



## Telefolio Plus

### Jagran Prakashan

Joyous news on earnings front to persist

Through consistent ad rate hikes and innovative new launches as well as new initiatives on outdoor and event management fronts, the company will continue to grow its earnings at a fast pace

Buy	Jagran Prakashan
BSE Code	532705
NSE Code	JAGRAN
Bloomberg	JAGP@IN
Reuter	JAGP.BO
52-week High/Low	Rs 395 / Rs 142
Current Price	Rs 362 (as on 11th April 2007)

#### Related Tables

- ▶ [Jagran Prakashan: Financials](#)
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Jagran Prakashan is the publisher of India's largest read daily, Dainik Jagran (DJ). Dainik Jagran at present has 31 editions with nearly 250 sub editions covering 50% of India's population and the entire Hindi-speaking belt of India. JPL also publishes Sakhi, a monthly magazine, and Jagran Varshiki, an annual publication. DJ's web portal, [www.jagran.com](http://www.jagran.com), is rated as the world's most visited Hindi web portal. JPL also offers various types of information and other related features like downloads etc through its own short code, short messaging service (7272).

Jagran Engage is JPL's 'Out of Home' (OOH) advertising arm. The company acquires advertising sites and rents it to clients in turn. JPL has already acquired around 1,000 sites in Delhi, Mumbai, Bangalore, Kolkata, Pune, Surat and Kanpur. JPL's clients include many big brands like Microsoft, ABN Amro, REL, Titan, Ansals, TVS and Apollo. To expand its presence in the OOH space, JPL plans to acquire new sites for its business across the country.

Jagran Solutions is JPL's event management business was established in 2006. Since this business compliments the OOH business, the company shares most of its clients with Jagran Engage. The clients of Jagran Solutions include Microsoft, Hutch, Godrej, TVS, ICICI Prudential, Escorts, Standard Chartered Bank, M&M, Bajaj and HLL.

Independent News & Media PLC (Independent), holds 20.8% stake in JPL and is eager to increase its stake though current FDI regulations does not permit it. Independent is a leading international newspaper and communications group with interests in Australia, Ireland, New Zealand, South Africa and the United Kingdom. JPL's board includes two representatives from INMIL who are the chief executive officer (CEO) and the chief operating officer (COO) of Independent.

#### Impressive earnings growth

JPL recorded an impressive top line growth of 22% to Rs 156.12 crore in December 2006 quarter. The overall revenue growth came on the back of an excellent growth in advertisement revenues, higher contribution from Out of Home & Event Management activities, as well as an increase in circulation numbers.

Circulation revenue grew by 3.63%, advertisement revenue registered a growth of 28.53% and revenue from event management activity increased by over 250% on low base. Outdoor activity contributed Rs 6 crore to the revenue in December 2006 quarter (compared to negligible figure in the corresponding previous quarter), and the management expected it to do still better in the fourth quarter of FY 2007.

The growth in advertisements revenue was mainly driven by combination of increase in total space, particularly color space sold which increased by about 14%, as well as increase in advertisement rates. Growth in circulation revenue was mainly due to improved per copy realization as a result of increasing the cover price in Feb 2006.

OPM remained stable at 17.3% against 17.2% and thus OP was up 23% to Rs 27.02 crore. The company earned other income of Rs 7.33 crore against an expense of Rs 3.25 crore. Also as interest cost declined 16% to Rs 1.63 crore and depreciation cost fell 1% to Rs 5.83 crore, PBT soared 146% to Rs 26.89 crore. Even as taxation jumped 137% to Rs 9.19 crore, PAT skyrocketed 152% to Rs 17.7 crore.

For the nine month ended December 2006, its revenues grew 23% to Rs 434.51 crore. As OPM expanded 690 basis points to 20.8%, OP jumped 83% to Rs 90.51 crore. The optimisation of consumption between imported and indigenous newsprint led to significant cost savings. Other income stood at Rs 18.21 crore against a loss of Rs 1.69 crore and interest cost fell 10% to Rs 5.32 crore. As depreciation increased by just 11% to Rs 16.25 crore, PBT galloped 220% to Rs 87.15 crore. Even as taxation jumped 245% to Rs 29.02 crore, PAT ballooned 210% to Rs 58.13 crore.

### **Outlook for the Print Media remains buoyant**

Worldwide, marketers have reduced their television dependence by focusing more on print, outdoor media and the Internet. The trend is also taking root in India.

According to PWC, the domestic print media market is estimated to grow at 12% CAGR during the next five years, translating to a size of Rs 19500 in 2010, as against a size of Rs 10900 in 2005. Moreover, the Indian advertising industry is expected to cross Rs 14000, registering a growth of 18% in 2006; of this, print media advertising is expected to grow at 20%. This growth is likely to be driven by an increase in literacy and disposable income levels across the country.

