

Hindustan Media Ventures

Performance Highlights

Quarterly Data

(₹ cr)	2QFY16	2QFY15	% yoy	1QFY15	% qoq
Revenue	227	200	13.7	224	1.4
EBITDA	52	39	33.1	55	(4.5)
Margin (%)	22.9	19.6	334bp	24.4	(142bp)
Reported PAT	45	31	43.1	42	8.0

Source: Company, Angel Research

For 2QFY2016, Hindustan Media Ventures Ltd (HMVL) 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 pick-up in ad spends by industries. On the operating front, the company's performance was strong, which led to a higher PAT growth.

Strong growth in ad and circulation revenue: HMVL registered a growth of ~18% yoy in advertising revenue to ~₹168cr, on back of increase in advertising yields and volumes. Further, the company reported a ~8% yoy growth in circulation revenue to ₹53cr on back of higher circulation as well as realization per copy.

Higher PAT on back of strong operating performance: The company reported a strong PAT growth of ~43% yoy due to strong operating performance. The operating performance was strong on account of lower cost of news print which is a key raw material for HMVL.

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.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net Sales	730	819	907	1,008
% chg	14.7	12.2	10.8	11.2
Net Profit (Adj.)	111	141	145	155
% chg	31.6	26.7	3.2	6.3
EBITDA margin (%)	20.7	20.3	20.2	20.2
EPS (₹)	15.2	19.2	19.8	21.1
P/E (x)	16.7	13.2	12.8	12.0
P/BV (x)	3.0	2.5	2.1	1.8
RoE (%)	18.3	19.0	16.6	15.1
RoCE (%)	20.6	16.9	15.9	15.3
EV/Sales (x)	2.0	1.7	1.5	1.2
EV/EBITDA (x)	9.8	8.2	7.3	6.2

Source: Company, Angel Research; Note: CMP as of October 27, 2015

NEUTRAL

CMP ₹275
 Target Price -

Investment Period -

Stock Info

Sector	Media
Market Cap (₹ cr)	2,048
Net Debt (₹ cr)	576
Beta	0.8
52 Week High / Low	289 / 168
Avg. Daily Volume	20,623
Face Value (₹)	10
BSE Sensex	27,253
Nifty	8,233
Reuters Code	HINS.BO
Bloomberg Code	HMVL@IN

Shareholding Pattern (%)

Promoters	74.9
MF / Banks / Indian Fls	13.1
FII / NRIs / OCBs	5.4
Indian Public / Others	6.6

