

Pressman Advertising Limited
"The only listed advertising agency in the country"



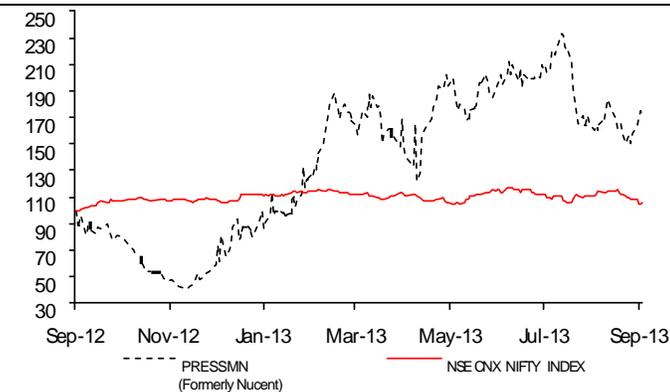
Initiating Coverage
Pressman Advertising Ltd.

Recommendation	BUY
CMP (Rs.)	Rs.12.8
Target Price (Rs.)	Rs.22.5(Upside 75%)

Stock Details

BSE Code	509077
Market Cap (Rs. cr)	30
Free Float (%)	45
52- wk HI/Lo (Rs)	17/2
Avg. Volume NSE (Monthly)	25727
Face Value (Rs)	2.0
Dividend (FY 13)	40%
Shares o/s (Crs)	2.35

Relative Performance	1Mth	6Mth	1Yr
NCET IN(%)	3.3	3.8	92.0
NIFTY(%)	1.8	(3.0)	7.7


Shareholding Pattern as of 30 June 2013

Promoters Holding	75%
Institutional (Incl. FII)	0%
Corporate Bodies, Public & others	25%

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Snapshot

Pressman Advertising Ltd. is the only listed advertising agency in the country.

Investment Rationale

- **One of the leading Indian advertising agencies:** Founded in the mid-60s, Pressman Advertising is one of the reputed Indian advertising agencies in the country. The Company has consistently posted profits come what may, reflecting the dedicated and conservative approach of the promoters, especially in a scenario where multi-national companies dominate 80% of the sector.
- **Promoted by veterans in the industry:** The Company is promoted by the brothers, Dr. Niren Suchanti and Mr. Navin Suchanti, who have nearly four decades of experience in this field.
- **Strong earnings visibility:** The Company has diverse stream of revenues with the business divided into four verticals: Advertising (70 per cent), Public Relations (20 per cent), Digital (8 per cent) and Design. With nearly 80 per cent of repeat business, the earnings visibility is very strong in an otherwise weak environment.
- **Debt-free, cash-surplus Balance Sheet:** The Company has a clean Balance Sheet with net cash and cash equivalent totaling to -Rs.10.7 crore, equivalent to one-third of the present market-cap.
- **Excellent dividend yield:** The Company paid a dividend of Re.0.80 per share for FY'13. We expect a dividend of minimum Re.1 per share for FY'14.

Valuation & Recommendation

The Company posted revenues of Rs.43.3 crore during FY'13. The PAT for the year stood at Rs.6.28 crore, translating into an EPS of Rs.2.68.

During Q1FY'14, the Company clocked a PAT of Rs.2.01 crore on revenues of Rs.9.58 crore, translating into an EPS of Rs.0.86. We expect the Company to post a PAT of Rs.7.5 crore on revenues of Rs.48 crore. This should translate into an EPS of Rs.3.19.

The cash and cash equivalent in the books adds up to more than Rs.4.55 per share. A clean balance sheet coupled with dedicated promoters and being the only listed advertising agency in the country, we value the same at 7x FY'14E earnings to arrive at a price target of Rs.22.5 per share over the next 9 to 12 months.

Particulars (Rs Cr)	Net Sales	Growth	PAT	EPS (Rs.)	P/E (x)
FY'13	43.3	-	6.28	2.68	4.8
FY'14E	48	10.8%	7.5	3.19	4.01

INVESTMENT RATIONALE

The only listed advertising agency in the country

Pressman Advertising Ltd. is the only listed advertising agency in the country. It is one of the leading independent full service advertising agencies with wide capabilities and most importantly, an excellent reputation built over the last four decades.

The paid up capital of the Company is Rs.4.7 crore (Rs.2-paid-up) and the promoter holding in the Company is 75 per cent.

The only way to play the growing advertising segment in the country

Promoted by veterans in the industry

The present promoters, the brothers Dr. Niren Suchanti and Mr. Navin Suchanti inherited this business from their father, the Late Mr. H. C. Suchanti in the year 1993 who had founded the business in Kolkata in the mid-60s. The promoters have nearly four decades of experience in advertising, marketing, finance, and public relations and considered among the authorities in the field.

Commands strong reputation in the industry

Pressman Advertising is amongst the respected independent advertising agencies in India and is well known in the industry for its commitment, ethical dealings and high standards. This has helped the Company hold its head high in an industry dominated by multi-national companies who account for around 80% market share.

Debt-free, cash surplus Balance Sheet

The Company has a clean Balance Sheet with net cash and cash equivalent totaling to Rs.10.7 crore. This is equivalent to one-third of the present market-cap of the Company.

Impeccable track record

The Company has a steady track record and has been consistently profitable irrespective of the state of the economy and the industry in which the Company operates.

This is attributable to the conservative approach of the promoters in running the show. The Company has a dedicated team of more than 80 employees, nearly half of who have been with Pressman Advertising for over 15 years. The four verticals of the Company: *1. Advertising 2. Public Relations 3. Digital and 4. Design* run under the able leadership of Dr. Suchanti. The business is carried out with very low capex and tight control on overheads.

