

Industry Focus

17 November 2008 | 8 pages

Indian Print Media

IRS 2008: Survey Round 2

- **Highlights from IRS 2008 Survey Round 2** — We present some highlights from IRS2008 Survey (Round 2) for print media industry and for print media stocks under coverage.
- **Overall readership steady; Top10 gaining** — Overall aggregate readership for top50 most-read dailies has been flat at 488m. For top25 newspapers, readership was up 1% YoY while that for top10 it was up 4% YoY.
- **Dainik Jagran maintains its leadership position in Hindi belt** — On all-India basis, aggregate readership of Dainik Jagran improved 4% over IRS 2007 R2. Based on total readership, Dainik Jagran retained its #1 position in largest Hindi market of UP and #2 in Uttaranchal and Bihar; it has become #2 (from #3) in Jharkhand while maintaining #3 position in Punjab, Haryana and MP.
- **Hindustan consolidated its position as #4 Hindi daily** — Hindustan (Hindi daily of HT Media) gained 13% readership over IRS2007 R2 while maintaining its #4 position overall amongst all Hindi newspapers. It maintained its #1 position in Bihar and Jharkhand while maintained #3 position in UP and Delhi markets.
- **Hindustan Times regains #1 daily readership in Delhi** — Hindustan Times improved its aggregate readership by 4% over IRS 2007 R2. It regained #1 position in Delhi market while inched up to #4 in Mumbai market (including tabloids – Mumbai Mirror and Mid-Day).
- **JAGP relatively better placed** — While slowing domestic growth and higher newsprint prices are hurting all print media companies, we believe Jagran Prakashan is relatively better placed due to its exposure to the faster growing Hindi newspaper segment and lower dependence on imported raw material (newsprint). We rate Jagran Buy/High risk while HT Media as Sell/High risk.

Hitesh Shah, CFA¹

+91-22-6631-9872

hitesh.b.shah@citi.com

Surendra Goyal, CFA¹

+91-22-6631-9870

surendra.goyal@citi.com

Vishal Agarwal¹

vishal1.agarwal@citi.com

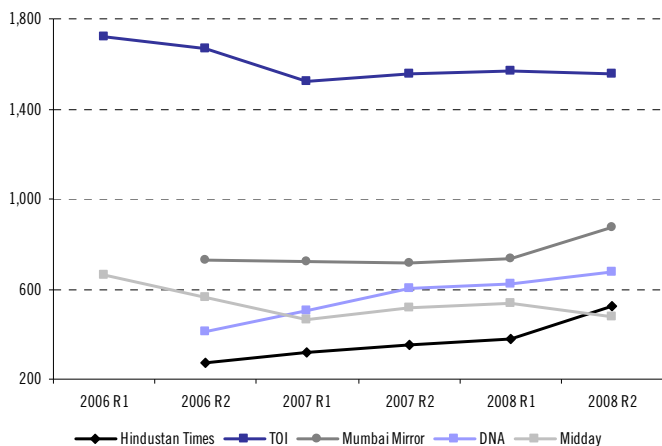
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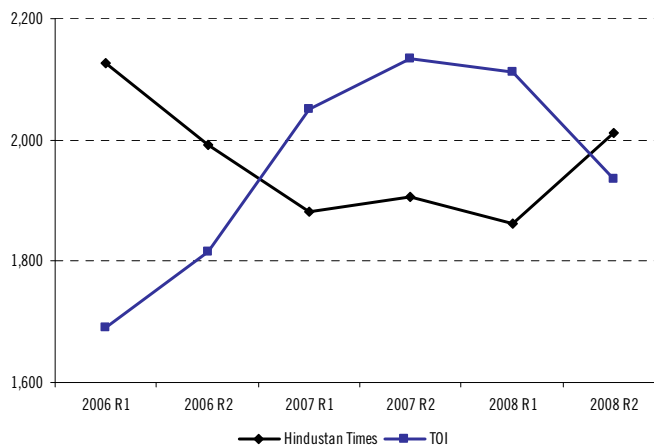
Key English Markets – Readership Survey

Figure 1. Daily readership – Mumbai market ('000s)



Source: Company reports, IRS Survey

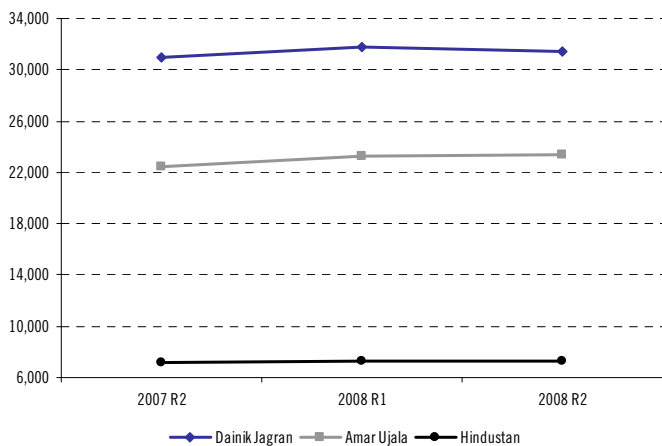
Figure 2. Daily readership – Delhi market ('000s)



