

January 31, 2011

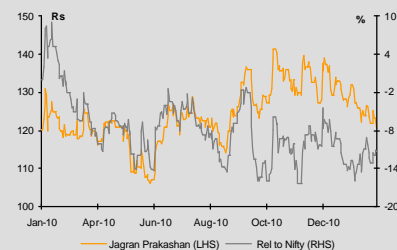
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs120	Rs155
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Sensex	18,396
Nifty	5,512

Price Performance

(%)	1M	3M	6M	12M
Absolute	(6)	(8)	(0)	(2)
Rel. to Nifty	3	0	(3)	(13)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Print Media
Bloomberg	JAGP@IN
Equity Capital (Rs mn)	602
Face Value(Rs)	2
No of shares o/s (mn)	301
52 Week H/L	148/104
Market Cap (Rs bn/USD mn)	36/787
Daily Avg Volume (No of sh)	157739
Daily Avg Turnover (US\$m)	0.5

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	55.3	55.3	55.3
FII/NRI	11.0	10.4	8.6
Institutions	18.3	18.8	15.6
Private Corp	6.5	3.7	3.1
Public	8.9	11.8	17.4

Source: Capitaline

Naval Seth

naval.seth@emkayglobal.com
+91 22 6624 2414

- **PAT up 32.5% YoY to Rs526mn, higher than our estimate of Rs487mn, driven by strong ad revenue growth**
- **Robust advertisement revenue growth of 31.3% yoy to Rs1945mn, on the back of strong ad volumes**
- **Circulation revenue up 7.2% to Rs570mn v/s our expectation of Rs540mn. Other business on track with revenue growth of 19.7% to Rs252mn**
- **EPS estimate of Rs 6.9 and Rs 8.2 for FY11E and FY12E respectively. Retain BUY rating with target Rs 155**

Results better than our estimates

Jagran Prakashan reported better than expected results with revenue growth of 26.1% yoy to Rs2860mn, driven by strong ad revenue growth coupled with improvement in circulation and better performance from other businesses (Event, Digital and Outdoor). EBITDA was up 37.5% yoy to Rs897mn and EBITDA margin improved by 261bps to 31.4%. Impact of high newsprint price was offset by strong revenues. Despite of higher interest cost and lower other income, it posted PAT growth of 32.5% yoy to Rs 526mn (our estimate of Rs487mn).

Robust advertisement revenue growth

Ad revenue for the quarter stood at 1945mn up 31.3% yoy was better than our expectations, led by strong volume growth and improvement in yields during the festive season. Q3FY11 remained exceptionally strong quarter with the robust ad revenue growth for entire print media pack (DB Corp, HT Media). Given the strong Q3 performance, we expect Jagran would surpass its ad revenue growth guidance of 18% for FY11E. Further, management indicated additional ad revenue of Rs 40-50mn is expected from the cricket world cup starting from Feb 19, 2011.

Increase in circulation pushes revenue

As indicated by the management in last concall that it would push the circulation across the markets and that has resulted in 10.9% yoy increase in overall circulation in Q3FY11. The circulation revenue improved 7.2% yoy to Rs570mn. The management has indicated the further push in the circulation in couple of its markets and reduction in cover price is also anticipated in FY12E to increase the volume based market share.

Other businesses on track

The company has seen a strong traction in other businesses (Event, Digital and Outdoor) as well. Event business recorded revenue growth of ~30% yoy with PBT of Rs14mn v/s loss of Rs 3.6mn. Digital revenue stood at Rs 22mn and PBT for Outdoor was at Rs9.8mn v/s loss of Rs 1.5mn. It has also got a govt. contract in Event business which would fetch ~Rs350mn annually for the next couple of years.

Retain BUY rating with target price Rs155

We retain our EPS estimates of Rs6.9 and Rs8.2 for FY11E and FY12E respectively. Our estimates do not include the financials of Mid-day acquisition, which we believe is EPS accretive. We retain BUY rating on the stock with target price of Rs155. At CMP of Rs120, stock trades at 17.6x /14.7x our EPS estimate for FY11E/12E respectively.

