

JAGRAN PRAKASHAN LTD.

BUY
CMP Rs123
TP Rs165

01 Feb 2011

Jagran Prakashan (JPL) delivered strong growth as expected – top-line grew by 26%YoY, led by advertisement growth of 31%YoY to Rs1.95bn (in line with our estimate) and circulation revenue growth of 7.2%YoY to Rs570mn. Event and outdoor business grew by 20%YoY (10% of total sales).

Strong ad growth of 31% in line with the estimate

With shift of festive season in Q3FY11 Ad revenue grew remarkably 31%YoY (in line with its peers) to Rs1.95bn – both on the volume front and improved yields during festive season. Circulation (copies) increased by 10%YoY however decrease in cover prices capped the circulation revenue growth at 7%YoY and 4% QoQ to Rs570mn.

Positive traction from other businesses

Event and outdoor business grew by 20%YoY to Rs252mn – Event business showed growth of 30%YoY with PBT of Rs14mn (as against loss of Rs3.6mn), Outdoor business also delivered positive PBT of Rs9.8mn (against a loss of Rs1.5mn). Digital revenue in Q3FY11 grew to Rs22.5mn. Post acquisition of Mid-Day by JPL, Mid-Day Mumbai circulation has improved by 8%.

Enhanced operating margins and improved profitability

Despite 21% increase in total expenditure (where in the newsprint cost increased 28%YoY), Operating profit grew 38%YoY to Rs897mn and OPM surged from 28.8% in Q3FY10 to 31.4%, owing to robust growth from advertisement revenue. On account of high newsprint prices and increased circulation copies we estimate OPM of ~32% for FY11E and FY12E. Even with increase in interest cost and lower other income, PAT grew by 33% to Rs526mn resulting in an increase in NPM to 18.5% from 17.5% in Q3FY10.

OUTLOOK AND VALUATIONS

We believe JPL is well poised to capture the growth opportunity in its markets and across the business segments. Considering its numero uno position in readership (54.7mn total readership), leadership in the largest print ad market – UP and positive traction from other media verticals, we expect the company to post revenue and PAT growth of 20% and 22% 2Yr CAGR (FY10-12E) respectively. At the CMP, the stock trades at 15x FY12E EPS. We maintain 'BUY' recommendation on the stock with a target price of Rs165 (20x FY12E EPS).

KEY FINANCIALS		Rs mn				
	FY08	FY09	FY10	FY11E	FY12E	
Net Sales	7,496	8,234	9,419	11,422	13,643	
YoY Gr. (%)	25.3	9.8	14.4	21.3	19.4	
Op. Profit	1,640	1,567	2,823	3,685	4,342	
Op. Margin (%)	21.9	19.0	30.0	32.3	31.8	
Adj. Net Profit	983	916	1,759	2,254	2,608	
YoY Gr. (%)	33.7	(6.8)	91.9	28.2	15.7	
KEY RATIOS						
Dil. EPS (Rs)	3.3	3.0	5.8	7.1	8.2	
ROCE (%)	22.6	18.7	33.6	34.2	32.2	
ROE (%)	18.2	16.4	28.7	27.5	24.7	
PER (x)	37.7	40.4	21.1	17.3	14.9	
EV/Sales (x)	5.0	4.6	4.0	3.4	2.7	
Ev/EBDITA (x)	22.8	24.0	13.3	10.4	8.6	

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QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Jun-10	Sep-10	Dec-10
Net Sales	2,698	2,769	2,860
YoY Gr. (%)	16.4	12.2	26.1
Op. Profits	902	908	897
OPM (%)	33.4	32.8	31.4
Adj. Net Profit	556	555	526
YoY Gr. (%)	12.3	10.4	32.5

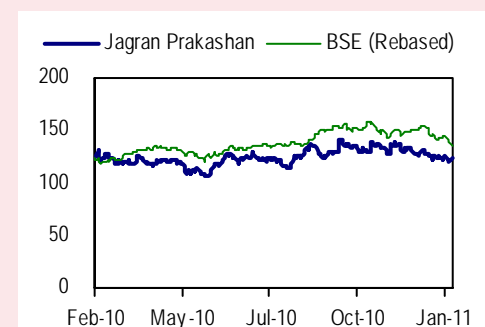
STOCK DATA

Market Cap	Rs37bn.
Book Value per share	Rs20.3
Eq Shares O/S (F.V. Rs2)	301mn.
Free Float	45%
Avg Traded Value (6 mnths)	Rs 51mn
52 week High/Low	Rs148/104
Bloomberg Code	JAGP IN
Reuters Code	JAGP.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(6.7)	(4.8)	0.1
Relative	6.2	7.5	(9.2)