Print media also enjoys much better loyalty compared to electronic media.

### **Innovative new launches**

In September 2006, JPL launched City Plus, an English infotainment paper. The paper is a standalone product launched in Gurgaon, Noida and Faridabad. The newspaper operates under a 100% advertisement revenue model and carries around 40% editorial content. JPL plans to scale up its number of City Plus editions across India in future. City plus is distributed free of cost, across select residential and commercial areas.

In addition, it has also launched its second brand, I-next, which it had talked about at the time of IPO. This has been launched in Kanpur and Lucknow. It has plans to launch five more editions, of which it is planning to launch at least three more editions by the end of this current fiscal. I-Next is the first-ever bilingual publication (English & Hindi) in the country. iNext completely differs from its mother brand, Dainik Jagran, in terms of look, content and feel; as it is targeted at the age group of 18-34 years.

### **The company is strengthening its already strong market presence**

Since the beginning of the year 2000, JPL has launched 17 new editions of Dainik Jagran, taking the total number of editions to 31 across 11 states. To cater to the local market, Dainik Jagran publishes around 250 sub-editions, the highest among all dailies. The daily holds the first position in 11 out of its 31 editions and the second in several of its other editions. JPL caters mainly to tier II cities, which we expect to show higher growth as against urban areas. Moreover, Dainik Jagran is India's leading newspaper in terms of readership in almost all the IRS categories. This is an important parameter for advertisers.

### **Inherent advantages of being a Hindi newspaper**

The Indian newspaper industry can be broadly categorized as (1) Hindi, (2) English and (3) the other Indian languages. The Hindi language newspapers comprise 44.6% of the total newspapers while the English ones make 7.4% of the same. The other languages comprise the remaining 48% of the newspapers. It is quite evident that the Hindi language newspapers in aggregate have the highest circulation throughout India. Thus JPL has the advantage of being the market leader in the Hindi segment.

Secondly, the growth in the readership of newspapers, particularly those in vernacular languages, is linked to the growth in the literacy rate in the country. According to the 2001 Census, the literacy rate in India stands at 65.2%. However, in the four out of the ten states where DJ's 18 editions are published, the literacy rate is below the national average of 65.2%. The literacy rate in Bihar (47.53%), Jharkhand (54.13%), Uttar Pradesh (57.36%), Jammu & Kashmir (54.46%) are all below the average literacy rate. Thus, as a result of the lower literacy rate in these states, the growth potential is higher.

### **Big gap between JPL and its nearest competitor**

The gap between Dainik Jagran and its nearest rival, Dainik Bhaskar, has consistently increased in the past five IRS surveys; from a lead of 0.6mn readers as per IRS 2002, round 2, to a lead of 4.7mn readers as per IRS 2006, round 2. This gap was 2.1mn, 3.0mn and 3.7mn according to IRS2003 round 1, IRS2003 round 2 and IRS 2005 round 1, respectively.

### **INM could facilitate its English newspaper plans**

In FY06, JPL entered into a strategic partnership with Independent News and Media (INM). INM is a reputed media house in Europe; publishing 175 titles of newspapers and magazines in nine countries across four continents. It publishes the flagship national title – The Independent in the U.K. INM is the largest newspaper group in Northern Ireland. It holds 20% stake in JPL and would be publishing the facsimile edition of its international edition of The Independent from New Delhi. This partnership would facilitate JPL's entry into the English newspaper segment and publish international content for its Indian readers. Moreover, INM is the largest outdoor advertising operator in South Africa; consequently, JPL is likely to benefit from INM's international technology, practice and expertise in the Out-of-Home (OOH) business.

### **Event management and out-of-home advertising activities picking up**

Event management and out-of-home advertising activities have picked up significantly. Now, the company has over 700 sites in addition to advertising rights for Lucknow Railway Station. It is in the process of acquiring a few more sites and the management expects to add about 100 sites in March 2007 quarter. With the sites already in possession and negotiated, revenue for next fiscal is likely to be more than double of the revenue that the management expects for the current year. For FY 2007, the expected revenue from outdoor business is about Rs 20 crore.

### **Ad rates hiked**

Jagran Prakashan on March 14, 2007 announced that it has revised its advertising rates. As per the revised rates, all-edition rates will increase by 26% alongwith a 37% increase in UP + Uttaranchal rates. The Company has decided to take this move one month early this year, as compared to the usual practice of increasing the rates on April 09 every year. With the launch of I-next in the current fiscal, the Company has

offered an impressive scheme to the advertisers this time with a package rate for both Dainik Jagran and I-next for the UP + Uttaranchal editions and for all editions. The advertising rates for Dainik Jagran in other states (Punjab, Haryana, Bihar, Jharkhand, Himachal Pradesh, Jammu, Delhi, Madhya Pradesh and West Bengal) have been increased by an average of around 10%. Standalone prices for I-next have been fixed at Rs 198 per sq cm for Kanpur + Lucknow editions.

