

## RESULT UPDATE

### MID CAP

#### Share Data

Reuters code	JAGP.BO
Bloomberg code	JAGP IN
Market cap. (US\$ mn)	746
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	301
Target price (Rs)	141

#### Performance (%) 1M 3M 12M

Absolute	9	31	118
Relative	9	20	13

#### Valuation Ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	5.7	6.5
+/- (%)	87.8	13.7
PER (x)	20.2	17.8
PBV (x)	5.2	4.4
Dividend/Yield (%)	1.7	1.7
EV/Sales (x)	3.6	3.2
EV/EBITDA (x)	12.2	10.8

#### Major shareholders (%)

Promoters	55
FII's	3
MF's	13
BFSI's	2
Public & Others	27

#### Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1QFY10	QoQ (%)	FY09 YoY (%)	FY10E YoY (%)	FY11E YoY (%)			
Net Sales	2,086	2,468	18.3	2,319	6.4	8,234	9.8	9,405	14.2	10,456	11.2
EBITDA	380	832	119.0	705	18.0	1,567	(4.3)	2,767	76.6	3,141	13.5
EBITDA Margin (%)	18.2	33.7	-	30.4	-	19.0	-	29.4	-	30.0	-
Depreciation	(89)	(130)	46.5	(124)	5.1	(383)	14.1	(498)	30.0	(553)	11.0
Other Income	55	50	(8.2)	157	(67.9)	227	5.8	322	41.7	348	8.0
Interest	(12)	(15)	27.6	(14)	7.2	(59)	(1.4)	(60)	1.7	(60)	-
PBT	335	738	120.6	724	1.9	1,352	(7.2)	2,531	87.2	2,876	13.7
Tax	(108)	(235)	118.8	(229)	2.6	(436)	(8.5)	(810)	85.9	(920)	13.7
PAT	227	503	121.4	495	1.5	916	(6.6)	1,721	87.8	1,956	13.7
EPS (Rs)	0.8	1.7	121.4	1.6	1.5	3.0	(6.6)	5.7	87.8	6.5	13.7

## Jagran Prakashan

Maintain Outperformer

Price: Rs 116

BSE Index: 16,353

27 October 2009

### 2QFY10 Result – King of Hindi heartland...delivers again...

- Beating street expectations and ours, Jagran delivered very strong sales growth of 18.3% to Rs 2.46 bn (B&K: Rs 2.34 bn). Advertising revenue at Rs 1.7 bn grew by a stellar 19.4% YoY and 6.6% QoQ (B&K: Rs 1.6 bn, 15% YoY) helped mainly due to the onset of festive season (like 'Navratri' and 'Dusseera') in 2QFY10 itself.
- Circulation revenue growth to Rs 543 mn (up 15% YoY) was due to better realisations (reflecting cover price hike taken in December 2008).
- Jagran delivered highest ever EBITDA of Rs 832 mn (119% YoY growth). The EBITDA margin improved by 1,550 bps to 33.7% YoY on good revenue growth and a 4.1% decline in operational expenses (20.6% YoY decline in raw material costs).
- PAT at Rs 503 mn (B&K: Rs 430 mn) more than doubled YoY delivering an improvement of 950 bps in the PAT margin to 20.4%.

### Outlook

Jagran's 19.5% YoY growth in ad revenues at a much higher base versus Hindustan's (HT Media's Hindi brand) 25% YoY growth (at half of Jagran's ad revenues) reinforces our belief that 'Dainik Jagran' is the strongest Hindi newspaper brand (and not only the largest). 1HFY10 ad growth stood at 17.2% and we expect the management to upward revise its ad growth guidance from 15% to 17.5% for FY10E. Ad growth in 3QFY10E will be subdued as half the ad growth of the festive season has already been captured in 2QFY10; however, the lower base of 2HFY09 will help it post ad growth in the range of ~17%.

We upward revise our ad revenues growth for Jagran to 17.5% for FY10E (from 11% earlier) and 13.3% for FY11E (from 11.4%). Consequently due to Jagran's high operating leverage our FY10E and FY11E EPS get upward revised by 30% to Rs 5.7 and Rs 6.7, respectively. We maintain our valuation multiple of 14.7x FY10E EV/EBITDA (its mean 1-year forward EV/EBITDA multiple) and upward revise our target price to Rs 141 (from Rs 101 earlier). Jagran remains our most preferred pick in the Indian media space, maintain Outperformer.

