

# Jagran Prakashan (JAGPRA)

Rs 133

## WHAT'S CHANGED...

PRICE TARGET .....	Unchanged
EPS (FY11E) .....	Changed from Rs 7.0 to Rs 6.8
EPS (FY12E) .....	Unchanged
RATING.....	Unchanged

## Ad growth lower than peers but outlook remains bright...

Jagran Prakashan reported better-than-expected numbers for Q2FY11 though advertisement growth was lower than its peers. The topline at Rs 276.9 crore (I-direct estimate of Rs 269.9 crore) was up 12.2% YoY and 2.6% QoQ led by ad revenue growth of 12.8% YoY to Rs 193.5 crore (I-direct estimate of Rs 188 crore). EBITDA increased to Rs 90.8 crore in Q2FY11 improving 9.1% YoY and remaining flat QoQ. EBITDA margin declined by 61 bps and 91 bps QoQ and YoY, respectively, to 32.8%, led by higher raw material prices and employee cost, which grew 19.6% and 12.4% YoY, respectively. PAT for the quarter stood at Rs 55.5 crore, up from Rs 50.3 crore a year ago.

### ■ Highlights for quarter

During the quarter, the company reported ad revenue growth of 12.8% YoY to Rs 193.5 crore. Ad revenue for Jagran Prakashan was lower as compared to its peers. DB Corp and Hindustan registered ad revenue growth of 30% and 17.8% YoY, respectively. Circulation revenues stood at Rs 54 crore vs. Rs 55.3 crore in Q1FY11, due to a reduction in cover price in Jharkhand due to launch by DB corp.

Other business segments of the company (event management and digital) posted a remarkable performance while OoH remained flat. Event and digital reported revenue growth of 78% and 154% YoY, respectively. Revenue from the non-print segment stood at ~Rs 23 crore. EBITDA margins at 32.8% declined 61 bps QoQ and 91 bps YoY led by an increase in raw material prices and employee cost.

## Valuation

At the CMP of Rs 133, Jagran Prakashan is trading at 19.7x FY11E EPS of Rs 6.8 and 16.5x FY12E EPS of Rs 8.0. We have valued the stock at 19x FY12 EPS to arrive at a target price of Rs 153. This implies an upside of 15%. We have maintained our rating on the stock as **BUY**.

### Exhibit 1: Operational highlights

(Rs Crore)	Q2FY11	Q2FY11E	Q2FY10	Q1FY11	QoQ (Chg %)	YoY (Chg %)
Net Sales	276.9	269.9	246.8	269.8	2.6	12.2
EBITDA	90.8	90.2	83.2	90.2	0.7	9.1
EBITDA Margin (%)	32.8	33.4	33.7	33.4	-61 bps	-91 bps
Depreciation	13.3	14.8	13.0	12.5	6.2	2.1
Interest	1.4	2.0	1.5	1.2	14.0	-4.6
Reported PAT	55.5	53.9	50.3	55.6	-0.2	10.4
EPS (Rs)	1.8	1.8	1.7	1.8	-0.2	10.4

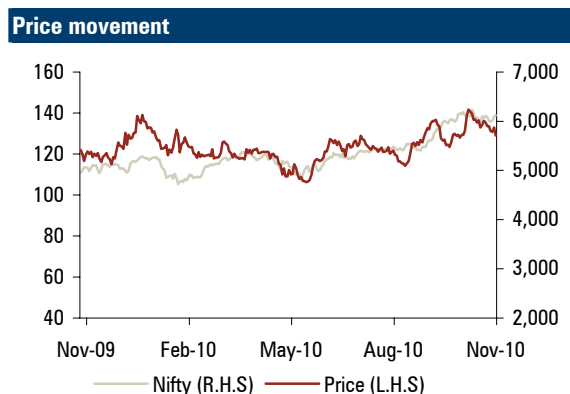
Source: Company, ICICIdirect.com Research

Rating matrix	
Rating	: Buy
Target	: Rs 153
Target Period	: 12 Months
Potential Upside	: 15 %

Key financials				
(Rs Crore)	FY09	FY10	FY11E	FY12E
Net Sales	823.4	941.9	1081.2	1214.5
EBITDA	156.7	282.3	335.6	390.5
Net Profit	91.6	175.9	203.5	242.1
EPS	3.0	5.8	6.8	8.0