Abs. (%)	3m	1yr	3yr
Sensex	0.6	1.9	46.3
HMVL	13.1	13.1	127.3

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarterly performance

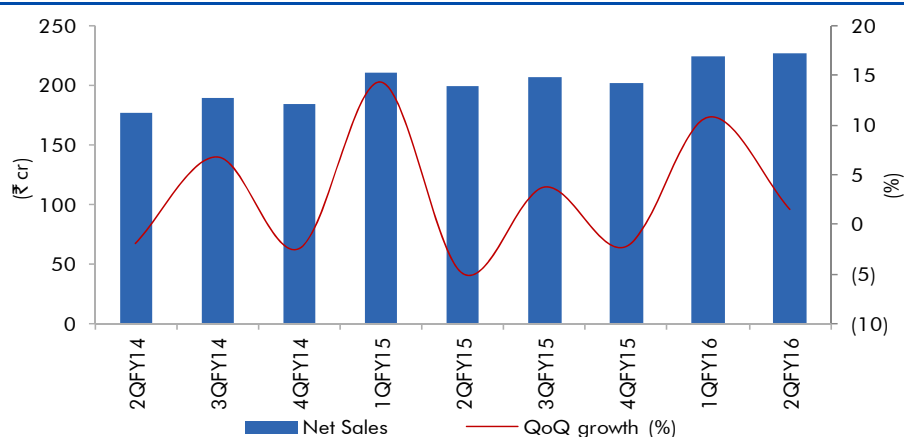
Y/E March (₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq	FY2015	FY2014	% chg
Net Sales	226.92	199.54	13.7	223.72	1.4	819	730	12.2
Consumption of RM	86	85	1.6	84	2.3	338	301	12.3
(% of Sales)	38.0	42.5		37.6		41.2	41.2	
Staff Costs	30	26	15.9	29	4.0	107	87	23.4
(% of Sales)	13.2	12.9		12.8		13.0	11.9	
Other Expense	59	50	17.9	56	4.5	208	191	8.5
(% of Sales)	25.9	25.0		25.2		25.4	26.2	
Total Expenditure	175	160	9.0	169	3.3	652	578	12.7
Operating Profit	52	39	33.1	55	(4.5)	166	151	10.1
OPM (%)	22.9	19.6		24.4		20.3	20.7	
Interest	3	3	5.2	3	5.9	11	6	
Depreciation	5	6	(17.4)	6	(3.1)	24	22	12.8
Other Income	19	12	57.7	12	63.0	56	31	84.6
PBT	63	42	49.9	58	8.5	188	155	21.7
(% of Sales)	27.6	21.0		25.8		23.0	21.2	
Provision for Taxation	18	10	70.5	16	9.9	47	43	8.9
(% of PBT)	28.2	24.8		27.8		25.1	28.0	
Minority Interest						0	0	
Recurring PAT	45	31	43.1	42	8.0	141	111	26.7
PATM	19.8	15.8		18.6		17.2	15.2	
Exceptional items						0	0	
Reported PAT	45	31	43.1	42	8.0	141	111	26.7
Equity shares (cr)	7.3	7.3		7.3		7.3	7.3	
FDEPS (₹)	6.1	4.3	43.1	5.7	8.0	19.2	15.2	26.7

Source: Company, Angel Research

Strong top-line growth

For 2QFY2016, HMVL reported a healthy top-line growth of ~14% yoy to ~₹227cr (excluding other income), owing to growth in advertising and circulation revenue. Overall, the company registered a ~18% yoy growth in advertising revenue to ~₹168cr, primarily due to increase in advertising yields and volumes. Further, the company reported a ~8% yoy growth in circulation revenue to ~₹53cr on back of higher circulation and realization per copy. During the quarter, there was an increase in ad spend by companies in several sectors (barring education and real estate sectors). Moreover, the company expects an improvement in circulation revenue owing to its strong presence in the states of Uttar Pradesh and Uttarakhand, and continuing dominance in Bihar and Jharkhand.

Exhibit 2: Top-line growth trend

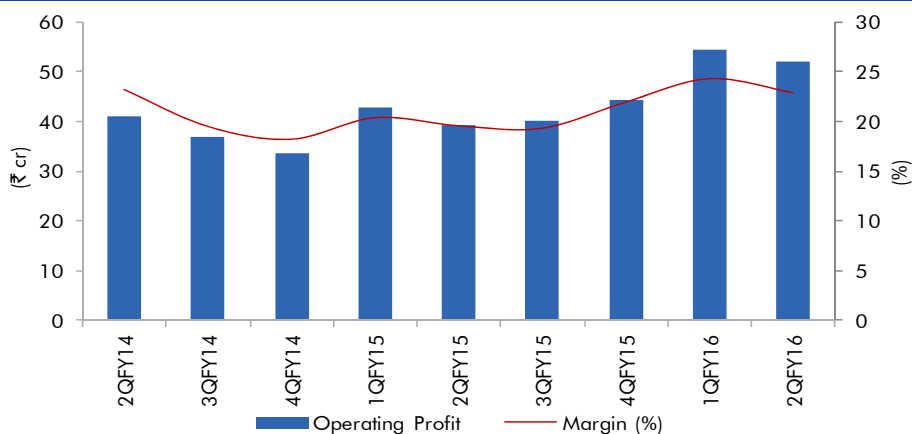


Source: Company, Angel Research

Strong operating performance due to lower material costs

For the quarter, the company reported an operating profit of ~₹52cr, up ~33% yoy. The operating margin expanded by a significant 334bp yoy on account of lower raw material costs as a percentage of sales which were down 452bp yoy due to decline in cost of news print which is a key raw material for HMVL. Going forward, the Management expects margins to be better due to lower news print costs and with it following an effective cost management strategy.

