

## SANDESH LIMITED

Result Update (PARENT BASIS): Q2 FY16

**BUY**

CMP	851.00
Target Price	980.00

**JANUARY 13<sup>th</sup>. 2016**

ISIN: INE583B01015

### Index Details

#### Stock Data

Sector	Publishing
BSE Code	526725
Face Value	10.00
52wk. High / Low (Rs.)	1010.00/478.25
Volume (2wk. Avg.)	5533
Market Cap (Rs. in mn.)	6441.22

### Annual Estimated Results (A\*: Actual / E\*: Estimated)

YEARS	FY15A	FY16E	FY17E
Net Sales	3448.88	3742.03	4003.98
EBITDA	981.12	1278.61	1485.67
Net Profit	570.36	780.68	935.03
EPS	75.35	103.14	123.53
P/E	11.29	8.25	6.89

### Shareholding Pattern (%)

(QUARTERLY)	As on Sep-15	As on Jun-15
PROMOTER	74.81	74.81
FII's	0	0
DII's	0.01	0.01
OTHERS	25.18	25.18

### 1 Year Comparative Graph



SANDESH LTD

BSE SENSEX

### SYNOPSIS

- Sandesh Ltd is an India-based company, which is engaged in the editing, printing & publishing newspapers and periodicals. The Company's segments include Media, Finance and Real Estate.
- For Q2 FY16, PAT rose by 43.89% to Rs. 195.90 million from Rs. 136.15 million, when compared with the prior year period.
- Revenue grew by 6.82% at Rs. 904.70 million in Sep quarter of FY16 compared to Rs. 846.91 million in the corresponding quarter of the previous year.
- In Q2 FY16, EBITDA is Rs. 320.12 million, an increase of 33.34% as against Rs. 240.08 million in the corresponding period of the previous year.
- For Q2 FY16, Profit before Tax (PBT) grew by 42.48% to Rs. 299.64 million from Rs. 210.30 million over the corresponding quarter of the previous year.
- In Q2 FY16, Earnings per Share for the company were Rs. 25.88 compared to Rs. 17.99 in Q2 FY15, grew by 43.89%.
- During Q2 FY16, Media revenue increased by 9% to Rs. 808.38 million from Rs. 741.91 million over the corresponding quarter of the previous year.
- Net sales for the half year ended of FY16 stood at Rs. 904.70 million as compared to Rs. 846.91 million for the half year ended of FY15.
- In H1 FY16, the company's net profit grew by 43.89% of Rs. 195.90 million as compared to Rs. 136.15 million in H1 FY15.
- Net Sales and PAT of the company are expected to grow at a CAGR of 7% and 18% over 2014 to 2017E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Sandesh Ltd	851.00	6441.22	75.35	11.29	1.42	40.00
JUSTDIAL Ltd	816.60	57586.60	22.51	36.28	8.55	20.00
DB Corp Ltd	320.10	58810.70	16.15	19.82	4.57	77.50
Hindustan Media Ventures Ltd	292.10	21064.00	22.11	12.98	2.85	12.00

## QUARTERLY HIGHLIGHTS (PARENT BASIS)

### Results updates- Q2 FY16,

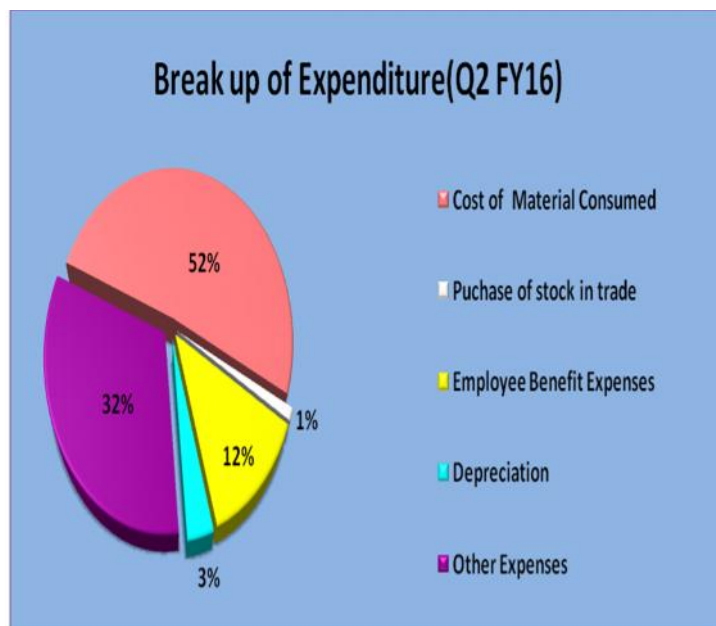
Sandesh Ltd provides information & entertainment through supplements dealing with almost all subjects, reported its financial results for the quarter ended 30<sup>th</sup> September, 2015.

