in advertising owing to a slowing economy. HT Burda reported revenues of ₹ 22.6 crore against ₹ 14.6 crore in Q3FY11. It reported an EBITDA loss of ₹ 1.7 million against a loss of ₹ 4.9 million in Q3FY11. The digital segment revenues grew to ₹ 11.7 crore from ₹ 8.3 crore in Q3FY11.

Profitability margins...

The EBITDA margin for the quarter stood at 14.8% contracting by 424 bps YoY, primarily due to a forex loss of ₹ 10 crore and a provision of ₹ 7.5 crore for diminution in value of investments relating to 'partnership for growth' business. Higher newsprint costs also played a part in lower EBITDA margin.

PAT margins for the quarter stood at 9.2% in line with our estimates in spite of a lower EBITDA due to a more that expected other income of ₹ 16.8 crore.

Exhibit 4: EBITDA and PAT margin trend



Source: Company, ICICIdirect.com Research

Outlook & valuation

The ad revenue for the Hindi business was modest albeit on a higher base, while that for English revenue was average. The management has indicated that the slowdown in ad growth has been due to the slowing economy, which has caused corporates to reduce their ad spends. We expect ad revenues of the company to continue to be under pressure in the wake of the economic situation. We expect the company to post an ad growth of 12.6% in FY12 and 10.6% in FY13.

Newsprint prices have been a menace to the company. However, the management has indicated that prices will stabilise or even go down in the coming quarters.

While the digital business and HT Burda have posted growth in their businesses, the radio business disappointed again by registering a decline after showing subdued growth in Q2FY11.

Due to continuous pressure on ad growth and menacing newsprint prices, we have reduced our EPS estimates for HT Media from ₹ 10.2 to ₹ 9.8 for FY13.

At the CMP of ₹ 125, HT Media is trading at 15.6x FY12 EPS and 12.8x FY13 EPS. We have valued the stock at 15x FY13 EPS to arrive at a target price of ₹ 147 implying an upside potential of 17%. We maintain our BUY rating on the stock.

Exhibit 5: Valuation Table

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY10 | 1411.7 | | 5.8 | | 21.6 | 12.3 | 14.0 | 14.1 |
| FY11 | 1767.4 | 25.2 | 7.7 | 33.1 | 16.3 | 9.9 | 13.9 | 13.4 |
| FY12E | 2028.1 | 14.7 | 8.0 | 4.3 | 15.6 | 8.9 | 12.7 | 12.7 |
| FY13E | 2189.9 | 8.0 | 9.8 | 21.6 | 12.8 | 6.4 | 13.3 | 15.0 |

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

| | (₹ Crore) | | | |
|-----------------------------|-----------|---------|---------|---------|
| (Year-end March) | FY10 | FY11 | FY12E | FY13E |
| Total operating Income | 1,412.9 | 1,767.4 | 2,043.9 | 2,209.9 |
| Growth (%) | 4.9 | 25.1 | 15.6 | 8.1 |
| Raw Material Expenses | 476.1 | 627.9 | 734.9 | 778.4 |
| Employee Expenses | 252.0 | 300.9 | 358.0 | 366.6 |
| Other Expenses | 429.5 | 521.4 | 622.3 | 657.0 |
| Total Operating Expenditure | 1,157.5 | 1,450.3 | 1,715.1 | 1,802.0 |
| EBITDA | 255.4 | 317.1 | 328.7 | 408.0 |
| Growth (%) | NM | 24.2 | 3.7 | 24.1 |
| Depreciation | 70.7 | 84.2 | 95.4 | 103.0 |
| Interest | 29.5 | 23.6 | 27.9 | 21.1 |
| Other Income | 40.9 | 47.8 | 67.8 | 60.0 |
| Exceptional Items | 7.6 | - | - | - |
| PBT | 188.5 | 257.1 | 273.3 | 343.8 |
| MI/PAT from associates | (1.1) | 4.9 | 8.6 | 14.6 |
| Total Tax | 53.6 | 71.3 | 76.0 | 99.7 |
| PAT | 135.9 | 180.9 | 188.7 | 229.5 |
| Growth (%) | NM | 33.1 | 4.3 | 21.6 |
| EPS (₹) | 5.8 | 7.7 | 8.0 | 9.8 |

