

January 27, 2016

## Hindustan Media Ventures

### Performance Highlights

#### Quarterly Data

(₹ cr)	3QFY16	3QFY15	% yoy	2QFY16	% qoq
Revenue	240	207	16.2	227	5.9
EBITDA	60	40	50.1	52	15.4
Margin (%)	25.0	19.4	(564bp)	22.9	(205bp)
Reported PAT	47	37	28.1	45	4.1

Source: Company, Angel Research

For 3QFY2016, Hindustan Media Ventures Ltd (HMTV) reported earnings above our estimates. The top-line growth was healthy with strong growth in advertising and circulation revenue. Advertising revenue growth for the quarter was strong due to festive season and state elections in Bihar. On the operating front too, the company's performance was strong, which in turn led to a higher PAT growth.

**Strong growth in ad and circulation revenue:** HMTV registered a growth of ~19% yoy in advertising revenue to ~₹181cr. This was on back of the festive season that fuelled advertising spends across most sectors, state elections in Bihar, as well as internal initiatives. Further, the company reported a ~6% yoy growth in circulation revenue to ₹54cr on back of higher circulation volume as well as realization per copy.

**Higher PAT on back of strong operating performance:** The company reported a strong PAT growth of ~28% yoy on the back of a strong operating performance. The operating performance was strong on account of lower cost of news print which is a key raw material for HMTV.

**Outlook and valuation:** Going forward, we believe that the company would perform well, both on the top-line and bottom-line fronts, on back of strong recovery in the Indian economy. Further, we expect strong growth in both advertising and circulation revenue due to the company's firm presence in the states of Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. Further, HT Media is hiving off its online content business to the company (HMTV). We are awaiting further clarifications on the deal from the Management in order to assess its financial implications. Until then, **we retain our Neutral rating on the stock.**

#### Key financials

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net Sales	730	819	921	1,026
% chg	14.7	12.2	12.5	11.3
Net Profit (Adj.)	111	141	169	172
% chg	31.6	26.7	19.7	2.1
EBITDA margin (%)	20.7	20.3	22.7	21.5
EPS (₹)	15.2	19.2	23.0	23.5
P/E (x)	18.1	14.3	12.0	11.7
P/BV (x)	3.3	2.7	2.2	1.9
RoE (%)	18.3	19.0	18.7	16.2
RoCE (%)	20.6	16.9	18.2	16.2
EV/Sales (x)	2.3	1.9	1.6	1.4
EV/EBITDA (x)	10.9	9.2	7.1	6.4

Source: Company, Angel Research; Note: CMP as of January 27, 2016

## NEUTRAL

CMP	₹275
Target Price	-

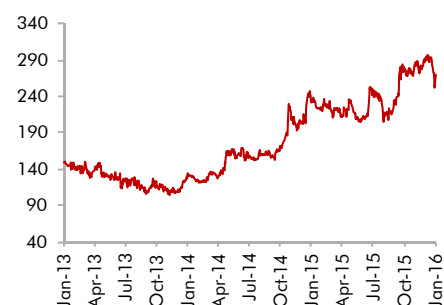
Investment Period	-
-------------------	---

Stock Info	
Sector	Media
Market Cap (₹ cr)	2,061
Net Debt (₹ cr)	576
Beta	0.8
52 Week High / Low	302 / 200
Avg. Daily Volume	9,778
Face Value (₹)	10
BSE Sensex	24,486
Nifty	7,436
Reuters Code	HINS.BO
Bloomberg Code	HMTV@IN

Shareholding Pattern (%)	
Promoters	74.9
MF / Banks / Indian FIs	13.1
FII / NRIs / OCBs	5.4
Indian Public / Others	6.6