RELATIVE PERFORMANCE



Conference call highlights:

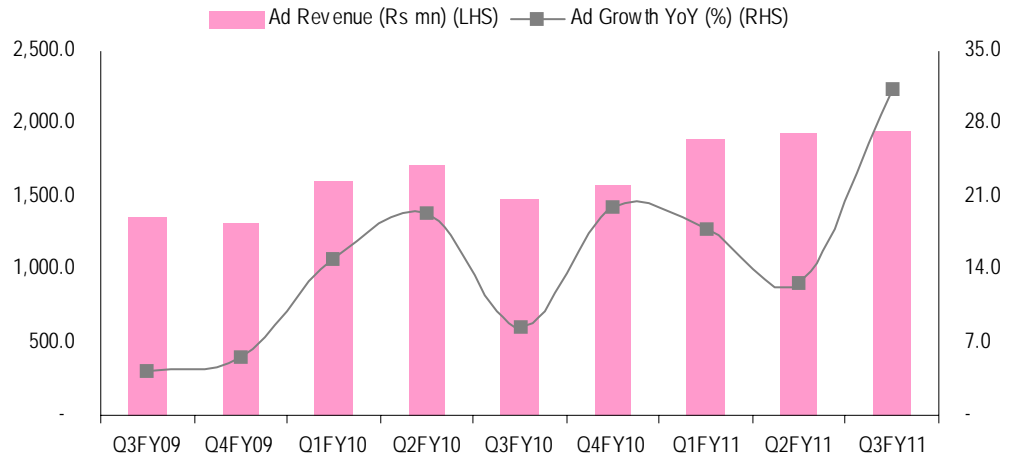
- Total circulation of JPL: Dainik Jagran is 3.1mn/daily, I-Next is 0.3mn/daily and Cityplus (weekly) is 0.5mn/week.
- The company intends to further increase its circulation copies by 10% in FY12 in response to stiff competition and maintain/increase the readership base.
- JPL is confident of 20% growth in ad revenues in FY12 - equally both from volume and pricing. Management has also indicated additional advertisement revenue of Rs40-50mn expected from cricket world cup commencing from 19 February, 2011.
- Newsprint prices expected to increase 7% YoY for FY12.
- Mid-Day numbers will get consolidated from Q4FY11.

Exhibit 1: Result Table

Rs mn.	Q3FY11	Q3FY10	YoY(%)	Q2FY11	QoQ(%)	9MFY11	9MFY10	YoY(%)
Ad	1,945	1,482	31.3	1,935	0.5	5,777	4,807	20.2
Circulation	570	532	7.2	548	4.0	1,671	1,620	3.2
Other operating	345	255	35.1	286	20.8	878	629	39.6
Total Sales	2,860	2,269	26.1	2,769	3.3	8,327	7,056	18.0
Raw Material	863	674	28.2	801	7.7	2,421	2,058	17.6
RM/Rev. (%)	30.2	29.7		28.9		29.1	29.2	
Total Expenditure	1,963	1,616	21.4	1,860	5.5	5,619	4,866	15.5
EBITDA	897	653	37.5	908	(1.2)	2,708	2,190	23.6
EBITDA Margins (%)	31.4	28.8		32.8		32.5	31.0	
Other Income	55	70	(20.5)	64	(13.5)	177	277	(36.1)
Interest	21	13	55.5	14	49.2	47	42	12.8
Depreciation	146	119	22.9	133	10.2	404	373	8.4
PBT	786	590	33.2	826	(4.8)	2,433	2,052	18.6
Tax	259	193	34.6	271	(4.2)	796	657	21.1
PAT	526	397	32.5	555	(5.2)	1,637	1,395	17.4
EPS	1.75	1.32	32.7	1.84	(5.0)	5.44	4.63	17.5

