

**February 01, 2012**

 Sahil Desai  
 sahil.desai@plindia.com  
 +91-22-66322259

Rating	<b>BUY</b>
Price	Rs98
Target Price	Rs131
Implied Upside	33.7%
Sensex	17,301
Nifty	5,236

*(Prices as on February 01, 2012)*
**Trading data**

Market Cap. (Rs bn)	31.1
Shares o/s (m)	316.3
3M Avg. Daily value (Rs m)	7.2

**Major shareholders**

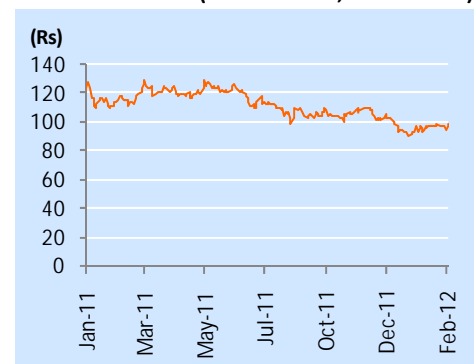
Promoters	59.51%
Foreign	11.42%
Domestic Inst.	15.85%
Public & Other	13.22%

**Stock Performance**

(%)	1M	6M	12M
Absolute	1.2	(12.1)	(20.2)
Relative	(10.8)	(6.6)	(16.1)

**How we differ from Consensus**

EPS (Rs)	PL	Cons.	% Diff.
2013	7.7	8.0	-3.5
2014	9.2	9.4	-1.7

**Price Performance (RIC: JAGP.BO, BB: JAGP IN)**


Source: Bloomberg

- Strong ad growth beating peers:** Jagran reported strong ad revenue growth of 15% YoY to Rs2.23bn, significantly higher than the growth reported by peers - *DB Corp* (7% YoY) and *HT Media* (8.7% in Hindi segment). Growth was entirely driven by increased volumes from national advertisers. Jagran maintained yields while offering innovative activations to large advertisers, leading to national advertising accounting for ~60% of the ad revenues in Q3FY12 (40% for FY11).
- Circulation revenue up on improved realization:** Circulation revenue recorded a strong 9% YoY growth partly due to an increase in per copy realization. Jagran has raised cover prices of its editions in certain markets 1) where it enjoys a dominant position, 2) where cover prices were close to value of waste newsprint & 3) in territories where their sales have exceeded their budgeted copies.
- Exchange fluctuation loss dents profitability:** EBITDA margins declined to 26% (31% in Q2FY11) due to steep increase in newsprint costs to 35% of revenues (30% in Q3FY11). Management expects newsprint prices to remain stable, going forward. The INR depreciation led to a mark-to-market exchange fluctuation loss of Rs86.7m net of taxes. Of this, Rs56.7m is due to translation losses on outstanding ECB. Adjusting for forex impact, PAT declined by 4.5% YoY.
- Outlook:** Having focused on yield improvement in Q1FY12, Jagran has used its volume lever to drive growth during the quarter. We expect growth momentum to moderate in Q4FY12 as the headroom for profitable volume growth reduces. However, election-related ads could help support growth. We maintain our EPS estimates and target price of Rs 131 for Jagran. **Maintain 'BUY'.**

Key financials (Y/e March)	2011	2012	2013E	2014E
Revenues (Rs m)	12,210	13,585	15,256	17,120
Growth (%)	29.9	11.3	12.3	12.2
EBITDA (Rs m)	3,567	3,361	4,013	4,693
PAT (Rs m)	2,085	1,917	2,431	2,925
EPS (Rs)	6.6	6.1	7.7	9.2
Growth (%)	14.0	(8.0)	26.8	20.3
Net DPS (Rs)	3.5	2.0	2.0	2.0

Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	29.2	24.7	26.3	27.4
RoE (%)	31.7	25.2	26.9	26.6
RoCE (%)	26.4	19.8	21.0	21.8
EV / sales (x)	2.7	2.4	2.1	1.8
EV / EBITDA (x)	9.2	9.8	8.0	6.5
PE (x)	14.9	16.2	12.8	10.6
P / BV (x)	4.4	3.8	3.1	2.6
Net dividend yield (%)	3.6	2.0	2.0	2.0

