

## Media - Print

### Result Review

Rating: **HOLD**

Current Price (Rs): 107

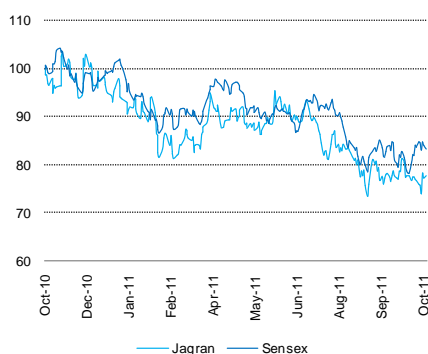
Target Price (Rs): 126

### Stock Data

52-week high/low	149/96
O/S shares (m)	316
Mkt Cap Rs (bn)	33
Avg Daily Vol	115,488
Bloomberg Code	<b>JAGP IN</b>
Reuters Code	<b>JAGP.BO</b>

### Shareholding (%)

	Sep-11
Promoters	59.5
FIIIs	11
DIIIs	16.1
Public	13.4



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## Lacks growth visibility; maintain HOLD

**2QFY12 revenue in line:** Jagran Prakashan's (Jagran) ad revenue grew 9.5% YoY to Rs 2,119 mn, in line with our expectations. Overall revenue increased 10% YoY to Rs3,054mn, driven by higher ad revenue growth.

**Ad revenue underperforms regional peers:** Jagran's print ad revenue growth of 9.5% YoY was significantly lower than ad revenue growth of 16% for DB Corp and 24% for HVMV in 2QFY12. Jagran's underperformance in ad revenue growth in 2QFY12 is owing to its concentration on Uttar Pradesh (UP) and Uttarakhand (UT) while DB Corp and HVMV have been expanding to newer regions. Although Jagran has taken cognizance of this with a small expansion into the Punjab market and the Urdu segment, we do not see these initiatives driving relatively higher growth over the next two years.

**Volume push to impact margins:** Jagran reported EBITDA of Rs 791mn, down 13% YoY. EBITDA margin declined 692 bps YoY to 25.9%, mainly due to higher raw material expenses in 2QFY12. With 2QFY12 ad revenue growth largely driven by ad volume, higher consumption of raw material has impacted profitability. Further, the volume push growth strategy over the remaining quarters may put incremental pressure on margins as was seen in FY09.

**Valuation & Recommendation:** With revenue growth visibility receding, we have revised down our revenue estimates for Jagran for FY12 and FY13. Additionally, Jagran's investments in new launches are likely to result in continued pressure on earnings in FY12 and FY13. We roll over to FY13E EPS of Rs 7.0 to value Jagran. Given the uncertainty regarding earnings, we assign a lower multiple of 18x. We derive TP of Rs 126, representing upside potential of 17%. **Maintain HOLD.**

Y/E Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Net Sales	9,419	12,210	12,830	14,284
EBITDA	2,823	3,568	3,488	3,783
Net Profit	1,758	2,103	2,050	2,205
EPS (Rs)	5.8	6.6	6.5	7.0
EPS (growth)	91.9	13.9	(2.5)	7.6
Book Value/(Rs.)	20.3	22.2	24.1	26.2
PER	18.3	16.1	16.5	15.3
P/BV	5.3	4.8	4.4	4.1
EV/EBITDA	11.0	8.9	8.9	8.0
ROE (%)	30.0	32.0	28.0	27.7
ROCE (%)	34.4	36.3	31.9	34.2

**Figure 1: Jagran 2QFY12 results snapshot**

INR mn	2QFY12	1QFY12	2QFY11	YoY	QoQ	FY11	FY12
<b>Income Statement</b>							
Revenues	3,054	3,046	2,769	10.3	0.2	12,210	12,830
Raw material cost	1,076	989	801	34.3	8.7	3,863	4,350
Employee cost	376	393	354	6.2	(4.3)	1,727	1,627
SG&A and Other cost	812	844	705	15.2	(3.8)	3,053	3,365
Total Expenses	2,263	2,226	1,860	21.7	1.7	8,642	9,342
EBITDA	791	820	908	(13.0)	(3.6)	3,568	3,488
EBITDA (%)	26	27	33	(692)	(104)	29	27
Depreciation	160	150	133	20.6	6.7	655	688
Other income	40	78	64	(38.3)	(49.1)	256	261
Interest	29	28	14	103.7	3.3	91	112
PBT	642	720	826	(22.3)	(10.9)	3,079	2,949
Tax	184	223	271	(32.1)	(17.7)	976	899
PAT	458	497	555	(17.5)	(7.9)	2,103	2,050
EPS	1.45	1.57	1.84	(21.5)	(7.9)	6.6	6.5