Months	Sep-15	Sep-14	% Change
Net Sales	904.70	846.91	6.82
PAT	195.90	136.15	43.89
EPS	25.88	17.99	43.89
EBITDA	320.12	240.08	33.34

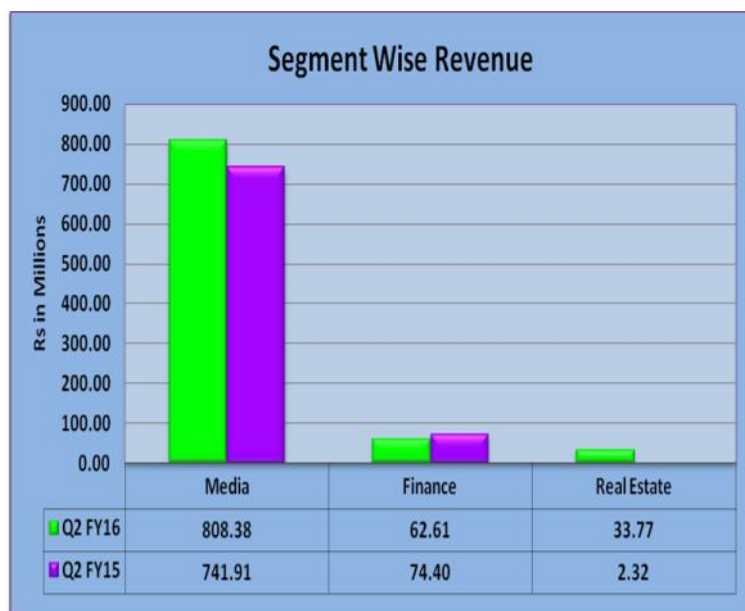
The Company achieved a turnover of Rs. 904.70 million for the 2<sup>nd</sup> quarter of the current year 2015-16 as against Rs. 846.91 million in the corresponding quarter of the previous year, an increase of 6.82%. Net profit jumps to Rs. 195.90 million against Rs. 136.15 million in the corresponding quarter ending of previous year, an increase of 43.89%. Reported earnings per share of the company stood at Rs. 25.88 a share during the quarter as against Rs. 17.99 over previous year period. Profit before interest, depreciation and tax is Rs. 320.12 million as against Rs. 240.08 million in the corresponding period of the previous year.

### Break up of Expenditure

Break up of Expenditure	Rs in Million	
	Q2 FY16	Q2 FY15
Cost of Material Consumed	315.52	338.98
Purchase of stock in trade	7.12	23.84
Employee Benefit Expenses	74.90	65.27
Depreciation	19.30	18.43
Other Expenses	198.18	180.56



## Segment Revenue



### Result Updates:

- The Company has acquired the equity shares of Rs. 10/- each of M/s. Sandesh Digital Private Limited and as a result M/s. Sandesh Digital Private Limited has become a Wholly Owned Subsidiary of the Company.
- The Company has expanded its digital presence through its wholly owned subsidiary i.e. M/s. Sandesh Digital Private Limited, which has forayed into English News by launching a new mobile application namely 'The Little News'.

## COMPANY PROFILE

Sandesh Ltd started its journey in the world of Journalism in 1923 & it has flourished in to 7 editions and has played a critical and vital role in the upliftment and welfare of five crore Gujaratis. It covers the latest news and deals with the day to day situation with equanimity and fare judgment. It provides information and entertainment through its supplements dealing with almost all the subjects.