## Highlights

- Total revenue grew by 18.3% YoY to Rs 2,468 mn (from Rs 2,086 mn in 1QFY09). Advertising revenue of Rs 1,716 mn (up by 19.4% YoY and 6.6% QoQ) can be attributed to the onset of festive season in 2QFY10 and growing Hindi ad market.
- Circulation revenue increased from Rs 469 mn (1QFY09) to Rs 543 mn (1QFY10) and benefit accrued from improved realisation due on cover price hike (taken in December 2008)
- Jagran newsprint consumption is skewed toward domestic newsprint. Raw material cost (primarily newsprint) has come down by 20.6% YoY. Average newsprint price for this quarter stood at Rs 24.5 per kg. The management does not expect any hike in newsprint price in the coming quarter.
- Overall operating expenses have reduced by 4.1% YoY.
- Outdoor and events contributed Rs 170 mn versus Rs 125 mn in 1QFY09, a 36% YoY increase. This could be attributed to better inventory utilisation due to early onset of the festive season.
- Jagran has announced a 100% interim dividend of Rs 2 per share.
- Jagran has a cash of Rs 1.9 bn on its books as of this quarter end.
- Clarifying the market rumours on stake sale by Independent News and Media PLC (INM), management stated that INM has no plans to sale its remaining stake in Jagran and they would continue to remain a strategic investor in the company.

## Change in estimates

(Rs mn)	Old estimates		New estimates		Change (%)	
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
Ad revenues	6,120	6,819	6,485	7,347	6.0	7.7
<i>Growth YoY (%)</i>	<i>10.9</i>	<i>11.4</i>	<i>17.6</i>	<i>13.3</i>	–	–
Subscription rev	2,103	2,193	2,154	2,260	2.4	3.0
<i>Growth YoY (%)</i>	<i>7.6</i>	<i>4.3</i>	<i>10.2</i>	<i>4.9</i>	–	–
Others	719	810	766	849	6.5	4.8
<i>Growth YoY (%)</i>	<i>(5.8)</i>	<i>12.7</i>	<i>0.4</i>	<i>10.9</i>	–	–
<b>Net Sales</b>	<b>8,942</b>	<b>9,822</b>	<b>9,405</b>	<b>10,456</b>	<b>5.2</b>	<b>6.5</b>
<i>Growth YoY (%)</i>	<i>8.6</i>	<i>9.8</i>	<i>14.2</i>	<i>11.2</i>	–	–
<b>EBITDA</b>	<b>2,149</b>	<b>2,517</b>	<b>2,767</b>	<b>3,141</b>	<b>28.8</b>	<b>24.8</b>
<i>Growth YoY (%)</i>	<i>37.1</i>	<i>17.1</i>	<i>76.6</i>	<i>13.5</i>	–	–
EBITDA Margin (%)	24.0	25.6	29.4	30.0	540 bps	440 bps
<b>PAT</b>	<b>1,323</b>	<b>1,518</b>	<b>1,721</b>	<b>1,956</b>	<b>30.0</b>	<b>28.8</b>
<i>Growth YoY (%)</i>	<i>44.4</i>	<i>14.8</i>	<i>87.8</i>	<i>13.7</i>	–	–
PAT Margin (%)	14.8	15.5	18.3	18.7	350 bps	320 bps
<b>EPS (Rs)</b>	<b>4.4</b>	<b>5.0</b>	<b>5.7</b>	<b>6.5</b>	<b>29.9</b>	<b>29.9</b>
<i>Growth YoY (%)</i>	<i>44.4</i>	<i>14.8</i>	<i>87.8</i>	<i>13.7</i>	–	–

**Income Statement**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
<b>Net sales</b>	<b>7,496</b>	<b>8,234</b>	<b>9,405</b>	<b>10,456</b>
Growth (%)	25.3	9.8	14.2	11.2
Operating expenses	(5,858)	(6,667)	(6,638)	(7,314)
Operating profit	1,638	1,567	2,767	3,141
<b>EBITDA</b>	<b>1,638</b>	<b>1,567</b>	<b>2,767</b>	<b>3,141</b>
Growth (%)	36.7	(4.3)	76.6	13.5
Depreciation	(336)	(383)	(498)	(553)
Other income	215	227	322	348
<b>EBIT</b>	<b>1,517</b>	<b>1,411</b>	<b>2,591</b>	<b>2,936</b>
Interest paid	(60)	(59)	(60)	(60)
Pre-tax profit	1,457	1,352	2,531	2,876
(before non-recurring)				
Pre-tax profit	1,457	1,352	2,531	2,876
(after non-recurring)				
Tax (current + deferred)	(476)	(436)	(810)	(920)
Net profit (before Minority Interest, Pref. Dividend, etc.)	981	916	1,721	1,956
<b>Reported PAT</b>	<b>981</b>	<b>916</b>	<b>1,721</b>	<b>1,956</b>
<b>Adjusted net profit</b>	<b>981</b>	<b>916</b>	<b>1,721</b>	<b>1,956</b>
Growth (%)	33.5	(6.6)	87.8	13.7