Financial Snapshot

Rs Mn

Y/E	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	P/E	EV/EBITDA	P/BV
Mar										
FY09	8234	1567	19.0	916	3.0	-6.8	16.7	39.6	23.4	6.5
FY10	9419	2823	30.0	1759	5.8	92.0	30.0	20.6	12.8	5.9
FY11E	11010	3438	31.2	2065	6.9	17.4	30.3	17.6	10.6	4.8
FY12E	12415	4006	32.3	2469	8.2	19.6	29.4	14.7	8.9	3.9

Quarterly financials

	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Sales	2,468	2,269	2,363	2,698	2,769	2,860	26.1	3.3	8,327	7,055	18.0
Raw Material	683.2	675.5	675.8	755.7	801.2	863.4	27.8	7.8	2,420	2,060	17.5
as % of sales	27.7	29.8	28.6	28.0	28.9	30.2			29.1	29.2	
Employee Cost	299.6	303.9	319.5	347.4	353.7	363.2	19.5	2.7	1,064	893	19.2
as % of sales	12.1	13.4	13.5	12.9	12.8	12.7			12.8	12.7	
SG&A expenses	653.1	637.0	735.0	693.4	705.3	736.2	15.6	4.4	2,135	1,913	11.6
as % of sales	26.5	28.1	31.1	25.7	25.5	25.7			25.6	27.1	
Total operating expenditure	1635.9	1616.3	1730.3	1796.5	1860.1	1962.9	21.4	5.5	5619	4866	15.5
EBITDA	832.4	652.8	632.5	901.7	908.4	897.5	37.5	(1.2)	2,708	2,190	23.7
Depreciation	130.0	119.0	134.9	124.9	132.7	146.2	22.9	10.2	403.8	372.6	8.4
EBIT	702.4	533.8	497.7	776.8	775.7	751.3	40.7	(3.1)	2304	1817	26.8
Other Income	50.3	69.6	66.0	57.5	64.0	55.3	(20.5)	(13.5)	176.8	276.5	(36.1)
Interest	14.7	13.4	23.9	12.3	14.0	20.9	55.5	49.2	47.2	41.8	12.8
PBT	738.0	590.0	539.8	822.0	825.7	785.7	33.2	(4.8)	2433.3	2051.7	18.6
Tax	235.2	192.7	175.9	266.0	270.6	259.3	34.6	(4.2)	795.9	657.2	21.1
Effective tax rate%	31.9	32.7	32.6	32.4	32.8	33.0					
PAT	502.8	397.3	363.8	555.9	555.1	526.4	32.5	(5.2)	1637.4	1394.5	17.4
EPS	1.7	1.3	1.2	1.8	1.8	1.7	32.5	(5.2)	5.4	4.6	17.4

Margin %							(bps)	(bps)			(bps)
EBIDTA	33.7	28.8	26.8	33.4	32.8	31.4	261	-143	32.5	31.0	148
EBIT	28.5	23.5	21.1	28.8	28.0	26.3	274	-175	27.7	25.8	191
EBT	29.9	26.0	22.8	30.5	29.8	27.5	147	-235	29.2	29.1	14
PAT	20.4	17.5	15.4	20.6	20.0	18.4	90	-164	19.7	19.8	(10)
ETR	31.9	32.7	32.6	32.4	32.8	33.0	34	22	32.7	32.0	68

Financials

Income statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	8,234	9,419	11,010	12,415
<i>Growth (%)</i>	9.8	14.4	16.9	12.8
Raw material	3,414	2,736	3,304	3,728
Employee cost	1,065	1,212	1,420	1,498
SG&A expenses	2,188	2,648	2,848	3,184
Total operating expenditure	6,667	6,596	7,572	8,409
EBITDA	1,567	2,823	3,438	4,006
<i>Growth (%)</i>	-4.5	80.1	21.8	16.5
Depreciation	383	507	547	620
EBIT	1,184	2,315	2,891	3,385
EBIT margin (%)	14.4	24.6	26.3	27.3
Other Income	227	343	244	329
Interest expenses	59	66	67	56
PBT	1,352	2,592	3,067	3,658
Tax	436	833	1,002	1,189
<i>Effective tax rate (%)</i>	32.2	32.1	32.7	32.5
PAT	916	1,759	2,065	2,469
<i>Growth (%)</i>	-6.7	92.0	17.4	19.6