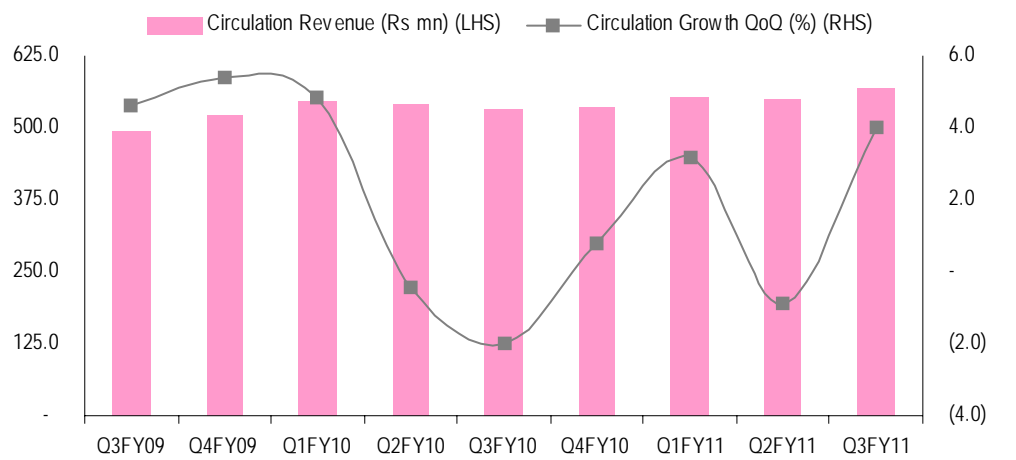
Source: Company, PINC Research

Exhibit 2: Ad revenue trend



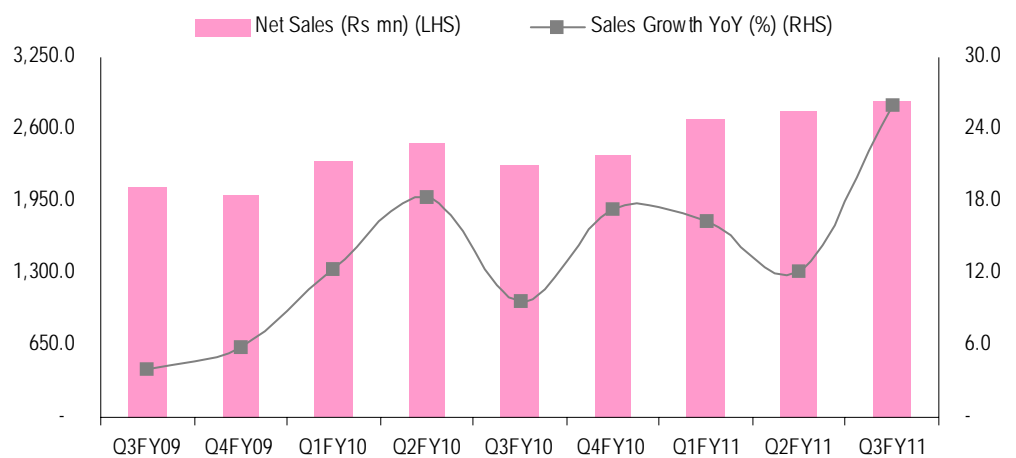
Source: Company, PINC Research

Exhibit 3: Circulation revenue trend



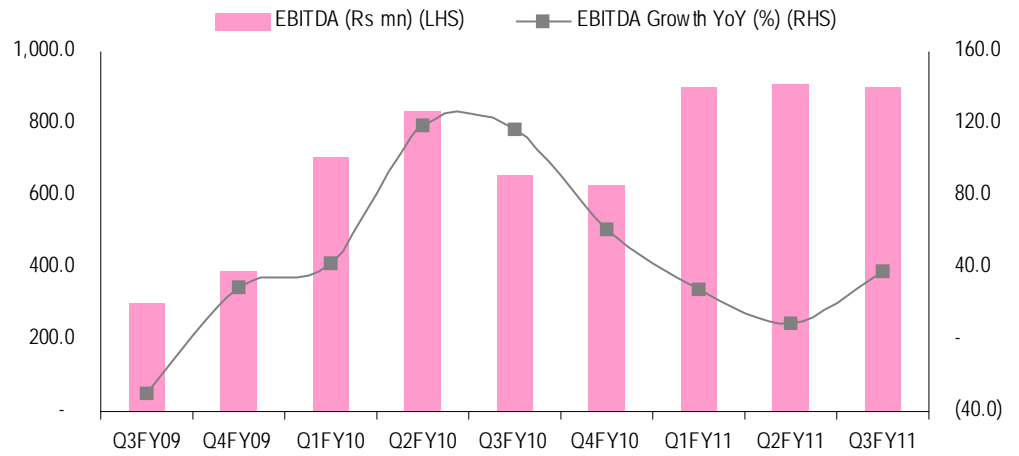
Source: Company, PINC Research

Exhibit 4: Net sales trend



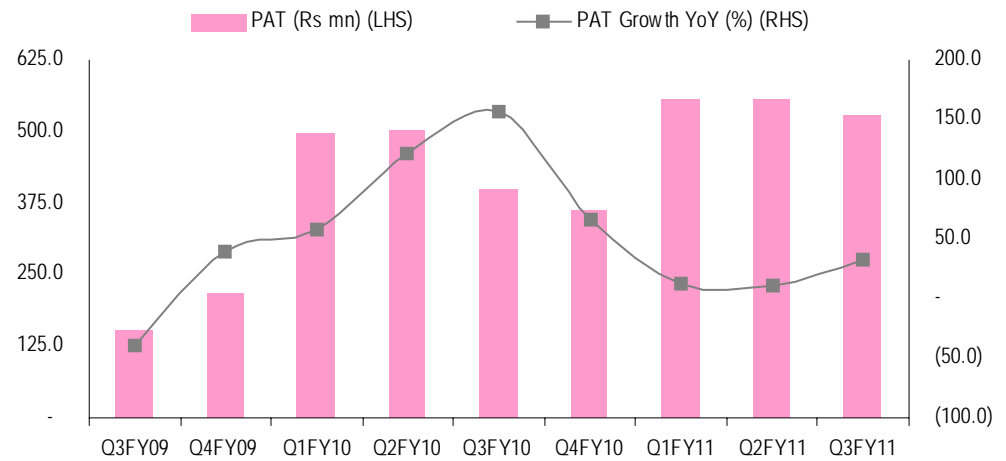
Source: Company, PINC Research

Exhibit 5: Operating profit trend



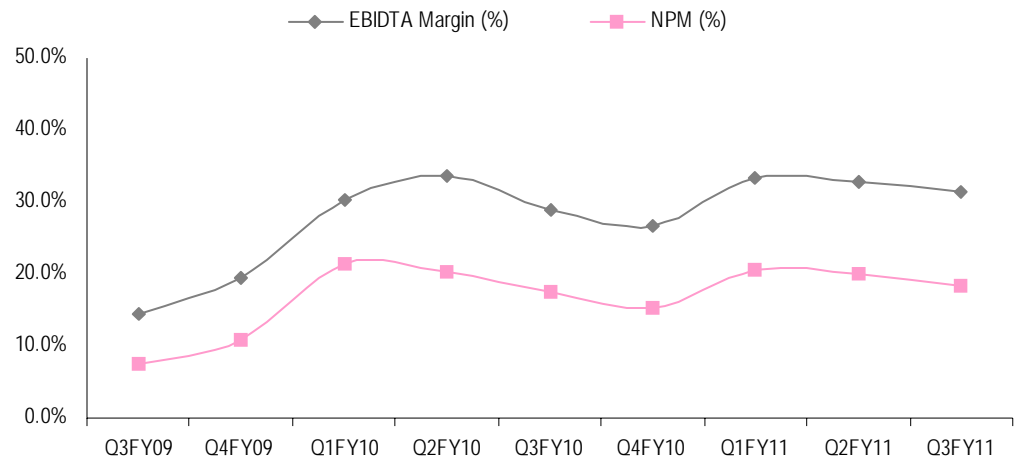
Source: Company, PINC Research

Exhibit 6: Net profit trend



Source: Company, PINC Research

Exhibit 7: Profitability trend



Source: Company, PINC Research

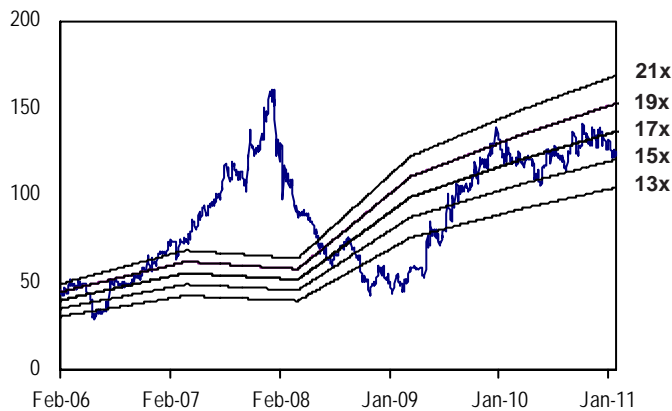
Income Statement	FY08	FY09	FY10	FY11E	FY12E
Net sales	7,496	8,234	9,419	11,422	13,643
Growth (%)	25.3	9.8	14.4	21.3	19.4
Gross profit	3,865	3,990	5,470	6,554	7,559
Other operating charges	2,225	2,423	2,648	2,869	3,217
EBITDA	1,640	1,567	2,823	3,685	4,342
Growth (%)	36.9	(4.4)	80.1	30.6	17.8
Depreciation	336	383	507	519	600
Other income	215	227	343	249	249
EBIT	1,519	1,411	2,658	3,416	3,992
Interest paid	60	59	66	56	70
PBT (before E/o items)	1,459	1,352	2,592	3,360	3,922
Tax Provision	476	436	833	1,106	1,314
E/o loss / (Income)	-	-	-	-	-
Net profit	983	916	1,759	2,254	2,608
Adj. net profit (Incl. MI)	983	916	1,759	2,254	2,608
Growth (%)	33.7	(6.8)	91.9	28.2	15.7
Diluted EPS (Rs)	3.3	3.0	5.8	7.1	8.2
Diluted EPS Growth (%)	33.7	(6.8)	91.9	22.1	15.7