Sandesh Limited is a listed and public ltd company with Head Quarter at Ahmadabad. Sandesh was a single edition newspaper published from Ahmadabad under expansion programme new editions were launched Baroda, Surat, Rajkot, Bhavnagar & Kutch in 1985, 1989, 1990, 1998 and 2011 respectively.

The Sandesh Limited is an India-based company, which is engaged in the editing, printing and publishing newspapers, and periodicals. The Company's segments include Media, Finance and Real Estate. It is a publisher of Sandesh, a Gujarati daily newspaper in Gujarat region. The Company publishes Stree, which is a weekly magazine, and Sandesh Pratyaksha Panchang, which is a periodical. It publishes a weekly newspaper, Agro Sandesh, which covers the farming, dairy and cooperative sector. It operates Sandesh News, which is its news television channel. It has advertisements sites at various areas in Ahmedabad. The Company offers its news across various categories, such as national, Gujarat, business, world, sports, entertainment, supplements, life, astrology and city life. It also offers money transfer. The Company's services include Gujarati calendar, Sandesh on mobile, Dynakode and book your advertisements.

**FINANCIAL HIGHLIGHT (PARENT BASIS)***(A\*- Actual, E\* -Estimations & Rs. In Millions)***Balance Sheet as at March 31, 2014 -2017E**

<b>SANDESH LIMITED</b>	<b>FY14A</b>	<b>FY15</b>	<b>FY16E</b>	<b>FY17E</b>
<b>SOURCES OF FUNDS</b>				
<b>Shareholder's Funds</b>				
a) Share Capital	75.69	75.69	75.69	75.69
b) Reserves and Surplus	3933.10	4467.02	5125.67	5638.23
<b>1. Sub Total - Net worth</b>	<b>4008.80</b>	<b>4542.71</b>	<b>5201.36</b>	<b>5713.93</b>
<b>Non Current Liabilities</b>				
a) Deferred Tax Liabilities [Net]	52.42	44.21	37.58	32.32
b) Other Long Term Liabilities	75.55	80.75	85.92	90.21
c) Long Term Provisions	13.12	16.72	19.56	21.91
<b>2. Sub Total - Non Current Liabilities</b>	<b>141.09</b>	<b>141.68</b>	<b>143.06</b>	<b>144.44</b>
<b>Current Liabilities</b>				
a) Short-term borrowings	561.59	100.28	122.34	134.58
b) Trade Payables	129.98	70.21	110.93	136.45
c) Other Current Liabilities	586.62	597.81	657.59	690.47
d) Short Term Provisions	40.13	38.92	53.71	59.08
<b>3. Sub Total - Current Liabilities</b>	<b>1318.31</b>	<b>807.22</b>	<b>944.57</b>	<b>1020.57</b>
<b>Total Liabilities (1+2+3)</b>	<b>5468.20</b>	<b>5491.61</b>	<b>6288.99</b>	<b>6878.94</b>
<b>ASSETS</b>				
<b>Fixed Assets</b>				
i. Tangible assets	679.09	702.09	716.13	723.29
ii. Intangible assets	5.60	5.60	5.60	5.60
iii. Capital Work in Progress	2.46	7.10	12.64	15.92
<b>a) Sub Total - Fixed Assets</b>	<b>687.16</b>	<b>714.79</b>	<b>734.37</b>	<b>744.82</b>
b) Other non-current assets	453.66	615.12	768.90	922.68
c) Non-current investments	1588.52	1588.02	1873.86	2117.47
d) Long Term loans and advances	714.71	500.81	390.63	320.32
<b>1. Sub Total - Non Current Assets</b>	<b>3444.04</b>	<b>3418.74</b>	<b>3767.77</b>	<b>4105.28</b>
<b>Current Assets</b>				
a) Current Investments	0.64	118.17	210.34	265.03
b) Inventories	314.79	605.96	557.48	518.46
c) Trade receivables	511.65	564.46	609.62	646.19
d) Cash and Bank Balances	380.21	208.80	595.08	761.70
e) Short-terms loans & advances	816.87	575.48	548.70	582.27
<b>2. Sub Total - Current Assets</b>	<b>2024.16</b>	<b>2072.87</b>	<b>2521.22</b>	<b>2773.66</b>
<b>Total Assets (1+2)</b>	<b>5468.20</b>	<b>5491.61</b>	<b>6288.99</b>	<b>6878.94</b>