Valuation summary				
	FY09	FY10	FY11E	FY12E
PE (x)	43.6	22.7	19.6	16.5
Target PE (x)	44.4	23.1	20.0	16.8
EV/EBITDA (x)	24.9	13.7	11.2	9.2
P/BV (x)	7.1	6.5	5.3	4.3
RoNW (%)	16.4	28.7	27.2	26.3
RoCE (%)	16.9	31.5	33.7	33.4

Stock data	
Market Capitalization	Rs 3998 Crore
Debt-Cons. (FY10)	Rs 121.4 Crore
Cash & Invst.-Cons. (FY10)	Rs 85.2 Crore
EV	Rs 3774.7 Crore
52 week H/L	147 / 104
Equity capital	Rs 60.2 Crore
Face value	Rs 2
MF Holding (%)	18.8
FII Holding (%)	10.4



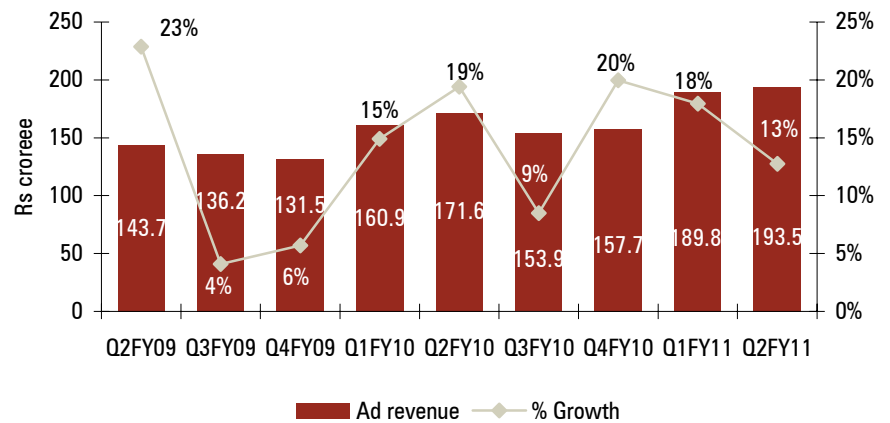
Analyst's name	
Naval Seth	naval.seth@icicisecurities.com
Karan Mittal	kara.mittal@icicisecurities.com

**Result analysis**

■ **Ad revenue growth not matching with peers**

The company reported double digit ad revenue growth of 12.8% YoY to Rs 193.5 crore. The growth was led by higher yields while volumes remained low. Ad revenue for Jagran Prakashan has been lower compared to its peers (DB Corp and Hindustan). DB Corp and Hindustan registered ad revenue growth of 30% and 17.8% YoY, respectively. As per the management, the company has faced few cancellations for the ad space during the last few days of September owing to Ayodhya issue coupled with high base during Q2FY10, which led to lower ad growth. Had been there no cancellation, the company would have grown by ~15%.

**Exhibit 2: Ad revenue and growth rate**

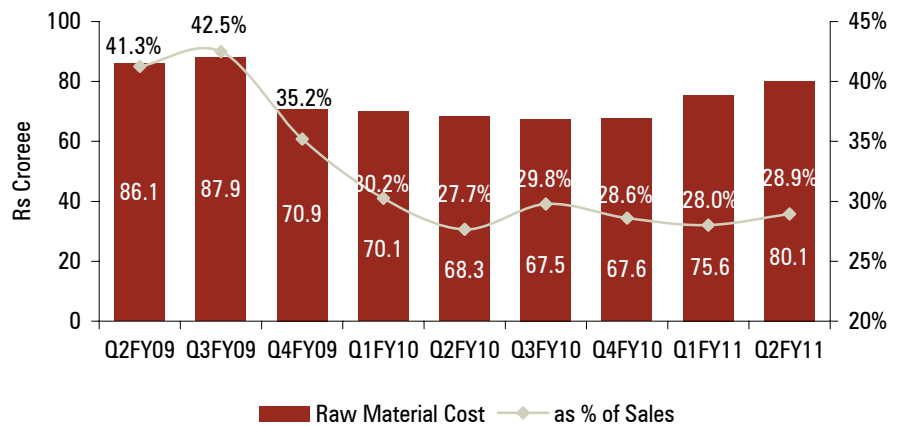


Source: Company, ICICIdirect.com Research

■ **Raw material prices on a rise**

Raw material cost as a percent of revenue increased to 28.9% in Q2FY11 as compared to 28.0% in Q1FY11 and 27.7% in Q2FY10. However, the absolute raw material cost increased to Rs 80.1 crore against Rs 75.6 crore in Q1FY11 and Rs 68.3 crore in Q2FY10. The management has indicated the major impact for newsprint prices would be in Q4FY11E.