Cash Flow Statement	FY08	FY09	FY10	FY11E	FY12E
Pre-tax profit	1,457	1,352	2,592	3,360	3,922
Depreciation	336	383	507	519	600
Total tax paid	(420)	(413)	(749)	(1,106)	(1,314)
Chg in working capital	(354)	(125)	(259)	(432)	(274)
Other operating activities	159	59	22	56	70
Cash flow from oper. (a)	1,178	1,257	2,113	2,397	3,004
Capital expenditure	(730)	(1,319)	(454)	(1,300)	(1,500)
Chg in investments	(340)	378	22	(150)	(250)
Other investing activities	159	34	45	-	-
Cash flow from inv. (b)	(911)	(907)	(387)	(1,450)	(1,750)
Free cash flow (a+b)	268	349	1,726	947	1,254
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(271)	580	(129)	(214)	-
Change in Minorities Interest	-	-	-	-	-
Dividend (incl. tax)	(352)	(352)	(1,409)	(1,405)	(1,553)
Other financing activities	(60)	56	(55)	(56)	(70)
Cash flow from fin. (c)	(683)	284	(1,593)	(1,645)	(1,623)
Net chg in cash (a+b+c)	(416)	633	133	(698)	(369)

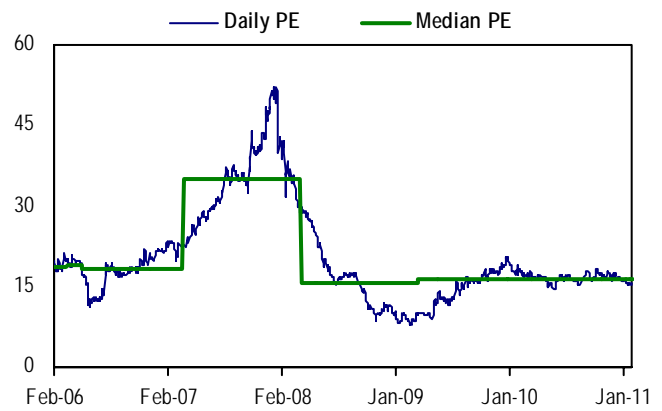
Balance Sheet	FY08	FY09	FY10	FY11E	FY12E
Equity Share capital	602	602	602	632	632
Reserves & surplus	4,785	4,997	5,523	7,566	9,933
Shareholders' funds	5,388	5,599	6,125	8,198	10,565
Minorities interests	-	-	-	-	-
Total Debt	791	1,415	1,214	1,000	1,000
Capital Employed	6,178	7,014	7,339	9,198	11,565
Net fixed assets	3,046	3,990	3,941	4,722	5,622
Net Other Current Assets	1,462	1,149	1,460	1,892	2,166
Cash & Cash Eq.	367	828	852	1,569	2,531
Investments	1,833	1,568	1,666	1,816	2,066
Net Deferred Tax Assets	(531)	(521)	(580)	(801)	(820)
Total assets	6,177	7,014	7,339	9,198	11,565

Key Ratios	FY08	FY09	FY10	FY11E	FY12E
OPM (%)	21.9	19.0	30.0	32.3	31.8
Net margin (%)	12.7	10.8	18.0	19.3	18.8
Yield (%)	1.6	1.6	2.8	3.1	3.4
Net debt/Equity (x)	0.08	0.10	0.06	(0.07)	(0.14)
Net Working Capital (days)	89	88	90	111	126
Asset turnover (x)	1.9	1.7	1.7	1.7	1.7
ROCE (%)	22.6	18.7	33.6	34.2	32.2
RoE (%)	18.2	16.4	28.7	27.5	24.7
EV/Net sales (x)	5.0	4.6	4.0	3.4	2.7
EV/EBITDA (x)	22.8	24.0	13.3	10.4	8.6
PER (x)	37.7	40.4	21.1	17.3	14.9
Price/Book (x)	7	7	6	5	4

1-Year forward P/E Band



Median PE v/s Daily PE



T E A M

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