### Annual Profit & Loss Statement for the period of 2014 to 2017E

Value(Rs.in.mn)	FY14A	FY15A	FY16E	FY17E
Description	12m	12m	12m	12m
<b>Net Sales</b>	<b>3131.17</b>	<b>3448.88</b>	<b>3742.03</b>	<b>4003.98</b>
Other Income	16.24	13.66	32.51	48.25
Total Income	3147.41	3462.54	3774.55	4052.22
Expenditure	-2304.09	-2481.42	-2495.94	-2566.55
<b>Operating Profit</b>	<b>843.33</b>	<b>981.12</b>	<b>1278.61</b>	<b>1485.67</b>
Interest	-80.71	-43.20	-15.12	-12.85
Gross profit	762.62	937.92	1263.49	1472.82
Depreciation	-78.39	-79.78	-80.74	-83.48
Exceptional Items	-1.93	0.54	0.10	0.00
Profit Before Tax	682.31	858.68	1182.85	1389.34
Tax	-224.24	-288.32	-402.17	-454.31
<b>Net Profit</b>	<b>458.07</b>	<b>570.36</b>	<b>780.68</b>	<b>935.03</b>
Equity capital	75.69	75.69	75.69	75.69
Reserves	3923.14	4457.10	5125.67	5638.23
Face value	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>60.52</b>	<b>75.35</b>	<b>103.14</b>	<b>123.53</b>