Source: Company IFIN Research

## Result Highlights

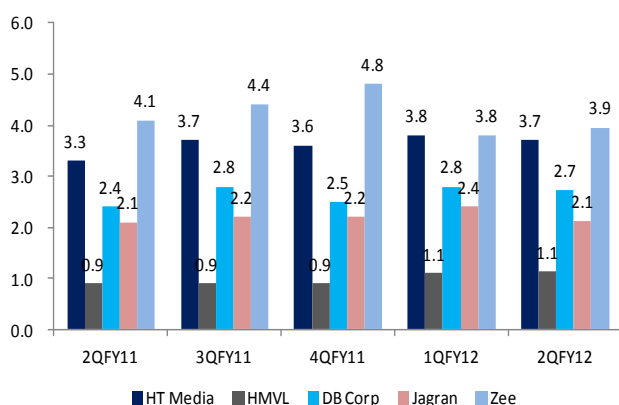
Jagran's print ad revenue grew 9.5% YoY to Rs 2,119 mn

Jagran's revenue increased 10% YoY to Rs 3,054 mn in 2QFY12, driven by higher ad revenue growth. Amid a weak ad environment, higher volume from local ads led to 9.5% YoY increase in ad revenue. EBITDA declined 13% YoY to Rs 791 mn. Jagran's strategy of circulation push to drive growth is likely to impact EBITDA margins during FY12.

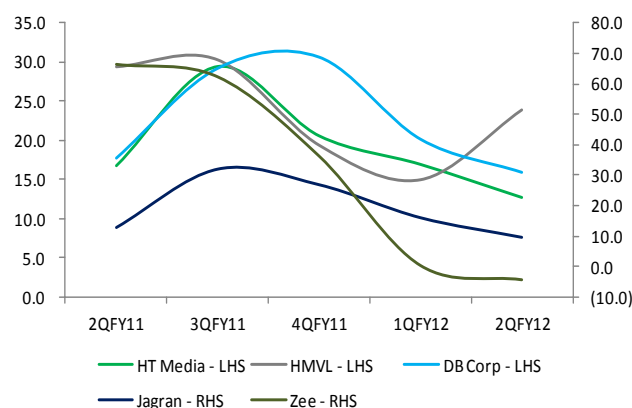
### Jagran underperforms regional peers in ad revenue

In 2QFY12, Jagran's print ad revenue grew 9.5% YoY to Rs 2,119 mn, which was significantly lower than ad revenue growth of 16% for DB Corp and 24% for HMVL during the same period.

Media companies – Total ad revenue (Rs bn)



Media companies – Total ad revenue growth (%)



Source: Company, IFIN Research

*Unlike peers, Jagran's growth strategy is focused on existing markets*

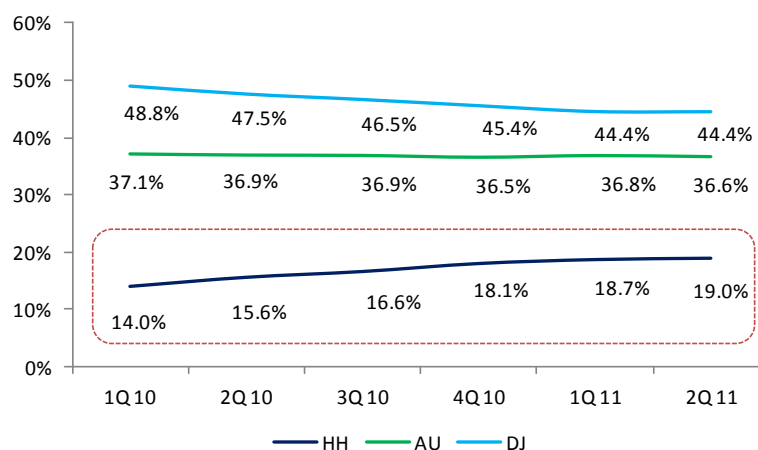
With slump in ad revenue across the industry, Jagran's focus on Uttar Pradesh (UP) and Uttarakhand (UT) led to the company underperforming in ad revenue growth in 2QFY12. DB Corp's and HMVL's growth strategy is to expand to newer regions. Although Jagran has taken note of this with a small expansion into the Punjab market and the Urdu segment, we do not see these initiatives driving relatively higher growth over the next two years.

*Jagran's readership market share declined to 44.4% in 2Q11 from 48.8% in 1Q10*

### Competition to intensify in UP and UT market

Jagran is an undisputed leader with a readership market share of 44.4% in the UP and UT markets. However, its readership market share has been declining with increasing competition from HMVL and Anar Ujala (AU). HMVL has been aggressively expanding into the UP market, benefits of which can be seen from its strong ad revenue growth of 24% YoY in 2QFY12. HMVL has indicated that it would further penetrate the UP market; this may impact growth incrementally for Jagran, going forward.