Abs. (%)	3m	1yr	3yr
Sensex	(10.5)	1.9	21.8
HMTV	(3.7)	16.4	80.5

#### 3-year price chart



Source: Company, Angel Research

**Amarjeet S Maurya**

022-39357800 Ext: 6831

amarjeet.maurya@angelbroking.com

**Exhibit 1: Quarterly performance**

Y/E March (₹ cr)	3QFY16	3QFY15	% yoy	2QFY16	% qoq	9MFY16	9MFY15	% chg
<b>Net Sales</b>	<b>240</b>	<b>207</b>	<b>16.2</b>	<b>227</b>	<b>5.9</b>	<b>691</b>	<b>616</b>	<b>12.1</b>
Consumption of RM	89	87	2.9	86	3.6	260	258	0.5
(% of Sales)	37.1	41.9		38.0		37.6	41.9	
Staff Costs	31	25	25.3	30	4.3	90	80	11.8
(% of Sales)	13.0	12.0		13.2		13.0	13.0	
Other Expense	60	55	8.5	59	1.8	175	156	12.3
(% of Sales)	24.9	26.7		25.9		25.3	25.3	
<b>Total Expenditure</b>	<b>180</b>	<b>167</b>	<b>8.1</b>	<b>175</b>	<b>3.1</b>	<b>524</b>	<b>494</b>	<b>6.1</b>
<b>Operating Profit</b>	<b>60</b>	<b>40</b>	<b>50.1</b>	<b>52</b>	<b>15.4</b>	<b>167</b>	<b>122</b>	<b>36.5</b>
OPM (%)	25.0	19.4		22.9		24.1	19.8	
Interest	3	3	4.7	3	(11.8)	9	8	
Depreciation	6	6	(8.4)	5	4.3	16	19	(12.2)
Other Income	11	16	(30.9)	19	(41.3)	42	41	2.7
<b>PBT</b>	<b>63</b>	<b>48</b>	<b>32.5</b>	<b>63</b>	<b>0.5</b>	<b>184</b>	<b>136</b>	<b>34.7</b>
(% of Sales)	26.2	23.0		27.6		26.6	22.1	
Provision for Taxation	16	11	47.0	18	(8.7)	50	34	45.3
(% of PBT)	25.6	23.1		28.2		27.2	25.2	
Minority Interest						0	0	
<b>Recurring PAT</b>	<b>47</b>	<b>37</b>	<b>28.1</b>	<b>45</b>	<b>4.1</b>	<b>134</b>	<b>102</b>	<b>31.1</b>
PATM	19.5	17.7		19.8		19.3	16.5	
Exceptional items								
<b>Reported PAT</b>	<b>47</b>	<b>37</b>	<b>28.1</b>	<b>45</b>	<b>4.1</b>	<b>134</b>	<b>102</b>	<b>31.1</b>
Equity shares (cr)	7.3	7.3		7.3		7.3	7.3	
<b>FDEPS (₹)</b>	<b>6.4</b>	<b>5.0</b>	<b>28.1</b>	<b>6.1</b>	<b>4.1</b>	<b>18.2</b>	<b>13.9</b>	<b>31.1</b>