Source: Company reports, IRS Survey

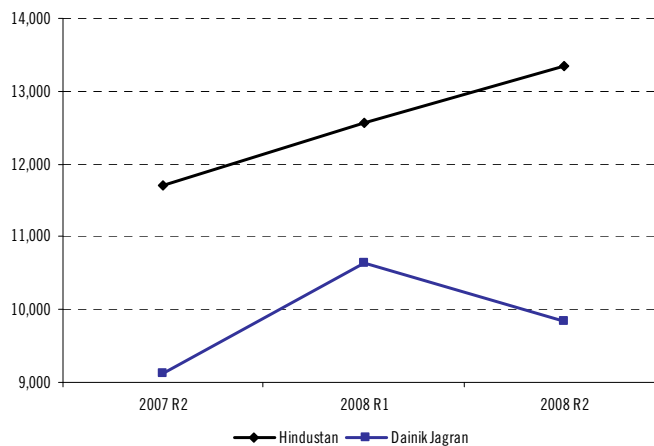
Key Hindi Market – Readership Survey

Figure 3. Total readership – UP market ('000s)



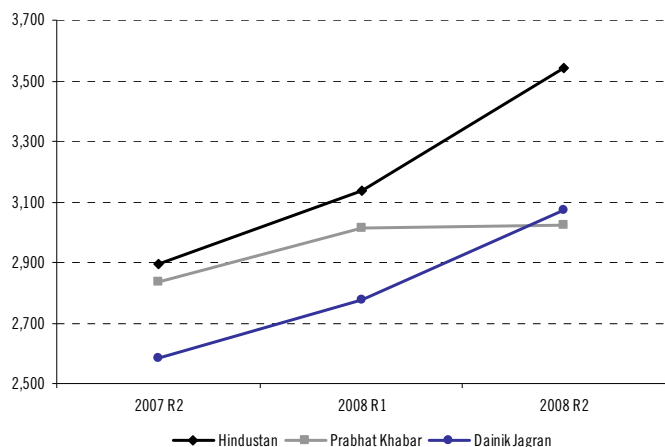
Source: Company reports, IRS Survey

Figure 4. Total readership – Bihar market ('000s)



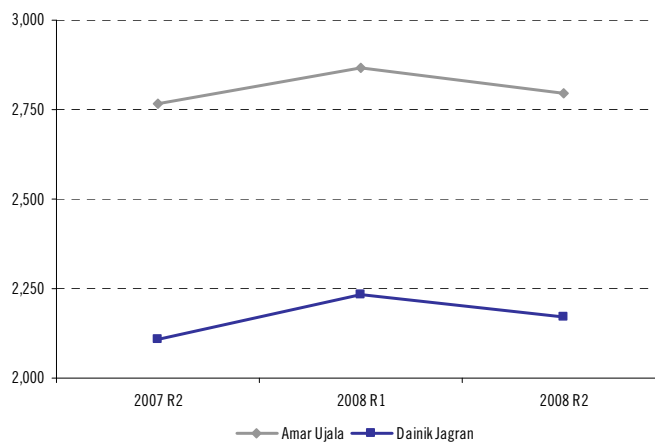
Source: Company reports, IRS Survey

Figure 5. Total readership – Jharkhand market ('000s)



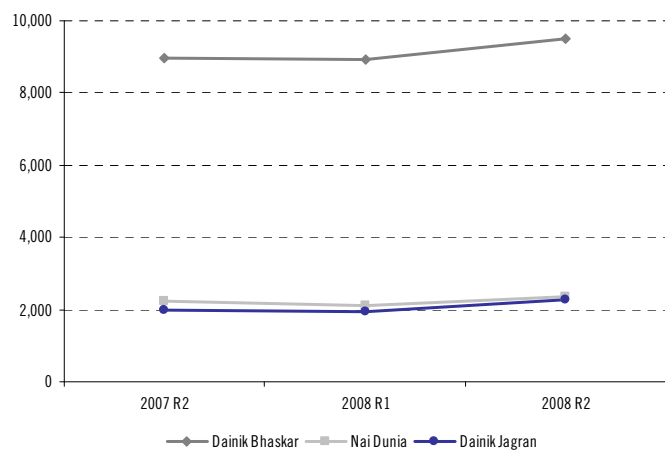
Source: Company reports, IRS Survey

Figure 6. Total readership – Uttarakhand market ('000s)



