March 7, 2008

FOR PRIVATE CIRCULATION

Equity

	5 Mar 08	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Indian Indices				
Sensex	16,542	1.2	(8.8)	(16.4)
Nifty	4,921	1.2	(7.5)	(17.4)
Banking	8,916	(1.6)	(16.6)	(19.7)
IT	3,111	2.1	(9.0)	(17.5)
Healthcare	3,908	1.4	5.1	(2.1)
FMCG	2,232	2.9	1.9	1.5
PSU	7,831	0.1	(9.6)	(21.4)
CNX Midcap	6,743	(1.2)	(9.9)	(20.4)
World indices				
Nasdaq	2,221	(2.3)	(3.2)	(17.9)
Nikkei	13,215	1.9	(3.0)	(19.7)
Hangseng	23,343	1.0	(3.7)	(21.6)

Value traded (Rs cr)

	5 Mar 08	% Chg - 1 Day
Cash BSE	4,316	(7.9)
Cash NSE	12,087	(16.6)
Derivatives	35,581.7	(12.5)

Net inflows (Rs cr)

	4 Mar 08	% Chg	MTD	YTD
FII	(473)	(31)	(1,156)	(13,501)
Mutual Fund	(152)	(67)	(605)	7,490

FII open interest (Rs cr)

	4 Mar 08	% chg
FII Index Futures	27,066	-
FII Index Options	7,082	-
FII Stock Futures	24,506	-
FII Stock Options	62	-

Advances / Declines (BSE)

5 Mar 08	A	B1	B2	Total	% Total
Advances	87	481	151	719	27
Declines	120	1410	337	1,867	71
Unchanged	-	37	7	44	2

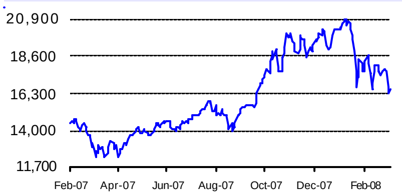
Commodity

	5 Mar 08	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Crude (NYMEX) (US$/BBL)	105.7	0.2	19.9	19.7
Gold (US$/OZ)	979.0	(1.1)	8.0	23.7
Silver (US$/OZ)	20.2	(3.1)	20.8	41.4

Debt / forex market

	5 Mar 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.58	7.58	7.50	7.87
Re/US$	40.31	40.32	39.56	39.49

Sensex



Source: *Bloomberg*

Economy News

- The Government has said that it is in favor of lower interest rates for home loans under Rs.2 mn. Classified under priority sector, these loans constitute 80% of all home loans. (ET)
- The Finance Minister believes the Rs.650-bn farm waiver package will strengthen the banking system and the RBI will back the Government in implementing the scheme. (ET)
- The Government's proposed scheme to invite private players to run hospitals and schools in partnership with it may not be open to the most preferred business vehicles in these sectors - trusts and societies. The preferred partner would be a registered company. (ET)
- The Government is planning to carry out a survey of all farmers displaced by SEZs and the ones living around these zones to find out the qualitative difference in their lives. (ET)
- The Government may soon give non-repayable grant-in-aid to pharmaceutical companies for inventing new drugs for neglected tropical diseases. (ET)
- The Government has slashed allocations to its key export promotions and overseas market development programs for 2008-09 by Rs.6 bn. (ET)

Corporate News

- **Gail India** is keen to buy Asian Development Bank's 5.2% stake in **Petronet LNG,** but the move may be vetoed by the Petroleum Ministry to allow Lakshmi N Mittal's entry into the LNG business. (ET)
- Banks such as **ICICI Bank** and housing finance companies such as **HDFC** stand to gain from the budgetary proposal for removal of the double taxation of dividends paid by a subsidiary company and its parent. (BL)
- **ONGC** will review its refinery expansion plans in the wake of a Government proposal to end a tax holiday for projects coming on stream after April 2009. (ET)
- **Bharti Airtel** and Western Union have approached the RBI seeking changes in regulations so that 700,000 plus retail outlets of the telecom company can offer cash-to-cash mobile money transfers. (ET)
- **Reliance Communications** has slashed the prices of its internet data cards by over 13%. (ET)
- The risk of **Tata Motors** defaulting on its bonds rose to a record after the company sought to borrow $3 bn to fund the planned purchase of Ford Motor Co's Jaguar and Land Rover units. (BS)
- **Tata Communications** has tied up with US-based content provider BitGravity to provide high-quality video over the internet. (ET)
- US-based PE firm Blackstone is all set to raise its stake in **Nagarjuna Construction** from the existing 9% to 12.2%. The company has got the FIPB clearance for investing in the infrastructure firm. Nagarjuna has secured three new orders aggregating Rs.4.24 bn. (ET, BL))
- **Eicher Motors** grew less than 1% in February selling just 420 units as against 418 units sold in the same month of the previous year. (BS)
- **Omaxe** has postponed its plan to raise Rs.15 bn through private placement until a favorable time. (ET)
- **Adhunik Metaliks** is in talks with PE players for acquiring stake in its wholly owned subsidiary, Orissa Manganese & Minerals. Adhunik is looking at diluting 10-11% in the company. (BS)
- 3i has opened a knowledge and resource centre in Bangalore with **Infosys** BPO. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