**Exhibit 3: Raw material prices**

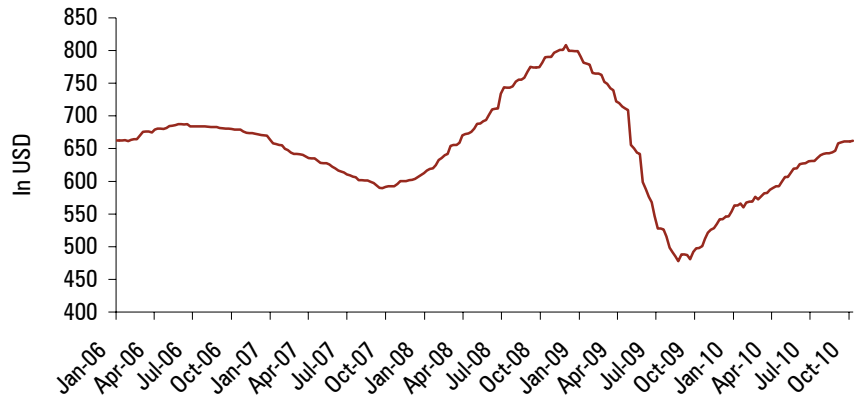


Source: Company, ICICIdirect.com Research

■ **Other businesses on track**

Other business segments of the company (event management and digital) posted remarkable performances while OoH remained flat. Event and digital reported revenue growth of 78% and 154% YoY, respectively. Revenue from the non-print segment stood at ~Rs 23 crore. The management has guided for double digit revenue growth for OoH in Q3FY11E.

**Exhibit 4: International newsprint price trend**



Source: Company, ICICIdirect.com Research

## Outlook & Valuation

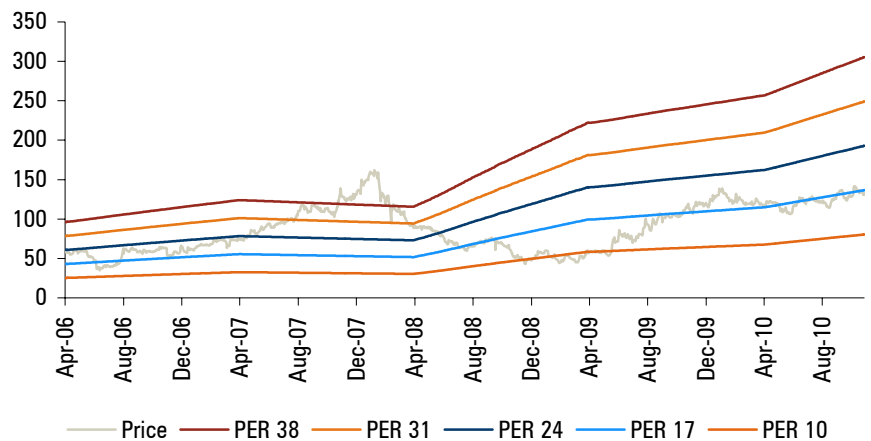
### Outlook

Though the company has underperformed its peers in terms of advertisement growth, the management is confident on the guidance of 17-18% ad revenue growth for FY11E. The impending festive season in H2FY11E would be the best time for all media companies in terms of ad revenue growth. The company has registered 15.3% ad revenue growth in H1FY11 and we have estimated 18.5% YoY ad revenue growth for H2FY11E. The margins are expected to dip in H2FY11E due to higher raw material prices. We expect the company to report EBITDA margin of 31.0% and 32.1% for FY11E and FY12E.

### Valuation

At the CMP of Rs 133, Jagran Prakashan is trading at 19.7x FY11E EPS of Rs 6.8 and 16.5x FY12E EPS of Rs 8.0. We have valued the stock at 19x FY12 EPS to arrive at a target price of Rs 153. This implies an upside of 15%. We have maintained our rating on the stock as **BUY**.