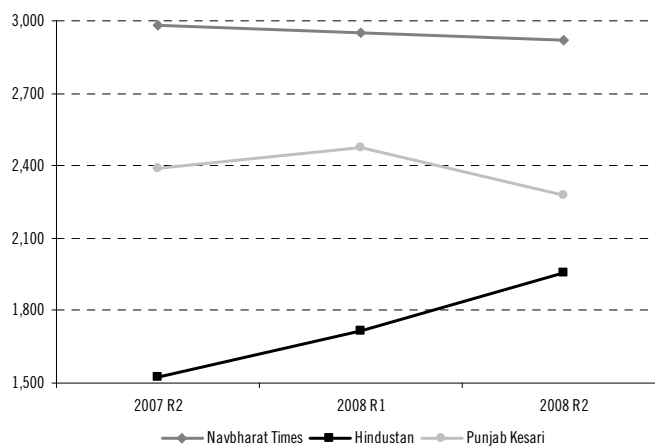
Source: Company reports, IRS Survey

Figure 7. Total readership – MP market ('000s)



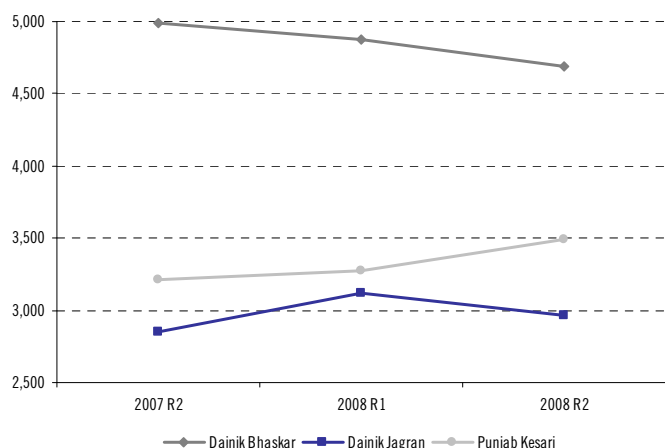
Source: Company reports, IRS Survey

Figure 8. Total readership – Delhi market ('000s)



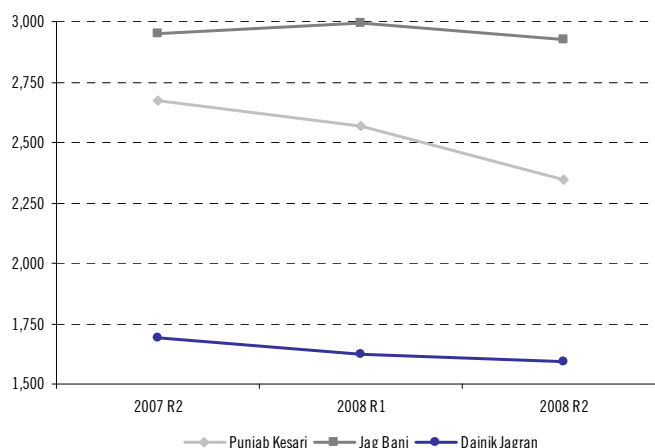
Source: Company reports, IRS Survey

Figure 9. Total readership – Haryana market ('000s)



Source: Company reports, IRS Survey

Figure 10. Total readership – Punjab market ('000s)



Source: Company reports, IRS Survey

Jagran Prakashan (JAGP.BO; Rs45.60; 1H)

Valuation

Our target price of Rs69 based on 18x FY10E EPS - this valuation multiple is toward the lower end of its historical trading range of 15-50x one-year forward multiple given headwinds on the ad-revenue front due to slowing domestic growth. It is also at a ~33% premium to the target multiple of HT Media (largest listed print media company in India). We use a premium for Jagran to capture its higher revenue and earnings growth. We believe a P/E-based valuation is appropriate given the earnings track record of print media companies and the widespread use of this methodology.

Risks

Although our quantitative risk-rating system, which tracks 260-day historical share price volatility, suggests Medium Risk for Jagran, we assign a High Risk rating given the risk ratings of similar peer-group companies in our coverage universe and risks from inflationary newsprint prices and any slowdown in the domestic economy. Key downside risks to our target price include: 1) slowing economic activity in India could lead to a decline in ad industry revenues, hitting Jagran's revenues and profitability; 2) increased competition in any of Jagran's markets could lead to more sales promotions/discounts; 3) further escalation in newsprint prices could affect profitability severely; and 4) longer gestation period in new initiatives like OOH and Event management forays; Hindi business daily and new editions of exiting newspaper editions.