Exhibit 3: Operating profit and margin trend

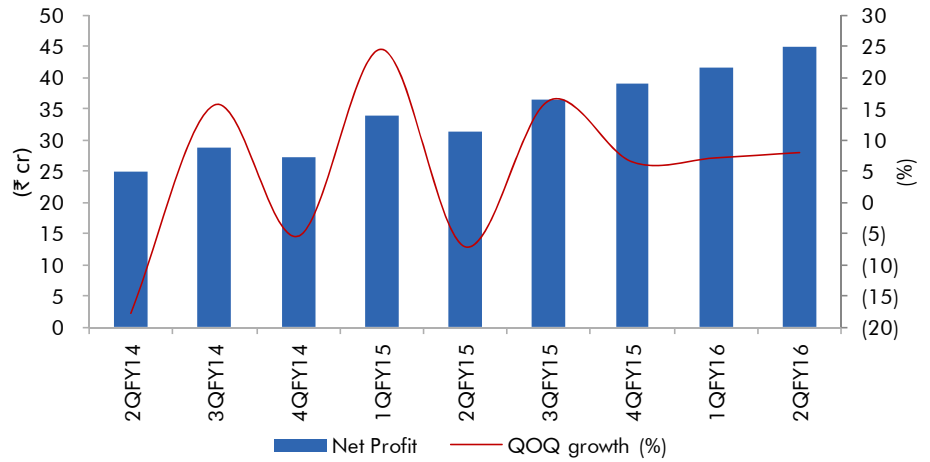


Source: Company, Angel Research

Higher PAT growth on back of strong operating performance

The company has reported strong PAT growth for the quarter of ~43% yoy to ₹45cr due to strong operating performance and higher other income.

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.

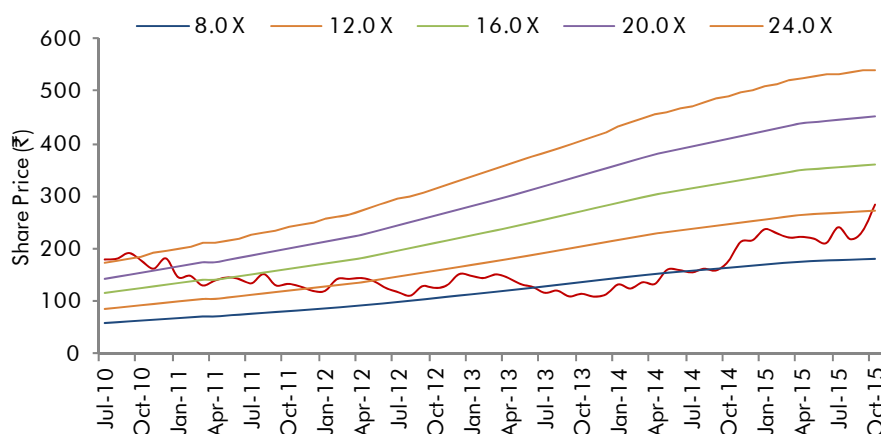
Consistent double-digit growth in circulation revenue

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.**

Exhibit 5: One-year forward P/E band



Source: Company, Angel Research

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
Total operating income	597	636	730	819	914	1,016
% chg	15.6	6.6	14.7	12.2	11.7	11.1
Total Expenditure	501	524	578	652	716	797
Cost of Materials	257	265	300	338	370	411
Personnel	73	80	87	107	126	144
Others	171	179	191	208	219	242
EBITDA	95	113	151	166	198	218
% chg	9.1	18.1	34.4	10.1	19.2	10.1
(% of Net Sales)	16.0	17.7	20.7	20.3	21.7	21.5
Depreciation & Amortisation	19	22	22	24	27	32
EBIT	76	91	130	142	171	187
% chg	7.0	19.7	42.7	9.6	20.3	9.2
(% of Net Sales)	12.7	14.3	17.8	17.4	18.7	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	28.2	27.0
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	92	114	155	188	220	237
% chg	20.4	24.3	35.5	21.7	17.1	7.6
Prior Period & Extra. Exp./ (Inc.)	-	-	-	-	-	-
PBT (reported)	92	114	155	188	220	237
Tax	26	30	43	47	59	66
(% of PBT)	28.8	25.9	28.0	25.1	27.0	28.0
PAT (reported)	65	85	111	141	161	171
Add: Share of earnings of asso.	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
PAT after MI (reported)	65	85	111	141	161	171
ADJ. PAT	65	85	111	141	161	171
% chg	21.9	29.3	31.6	26.7	14.1	6.1
(% of Net Sales)	11.0	13.3	15.2	17.2	17.6	16.8
Basic EPS (₹)	8.9	11.5	15.2	19.2	21.9	23.2
Fully Diluted EPS (₹)	8.9	11.5	15.2	19.2	21.9	23.2
% chg	21.9	29.3	31.6	26.7	14.1	6.1