#### Exhibit 5: One year forward P/E chart



Source: Company, ICICIdirect.com Research

#### Exhibit 6: Valuation table

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
<b>FY09</b>	823.4	9.8	3.04	-6.8	43.6	24.9	16.4	16.9
<b>FY10</b>	941.9	14.4	5.84	92.0	22.7	13.7	28.7	31.5
<b>FY11E</b>	1081.2	14.8	6.8	15.7	19.6	11.2	27.2	33.7
<b>FY12E</b>	1214.5	12.3	8.0	19.0	16.5	9.2	26.3	33.4

Source: Company, ICICIdirect.com Research

**ICICIdirect.com coverage universe (Print media companies)**

<b>Jagran Prakashan</b>				<b>Sales (Rs Cr)</b>	<b>EPS (Rs)</b>	<b>PE (x)</b>	<b>EV/EBITDA (x)</b>	<b>RoNW (%)</b>	<b>RoCE (%)</b>	
<b>Idirect Code</b>	JAGPRA		<b>FY09</b>	823.4	3.0	43.6	24.9	16.4	16.9	
		<b>CMP</b>	132.8	<b>FY10</b>	941.9	5.8	22.7	13.7	28.7	31.5
		<b>Target</b>	152.8	<b>FY11E</b>	1081.2	6.8	19.6	11.2	27.2	33.7
<b>MCap (Rs Cr)</b>	3,998.0	<b>% Upside</b>	15.1%	<b>FY12E</b>	1214.5	8.0	16.5	9.2	26.3	33.4
<b>DB Corp</b>				<b>Sales (Rs Cr)</b>	<b>EPS (Rs)</b>	<b>PE (x)</b>	<b>EV/EBITDA (x)</b>	<b>RoNW (%)</b>	<b>RoCE (%)</b>	
<b>Idirect Code</b>	DBCORP		<b>FY09</b>	949.0	2.6	105.0	40.6	18.5	13.0	
		<b>CMP</b>	275.5	<b>FY10</b>	1063.0	11.5	23.9	14.9	28.2	31.5
		<b>Target</b>	298.4	<b>FY11E</b>	1211.8	12.9	21.3	12.4	26.9	31.0
<b>MCap (Rs Cr)</b>	4,999.8	<b>% Upside</b>	8.3%	<b>FY12E</b>	1361.4	15.7	17.5	10.3	24.8	32.1
<b>Deccan Chronicle</b>				<b>Sales (Rs Cr)</b>	<b>EPS (Rs)</b>	<b>PE (x)</b>	<b>EV/EBITDA (x)</b>	<b>RoNW (%)</b>	<b>RoCE (%)</b>	
<b>Idirect Code</b>	DECCHR		<b>FY09</b>	968.0	5.8	22.4	10.2	11.2	12.2	
		<b>CMP</b>	130.0	<b>FY10</b>	1033.8	9.5	13.7	6.5	19.1	20.1
		<b>Target</b>	157.2	<b>FY11E</b>	1219.7	13.0	10.0	5.1	22.1	23.2
<b>MCap (Rs Cr)</b>	3,172.7	<b>% Upside</b>	20.9%	<b>FY12E</b>	1361.5	15.6	8.4	3.9	22.0	24.5
<b>HT Media</b>				<b>Sales (Rs Cr)</b>	<b>EPS (Rs)</b>	<b>PE (x)</b>	<b>EV/EBITDA (x)</b>	<b>RoNW (%)</b>	<b>RoCE (%)</b>	
<b>Idirect Code</b>	HTMED		<b>FY09</b>	1346.6	0.1	NA	44.8	0.1	1.6	
		<b>CMP</b>	159.4	<b>FY10</b>	1412.9	5.8	27.6	15.1	14.0	14.4
		<b>Target</b>	176.2	<b>FY11E</b>	1709.9	5.4	29.7	12.4	9.3	13.3
<b>MCap (Rs Cr)</b>	3,745.9	<b>% Upside</b>	10.6%	<b>FY12E</b>	1923.1	9.8	16.3	7.5	12.5	16.9

Source: Company, ICICIdirect.com Research

## RATING RATIONALE

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 Buy: Between 10% and 20%;  
 Add: Up to 10%;  
 Reduce: Up to -10%  
 Sell: -10% or more;

**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,  
 ICICI Securities Limited,  
 7<sup>th</sup> Floor, Akruiti Centre Point,  
 MIDC Main Road, Marol Naka,  
 Andheri (East)  
 Mumbai – 400 093**

**research@icicidirect.com**

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