The Company does not believe in even making an attempt to garner any business till the time there is an assurance of 100 per cent recovery of fees. As a result, Pressman Advertising has had no bad debts over the last five years in spite of two severe downturns in the economy impacting the services sector badly.

Not only the Company but the group itself has never leveraged the Balance Sheet. This can be substantiated by the fact that another listed group Company **Sinclairs Hotels** is debt-free and cash surplus in spite of operating in the hospitality segment that requires high amount of capital. In the present scenario, when some prominent names in the sector are cash strapped, Sinclairs Hotels announced a special dividend of 180 per cent (translating into 5 per cent dividend yield), in addition to a buyback offer at Rs. 390 per share.

Therefore, in spite of the fact that MNC players control more than 4/5th of the market, Pressman Advertising has been able to establish itself despite tough competition from global agencies as well as a large number of Indian agencies.

Resilient business model providing strong revenue visibility

The Company's business model is quite resilient with repeat business contributing to 80 per cent of the revenues. The Company has a well-diversified business model with income streams from various segments and has long-term as well as short-term tenure contracts.

One of the best dividend-yield stocks

Pressman Advertising has announced a dividend of Re.0.80 for FY'13. Considering the fact that the business model does not require high capital expenditure and a significant portion of the business is repetitive in nature, coupled with the conservative nature of the promoters, we expect the dividend pay-out to be on the higher side in the coming years.

Pan-India network

Pressman Advertising has a strong network of 10 offices (including three representative offices) across the country, aided by a well-trained and experienced professional team of 80 people. The Company has been able to effectively leverage its strong goodwill in media (especially, print media) and in corporate and financial circles. Pressman Advertising has a strong focus on government and PSU business and has been a pioneer in financial advertising, where its expertise is widely acknowledged.

Growth drivers going forward

The growth drivers for the Company going forward would be from the public relations and digital segments. Both these segments contributed 28 per cent to the top line in FY'13. The Company has initiated renewed focus on the design segment as well. On a low base, the same is expected to do well for the Company going forward.

Considering the strong balance sheet of the Company, inorganic growth could well be on the cards. However, we have not factored anything from this strategy in our projections.

Marquee list of clients

The Company has a marquee list of clients. Usually activities like PR and IR are segments, which a customer does not easily change unless and Pressman Advertising has long standing relationships with a large number of blue chip companies built over the years through its high quality of service. The activities of the Company have been divided into four divisions.

1. Advertising
2. Public Relations
3. Digital
4. Design

Pressman's client range is diverse with a large number of Central and State Government organizations, PSUs and State undertakings and leading private sector companies.

Its customer base in the financial segment is impressive and comprises of leading investment banks, asset management companies and financial services companies. It is actively involved in, and among the preferred names in the country for handling communication for transactions. In the government category, clients include several state and central government bodies as well as top-ranking public sector and state government undertakings.

COMPANY BACKGROUND

Pressman Advertising was established in the mid-60s by the Late Mr. H. C. Suchanti. The agency got its INS (Indian Newspaper Society) accreditation in 1968.

Pressman Advertising has emerged as a full-service agency with ISO 9001:2008 certification. It is accredited with DAVP (Directorate of Advertising and Visual Publicity) and a member of ABC (Audit Bureau of Circulation), AAI (Advertising Agencies Association of India), IBF (Indian Broadcasting Federation) and ASCI (Advertising Standards Council of India).

The business comprises of a comprehensive package of services in the field of advertising, public relations, design and digital services. The business is carried out through a network of offices located in Kolkata, Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Bhubaneswar, Nagpur, Siliguri and Patna.

INDUSTRY BACKGROUND

The total annual advertising spend in India is estimated at around Rs.26,000 crore. Despite the economic slowdown, advertising revenues grew by 9 per cent in 2012 as against 13 per cent in 2011 and 7 per cent registered in the year 2010. Print and television continue to dominate the industry while radio and online are posting high growth rates.

As per Magna Global forecast, the advertising market in India is expected to grow at 7.4 per cent in 2013 with television and print contributing to over 2/3rd of the revenues. As per the forecast, digital media is projected to grow by 31 per cent, TV by 6.6 per cent and print by 6 per cent.

The Indian advertising and public relations industry has a very large number of players which include global multinational giants at one end of the spectrum and small regional and local agencies at the other. The industry is dominated by large multi-national players.

RISKS & CONCERNS

Further weakening of the economy

The sluggish economy, continuing weakness in the stock market leading to depressed environment for fund-raising does not augur well for the industry as well as the Company. During such times, organizations tend to resort to cost cutting on various avenues including advertising and public relations.

VALUATION AND RECOMMENDATION

The Company posted revenues of Rs.43.3 crore during FY'13. The PAT for the year stood at Rs.6.28 crore, translating into an EPS of Rs.2.68 (Rs.2 paid-up).

During Q1FY'14, the Company clocked a PAT of Rs.2.01 crore on revenues of Rs.9.58 crore, translating into an EPS of Rs.0.86. We expect the Company to post a PAT of Rs.7.5 crore on revenues of Rs.48 crore. This should translate into an EPS of Rs.3.19. We are not presenting the detailed financial statements of the Company since the same are not comparable on a year-on- year basis on account of the amalgamation.

The cash and cash equivalent in the books adds up to more than Rs.4.55 per share. A clean balance sheet coupled with dedicated promoters and being the only listed advertising agency in the country, we value the same at 7x FY'14E earnings to arrive at a price target of Rs.22.5 per share over the next 9 to 12 months.

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