INITIATING COVERAGE

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Stock details		
BSE code	:	532705
NSE code	:	JAGRAN
Market cap (Rs mn)	:	31,322
Free float (%)	:	47.9
52-wk Hi/Lo (Rs)	:	395/141
Avg. Daily Volume BSE+NSE	:	78,423
Shares o/s (mn)	:	301.2

Summary table (Rs mn)

	FY08E	FY09E	FY10E
Sales	7,621	9,576	11,713
Growth %	27.4	25.7	22.3
EBITDA	1,757	2,319	3,150
EBITDA margin %	23.1	24.2	26.9
Net profit	1,074	1,394	1,974
Net cash (debt)	(916)	(843)	(1,555)
EPS (Rs)	3.6	4.6	6.6
Growth %	40.9	29.9	41.6
CEPS	4.7	5.9	7.9
DPS (Rs)	1.5	1.5	1.5
ROE %	20.0	23.0	27.4
ROCE %	26.1	31.1	37.8
EV/Sales (x)	4.2	3.3	2.7
EV/EBITDA (x)	18.1	13.8	9.9
P/E (x)	29.2	22.5	15.9
P/Cash Earnings	22.2	17.5	13.1
P/BV (x)	5.5	4.8	3.9

Source: Company & Kotak Securities - Private Client Research

JAGRAN PRAKASHAN LTD (JPL)

PRICE : RS.106 **RECOMMENDATION : BUY**
TARGET PRICE : RS.135 **FY10E: EV/EBITDA: 10x; P/E:16x**

Jagran Prakashan Ltd (JPL) is the publisher of the Hindi daily newspaper 'Dainik Jagran'. 'Dainik Jagran' is the most widely read newspaper in India with a total readership of 17.1mn (IRS-2007 R1). JPL is a regional print major and a market leader in the UP territory. It also enjoys a competitive positioning in Uttarakhand, Bihar, Haryana, Punjab and Jammu & Kashmir.

In financials, we estimate JPL will post a healthy 24.8% CAGR in revenues over FY07-10E. An EBITDA margin expansion of 740 bps (FY10E over FY07) is expected to drive an EPS CAGR of 36% over the period. We estimate an EBITDA margin of 24.2% in FY09E and 26.9% in FY10E for the company. 9MFY08 EBITDA margins stood at 24% for JPL. We estimate an EPS of Rs.4.6 in FY09E and Rs.6.6 in FY10E, up from the Rs.2.5 in FY07.

Healthy growth in the Indian print market on the back of consistent economic growth, increasing proportion of color advertising, ad rate hikes based on circulation strength and maturing of past editions (in print) and OoH in terms of profitability are some of the drivers we see behind this strong growth in projected financials for JPL.

We have valued JPL using an average of relative EV/EBITDA multiples and the DCF methodology. This is similar to our valuation methodology for other print stocks under our coverage - HT Media and DCHL. We assign a 13x FY10E EBITDA to JPL, a 10% premium to our valuations for HT Media, to account for JPL's higher EBITDA and EPS CAGR over FY07-10E, higher profitability and better return metrics. At the current price JPL is trading at 22x FY09E and 16x FY10E EPS. Our arrived price target stands at Rs.135, a simple average of Rs.140 using relative multiples and Rs.130 using DCF. Our arrived fair value works out to an exit multiple of 13x FY10E EBITDA and 20x FY10E EPS. We initiate coverage on JPL with a BUY and a price target of Rs.135.