Source: Company, ICICIdirect.com Research

Balance sheet

| | (₹ Crore) | | | |
|---------------------------|-----------|---------|---------|---------|
| (Year-end March) | FY10 | FY11 | FY12E | FY13E |
| Liabilities | | | | |
| Equity Capital | 47.0 | 47.0 | 47.0 | 47.0 |
| Reserve and Surplus | 924.4 | 1,255.2 | 1,443.9 | 1,673.3 |
| Total Shareholders funds | 971.4 | 1,302.2 | 1,490.9 | 1,720.3 |
| Total Debt | 312.5 | 312.2 | 212.2 | 162.2 |
| Others | 39.6 | 129.9 | 138.5 | 153.1 |
| Total Liabilities | 1,323.6 | 1,744.3 | 1,841.6 | 2,035.7 |
| Assets | | | | |
| Gross Block | 1,034.4 | 1,211.3 | 1,296.3 | 1,341.3 |
| Less: Acc Depreciation | 314.0 | 406.8 | 502.2 | 605.2 |
| Net Block | 720.5 | 804.5 | 794.1 | 736.1 |
| Capital WIP | 110.1 | 19.4 | 19.4 | 19.4 |
| Total Fixed Assets | 830.6 | 823.8 | 813.5 | 755.4 |
| Investments | 475.5 | 759.5 | 759.5 | 759.5 |
| Inventory | 120.0 | 145.6 | 159.2 | 169.9 |
| Debtors | 242.2 | 252.5 | 289.7 | 312.9 |
| Loans and Advances | 195.9 | 211.0 | 256.0 | 248.2 |
| Other Current Assets | 3.6 | 31.3 | 8.7 | 34.5 |
| Cash | 119.1 | 115.8 | 239.1 | 494.7 |
| Total Current Assets | 680.9 | 756.1 | 952.8 | 1,260.2 |
| Creditors | 637.7 | 557.4 | 639.7 | 690.7 |
| Provisions | 27.9 | 46.2 | 53.1 | 57.3 |
| Total Current Liabilities | 665.5 | 603.7 | 692.7 | 748.0 |
| Net Current Assets | 15.3 | 152.4 | 260.0 | 512.2 |
| Other non current assets | 2.2 | 8.6 | 8.6 | 8.6 |
| Application of Funds | 1,323.6 | 1,744.3 | 1,841.6 | 2,035.7 |

Source: Company, ICICIdirect.com Research

Cash flow statement

| | (₹ Crore) | | | |
|--------------------------------|-----------|--------|--------|-------|
| (Year-end March) | FY10 | FY11 | FY12E | FY13E |
| Profit after Tax | 135.9 | 180.9 | 188.7 | 229.5 |
| Add: Depreciation | 70.7 | 84.2 | 95.4 | 103.0 |
| (Inc)/dec in Current Assets | 65.3 | -78.6 | -73.2 | -51.9 |
| Inc/(dec) in CL and Provisions | 125.6 | -61.9 | 89.0 | 55.3 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from operating activities | 397.5 | 124.6 | 299.8 | 335.9 |
| (Inc)/dec in Investments | -172.0 | -284.0 | 0.0 | 0.0 |
| (Inc)/dec in Fixed Assets | -129.5 | -77.5 | -85.0 | -45.0 |
| Others | 23.7 | 83.9 | 8.6 | 14.6 |
| CF from investing activities | -277.7 | -277.6 | -76.4 | -30.4 |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -58.1 | -0.3 | -100.0 | -50.0 |
| Dividend paid & dividend tax | -9.9 | -11.0 | 0.0 | 0.0 |
| Inc/(dec) in Sec. premium | -7.7 | 180.1 | 0.0 | 0.0 |
| Others | 4.2 | -19.2 | 0.0 | 0.0 |
| CF from financing activities | -71.4 | 149.6 | -100.0 | -50.0 |
| Net Cash flow | 48.3 | -3.3 | 123.4 | 255.5 |
| Opening Cash | 70.8 | 119.1 | 115.8 | 239.1 |
| Closing Cash | 119.1 | 115.8 | 239.1 | 494.7 |

Source: Company, ICICIdirect.com Research

Key ratios

| (Year-end March) | FY10 | FY11 | FY12E | FY13E |
|------------------------------|-------|-------|-------|-------|
| Per share data (₹) | | | | |
| EPS | 5.8 | 7.7 | 8.0 | 9.8 |
| Cash EPS | 8.8 | 11.3 | 12.1 | 14.1 |
| BV | 41.3 | 55.4 | 63.4 | 73.2 |
| DPS | 0.4 | 0.4 | 0.0 | 0.0 |
| Cash Per Share | 5.1 | 4.9 | 10.2 | 21.0 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 18.1 | 17.9 | 16.1 | 18.5 |
| PBT / Total Operating income | 13.4 | 14.5 | 13.5 | 15.7 |
| PAT Margin | 9.6 | 10.2 | 9.3 | 10.5 |
| Inventory days | 38.2 | 27.4 | 27.4 | 27.4 |
| Debtor days | 62.6 | 52.1 | 52.1 | 52.1 |
| Creditor days | 164.9 | 115.1 | 115.1 | 115.1 |
| Return Ratios (%) | | | | |
| RoE | 14.0 | 13.9 | 12.7 | 13.3 |
| RoCE | 14.1 | 13.4 | 12.7 | 15.0 |
| RoIC | 11.0 | 10.4 | 10.6 | 14.1 |
| Valuation Ratios (x) | | | | |
| P/E | 21.6 | 16.3 | 15.6 | 12.8 |
| EV / EBITDA | 12.3 | 9.9 | 8.9 | 6.4 |
| EV / Net Sales | 2.2 | 1.8 | 1.4 | 1.2 |
| Market Cap / Sales | 2.1 | 1.7 | 1.5 | 1.3 |
| Price to Book Value | 3.0 | 2.3 | 2.0 | 1.7 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 1.2 | 1.0 | 0.6 | 0.4 |
| Debt / Equity | 0.3 | 0.2 | 0.1 | 0.1 |
| Current Ratio | 1.0 | 1.3 | 1.4 | 1.7 |
| Quick Ratio | 0.8 | 1.1 | 1.0 | 1.0 |