### Future growth strategy

The management plans to launch a new newspaper brand in its existing markets. The new brand will be targeted at a different readership segment. The new product will be different from DJ with a different editorial content and a lower cover price. As the new brand will be launched in the existing markets, JPL would be able to use its existing infrastructure to publish and distribute the brand, and this would result in lower set-up costs. The new brand will utilize JPL's existing printing workforce, reporters, marketing workforce and administrative staff. Except for the hiring of additional editorial staff, JPL does not expect to incur any significant additional staff cost for the new brand. The new brand is likely to be launched soon.

JPL plans to acquire and invest in the other newspapers in its existing markets to increase its market share. The acquisition will be either to consolidate its position where DJ is the leader or to invest in the leading newspaper in those markets where DJ is not the leader. JPL may also consider entering new markets by investing in non-Hindi newspapers. Out of the funds raised from the public offerings, JPL plans to utilise Rs 80 crore for acquisitions and investments by FY2008.

JPL plans to invest Rs 40 crore in outdoor advertising business by FY2008. JPL plans to expand its outdoor advertisement business by entering into mobile outdoor media business. JPL currently has two mobile hoarding vans, which currently are on a trial run. JPL plans to purchase nearly 250 vans for use in mobile advertising by FY2008. JPL plans to position these mobile hoarding vans across 60 major towns located in the states where DJ is published.

Jagran Prakashan and Yahoo India, on March 28, 2007, jointly announced the launch of a new co-branded Hindi news and current affairs Internet property. The new property will be available in the second half of CY2007 of this year and will seamlessly Integrate acclaimed Jagran content with Yahoo! India's online presence

### Valuation

We expect the company to register sales and net profit of Rs 595.28 crore and Rs 77.96 crore respectively. On an equity of Rs 60.23 crore and face value of Rs 10 per share, EPS works out to Rs 12.9. This EPS is slated to rise to Rs 19.7 in FY 2008. The share price trades at Rs 362. P/E on FY 2008 EPS works out to 18.4.

### Jagran Prakashan: Financials

	0503 (12)	0603 (12)	0703 (12P)	0803 (12P)
Sales	376.37	478.16	595.28	726.25
OPM (%)	6.8	14.4	20.6	25.1
OP	25.42	68.99	122.68	182.21
Other inc.	1.01	5.35	25.21	30.00
PBIDT	26.43	74.34	147.89	212.21
Interest	6.87	7.61	6.87	6.00
PBDT	19.56	66.73	141.02	206.21

Dep.	17.57	20.12	22.90	26.33
PBT	1.99	46.61	118.13	179.88
Tax	0.76	14.91	40.16	61.16
PAT	1.23	31.7	77.96	118.72
EPS* (Rs)	0.2	5.3	12.9	19.7

\* Annualised on Current equity of Rs 60.23 crore; Face Value: Rs 10

(P): Projections

Figures in Rs crore

Source: Capitaline Corporate Databases

Jagran Prakashan: Results

	0612 (3)	0512 (3)	Var. (%)	0612 (3)	0512 (3)	Var. (%)	0609 (12)	0509 (12)	Var. (%)
Sales	156.12	127.65	22	434.51	354.29	23	478.16	376.37	27
OPM (%)	17.3	17.2		20.8	14.0		14.4	6.8	
OP	27.02	21.98	23	90.51	49.43	83	68.99	25.42	171
Other inc.	7.33	-3.25	LP	18.21	-1.69	LP	5.35	1.01	430
PBIDT	34.35	18.73	83	108.72	47.74	128	74.34	26.43	181
Interest	1.63	1.94	-16	5.32	5.88	-10	7.61	6.87	11
PBDT	32.72	16.79	95	103.4	41.86	147	66.73	19.56	241
Dep.	5.83	5.88	-1	16.25	14.66	11	20.12	17.57	15
PBT	26.89	10.91	146	87.15	27.2	220	46.61	1.99	2242
Tax	9.19	3.88	137	29.02	8.42	245	14.91	0.76	1862
PAT	17.70	7.03	152	58.13	18.78	210	31.7	1.23	2477
EPS* (Rs)	11.8	4.7		12.9	4.2		5.3	0.2	

\* Annualised on Current equity of Rs 60.23 crore; Face Value: Rs 10

Figures in Rs crore

Source: Capitaline Corporate Databases