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
PBT	1,125	2,250	2,823	3,329
Depreciation	383	507	547	620
Interest	59	66	67	56
Other Non-Cash items	-714	-1,174	-687	-687
Chg in working cap	312	-311	-203	287
Tax paid	-436	-833	-1,002	-1,189
Operating Cashflow	729	505	1,546	2,417
Capital expenditure	-1,327	-459	-761	-992
Free Cash Flow	-597	46	784	1,425
Other income	227	343	244	329
Investments	265	-98	0	0
Investing Cashflow	-834	-214	-518	-663
Equity Capital Raised	1	0	0	0
Loans Taken / (Repaid)	624	-201	-300	-200
Interest Paid	-59	-66	-67	-56
Dividend paid (incl tax)	0	0	0	0
Financing Cashflow	566	-267	-367	-256
Net chg in cash	461	24	661	1,498
Opening cash position	367	828	852	1,513
Closing cash position	828	852	1,513	3,011

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
Equity share capital	602	602	602	602
Reserves & surplus	4,997	5,523	6,901	8,684
Net worth	5,600	6,126	7,504	9,286
Loan Funds	1,415	1,214	914	714
Net deferred tax liability	521	580	580	580
Total Liabilities	7,535	7,919	8,997	10,580
Gross Block	4,795	5,635	6,545	7,535
Less: Depreciation	1,513	1,945	2,490	3,109
Net block	3,282	3,690	4,055	4,426
Capital work in progress	707	251	100	100
Investment	1,568	1,666	1,666	1,666
Current Assets	3,601	4,174	5,176	6,742
Inventories	318	533	229	262
Sundry debtors	1,586	1,812	2,411	2,351
Cash & bank balance	828	852	1,513	3,011
Loans & advances	655	717	764	859
Other current assets	214	259	259	259
Net Current liabilities	1,624	1,861	1,999	2,354
Provisions	0	0	0	0
Net current assets	1,977	2,312	3,177	4,388
Total Assets	7,535	7,919	8,997	10,580

Ratios

Y/E, Mar	FY09	FY10E	FY11E	FY12E
Profitability (%)				
Core EBITDA Margin	19.0	30.0	31.2	32.3
Net Margin	9.7	16.7	17.7	18.4
ROCE	19.8	34.4	37.1	37.9
ROE	16.7	30.0	30.3	29.4
RoIC	28.0	48.3	53.2	58.8
Per Share Data (Rs)				
EPS (adjusted)	3.0	5.8	6.9	8.2
CEPS	4.3	7.5	8.7	10.3
BVPS	18.6	20.3	24.9	30.8
DPS	2.0	2.0	2.0	2.0
Valuations (x)				
PER	39.6	20.6	17.6	14.7
P/CEPS	27.9	16.0	13.9	11.8
P/BV	6.5	5.9	4.8	3.9
EV / Sales	4.4	3.8	3.3	2.9
EV / EBITDA	23.4	12.8	10.6	8.9
Dividend Yield (%)	1.7	1.7	1.7	1.7
Gearing Ratio (x)				
Net Debt/ Equity	0.1	0.1	-0.1	-0.2
Net Debt/EBIDTA	-0.6	-0.5	-0.7	-1.0

Recommendation History: Jagran Prakashan – JAGP IN

Date	Reports	Reco	CMP	Target
01/11/2010	Jagran Prakashan Q2FY11 Result Update	Buy	129	155
02/08/2010	Jagran Prakashan Q1FY11 Result Update	Buy	121	155
31/05/2010	Jagran Prakashan Q4FY10 Result Update	Buy	107	155
05/05/2010	Print Media Sector Indelible Ink			

Recent Research Reports

Date	Reports	Reco	CMP	Target
25/01/2011	Idea Cellular Q3FY11 Result Update	Sell	71	60
25/01/2011	DB Corp Q3FY11 Result Update	Hold	260	284
19/01/2011	HT Media Q3FY11 Result Update	Buy	145	175
18/01/2011	Tulip Telecom Event Update	Buy	168	240

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.