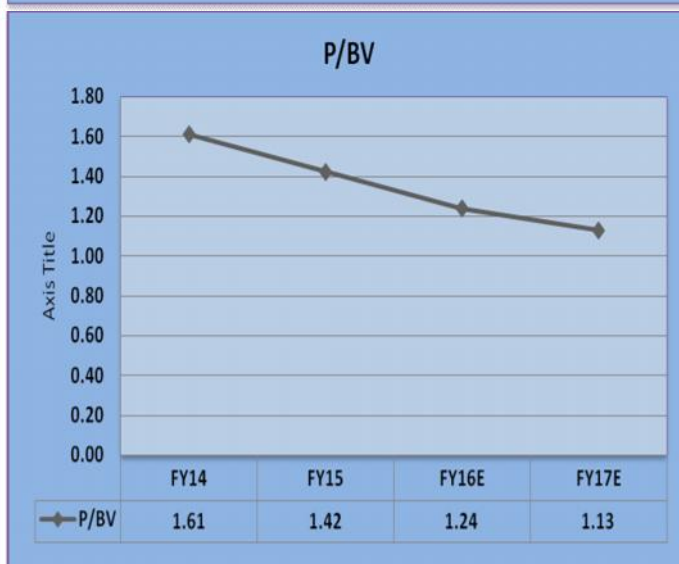
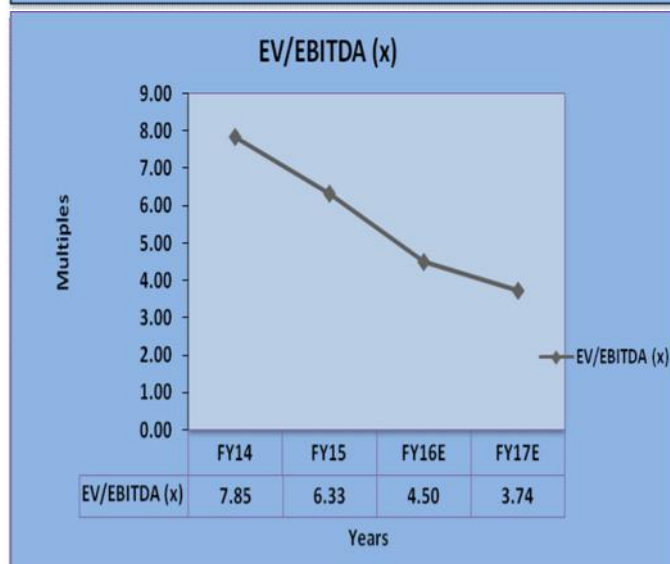
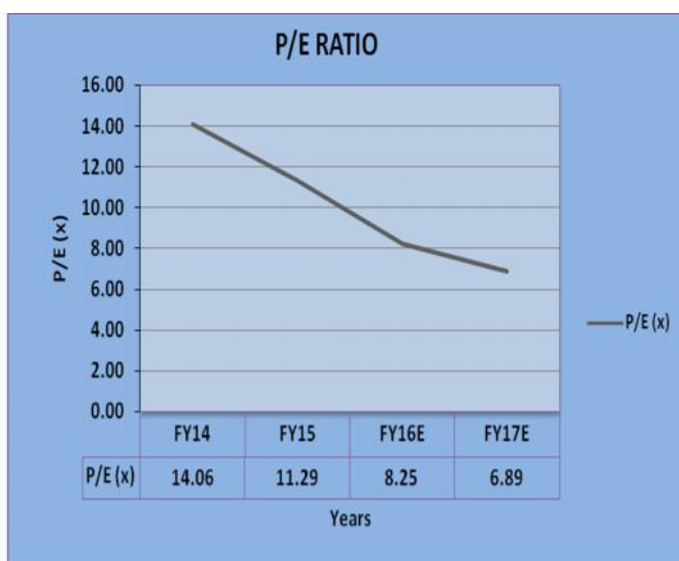
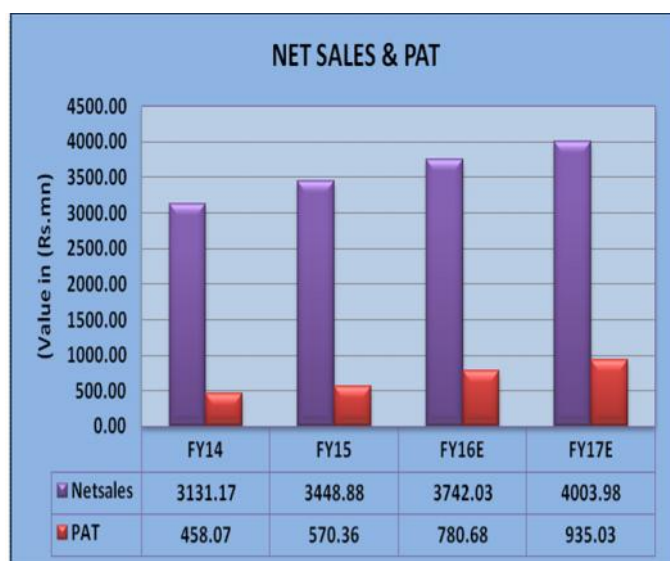
### Quarterly Profit & Loss Statement for the period of 31<sup>st</sup> Mar 2015 to 31<sup>st</sup> Dec, 2015E

Value(Rs.in.mn)	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15E
Description	3m	3m	3m	3m
<b>Net sales</b>	<b>866.30</b>	<b>924.73</b>	<b>904.70</b>	<b>946.32</b>
Other income	2.92	4.56	11.15	12.27
Total Income	869.22	929.29	915.85	958.58
Expenditure	-581.28	-594.99	-595.73	-657.69
<b>Operating profit</b>	<b>287.94</b>	<b>334.30</b>	<b>320.12</b>	<b>300.89</b>
Interest	-2.47	-4.30	-1.24	-1.18
Gross profit	285.47	330.00	318.88	299.71
Depreciation	-19.84	-18.45	-19.30	-19.03
Exceptional Items	0.00	0.00	0.06	0.00
Profit Before Tax	265.63	311.55	299.64	280.68
Tax	-91.49	-108.07	-103.74	-95.99
<b>Net Profit</b>	<b>174.14</b>	<b>203.48</b>	<b>195.90</b>	<b>184.69</b>
Equity capital	75.69	75.69	75.69	75.69
Face value	10.00	10.00	10.00	10.00
<b>EPS</b>	<b>23.01</b>	<b>26.88</b>	<b>25.88</b>	<b>24.40</b>

