



ACCUMULATE

Price	Rs97
Target Price	Rs108
Investment Period	12 months

Stock Info

Sector	Print Media
Market Cap (Rs cr)	2,908
Beta	0.4
52 WK High / Low	98 / 41
Avg Daily Volume	105,663
Face Value (Rs)	2

BSE Sensex	15,332
Nifty	4,564
BSE Code	532705
NSE Code	JAGRAN
Reuters Code	JAGP.BO
Bloomberg Code	JAGP @IN

Shareholding Pattern (%)

Promoters	52.1
MF/Banks/Indian FIs	14.9
FII/ NRIs/ OCBs	3.1
Indian Public	29.9

Abs.	3m	1yr	3yr
Sensex (%)	39.4	6.8	43.6
Jagran (%)	67.9	44.5	149.2

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Performance Highlights

- Modest Top-line growth, up 12%:** For 1QFY2010, Jagran reported modest Top-line growth of 12.3% yoy to Rs231.9cr (Rs206.5cr), in line with our expectation, aided by 14.9% growth in Advertising revenues to Rs160.9cr (Rs140cr) and 14.1% increase in Circulation revenues to Rs54.5cr (Rs47.8cr). While Advertising revenues were partially boosted by Election spends, Circulation revenues grew backed by both Circulation growth and rise in Cover prices (effective December 2008). Revenues from Other operating activities including revenues from Outdoor Advertising, Event Management and Short Code Services witnessed significant slowdown registering a decline for the second consecutive quarter to Rs13.4cr (Rs14.6cr).
- Earnings growth impressive, up 56%:** Jagran's Earnings for the quarter, on a reported basis, delivered robust performance for the second consecutive quarter registering 56.4% yoy growth to Rs49.5cr (Rs31.6cr), despite the 48% jump in Depreciation charges, driven by the 149% jump in Other Income to Rs15.7cr (Rs6.3cr) and sharp Margin expansion. Other Income rose on account of higher Interest/Dividend income (amounting to Rs5cr due to sale of FMPs) and Forex gains (amounting to Rs4cr).
- Margins hit historical highs, expand 637bp:** On the Operating front, Jagran delivered a positive surprise posting historical high Margins of 30.4% (24%) expanding by 637bp driving robust 42% growth in EBITDA to Rs70.5cr (Rs49.6cr). Margins expanded primarily on account of lower raw material costs (declined by 514bp yoy and 493bp qoq aided by sharp decline in newsprint prices – have collapsed from peak levels of US \$950 to US \$550-600 levels now). Moreover, a 137bp reduction in Other expenditure (boosted by cost rationalisation measures) aided further Margin expansion. Going ahead, we believe Jagran will continue to witness significant improvement in Margins owing to sharp correction in newsprint prices (2QFY2010 and 3QFY2010 to register sharpest Gross Margin expansion due to base effect). Moreover, hike in cover price should also aid Margins.

Key Financials

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	750	823	928	1,074
% chg	25.3	9.8	12.7	15.7
Net Profit	98.1	91.6	144.2	171.2
% chg	33.5	(6.6)	57.4	18.7
OPM (%)	21.9	19.0	24.9	26.6
EPS (Rs)	3.3	3.0	4.8	5.7
P/E (x)	29.8	31.9	20.3	17.1
P/BV (x)	5.4	5.1	4.8	4.4
RoE (%)	18.2	16.1	23.5	25.7
RoCE (%)	19.4	16.6	23.8	27.7
EV/Sales (x)	4.0	3.6	3.2	2.8
EV/EBITDA (x)	18.1	19.0	13.0	10.5

Source: Company, Angel Research

Outlook and Valuation

We expect Jagran to post modest 14.2% CAGR in Top-line over FY2009-11E driven by 16.8% CAGR in Advertising revenues (on account of higher proportion of colour ads and pickup in Ad spend post 2HFY2010) and 8.4% CAGR in Circulation revenues (driven by both Circulation growth and Cover price hikes). In terms of other businesses (OOH, Event Management and SMS Services), we have partially tweaked our estimates downwards to factor in slower growth of 9.5% CAGR during the period.

In terms of Earnings, we have revised our estimates upwards by 26% and 15% for FY2010E and FY2011E respectively, to factor in the significant drop in newsprint costs (reflective in both 4QFY2009 and 1QFY2010 results). Management has indicated that newsprint costs (in absolute terms) are likely to remain flattish for FY2010E if not decline. We expect Margins to improve by 750bp over FY2009-11E driven by lower newsprint costs, lower losses in new initiatives and higher operating leverage (as ad-rate hikes get absorbed). Moreover, we also expect Rupee appreciation to aid Margins. Hence, we expect Jagran to report robust CAGR of 36.7% in Bottom-line over FY2009-11E driven by both Margin expansion and modest Top-line growth.

Going ahead, we expect Advertising revenues to pick up in 2HFY2010 driven by the up-tick in economic activity and higher spend by sectors like Real Estate, BFSI and Auto. Moreover, most Print Media companies (including Jagran) have taken cover price hikes to combat higher newsprint costs, which will also aid growth in the ensuing quarters. **We maintain Jagran as our Top Pick in the Print Media space and remain positive on its future outlook owing to its dominant position in the Hindi Belt (has recently launched a National daily in Delhi), increasing colour ad inventory and ability to attract high amount of local advertising. At Rs97, the stock is trading at 17.1x revised FY2011E Earnings of Rs5.7. We recommend an Accumulate on the stock with a revised Target Price of Rs108 (based on a multiple of 19x FY2011E EPS).**

Exhibit 1: 1QFY2010 Performance

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
Net Sales	231.9	206.5	12.3	823.4	749.6	9.8
Consumption of RM	70.1	73.1	(4.0)	317.9	271.7	17.0
(% of Sales)	30.2	35.4		38.6	36.2	
Staff Costs	28.9	25.5	13.6	106.5	91.5	16.5
(% of Sales)	12.5	12.3		12.9	12.2	
Other Expenses	62.3	58.3	6.8	242.3	222.6	8.8
(% of Sales)	26.9	28.2		29.4	29.7	
Total Expenditure	161.4	156.8	2.9	666.7	585.8	13.8
Operating Profit	70.5	49.6	42.0	156.7	163.8	(4.3)
OPM (%)	30.4	24.0		19.0	21.9	
Interest	1.4	1.0	39.0	5.9	6.0	(1.4)
Depreciation	12.4	8.4	48.0	38.3	33.6	14.1
Other Income	15.7	6.3	148.7	22.7	21.5	5.8
PBT (excl. Ext Items)	72.4	46.6	55.5	135.2	145.7	(7.2)
Ext Income/(Expense)	-	-		-	0.05	
PBT (incl. Ext Items)	72.4	46.6	55.5	135.2	145.7	(7.2)
(% of Sales)	31.2	22.6		16.4	19.4	
Provision for Taxation	22.9	15.0	53.4	43.6	47.6	(8.5)
(% of PBT)	31.7	32.1		32.2	32.7	
Recurring PAT	49.5	31.6	56.4	91.6	98.1	(6.6)
PATM (%)	21.4	15.3		11.1	13.1	
Reported PAT	49.5	31.6	56.4	91.6	98.1	(6.6)
Equity shares (cr)	30.1	30.1		30.1	30.1	
EPS (Rs)	1.6	1.1		3.0	3.3	

Source: Company, Angel Research


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Ratings (Returns) : Buy (Upside > 15%)
Reduce (Downside upto 15%)

Accumulate (Upside upto 15%)
Sell (Downside > 15%)

Neutral (5 to -5%)