### HMVL gains market share in UP and UT markets



Source: Company, IFIN Research

### Volume push may impact margins

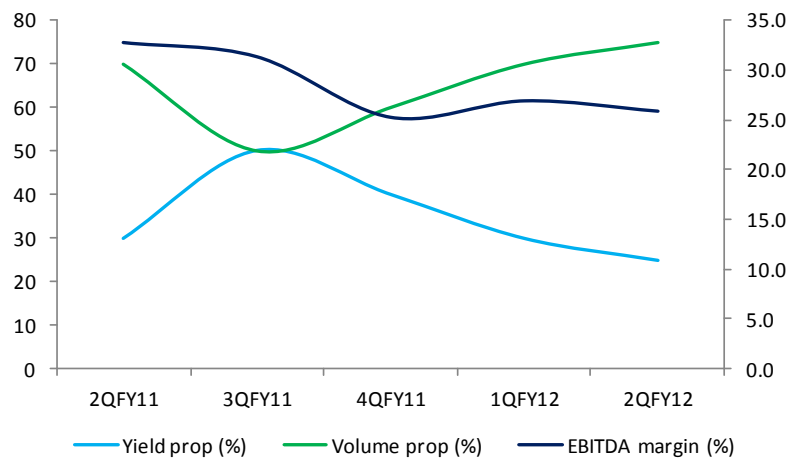
Jagran's 2QFY12 ad revenue growth was largely driven by ad volume. The volume push growth strategy over the remaining quarters may put incremental pressure on margins as was seen in FY09.

*Jagran's EBITDA margin declined 692 bps YoY to 25.9% in 2QFY12*

Jagran reported EBITDA of Rs 791 mn represents 13% YoY decline in 2QFY12. EBITDA margin declined 692 bps YoY to 25.9%, mainly due to higher raw material expenses. Reported EBITDA was 3.7% higher than our estimate of Rs 762 mn for 2QFY12.

1HFY12 ad revenue growth has been largely driven by volume

Volume driven growth hit EBITDA margin



Source: Company, IFIN Research

## Valuation & View

With revenue growth visibility receding, we have revised down our revenue estimates for Jagran to Rs 12,830 mn for FY12 and Rs 14,284 mn for FY13. Given higher circulation and hardening newsprint prices, we estimate EPS at Rs 6.5 for FY12 and Rs 7.0 for FY13.

### Change in FY12 and FY13 estimates

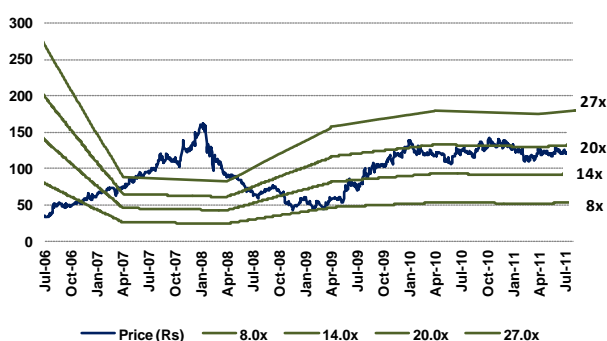
	Changes in estimates					
	FY12E			FY13E		
	Old	New	% Change	Old	New	% Change
Net Sales (Rs mn)	12,887	12,830	(0.4)	14,772	14,284	(3.3)
EPS (Rs)	6.7	6.5	(3.3)	8.1	7.0	(13.9)

Source: IFIN Research

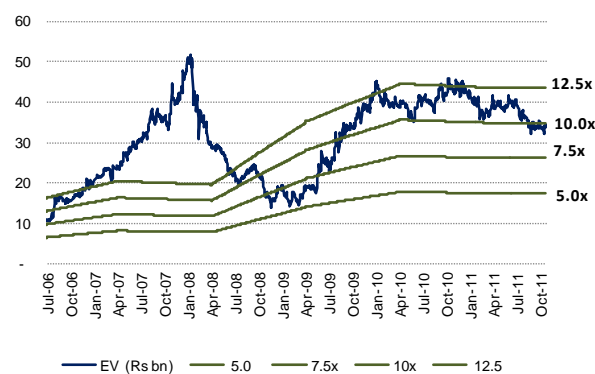
### Valuation

In addition to a slump in national ad revenue, Jagran's investments in new launches are likely to result in continued pressure on earnings during FY12 and FY13. We roll over to FY13E EPS of Rs 7.0 to value Jagran. Given the uncertainty regarding earnings over the next two years, we assign a lower multiple of 18x (compared with 19x earlier). We derive TP of Rs 126, representing potential upside of 17%. **Maintain HOLD.**