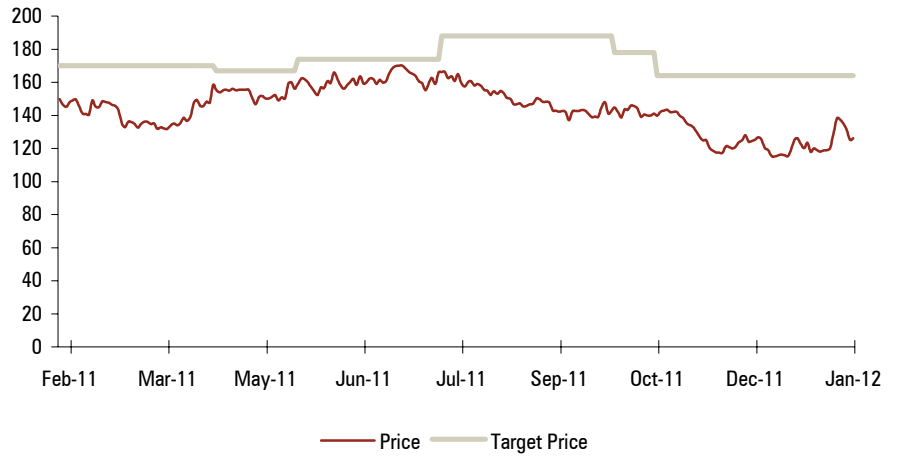
Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Print media companies)

| Jagran Prakashan | | | | Sales (₹ Cr) | EPS (₹) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) | |
|------------------|---------|----------|-------|--------------|---------|--------|---------------|----------|----------|------|
| Idirect Code | JAGPRA | | | FY10 | 941.9 | 5.8 | 16.9 | 11.2 | 28.7 | 31.5 |
| | | CMP | 99 | FY11E | 1115.2 | 6.5 | 15.2 | 9.0 | 27.6 | 33.0 |
| | | Target | 111 | FY12E | 1226.6 | 5.8 | 17.0 | 9.5 | 21.5 | 26.0 |
| MCap (₹ Cr) | 3,118.4 | % Upside | 12.9% | FY13E | 1354.3 | 7.0 | 14.2 | 7.4 | 22.0 | 28.0 |
| DB Corp | | | | | | | | | | |
| Idirect Code | DBCORP | | | FY10 | 1050.5 | 10.1 | 18.4 | 10.2 | 28.2 | 31.3 |
| | | CMP | 185 | FY11 | 1250.8 | 14.2 | 13.0 | 8.5 | 31.2 | 33.7 |
| | | Target | 247 | FY12E | 1440.3 | 11.2 | 16.5 | 9.2 | 20.7 | 24.8 |
| MCap (₹ Cr) | 3,356.2 | % Upside | 33.7% | FY13E | 1596.8 | 15.5 | 12.0 | 6.4 | 23.0 | 28.5 |
| HT Media | | | | | | | | | | |
| Idirect Code | HTMED | | | FY10 | 1411.7 | 5.8 | 21.6 | 12.3 | 14.0 | 14.1 |
| | | CMP | 125 | FY11 | 1767.4 | 7.7 | 16.3 | 9.9 | 13.9 | 13.4 |
| | | Target | 146 | FY12E | 2028.1 | 8.0 | 15.6 | 8.9 | 12.7 | 12.7 |
| MCap (₹ Cr) | 2,941.3 | % Upside | 17.0% | FY13E | 2189.9 | 9.8 | 12.8 | 6.4 | 13.3 | 15.0 |

Source: Company, ICICIdirect.com Research

Exhibit 6: Recommendation History



Source: Reuters, ICICIdirect.com Research

Exhibit 7: Recent Releases

| Date | Event | CMP | Target Price | Rating |
|-----------|-----------------------|-----|--------------|--------|
| 8-Apr-11 | Q4FY11 Preview | 159 | 167 | HOLD |
| 18-May-11 | Q4FY11 Result Update | 158 | 174 | BUY |
| 5-Jul-11 | Q1FY12 Result Preview | 168 | 174 | BUY |
| 19-Jul-11 | Q1FY12 Result Update | 166 | 188 | HOLD |
| 5-Oct-11 | Q2FY12 Result Preview | 143 | 178 | BUY |
| 25-Oct-11 | Q2FY12 Result Update | 141 | 164 | BUY |
| 6-Jan-12 | Q3FY12 Result Preview | 120 | 164 | BUY |

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: > 15%/20% for large caps / midcaps, respectively, with high conviction;
Buy: > 10%/ 15% for large caps / midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

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