## Ratio Analysis

Particulars	FY14A	FY15A	FY16E	FY17E
EPS (Rs.)	60.52	75.35	103.14	123.53
EBITDA Margin (%)	26.93	28.45	34.17	37.10
PBT Margin (%)	21.79	24.90	31.61	34.70
PAT Margin (%)	14.63	16.54	20.86	23.35
P/E Ratio (x)	14.06	11.29	8.25	6.89
ROE (%)	11.46	12.58	15.01	16.36
ROCE (%)	20.21	22.90	25.53	26.83
Debt Equity Ratio	0.14	0.02	0.02	0.02
EV/EBITDA (x)	7.85	6.33	4.50	3.74
Book Value (Rs.)	528.32	598.86	687.19	754.91
P/BV	1.61	1.42	1.24	1.13

## Charts





## OUTLOOK AND CONCLUSION

- At the current market price of **Rs.851.00**, the stock P/E ratio is at 8.25 x FY16E and 6.89 x FY17E respectively.
- Earning per share (EPS) of the company for the earnings for FY16E and FY17E is seen at Rs.103.14 and Rs.123.53 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 7% and 18% over 2014 to 2017E respectively.
- On the basis of EV/EBITDA, the stock trades at 4.50 x for FY16E and 3.74 x for F17E.
- Price to Book Value of the stock is expected to be at 1.24 x and 1.13 x respectively for FY16E and FY17E.
- We recommend '**BUY**' in this particular scrip with a target price of **Rs.980.00** for Medium to Long term investment.

## INDUSTRY OVERVIEW

Print media is one of the oldest and basic forms of mass communication and the contribution of print media in providing information and transfer of knowledge is remarkable. Even after the advent of electronic media, the print media has not lost its charm or relevance. Print media has the advantage of making a longer impact on the minds of the reader, with more in-depth reporting and analysis.

According to FICCI-KPMG Indian Media and Entertainment Industry Report 2015, the structure of the Indian Print industry continues to be highly fragmented with both national and regional players present in the market. As on March 31, 2014, total registered publications stood more than 99000, out of which more than 13000 are dailies. In 2014, the Indian Print Industry experienced growth of 8.3% and this growth is largely coming from Tier II and Tier III cities with regional language editions outperforming the national editions and English dailies. This trend is expected to continue as most of the major publishers are working towards strengthening their presence in existing markets. Newspapers continue to be the biggest contributor of revenue to the print industry. In 2014, the contribution of newspapers to the total print revenue stood close to 95%. The Indian print industry is still growing at a high single digit rate and is expected to grow at a CAGR to 8 per cent during 2014-15. Most of the growth in the sector is expected to come from Tier II, Tier III cities and rural markets.

## OPPORTUNITIES AND THREATS

Historically, the print media companies have expanded by increasing penetration and keeping the cover prices affordable, thus resulting in relatively lower circulation revenue growth. However, recently, the print media



industry has been in a consolidation mode and circulation revenue growth for most print companies has been higher than the advertising revenue growth.

According to FICCI-KPMG Indian Media and Entertainment Industry Report 2015, the percentage of revenues from regional advertisements has increased in the overall print advertising pie. Vernacular print saw a growth of 9.8 per cent and English print growth dropped from 5.8 percent in 2013 to 5.2 per cent in 2014. While many English newspaper subscribers are shifting to online platforms, regional print markets still remain largely isolated from this trend. Vernacular print, which is perceived as an economical mode of reaching the target audience by advertisers in smaller cities and towns, is likely to grow at a CAGR of 10.5 per cent during 2014-19 and will constitute nearly 36 per cent of the total revenue pie by 2019. The regional language newspapers have a strong foothold in the Indian Print market and are in a good position to monetize their audience base through both circulation and advertisement revenues. While impact of digital media is more pronounced in the metro cities of Delhi, Mumbai, Bengaluru, etc., Tier II and Tier III cities are continuously witnessing growth in newspaper readership.

Macro factors such as rising literacy and increasing penetration in semi-urban and rural areas are likely to ensure profitable growth for the print media sector. Future growth is largely driven by semi-urban and rural areas on account of increasing commercial activity, higher spending power and rising literacy. With the language print medium dominating in these areas, language newspapers are preferred over English newspapers.

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