

JAGRAN PRAKASHAN LTD.

BUY
CMP Rs120
TP Rs150

30 May 2011

Jagran Prakashan's Q4FY11 result was broadly in-line with our estimates. The company's Q4FY11 revenues grew 20% to Rs. 2.8bn mainly on account of ad revenue growth of 20% to Rs1.8bn and circulation revenue growth of 4% to Rs559mn (sequentially it de-grew by 2%). EBITDA grew 13% to Rs715mn however OPM declined from 26.7% to 25.3% owing to surge in raw material expenses which increased by 35% YoY (as % of sales it augmented from 28.7% in Q4FY10 to 32.2% in Q4FY11). Resultant PAT increased 16% to Rs. 421mn.

Robust ad revenue growth continues

JPL reported robust sales growth of 20% to Rs2.8bn on account of remarkable Ad revenue growth of 20% YoY to Rs 1.8bn (owing to growth in local/regional ad market). Circulation revenue increased 4%YoY to Rs559mn (sequential de-growth of 2%; due to reduced cover price in some parts of Bihar market). We estimate ad revenue and circulation revenue 2Yr CAGR (FY11-FY13E) of 17.5% and 2% respectively. Revenue from other operating activities (events, digital and outdoor businesses) grew 53% YoY to Rs380mn.

OPM contracts due to surge in newsprint prices

The company reported strong EBITDA growth of 13% YoY, however OPM declined from 27% to 25% in Q4FY11 (RM/Sales % increased from 29% in Q4FY10 to 32% in Q4FY11). Going forward we anticipate OPM of ~ 29% for FY12E and FY13E. Resultant PAT grew 16% to Rs421mn in Q4FY11.

VALUATIONS AND RECOMMENDATION

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 (54.5mn 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 14% and 13% 2Yr CAGR (FY11-13E) respectively. At the CMP, the stock is attractively trading at 14x FY13E EPS. We have introduced FY13 estimates and roll over our valuation to FY13 earnings. We maintain 'BUY' recommendation on the stock with a target price of Rs150 (18x FY13E EPS).

KEY FINANCIALS (CONSOLIDATED) Rs mn

	FY09	FY10	FY11P	FY12E	FY13E
Net Sales	8,234	9,419	12,211	14,009	15,861
YoY Gr. (%)	9.8	14.4	29.6	14.7	13.2
Op. Profit	1,567	2,823	3,568	4,048	4,631
Op. Margin (%)	19.0	30.0	29.2	28.9	29.2
Adj. Net Profit	916	1,759	2,103	2,293	2,639
YoY Gr. (%)	(6.8)	91.9	19.6	9.0	15.1

KEY RATIOS

Dil. EPS (Rs)	3.0	5.8	6.6	7.3	8.3
ROCE (%)	18.7	33.6	35.9	36.9	38.2
ROE (%)	16.4	28.7	30.2	29.8	30.0
PER (x)	39.4	20.5	18.0	16.5	14.4
EV/Sales (x)	4.5	3.9	3.2	2.8	2.5
Ev/EBDITA (x)	23.4	12.9	10.8	9.6	8.4

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QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Sep-10	Dec-10	Mar-11
Net Sales	2,769	2,863	2,826
YoY Gr. (%)	12.2	26.2	19.7
Op. Profits	908	900	715
OPM (%)	32.8	31.4	25.3
Adj. Net Profit	555	529	421
YoY Gr. (%)	10.4	33.1	16.4

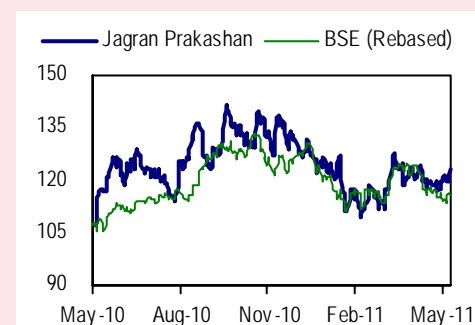
STOCK DATA

Market Cap	Rs39bn.
Book Value per share	Rs22
Eq Shares O/S (F.V. Rs2)	316mn.
Free Float	47%
Avg Traded Value (6 mnths)	Rs20mn
52 week High/Low	Rs148/105
Bloomberg Code	JAGP IN
Reuters Code	JAGP.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(0.8)	10.6	15.2
Relative	4.1	8.1	6.5

RELATIVE PERFORMANCE



Conference key highlights:

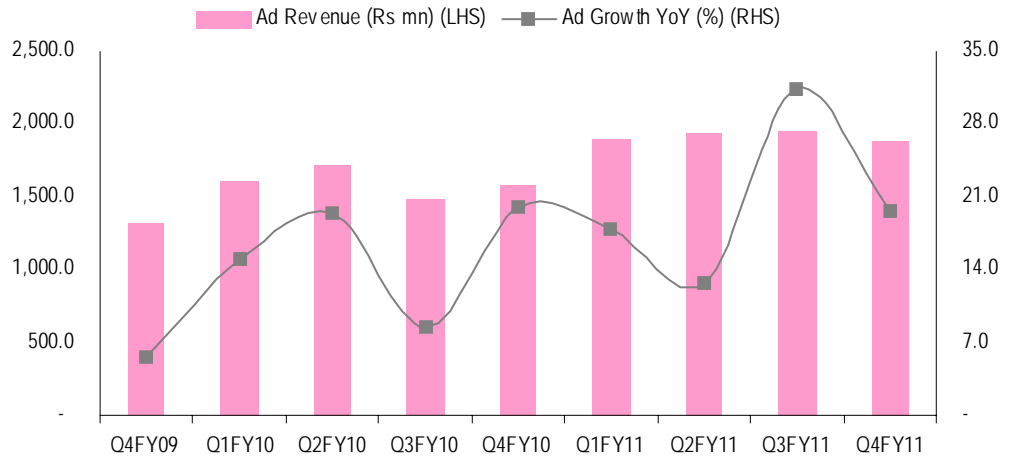
- JPL expects education sector to provide major thrust to the ad revenue growth in 1HFY12.
- The company is estimating capex of Rs1.2bn in FY12.
- JPL has declared dividend of Rs3.5/share (implying dividend yield of ~3%)
- The Company has cash and cash equivalent of Rs2.4bn in FY11.

Exhibit 1: Result Table (Standalone)

Rs Mn.	Q4FY11	Q4FY10	YoY(%)	Q3FY11	QoQ(%)	FY11	FY10	YoY(%)
Ad	1,887	1,577	19.7	1,945	(3.0)	7,665	6,384	20.1
Circulation	559	536	4.2	570	(2.0)	2,230	2,156	3.4
Other operating	380	248	53.1	348	9.4	1,267	877	44.4
Total Sales	2,826	2,361	19.7	2,863	(1.3)	11,162	9,417	18.5
Raw Material	911	678	34.5	863	5.5	3,332	2,736	21.8
RM/Rev. (%)	32.2	28.7		30.2		29.9	29.1	
Total Expenditure	2,112	1,730	22.0	1,963	7.6	7,731	6,596	17.2
EBITDA	715	631	13.3	900	(20.6)	3,431	2,821	21.6
EBITDA Margins (%)	25.3	26.7		31.4		30.7	30.0	
Other Income	55	66	(16.5)	55	(0.4)	232	343	(32.3)
Interest	25	24	3.8	21	18.7	72	66	9.6
Depreciation	160	135	18.9	146	9.7	564	507	11.2
PBT	584	538	8.7	788	(25.8)	3,026	2,590	16.8
Tax	163	176	(7.2)	259	(37.1)	959	833	15.1
PAT	421	362	16.4	529	(20.4)	2,067	1,757	17.6
EPS (Rs)	1.3	1.2	10.9	1.8	(23.9)	6.5	5.8	12.1