**Cash Flow Statement**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	1,457	1,352	2,531	2,876
Depreciation	336	383	498	553
Change in working capital	(6)	313	(221)	(269)
Total tax paid	(329)	(446)	(740)	(920)
<b>Cash flow from oper. (a)</b>	<b>1,457</b>	<b>1,602</b>	<b>2,068</b>	<b>2,240</b>
Capital expenditure	(676)	(1,109)	(433)	(370)
Change in investments	(387)	265	(200)	(500)
Others	(60)	(217)	0	0
<b>Cash flow from inv. (b)</b>	<b>(1,123)</b>	<b>(1,060)</b>	<b>(633)</b>	<b>(870)</b>
<b>Free cash flow (a+b)</b>	<b>334</b>	<b>542</b>	<b>1,435</b>	<b>1,370</b>
Equity raised/(repaid)	(366)	0	0	0
Debt raised/(repaid)	(277)	624	(765)	(200)
Dividend (incl. tax)	(339)	(705)	(678)	(678)
Others	1	(0)	0	0
<b>Cash flow from fin. (c)</b>	<b>(981)</b>	<b>(81)</b>	<b>(1,442)</b>	<b>(878)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(647)</b>	<b>461</b>	<b>(7)</b>	<b>493</b>

**Key Ratios**

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs)	3.3	3.0	5.7	6.5
Growth	33.5	(6.6)	87.8	13.7
Book NAV/share (Rs)	17.9	18.6	22.1	26.3
Dividend/share (Rs)	1.0	2.0	2.0	2.0
Dividend payout ratio	34.5	76.9	39.4	34.6
Tax	32.7	32.2	32.0	32.0
EBITDA margin	21.9	19.0	29.4	30.0
EBIT margin	20.2	17.1	27.5	28.1
RoCE	22.9	19.8	33.6	34.9
Net debt/Equity	(26.2)	(17.5)	(29.2)	(39.5)

**Valuations**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	35.5	38.0	20.2	17.8
PCE	26.4	26.8	15.7	13.9
Price/Book	6.5	6.2	5.2	4.4
Yield (%)	0.9	1.7	1.7	1.7
EV/Net sales	4.5	4.1	3.6	3.2
EV/EBITDA	20.7	21.6	12.2	10.8

**Du Pont Analysis – ROE**

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	13.1	11.1	18.3	18.7
Asset turnover	1.0	1.0	1.0	1.0
Leverage factor	1.4	1.6	1.5	1.4
Return on equity (%)	18.7	16.7	28.1	26.9

**Balance Sheet**

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Cash & Marketable securities	2,200	2,396	2,588	3,581
Other current assets	2,706	2,773	3,157	3,477
Net fixed assets	3,046	3,990	3,924	3,741
<b>Total assets</b>	<b>7,952</b>	<b>9,158</b>	<b>9,669</b>	<b>10,799</b>
Current liabilities	1,244	1,624	1,786	1,838
Total debt	791	1,415	650	450
Other non-current liabilities	531	521	591	591
<b>Total liabilities</b>	<b>2,566</b>	<b>3,559</b>	<b>3,027</b>	<b>2,879</b>
Share capital	602	602	602	602
Reserves & surplus	4,785	4,997	6,040	7,318
Less: Misc. expenditure	(1)	0	0	0
<b>Shareholders' funds</b>	<b>5,386</b>	<b>5,599</b>	<b>6,642</b>	<b>7,921</b>
<b>Total equity &amp; liabilities</b>	<b>7,952</b>	<b>9,158</b>	<b>9,669</b>	<b>10,799</b>
<b>Capital employed</b>	<b>6,708</b>	<b>7,535</b>	<b>7,883</b>	<b>8,961</b>

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  2. **OUTPERFORMER:** 0 to +25%
  3. **UNDERPERFORMER:** 0 to -25%
  4. **SELL:** Potential downside of < -25% (absolute returns)
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