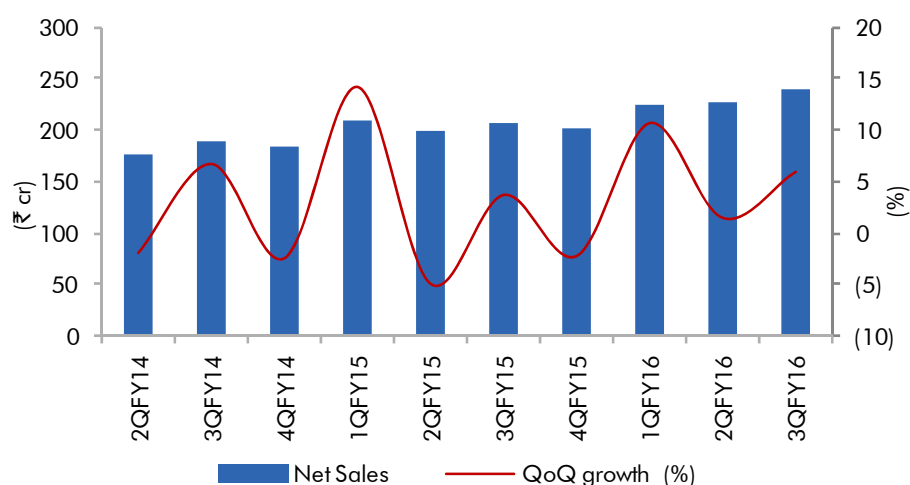
Source: Company, Angel Research

## Strong top-line growth

For 3QFY2016, HMVL reported a healthy top-line growth of ~16% yoy to ~₹240cr (excluding other income), owing to growth in advertising and circulation revenue. Overall, the company registered a ~19% yoy growth in advertising revenue to ~₹181cr, primarily due to increase in advertising yields and volumes. Further, the company reported a ~6% yoy growth in circulation revenue to ~₹54cr on back of higher circulation volume and realization per copy.

During the quarter, the company's revenue growth was faster than the industry's. Growth was powered by a good festive season that fuelled advertising spends across most sectors, state elections in Bihar, as well as HMVL's internal initiatives.

### Exhibit 2: Top-line growth trend

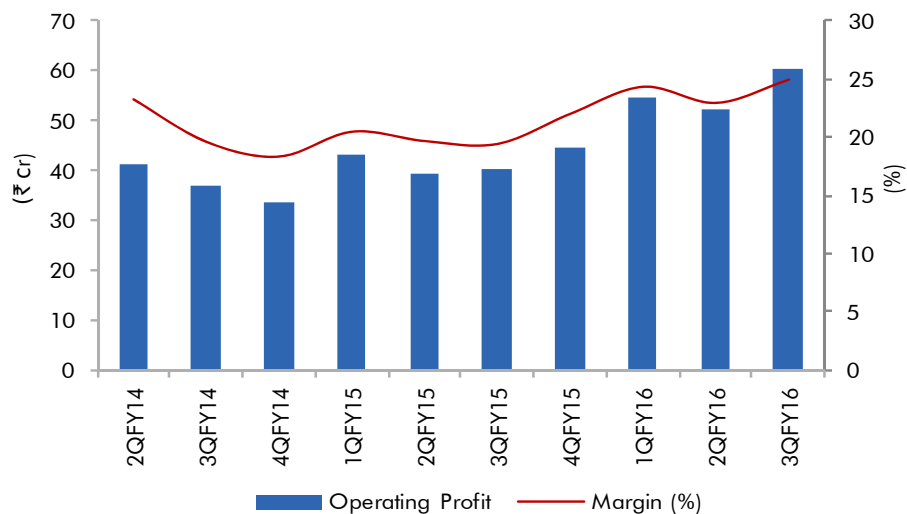


Source: Company, Angel Research

## Strong operating performance due to lower material costs

For the quarter, the company reported an operating profit of ~₹60cr, up ~50% yoy. The operating margin expanded by a significant 564bp yoy on account of lower raw material costs as a percentage of sales which were down 482bp yoy due to decline in cost of news print. Going forward, the Management expects margins to be better due to lower news print costs and with the company following an effective cost management strategy.