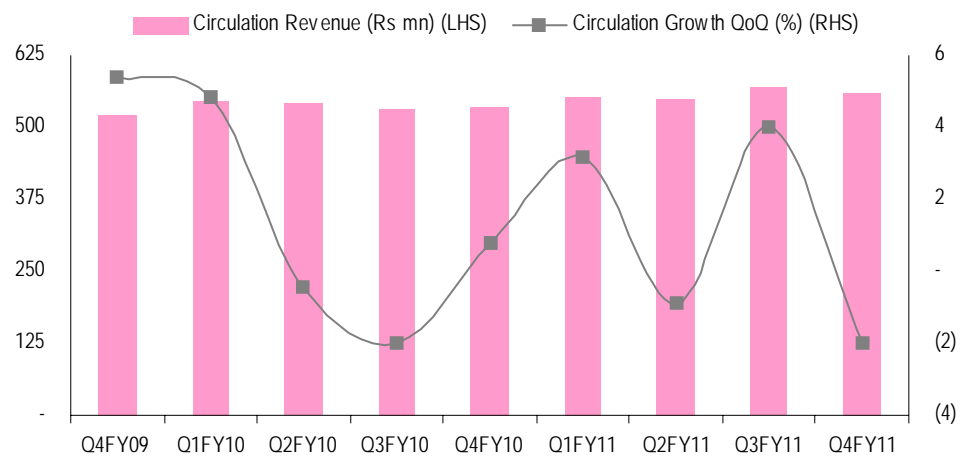
Source: Company, PINC Research

Exhibit 2: Ad revenue trend



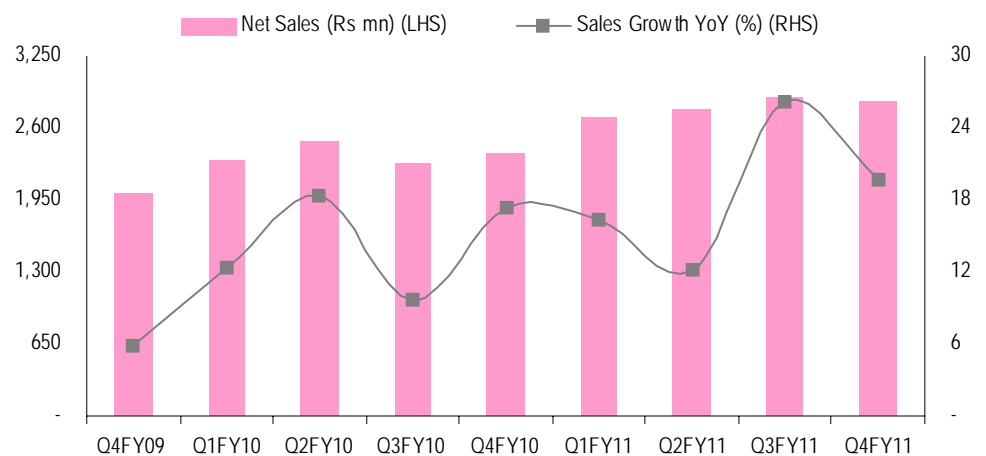
Source: Company, PINC Research

Exhibit 3: Circulation revenue trend



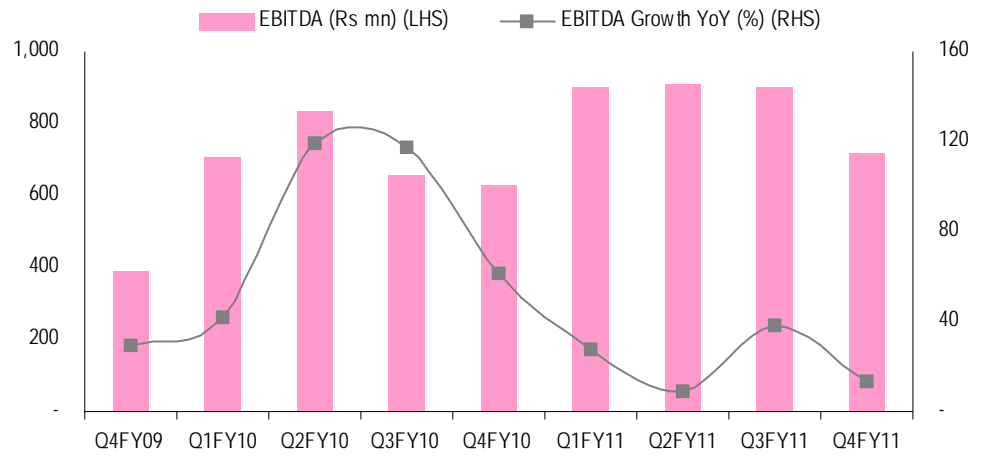
Source: Company, PINC Research

Exhibit 4: Net sales trend



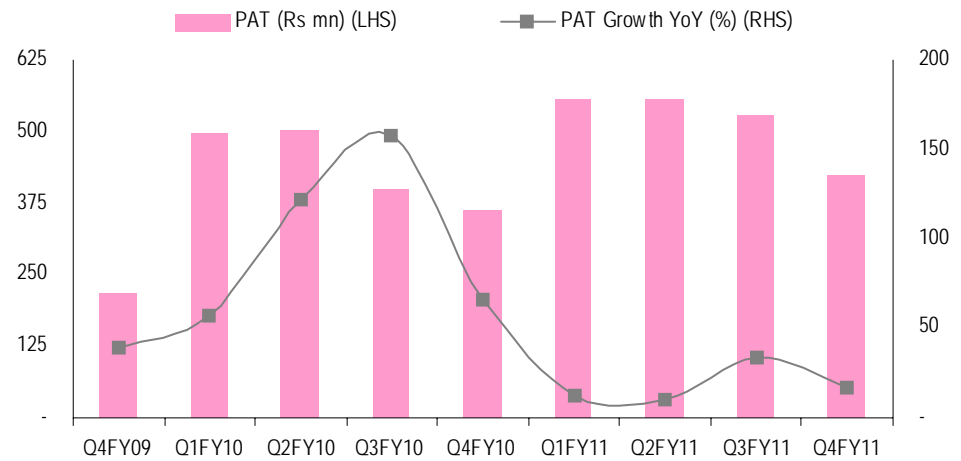
Source: Company, PINC Research

Exhibit 5: Operating profit trend



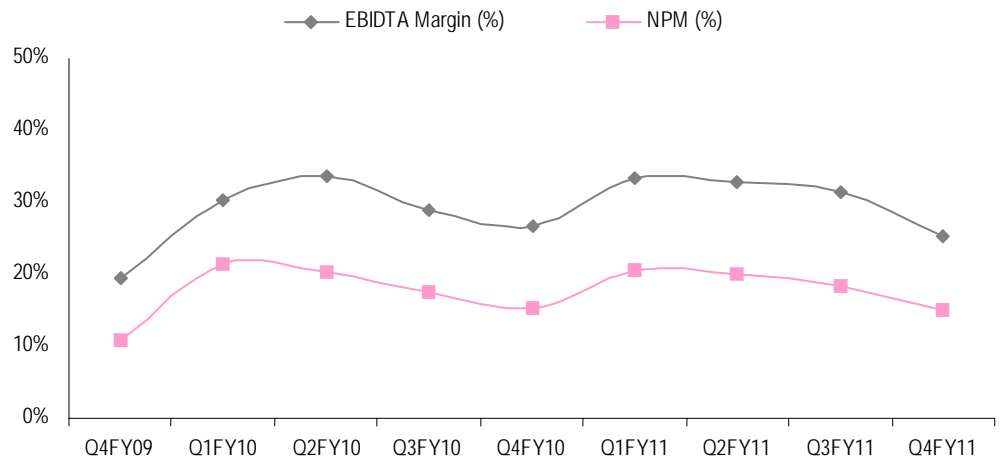
Source: Company, PINC Research

Exhibit 6: Net profit trend



Source: Company, PINC Research

Exhibit 7: Profitability trend



Source: Company, PINC Research

Consolidated Financials

Year Ended March (Figures in Rs mn)

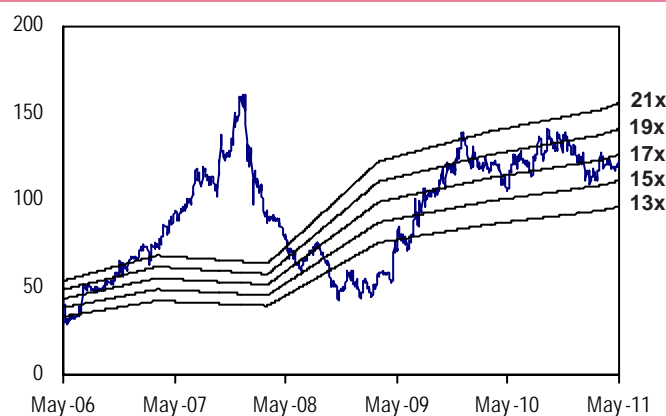
Income Statement	FY09	FY10	FY11P	FY12E	FY13E
Net sales	8,234	9,419	12,211	14,009	15,861
Growth (%)	9.8	14.4	29.6	14.7	13.2
Gross profit	3,990	5,470	6,894	7,869	8,917
Other operating charges	2,423	2,648	3,327	3,821	4,286
EBITDA	1,567	2,823	3,568	4,048	4,631
Growth (%)	(4.4)	80.1	26.4	13.5	14.4
Depreciation	383	507	655	740	800
Other income	227	343	256	220	217
EBIT	1,411	2,658	3,169	3,528	4,048
Interest paid	59	66	91	80	80
PBT (before E/o items)	1,352	2,592	3,079	3,448	3,968
Tax Provision	436	833	976	1,155	1,329
E/o loss / (Income)	-	-	-	-	-
Net profit	916	1,759	2,103	2,293	2,639
Adj. net profit (Including MI)	916	1,759	2,103	2,293	2,639
Growth (%)	(6.8)	91.9	19.6	9.0	15.1
Diluted EPS (Rs)	3.0	5.8	6.6	7.3	8.3
Diluted EPS Growth (%)	(6.8)	91.9	13.9	9.0	15.1