HT Media (HTML.BO; Rs66.00; 3H)

Valuation

We rate HT Media Sell/High Risk (3H). HT Media business is facing challenges on multiple fronts - (1) slowing advertisement revenue growth on the back of a weaker domestic economy; (2) sharp newsprint price increases (weak INR further adding to imported newsprint prices) - HT Media imports 70% of its raw material requirement; and (3) higher sales and marketing spend on new editions. While valuations are close to historic lows, we believe that multiple headwinds would test historic trough valuations and we value HT Media at a 10% discount to historic trough valuations. The company's diversification strategy within the print space (new editions and business daily) and beyond the print space (radio and internet) will likely take time to bear fruit, in our view.

Risks

Although our quantitative risk-rating system suggests Medium Risk for HT Media, we rate it High Risk given the risk ratings of similar companies in our universe and risks from inflationary newsprint prices and a slowing domestic economy. Key upside risks that could cause the share price to deviate from our target price are: 1) Sharp pick-up in ad-spend in the northern region would help HT Media grow faster than we expect; 2) Pick-up in market share of ad-spend; 3) Newsprint prices fall from current levels; and 4) Quicker-than-expected breakeven for new initiatives like internet and radio forays and business daily - Mint and new editions of exiting newspaper editions.

Appendix A-1

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HT Media (HTML.BO)

Ratings and Target Price History

Fundamental Research

Analyst: Hitesh Shah, CFA

Covered since June 20 2008

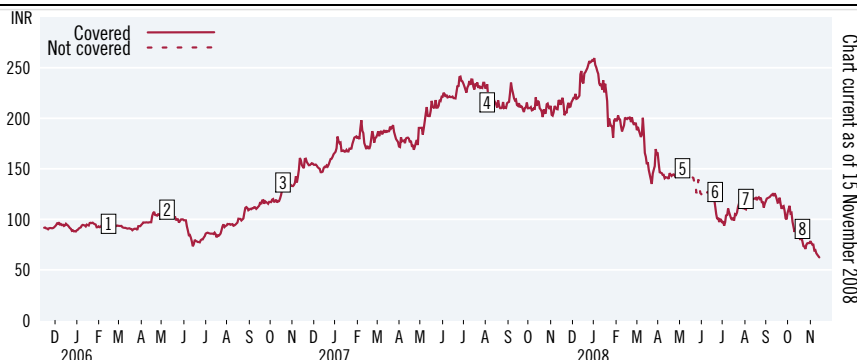


Chart current as of 15 November 2008

	Date	Rating	Target Price	Closing Price
1	15-Feb-06	*1L	118.00	93.41
2	9-May-06	1L	*145.00	105.72
3	19-Oct-06	1L	*190.00	128.68

	Date	Rating	Target Price	Closing Price
4	3-Aug-07	*3L	*212.00	233.65
5	6-May-08	Coverage suspended		
6	20-Jun-08	*2H	*140.00	112.90

	Date	Rating	Target Price	Closing Price
7	4-Aug-08	2H	*130.00	109.80
8	22-Oct-08	*3H	*72.00	78.00

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Jagran Prakashan (JAGP.BO)

Ratings and Target Price History

Fundamental Research

Analyst: Hitesh Shah, CFA

Covered since April 3 2008

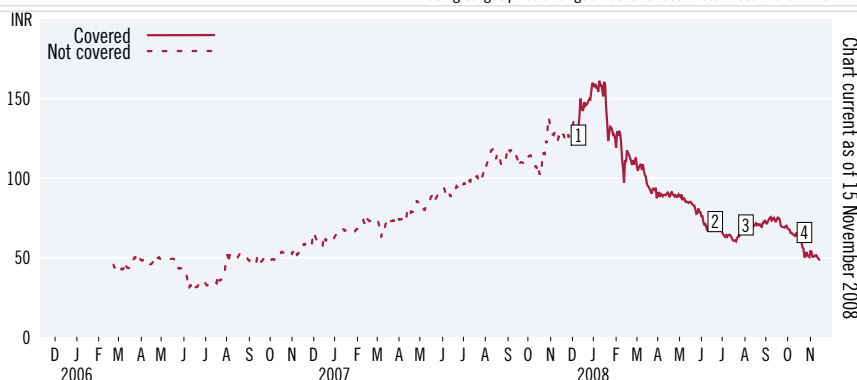


Chart current as of 15 November 2008

	Date	Rating	Target Price	Closing Price
1	11-Dec-07	*1L	*162.00	131.68
2	20-Jun-08	*1H	*101.00	70.90

	Date	Rating	Target Price	Closing Price
3	4-Aug-08	1H	*87.00	65.65
4	24-Oct-08	1H	*69.00	50.60

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 10 Nov 2008

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% of companies in each rating category that are investment banking clients	48%	46%	37%

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