Source: Company Data; PL Research

**Exhibit 1: Q3FY12 Result Overview (Rs m)**

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
<b>Net Sales</b>	<b>3,240</b>	<b>2,860</b>	<b>13.3</b>	<b>3,054</b>	<b>9,341</b>	<b>8,327</b>	<b>12.2</b>
Consumption of raw materials	1,135	863	31.4	1,075	3,199	2,421	
% of net sales	35.0	30.2		35.2	34.3	29.1	17.8
Employee cost	407	363	11.9	376	1,175	1,064	
% of net sales	12.5	12.7		12.3	12.6	12.8	(1.6)
Other Expenditure	848	736	15.2	812	2,505	2,134	
% of net sales	26.2	25.7		26.6	26.8	25.6	4.6
Total Expenses	2,389	1,963	21.7	2,263	6,879	5,619	
% of net sales	73.7	68.6		74.1	73.6	67.5	9.1
<b>EBITDA</b>	<b>851</b>	<b>897</b>	<b>(5.2)</b>	<b>791</b>	<b>2,462</b>	<b>2,708</b>	<b>(9.1)</b>
EBITDA margins (%)	26.3	31.4		25.9	26.4	32.5	
Other income	(42)	55	(175.4)	40	75	177	(57.4)
<b>PBIDT</b>	<b>809</b>	<b>953</b>	<b>(15.1)</b>	<b>830</b>	<b>2,538</b>	<b>2,884</b>	<b>(12.0)</b>
PBIDT margins (%)	25.0	33.3		27.2	27.2	34.6	
Depreciation	165	146	12.9	160	475	404	17.7
Interest	44	21	112.3	29	100	47	113.0
<b>Profit before tax</b>	<b>600</b>	<b>786</b>	<b>(23.6)</b>	<b>642</b>	<b>1,962</b>	<b>2,433</b>	<b>(19.4)</b>
Tax	187	259	(27.9)	184	594	796	(25.4)
Tax rate (%)	31.2	33.0		28.6	30.3	32.7	
<b>Adjusted profit after tax</b>	<b>413</b>	<b>526</b>	<b>(21.5)</b>	<b>458</b>	<b>1,368</b>	<b>1,638</b>	<b>(16.5)</b>

Source: Company Data, PL Research

**Exhibit 2: Segmental Revenues (Rs m)**

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
Advertisement	2,235	1,945	14.9	2,119	6,397	5,777	10.7
Circulation	623	570	9.3	612	1,817	1,671	8.7
Others	382	345	10.8	323	1,127	878	28.3
<b>Total revenues</b>	<b>3,240</b>	<b>2,860</b>	<b>13.3</b>	<b>3,054</b>	<b>9,341</b>	<b>8,327</b>	<b>12.2</b>

Source: Company Data, PL Research

## Key Highlights of the Conference Call

- National advertising increased to 60% of ad revenue in Q3FY12 as compared to 40% in FY11. For 9MFY12, the share of national ads has been 43%. Local advertising has remained steady but the innovative volume offers has led to strong national advertising growth.
- Cover price increase was taken in December 2011. Q4FY12 will see the full impact of the higher prices and management expects beneficial impact of 4-5% on circulation growth.
- *Mid-day* Bangalore & Delhi editions have been closed & their resultant savings have been utilised in Mumbai. As a result, *Mid-day English* registered a growth of 6.5% in readership on QoQ basis, which was one of the highest amongst all English dailies. *Mid-day Gujarati* too grew in readership by 17.7% on QoQ basis. *Mid-day English* recorded ~8% YoY growth in ad revenues.
- Editions in Jharkhand & Punjab continue to be loss-making, though their losses have reduced.
- Combined capex guidance for FY12 & FY13 has been revised downwards from Rs2bn, with Rs900m spent in 9MFY12. The company has net cash of Rs400-500m.

**Income Statement (Rs m)**

Y/e March	2011	2012	2013E	2014E
<b>Net Revenue</b>	<b>12,210</b>	<b>13,585</b>	<b>15,256</b>	<b>17,120</b>
Raw Material Expenses	3,589	4,653	5,079	5,585
Gross Profit	8,621	8,933	10,177	11,535
Employee Cost	1,726	1,916	2,184	2,490
Other Expenses	3,328	3,656	3,980	4,352
<b>EBITDA</b>	<b>3,567</b>	<b>3,361</b>	<b>4,013</b>	<b>4,693</b>
Depr. & Amortization	647	700	781	845
Net Interest	91	149	181	170
Other Income	233	267	474	562
<b>Profit before Tax</b>	<b>3,062</b>	<b>2,779</b>	<b>3,524</b>	<b>4,239</b>
Total Tax	977	861	1,092	1,314
<b>Profit after Tax</b>	<b>2,085</b>	<b>1,917</b>	<b>2,431</b>	<b>2,925</b>
Ex-Od items / Min. Int.	—	—	—	—
<b>Adj. PAT</b>	<b>2,085</b>	<b>1,917</b>	<b>2,431</b>	<b>2,925</b>
<b>Avg. Shares O/S (m)</b>	<b>316.3</b>	<b>316.3</b>	<b>316.3</b>	<b>316.3</b>
<b>EPS (Rs.)</b>	<b>6.6</b>	<b>6.1</b>	<b>7.7</b>	<b>9.2</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2011	2012	2013E	2014E
C/F from Operations	2,568	2,342	2,632	3,407
C/F from Investing	(2,527)	(1,714)	(800)	(1,082)
C/F from Financing	(531)	405	(1,113)	(1,102)
Inc. / Dec. in Cash	(490)	1,032	719	1,223
Opening Cash	—	—	—	—
Closing Cash	362	1,394	2,113	3,336
FCFF	51	1,285	1,651	2,437
FCFE	762	2,579	1,459	2,245