Investment Argument

- **Healthy growth outlook for advertising revenues - print segment to contribute significantly.** We have been optimistic on the advertising revenue growth outlook across different media segments in general and for print (c47% of overall ad pie of Rs.206 bn in CY06) in particular. Our premise of a healthy outlook for growth of advertising revenues across different media segments including print is based on the pointers of healthy economic growth outlook, rise in disposable incomes, rising literacy and relative under-penetration. Given these factors, India's print segment is expected to post a CAGR of 14.8% over 2006-2011E, one of the higher market growth rates globally. Ad revenues are expected to grow at a CAGR of 16.8% and circulation revenues at a CAGR of 8.8% over the period.

- **JPL - An established player with a dominant footprint:** JPL, the publisher of the Hindi daily 'Dainik Jagran', is India's most widely read daily with a 17.1 mn average readership, according to IRS 2007 R1. It is also the largest selling newspaper (circulation of 2.25 mn, Source: ABC) according to available data. JPL publishes 33 editions in the North Indian states including Uttar Pradesh, Bihar, Uttarakhand, Jammu and Kashmir, Jharkhand, Haryana, Punjab and Madhya Pradesh. In terms of competitive positioning, 'Dainik Jagran' is the market leader in the UP territory. It is also a strong No.2 player in Uttarakhand, Bihar, Haryana and J&K.

- **New Initiatives - 'I-Next', 'City Plus' and Hindi business paper JV with Network 18 in print; OoH, Event Management & internet across mediums:** Over the recent past, JPL has launched a significant number of new initiatives in print. The company is also aiming to grow its presence across emerging mediums like OoH, event management and internet. We believe JPL through its line extension strategy is looking to leverage its existing dominant presence in key markets of the Hindi-speaking North Indian states.

  Of these new initiatives, we expect the OoH and event management businesses to contribute meaningfully to financials starting FY08. We estimate the OoH business to grow at a CAGR of 79% over FY07-10E to Rs.1bn. The event management business is expected to grow at a CAGR of 67% over FY07-10E to Rs.585mn. Together these are expected to rise to 14% of the company's FY10E revenues v/s 5% in FY07.

  'Dainik Jagran' and Network 18 have recently announced a 50:50 JV initiative in the business print space. This JV will look to launch a Hindi business daily for the Indian market in 2008. Subsequently, this will be followed by other Indian language dailies focused on financial and economic news.

  Through this initiative, that will cater to the category of regional business dailies; JPL aims to further its positioning in the regional print space using the business domain expertise of Network 18. We have not factored in the financial impact of the JV in our projections due to lack of clarity, as of yet, on certain operational, pricing and product positioning details. However, we believe this new initiative can be a longer term growth driver for the company, given efficient execution.

- **Growth in estimated financials - Operating leverage and maturing of investments to drive earnings growth for JPL:** We estimate that JPL will post a healthy 24.8% CAGR in revenues over FY07-10E. An EBITDA margin expansion of 740bps (FY10E over FY07) is expected to drive an EPS CAGR of 36% over the period. We estimate an EBITDA margin of 24.2% in FY09E and 26.9% in FY10E for the company. 9MFY08 EBITDA margins stood at 24% for JPL. We estimate an EPS of Rs.4.6 in FY09E and Rs.6.6 in FY10E, up from the Rs.2.5 in FY07.

  We are positive on the growth prospects of Indian print companies in general and JPL in particular. Our optimism for JPL is on account of a continuing favorable macro environment, JPL's growing foot-print, scale up in new initiatives coupled with our expectations of operating leverage driving growth in financials.

  We note that nine out of JPL's 33 editions are loss making. Out of this, four editions across Bihar and Jharkhand are expected to break even over FY09-10E, contributing to incremental profitability.

Valuation and Recommendation

We have valued JPL using an average of relative EV/EBITDA multiples and the DCF methodology. This is similar to our valuation methodology for other print stocks under our coverage - HT Media and DCHL. We have consistently opined that this is an apt method given the healthy cash flow generation and capital efficiency print businesses exhibit.

We initiate coverage with BUY recommendation on Jagran Prakashan with a price target of Rs.135

We assign a 13x FY10E EBITDA to JPL, a 10% premium to our valuations for HT Media to account for JPL's higher EBITDA and EPS CAGR over FY07-10E, higher profitability and better return metrics. At the current price JPL is trading at 22x FY09E and 16x FY10E EPS. Our arrived price target stands at Rs.135, a simple average of Rs.140 using relative multiples and Rs.130 using DCF. Our arrived fair value works out to an exit multiple of 13x FY10E EBITDA and 20x FY10E EPS. We initiate coverage on JPL with a **BUY** and a price target of Rs.135.