### Jagran - PER Band – 1 year forward



### Jagran - EV/EBITDA Band – 1 year forward



Source: Bloomberg, IFIN Research

Jagran - Price/Earnings (P/E)	FY11	FY12	FY13
EPS (Rs)	6.65	6.48	6.97
Target multiple (x)		18.0x	18.0x
Target price (Rs)			126
Current price (Rs)			107
Potential upside (%)			17

## Financials

### Income Statement

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	9,419	12,210	12,830	14,284
Sales Growth (%)	14	30	5	11
Direct Expenses	2,959	3,863	4,350	5,002
SG&A	1,212	1,727	1,627	1,786
Total Expenses	2,425	3,053	3,365	3,714
<b>EBITDA</b>	2,823	3,568	3,488	3,783
EBITDA (%)	30	29	27	26
Depreciation	507	655	688	721
Other Income	343	256	261	344
Tax	834	976	899	1,086
Tax Rate (%)	32	32	30	33
<b>Adjusted PAT</b>	1,758	2,103	2,050	2,205
Extraordinary Items	0	0	0	0
<b>Reported PAT</b>	1,758	2,103	2,050	2,205
PAT Growth (%)	92	20	(3)	8

Source: Company IFIN Research

### Ratios

Y/E March	FY10	FY11	FY12E	FY13E
EPS (Rs)	5.8	6.6	6.5	7.0
CEPS (Rs)	7.5	8.6	8.6	9.2
BV (Rs.)	20.3	22.2	24.1	26.2
DPS	4.1	4.1	4.5	4.9
Payout %	70.1	61.1	68.7	70.2
<b>Valuation (x)</b>				
P/E	18.3	16.1	16.5	15.3
EV/EBITDA	11.0	8.9	8.9	8.0
EV/Sales	3.3	2.6	2.4	2.1
Price/Book Value	5.3	4.8	4.4	4.1
Dividend Yield (%)	3.8	3.8	4.2	4.6
<b>Profitability Ratio (%)</b>				
RoE	30.0	32.0	28.0	27.7
RoCE	34.4	36.3	31.9	34.2
<b>Turnover Ratios</b>				
Debtors (Days)	70.2	69.1	69.0	70.0
Fixed Asset Turnover (x)	2.4	2.6	2.4	2.9

Source: Company IFIN Research

### Balance Sheet

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
Share Capital	602	633	633	633
Reserves	5,522	6,390	6,987	7,644
Net Worth	6,124	7,022	7,620	8,277
Debt	1,214	1,924	1,364	1,414
Total Current Liabilities	1,861	2,902	2,536	2,842
<b>Total Equity &amp; Liabilities</b>	9,779	12,466	12,137	13,150
Net Block	3,690	4,725	4,437	4,116
CWP	251	744	700	700
Investments	1,666	2,018	2,018	2,018
<b>Curr. Assets</b>				
Debtors	1,812	2,310	2,425	2,739
Cash & Bank Balance	851	362	483	1,268
Loans & Advance	717	1,415	984	1,096
Other Current Assets	792	892	1,090	1,213
<b>Total Assets</b>	9,779	12,466	12,137	13,150

Source: Company IFIN Research

### Cash Flow Statement

(Rs million)

Y/E March	FY10	FY11	FY12E	FY13E
Consolidated PAT	1,758	2,103	2,050	2,205
Depreciation	507	655	688	721
Deferred Tax	796	1,051	(69)	0
<b>Cash Flow from Operation</b>	3,061	3,809	2,668	2,926
Inc/(Dec) in WC	(139)	(1,046)	339	(330)
<b>Operating Cash Flow</b>	2,922	(1,113)	3,007	2,596
Capex	(383)	(2,159)	(356)	(400)
<b>Free Cash Flow</b>	2,538	(3,272)	2,652	2,196
Equity Raised	0	30	0	0
Debt Raised	(201)	711	(561)	50
Investment	(98)	(352)	0	0
Dividend Paid	(1,409)	(527)	(1,926)	(1,461)
Misc Expense	0	2,920	0	0
<b>Net Cash Flow</b>	756	(489)	121	785
<b>Opening Cash Bal.</b>	95	851	362	483
Add: Net Cash	756	(489)	121	785
<b>Closing Cash Bal.</b>	851	362	483	1,268

Source: Company IFIN Research

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### Key ratings:

Rating	LARGE CAP	MID CAP
	Market Cap $\geq$ Rs 100 bn	Market Cap $<$ Rs 100 bn
BUY (B)	$>$ 15%	$>$ 25%
Hold (H)	5-15%	10-25%
SELL (S)	$<$ 5%	$<$ 8%
Not Rated (NR)	Not initiated coverage on the stock	

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