**Key Financial Metrics**

Y/e March	2011	2012	2013E	2014E
<b>Growth</b>				
Revenue (%)	29.9	11.3	12.3	12.2
EBITDA (%)	27.1	(5.8)	19.4	17.0
PAT (%)	19.7	(8.0)	26.8	20.3
EPS (%)	14.0	(8.0)	26.8	20.3
<b>Profitability</b>				
EBITDA Margin (%)	29.2	24.7	26.3	27.4
PAT Margin (%)	17.1	14.1	15.9	17.1
RoCE (%)	26.4	19.8	21.0	21.8
RoE (%)	31.7	25.2	26.9	26.6
<b>Balance Sheet</b>				
Net Debt : Equity	0.2	0.2	0.1	—
Net Wrkng Cap. (days)	—	—	—	—
<b>Valuation</b>				
PER (x)	14.9	16.2	12.8	10.6
P / B (x)	4.4	3.8	3.1	2.6
EV / EBITDA (x)	9.2	9.8	8.0	6.5
EV / Sales (x)	2.7	2.4	2.1	1.8
<b>Earnings Quality</b>				
Eff. Tax Rate	31.9	31.0	31.0	31.0
Other Inc / PBT	8.3	9.6	13.4	13.3
Eff. Depr. Rate (%)	8.0	7.8	8.0	8.0
FCFE / PAT	36.6	134.5	60.0	76.8

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	7,022	8,200	9,891	12,076
Total Debt	1,924	3,218	3,026	2,834
Other Liabilities	617	617	617	617
<b>Total Liabilities</b>	<b>9,564</b>	<b>12,035</b>	<b>13,535</b>	<b>15,528</b>
Net Fixed Assets	5,469	5,677	5,695	5,650
Goodwill	—	—	—	—
Investments	2,018	2,825	2,825	3,107
Net Current Assets	2,078	3,534	5,015	6,771
<i>Cash &amp; Equivalents</i>	<i>362</i>	<i>1,394</i>	<i>2,113</i>	<i>3,336</i>
<i>Other Current Assets</i>	<i>4,617</i>	<i>3,943</i>	<i>4,395</i>	<i>5,052</i>
<i>Current Liabilities</i>	<i>2,902</i>	<i>1,803</i>	<i>1,493</i>	<i>1,617</i>
Other Assets	—	—	—	—
<b>Total Assets</b>	<b>9,564</b>	<b>12,035</b>	<b>13,535</b>	<b>15,528</b>

**Quarterly Financials (Rs m)**

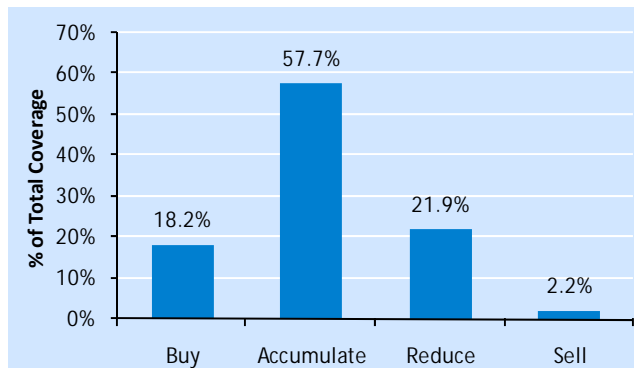
Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12
<b>Net Revenue</b>	<b>2,826</b>	<b>3,046</b>	<b>3,054</b>	<b>3,240</b>
<b>EBITDA</b>	<b>714</b>	<b>820</b>	<b>791</b>	<b>851</b>
<i>% of revenue</i>	<i>25.3</i>	<i>26.9</i>	<i>25.9</i>	<i>26.3</i>
Depr. & Amortization	160	150	160	165
Net Interest	25	28	29	44
Other Income	55	78	40	(42)
<b>Profit before Tax</b>	<b>584</b>	<b>720</b>	<b>642</b>	<b>600</b>
Total Tax	163	223	184	187
<b>Profit after Tax</b>	<b>421</b>	<b>497</b>	<b>458</b>	<b>413</b>
<b>Adj. PAT</b>	<b>421</b>	<b>497</b>	<b>458</b>	<b>413</b>

**Key Operating Metrics**

Y/e March	2011	2012	2013E	2014E
Ad Revenues (Rs m)	7,662	8,562	9,729	10,886
Circulation Rev. (Rs m)	2,290	2,381	2,481	2,557
RM cost/Rev (%)	29.4	34.2	33.3	32.6
Ad rev growth (%)	20.0	11.7	13.6	11.9
Circ Rev Growth (%)	7.1	4.0	4.2	3.0
NP cost (INR/MT)	26,776	30,070	31,289	32,452

Source: Company Data, PL Research.

#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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