Cash Flow Statement	FY09	FY10	FY11P	FY12E	FY13E
Pre-tax profit	1,352	2,592	3,079	3,448	3,968
Depreciation	383	507	655	740	800
Total tax paid	(413)	(749)	(976)	(1,155)	(1,329)
Chg in working capital	(125)	(259)	(625)	(181)	(385)
Other operating activities	59	22	91	80	130
Cash flow from oper. (a)	1,257	2,113	2,223	2,932	3,183
Capital expenditure	(1,319)	(454)	(1,100)	(1,700)	(1,700)
Chg in investments	378	22	(150)	(50)	(100)
Other investing activities	(138)	(64)	196	75	-
Cash flow from inv. (b)	(1,079)	(496)	(1,054)	(1,675)	(1,800)
Free cash flow (a+b)	178	1,617	1,169	1,257	1,383
Equity raised/(repaid)	-	-	30	-	-
Debt raised/(repaid)	580	(129)	(114)	(100)	(100)
Change in Minorities Interest	-	-	-	-	-
Dividend (incl. tax)	(352)	(1,409)	(1,294)	(1,553)	(1,553)
Other financing activities	56	(55)	(91)	(80)	(80)
Cash flow from fin. (c)	284	(1,593)	(1,469)	(1,733)	(1,733)
Net chg in cash (a+b+c)	461	24	(300)	(476)	(350)

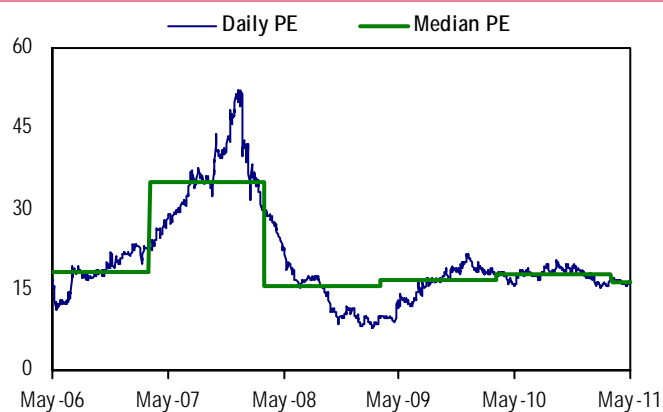
Balance Sheet	FY09	FY10	FY11P	FY12E	FY13E
Equity Share capital	602	602	632	632	632
Reserves & surplus	4,997	5,523	6,331	7,071	8,156
Shareholders' funds	5,599	6,125	6,963	7,703	8,788
Minorities interests	-	-	-	-	-
Total Debt	1,415	1,214	1,100	1,000	900
Capital Employed	7,014	7,339	8,063	8,703	9,688
Net fixed assets	3,990	3,941	4,386	5,346	6,246
Net Other Current Assets	1,149	1,460	2,085	2,266	2,651
Cash & Cash Eq.	828	852	551	75	(275)
Investments	1,568	1,666	1,816	1,866	1,966
Net Deferred Tax Assets	(521)	(580)	(775)	(850)	(900)
Total assets	7,014	7,339	8,063	8,703	9,688

Key Ratios	FY09	FY10	FY11P	FY12E	FY13E
OPM (%)	19.0	30.0	29.2	28.9	29.2
Net margin (%)	10.8	18.0	16.9	16.1	16.4
Yield (%)	1.7	2.9	2.9	3.5	3.5
Net debt/Equity (x)	0.10	0.06	0.08	0.12	0.13
Net Working Capital (days)	88	90	79	61	55
Asset turnover (x)	1.7	1.7	1.9	1.9	1.7
ROCE (%)	18.7	33.6	35.9	36.9	38.2
RoE (%)	16.4	28.7	30.2	29.8	30.0
EV/Net sales (x)	4.5	3.9	3.2	2.8	2.5
EV/EBITDA (x)	23.4	12.9	10.8	9.6	8.4
PER (x)	39.4	20.5	18.0	16.5	14.4
Price/Book (x)	6	6	5	5	4

1-Year forward P/E Band



Median PE v/s Daily PE



T E A M

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