**Exhibit 3: Operating profit and margin trend**

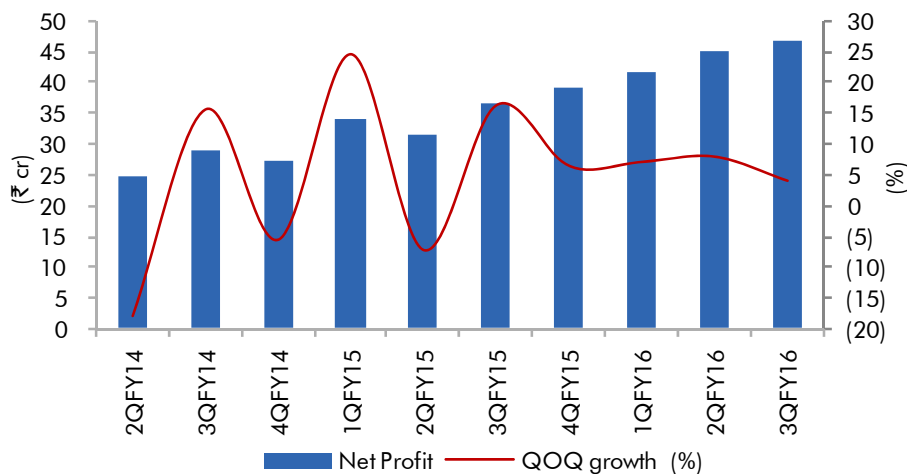


Source: Company, Angel Research

### Higher PAT growth on back of strong operating performance

The company has reported strong PAT growth for the quarter of ~28% yoy to ₹47cr due to strong operating performance.

**Exhibit 4: Net Profit and growth trend**



Source: Company, Angel Research

## Investment rationale

### Robust advertising revenue growth expected to continue

The combination of increase in advertising volume as well as yield has resulted in a healthy double-digit advertising revenue growth for the company in the last few quarters. The company reported a double-digit advertising revenue growth in Bihar and Jharkhand and strong growth in advertising revenue in Uttar Pradesh, which resulted in a healthy top-line growth for FY2015.

According to the Management, double-digit advertising revenue growth is likely to continue, considering good gains in readership share, especially in Uttar Pradesh and on expectations of an improvement in the Indian economy.

### Consistent double-digit growth in circulation revenue

The company continues to consistently report double-digit growth in circulation revenue aided by increase in circulation volume and higher realization per copy. For FY2015, HMVL reported a growth of 12.4% yoy in circulation revenue. During the year, HMVL has retained its market leadership in Uttarakhand, Bihar and Jharkhand by a wide margin and also retained its number two position in Uttar Pradesh and Delhi. Going forward, the Management expects growth momentum in circulation revenue to continue owing to the company's strong brand and leadership position.

## Outlook and valuation

Going forward, we believe that the company would perform well, both on the top-line and bottom-line fronts, on back of strong recovery in the Indian economy. Further, we expect strong growth in both advertising and circulation revenue due to the company's strong presence in the states of Uttar Pradesh, Uttarakhand, Bihar and Jharkhand. Further, HT Media is hiving off its online content business to Hindustan Media Ventures. We are awaiting further clarifications on the deal from the Management in order to assess its financial implications. Until then, **we retain our Neutral rating on the stock.**

## Company Background

Hindustan Media Ventures Ltd is one of the leading print media companies in India in terms of readership. The company publishes and prints 'Hindustan', the third largest daily newspaper in India in terms of readership (9.9mn readers). 'Hindustan' has the largest readership in key Hindi-speaking markets of Bihar and Jharkhand, with a strong and growing presence in Delhi NCR and the states of Uttar Pradesh and Uttarakhand. 'Hindustan' is one of the fastest growing Hindi daily newspapers in India.