Balance sheet

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
SOURCES OF FUNDS						
Equity Share Capital	73	73	73	73	73	73
Reserves & Surplus	361	435	536	668	820	982
Shareholders Funds	434	508	609	741	893	1,055
Minority Interest	-	-	-	-	-	-
Total Loans	26	3	20	99	99	99
Deferred Tax Liability	12	13	13	13	13	13
Total Liabilities	472	525	643	853	1,005	1,167
APPLICATION OF FUNDS						
Gross Block	229	242	254	292	322	372
Less: Acc. Depreciation	43	64	85	109	137	168
Net Block	186	178	169	183	186	204
Capital Work-in-Progress	7	1	11	11	11	11
Investments	213	278	369	547	577	597
Current Assets	175	172	225	282	366	492
Inventories	32	32	33	45	58	72
Sundry Debtors	78	79	93	107	128	148
Cash	44	28	26	40	62	109
Loans & Advances	22	27	65	74	91	132
Other Assets	0	5	8	16	27	30
Current liabilities	116	110	138	177	141	144
Net Current Assets	59	61	87	105	224	348
Deferred Tax Asset	7	7	7	7	7	7
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	472	525	643	853	1,005	1,167

Cashflow

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Profit before tax	92	114	155	188	220	237
Depreciation	19	22	22	24	27	32
Change in Working Capital	(13)	(12)	1	(4)	(97)	(76)
Interest / Dividend (Net)	(14)	5	(23)	11	13	14
Direct taxes paid	(24)	(28)	(43)	(47)	(59)	(66)
Others	13	(20)	1	-	-	-
Cash Flow from Operations	72	81	113	171	104	140
(Inc.)/ Dec. in Fixed Assets	(35)	8	(27)	(38)	(30)	(50)
(Inc.)/ Dec. in Investments	(24)	(65)	(91)	(179)	(30)	(20)
Cash Flow from Investing	(59)	(58)	(117)	(217)	(60)	(70)
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)
Cash Flow from Financing	(5)	(38)	2	59	(22)	(23)
Inc./(Dec.) in Cash	8	(15)	(2)	14	22	48
Opening Cash balances	36	44	28	26	40	62
Closing Cash balances	44	28	26	40	62	109

Key ratios

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratio (x)						
P/E (on FDEPS)	31.3	24.2	18.4	14.5	12.7	12.0
P/CEPS	24.2	19.3	15.4	12.4	10.9	10.1
P/BV	4.7	4.0	3.4	2.8	2.3	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	19.1	15.5	11.1	9.4	7.6	6.6
EV / Total Assets	3.1	2.7	2.1	1.5	1.3	1.1
Per Share Data (₹)						
EPS (Basic)	8.9	11.5	15.2	19.2	21.9	23.2
EPS (fully diluted)	8.9	11.5	15.2	19.2	21.9	23.2
Cash EPS	11.6	14.5	18.1	22.5	25.6	27.6
DPS	1.2	1.2	1.2	1.2	1.2	1.2
Book Value	59.1	69.3	83.0	101.0	121.7	143.8
Returns (%)						
RoCE	16.5	17.8	20.6	16.9	17.2	16.2
Angel RoIC (Pre-tax)	37.2	44.3	55.2	56.2	48.5	41.8
RoE	15.1	16.6	18.3	19.0	18.0	16.2
Turnover ratios (x)						
Asset Turnover	3.2	3.6	4.3	4.5	4.9	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

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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%)
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