

Jagran Prakashan

Bloomberg: JAGP.IN

Reuters: JAGP.BO

Recommendation: **BUY**

No Change



RESULT UPDATE

Ad revenue growth augurs well, maintain BUY

Revenue growth intact, ad revenues grow at a comfortable level

Jagran Prakashan reported revenue of Rs2,363mn in 4QFY10, a growth of 4% QoQ and 17.4% YoY. The ad revenue grew by 6.8% QoQ and 20% YoY to reach Rs1,577mn during 4QFY10. For FY10 the ad revenues grew to Rs6,384mn, up by 15.7% YoY. The management has guided for 17-18% growth in ad revenues (volume growth of 10% and balance value growth). The circulation revenue remained nearly flat at Rs536mn (up 1.6% YoY) for 4QFY10. For FY10 the circulation revenues stood at Rs2,156mn, up by 9.4% YoY.

Lower margins on account of one-time charges

EBITDA margins declined by 200bps sequentially to 27% (19.4% for 4QFY09), mainly due to the impact of one time expenses of Rs60mn, incurred towards operating expenses and provision for bad debts. Adjusting for the same the EBITDA margins would stand at 29.3% as against 28.8% for 3QFY10. The average newsprint prices for the quarter stood at US\$550mn, and the newsprint prices have remained stable during the last year.

PAT growth robust on YoY basis

During 4QFY10, JPL reported PAT of Rs363.8mn, a growth of 67% YoY. However on a sequential basis PAT declined by about 8%, due to higher other operating expenses. PAT margin stood at 15.4%, down about 200bps QoQ and at 10.8% for 4QFY09. The company plans to incur capex to the tune of Rs 1300mn, of which about Rs 800mn would be towards plant and machinery and the balance would be towards maintenance capex. Also, the management plans to launch two editions of *INext* and *City Plus*.

Valuation and Recommendation

Over FY10-FY12, we expect JPL's earnings to grow at 16% CAGR. We are valuing the company at 20x FY12E EPS of Rs7.8 and arrive at a TP of Rs155 from Rs165 earlier. We remain convinced about ad revenue growth in the Hindi print segment and JPL's leading position in the largest market of Uttar Pradesh and hence continue to maintain BUY on the stock.

Analyst contact

Amit K. Ahire

Tel.: (022) 3043 3202
amitahire@ambitcapital.com

Poonam Saney

Tel.: (022) 3043 3216
poonamsaney@ambitcapital.com

Recommendation

CMP:	Rs106
Target Price (March 2011):	Rs155
Previous TP:	Rs165
Upside (%)	46
EPS (FY11E):	Rs6.8
Change from previous (%)	(3.0)

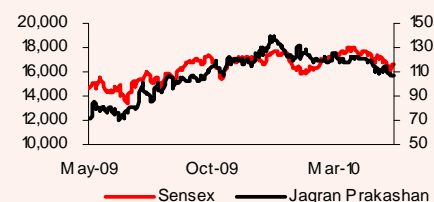
Stock Information

Mkt cap:	Rs 31,939mn/US\$675mn
52-wk H/L:	142/66
3M Avg. daily vol. (mn):	1.24
Beta (x):	0.9
BSE Sensex:	16,863
Nifty:	5,067

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(10.0)	(10.8)	49.4	(21.3)
Rel. to Sensex	(7.2)	(13.1)	26.6	(18.3)

Performance (%)



Source: Bloomberg, Ambit Capital research

Exhibit 1: Key Financials

Rs mn	2007-08	2008-09	2009-10	2010-11E	2010-12E
Operating income	7,496	8,234	9,419	10,895	12,679
EBITDA	1,638	1,567	2,823	3,291	3,714
EBITDA mgn (%)	21.9	19.0	30.0	30.2	29.3
PAT	981	916	1,759	2,055	2,360
PAT mgn (%)	13.1	11.1	18.7	18.9	18.6
EPS (Rs)	3.3	3.0	5.8	6.8	7.8
P/E (x)	32.6	34.8	18.1	15.5	13.5
EV/EBITDA (x)	18.6	19.7	10.6	8.8	7.4
EV/Sales (x)	4.1	3.8	3.2	2.7	2.2

Source: Company, Ambit Capital research

Acquisition of *Mid-Day*, EPS neutral; but raises concern

Jagran has acquired the Print Media business of Mid Day Multimedia recently by a share swap ratio of 7:2, which leads to ~5% dilution in JPL's equity base.

Mid-Day has a presence in the markets of Mumbai, Delhi, Bangalore and Pune (launched recently). It will help JPL gain access to the English segment of the print business thus helping to boost its advertising revenues as the company can now offer advertising solutions in both the English and Hindi segments.

In our calculations we have not factored in the revenues from *Mid-Day*. We expect this deal to be EPS neutral.

Mid-Day has a presence in the metro markets of Mumbai, Delhi, Bangalore and Pune, which are highly competitive. Mumbai alone accounts for more than 90% of *Mid-Day*'s total ad revenue. The metro market is highly competitive where *The Times of India* along with its tabloid, *Mumbai Mirror* dominates the Mumbai market. As a result, we remain concerned about JPL's ability to turn around the operations of *Mid-Day* and compete with the leader.

Exhibit 2: Quarterly Snapshot

Rs mn	4QFY10	As a % of Revenue	3QFY10	As a % of Revenue	4QFY09	As a % of Revenue	% Change QoQ	% Change YoY
Total Income	2,362.8	100.0	2,269.1	100.0	2,012.5	100.0	4.1	17.4
(Inc)/ Dec in Stock in Trade & WIP	1.8	0.1	(1.9)	(0.1)	(0.8)	(0.0)	(192.9)	(313.3)
Raw Materials	675.8	28.6	675.5	29.8	708.6	35.2	0.0	(4.6)
Personnel Expenses	319.5	13.5	303.9	13.4	263.4	13.1	5.1	21.3
Other Expenditures	733.2	31.0	638.9	28.2	651.3	32.4	14.8	12.6
Total Expenditure	1,730.3	73.2	1,616.3	71.2	1,622.5	80.6	7.0	6.6
EBITDA	632.5	26.8	652.8	28.8	390.1	19.4	(3.1)	62.2
Depreciation/ Amortisation	134.9	5.7	119.0	5.2	112.6	5.6	13.3	19.8
EBIT	497.7	21.1	533.8	23.5	277.4	13.8	(6.8)	79.4
Interest Expense	23.9	1.0	13.4	0.6	19.7	1.0	77.8	20.9
Other Income	66.0	2.8	69.6	3.1	64.5	3.2	(5.2)	2.3
PBT	539.8	22.8	590.0	26.0	322.2	16.0	(8.5)	67.5
Tax Expense	175.9	7.4	192.7	8.5	104.0	5.2	(8.7)	69.2
PAT	363.8	15.4	397.3	17.5	218.2	10.8	(8.4)	66.8

Source: Company, Ambit Capital research

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	> 15%
Hold	5% to 15%
Sell	< 5%

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Ambit Capital Pvt. Ltd.

Ambit House, 3rd Floor
449, Senapati Bapat Marg, Lower
Parel, Mumbai 400 013, India.
Phone : +91-22-3043 3000
Fax : +91-22-3043 3100