**Profit and Loss Statement**

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
<b>Total operating income</b>	<b>597</b>	<b>636</b>	<b>730</b>	<b>819</b>	<b>921</b>	<b>1,026</b>
% chg	15.6	6.6	14.7	12.2	12.5	11.3
<b>Total Expenditure</b>	<b>501</b>	<b>524</b>	<b>578</b>	<b>652</b>	<b>712</b>	<b>805</b>
Cost of Materials	257	265	300	338	373	415
Personnel	73	80	87	107	127	146
Others	171	179	191	208	212	244
<b>EBITDA</b>	<b>95</b>	<b>113</b>	<b>151</b>	<b>166</b>	<b>209</b>	<b>221</b>
% chg	9.1	18.1	34.4	10.1	25.6	5.4
(% of Net Sales)	16.0	17.7	20.7	20.3	22.7	21.5
Depreciation & Amortisation	19	22	22	24	27	32
<b>EBIT</b>	<b>76</b>	<b>91</b>	<b>130</b>	<b>142</b>	<b>182</b>	<b>189</b>
% chg	7.0	19.7	42.7	9.6	27.8	3.9
(% of Net Sales)	12.7	14.3	17.8	17.4	19.7	18.4
Interest & other Charges	3	5	6	11	13	14
Other Income	19	28	31	56	62	64
(% of PBT)	20.8	25.0	19.8	30.0	26.9	26.8
Share in profit of Associates	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>92</b>	<b>114</b>	<b>155</b>	<b>188</b>	<b>231</b>	<b>239</b>
% chg	20.4	24.3	35.5	21.7	22.8	3.5
Prior Period & Extra. Exp./(Inc.)	-	-	-	-	-	-
<b>PBT (reported)</b>	<b>92</b>	<b>114</b>	<b>155</b>	<b>188</b>	<b>231</b>	<b>239</b>
Tax	26	30	43	47	62	67
(% of PBT)	28.8	25.9	28.0	25.1	27.0	28.0
<b>PAT (reported)</b>	<b>65</b>	<b>85</b>	<b>111</b>	<b>141</b>	<b>169</b>	<b>172</b>
Add: Share of earnings of asso.	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>65</b>	<b>85</b>	<b>111</b>	<b>141</b>	<b>169</b>	<b>172</b>
<b>ADJ. PAT</b>	<b>65</b>	<b>85</b>	<b>111</b>	<b>141</b>	<b>169</b>	<b>172</b>
% chg	21.9	29.3	31.6	26.7	19.7	2.1
(% of Net Sales)	11.0	13.3	15.2	17.2	18.3	16.8
<b>Basic EPS (₹)</b>	<b>8.9</b>	<b>11.5</b>	<b>15.2</b>	<b>19.2</b>	<b>23.0</b>	<b>23.5</b>
<b>Fully Diluted EPS (₹)</b>	<b>8.9</b>	<b>11.5</b>	<b>15.2</b>	<b>19.2</b>	<b>23.0</b>	<b>23.5</b>
% chg	21.9	29.3	31.6	26.7	19.7	2.1

**Balance sheet**

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	73	73	73	73	73	73
Reserves & Surplus	361	435	536	668	828	991
<b>Shareholders Funds</b>	<b>434</b>	<b>508</b>	<b>609</b>	<b>741</b>	<b>901</b>	<b>1,064</b>
Minority Interest	-	-	-	-	-	-
Total Loans	26	3	20	99	99	99
Deferred Tax Liability	12	13	13	13	13	13
<b>Total Liabilities</b>	<b>472</b>	<b>525</b>	<b>643</b>	<b>853</b>	<b>1,013</b>	<b>1,176</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	229	242	254	292	322	372
Less: Acc. Depreciation	43	64	85	109	137	168
<b>Net Block</b>	<b>186</b>	<b>178</b>	<b>169</b>	<b>183</b>	<b>186</b>	<b>204</b>
Capital Work-in-Progress	7	1	11	11	11	11
<b>Investments</b>	<b>213</b>	<b>278</b>	<b>369</b>	<b>547</b>	<b>577</b>	<b>597</b>
Current Assets	175	172	225	282	375	502
Inventories	32	32	33	45	58	73
Sundry Debtors	78	79	93	107	129	149
Cash	44	28	26	40	59	105
Loans & Advances	22	27	65	74	101	144
Other Assets	0	5	8	16	28	31
Current liabilities	116	110	138	177	142	145
<b>Net Current Assets</b>	<b>59</b>	<b>61</b>	<b>87</b>	<b>105</b>	<b>232</b>	<b>357</b>
Deferred Tax Asset	7	7	7	7	7	7
Mis. Exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>472</b>	<b>525</b>	<b>643</b>	<b>853</b>	<b>1,013</b>	<b>1,176</b>