Key upside triggers to our price target would be stronger than estimated growth in the Indian print sector and/or a faster than expected breakeven of its current loss making editions (eight out of a total of 33 editions). Greater details and more clarity on JPL's new initiatives in the business print segment could also lead to earnings revisions, if material.

Key Concerns

- Higher than estimated newsprint costs: We have assumed medium-term landed costs of newsprint (c38% of revenues) for JPL at a premium to the current levels. Our financials incorporate an average blended rate of $670/ton in 1H FY09E ($585-590 in Q3FY08), moving up by a further 7-8% in succeeding quarters of FY09-10E. Our assumptions on newsprint pricing are higher than what the industry is expecting, going forward. Also, JPL negotiates quarterly contracts with newsprint suppliers and enjoys favorable bargaining power given its requirements and positioning. Any uptrend in newsprint prices ahead of our estimates, which we believe already build in a reasonable buffer, could impact estimated earnings negatively.
- High competition in the existing print markets, more so from ambitious new entrants, could lead to price wars, slashing of ad rates and a general tepid outlook for growth and profitability for the players.
- Any delays in breakeven of OoH properties and/or loss making editions ahead of our estimates will impact our earnings estimates for the company negatively.
- Any slowdown in economic activity in India leading to a slowdown of GDP growth would lead to an overall decline in advertising industry revenues, thus impacting JPL's revenues and profitability negatively.

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy / Sell	Quantity of shares	Avg. Price (Rs)
5-Mar	Anjani Synth	Ankit Narendra Bahuva	S	84,000	57.60
5-Mar	Autolite Ine	Arena Textiles and Ind Ltd	S	50,328	87.46
5-Mar	Bang	Sumit Jindal	B	200,000	115.99
5-Mar	Gayatri Proj	AIG Trustee Co Ac Infrastruct	B	141,109	465.00
5-Mar	Jagjanani	Lucas Mayes Industried	B	176,091	8.00
5-Mar	Jagjanani	Sunitha Khandelwal	S	176,091	8.00
5-Mar	Kadamb Const	Basal Vinimoy Pvt.Ltd.	B	14,500	32.90
5-Mar	Linc Pen Pla	B.S. Agency Pvt. Ltd.	B	60,000	40.36
5-Mar	Linc Pen Pla	Shree Balaji Sarees Pvt Ltd	S	50,000	40.50
5-Mar	Malu Paper	Diamant Investment and Finance	S	107,764	30.46
5-Mar	Media Matrix	Committed Trading Pvt Ltd	B	188,354	4.53
5-Mar	Media Matrix	R K Dhawan	B	214,432	4.47
5-Mar	Media Matrix	Anil Ved Mehta	S	151,609	4.46
5-Mar	Monne Ispat	Bsma Limited	B	306,500	464.95
5-Mar	Multibase 1	Madhav Edu and Reserch Inst	B	214,582	31.01
5-Mar	Pidilite Ind	F Ide Fimhk Fidelity Funds Maur	S	2,500,000	145.00
5-Mar	Poddar Pigme	Bhumika Enterprises Private	S	1,800,000	56.00
5-Mar	Poonam Pharm	Swarn Ganga Trading Pvt. Ltd.	B	56,800	3.27
5-Mar	Softbpo Glob	Anju Advisory Services Pvt Ltd	S	4,500	233.76
5-Mar	Spice Tele	Fidelity Mutual Fund	S	3,527,046	32.50
5-Mar	Tonira Pharm	IPCA Laboratories Limited	B	74,782	27.70
5-Mar	Tutis Tech	Sumit J Jain	B	100,000	13.96
5-Mar	Vmf Soft Tec	Penumatcha Industries Ltd	B	97,390	3.29
5-Mar	Welsp Guj Sr	Krishiraj Trading Limited	B	3,724,116	400.00
5-Mar	Welsp Guj Sr	Nextgen Far East Limited	S	3,724,116	400.00

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
ONGC	991	4.0	14.0	0.8
Reliance Ind	2,293	2.2	12.5	2.9
HDFC	2,767	5.2	6.7	0.7
Losers				
Bharti Airtel	751	(2.1)	(5.2)	3.2
Unitech	313	(4.2)	(3.9)	5.0
SBI	1,849	(1.4)	(2.9)	1.9

Source: Bloomberg

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