**Cashflow**

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Profit before tax	92	114	155	188	231	239
Depreciation	19	22	22	24	27	32
Change in Working Capital	(13)	(12)	1	(4)	(108)	(78)
Interest / Dividend (Net)	(14)	5	(23)	11	13	14
Direct taxes paid	(24)	(28)	(43)	(47)	(62)	(67)
Others	13	(20)	1	-	-	-
<b>Cash Flow from Operations</b>	<b>72</b>	<b>81</b>	<b>113</b>	<b>171</b>	<b>101</b>	<b>139</b>
(Inc.)/ Dec. in Fixed Assets	(35)	8	(27)	(38)	(30)	(50)
(Inc.)/ Dec. in Investments	(24)	(65)	(91)	(179)	(30)	(20)
<b>Cash Flow from Investing</b>	<b>(59)</b>	<b>(58)</b>	<b>(117)</b>	<b>(217)</b>	<b>(60)</b>	<b>(70)</b>
Issue of Equity	-	-	-	-	-	-
Inc./(Dec.) in loans	6	(23)	17	78	-	-
Dividend Paid (Incl. Tax)	(7)	(9)	(9)	(9)	(9)	(9)
Interest / Dividend (Net)	(4)	(6)	(7)	(11)	(13)	(14)
<b>Cash Flow from Financing</b>	<b>(5)</b>	<b>(38)</b>	<b>2</b>	<b>59</b>	<b>(22)</b>	<b>(23)</b>
Inc./(Dec.) in Cash	8	(15)	(2)	14	19	47
<b>Opening Cash balances</b>	<b>36</b>	<b>44</b>	<b>28</b>	<b>26</b>	<b>40</b>	<b>59</b>
<b>Closing Cash balances</b>	<b>44</b>	<b>28</b>	<b>26</b>	<b>40</b>	<b>59</b>	<b>105</b>



**Key ratios**

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	30.9	23.9	18.1	14.3	12.0	11.7
P/CEPS	23.8	19.0	15.2	12.2	10.3	9.9
P/BV	4.6	4.0	3.3	2.7	2.2	1.9
Dividend yield (%)	0.4	0.4	0.4	0.4	0.4	0.4
EV/Sales	3.0	2.7	2.3	1.9	1.6	1.4
EV/EBITDA	18.8	15.2	10.9	9.2	7.1	6.4
EV / Total Assets	3.0	2.7	2.1	1.5	1.3	1.1
<b>Per Share Data (₹)</b>						
EPS (Basic)	8.9	11.5	15.2	19.2	23.0	23.5
EPS (fully diluted)	8.9	11.5	15.2	19.2	23.0	23.5
Cash EPS	11.6	14.5	18.1	22.5	26.7	27.8
DPS	1.2	1.2	1.2	1.2	1.2	1.2
Book Value	59.1	69.3	83.0	101.0	122.8	145.0
<b>Returns (%)</b>						
RoCE	16.5	17.8	20.6	16.9	18.2	16.2
Angel RoIC (Pre-tax)	37.2	44.3	55.2	56.2	50.0	41.0
RoE	15.1	16.6	18.3	19.0	18.7	16.2
<b>Turnover ratios (x)</b>						
Asset Turnover	3.2	3.6	4.3	4.5	5.0	5.0
Inventory / Sales (days)	19	19	16	20	23	26
Receivables (days)	48	45	47	48	51	53
Payables (days)	40	35	38	38	33	30
Net WC (days)	27	29	25	30	41	49

Research Team Tel: 022 - 39357800

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

 Website: [www.angelbroking.com](http://www.angelbroking.com)

## DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange of India Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates including its relatives/analyst do not hold any financial interest/beneficial ownership of more than 1% in the company covered by Analyst. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Angel/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market making activity of the company covered by Analyst.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

**Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.**

### Disclosure of Interest Statement

### HMVL

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors*

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15%)