



INDIA RESEARCH

# Jagran Prakashan

Rs78

UNDERPERFORMER

## RESULT NOTE

Mkt Cap: Rs23.5bn; US \$489m

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**Result:** FY09

**Comment:** Improving business, expensive valuations!

### Key valuation metrics

Year to 31 March (Rs m)	Net Sales	% change yoy	Net Profit	EPS (Rs)	% change yoy	PER (x)	EV/ EBITDA (x)
FY08	7,496	25	981	3.3	28.5	24.0	14.3
FY09	8,234	10	916	3.0	(6.5)	25.6	15.4
FY10E	9,058	10	1,275	4.2	39.2	18.4	10.5
FY11E	10,198	13	1,572	5.2	23.2	14.9	8.3

Source: IDFC-SSKI Research

## HIGHLIGHTS OF FY09 RESULTS AND POST RESULTS CONFERENCE CALL

- Ahead of our estimates, Jagran Prakashan (JPL) has reported revenue growth of 6% at Rs2bn, EBITDA of Rs390m and PAT growth of 40% at Rs218m in Q4FY09.
- During the quarter, print business advertising revenues have grown by just 5.7% yoy at Rs1.3bn. Circulation revenues have remained flat qoq at Rs530m. Outdoor advertising and events businesses have, however, declined
- EBITDA margins improved by 350bp yoy, with easing newsprint prices (down from USD900 to USD600 per tonne) and lower pagination helping reduce material cost to sales from 36.6% in Q4FY08 to 35.2% in Q4FY09 and lower other overheads.
- JPL now has 37 editions under *Dainik Jagran*, 14 editions of *City Plus* and 9 editions of *iNext*. JPL has also launched a national daily. Total circulation of *Dainik Jagran* stands at 2.8m copies/day, for *iNext* and *City Plus* each at 0.3m copies/day.
- For the year FY09, revenues grew by 9.8% at Rs8.2bn with advertising revenues growing by 10.6% at Rs5.5bn and circulation revenues have grown by 7.8% at Rs1.9bn.
- Slowing revenue growth and rising newsprint prices during the year resulted in 280bp of margin contraction at 19%. EBITDA has declined by 4.3% at Rs1.57bn and PAT declined by 6.6% at Rs916m.
- In addition, JPL has made a provision of Rs85m towards forex fluctuation during the year.
- As on 31<sup>st</sup> March 2009, net cash position stood at Rs1.24bn and capex during FY09 stood at Rs1.4bn.
- Management outlook for FY10 – expect advertising revenue growth at 10% with improving macros and recently concluded elections (Rs70-80m of incremental revenues). While newsprint prices are expected to remain benign, they would be higher than the current levels of sub USD600/tonne.

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While our long term bearish view on print media remains given the limited value creation potential in the space (global print media trading at 20yr prior valuations), near term growth visibility renders a positive influence to the space. While the growth conviction in the near terms arises from the recently concluded elections and improving macro environment and thereby enhanced ad spends, profitability in the business would be driven by lower newsprint prices (down from US\$900 per tonne to sub US\$600). This has prompted us to upgrade our FY10E estimates by 15% at EPS of Rs4.2. While we see positive traction in the near term operational performance, JPL is expensively valued at 18.4x FY10E earnings and would deserve a relook only on material price correction. Maintain Underperformer.

#### Quarterly results

	Q4FY08	FY08	Q1FY09	Q2FY09	Q3FY09	Q4FY09	FY09	FY10E	FY11E	Comments
<b>Net Sales</b>	<b>1,900</b>	<b>7,496</b>	<b>2,065</b>	<b>2,086</b>	<b>2,070</b>	<b>2,013</b>	<b>8,234</b>	<b>9,058</b>	<b>10,198</b>	Advertising revenues grew by 5.7% yoy
<i>yoy change (%)</i>	27.5	25.3	12.6	17.8	4.0	5.9	9.8	10.0	12.6	
Expenses	1,598	5,858	1,568	1,706	1,769	1,622	6,667	6,869	7,571	Reduction in RM costs with declining newsprint prices
<b>EBITDA</b>	<b>302</b>	<b>1,638</b>	<b>496</b>	<b>380</b>	<b>301</b>	<b>390</b>	<b>1,567</b>	<b>2,189</b>	<b>2,627</b>	
OPM (%)	15.9	21.8	24.0	18.2	14.5	19.4	19.0	24.2	25.8	350bp improvement in margin yoy
Other Income	33	215	63	55	45	65	227	250	275	
Interest	11	60	10	12	18	20	59	84	77	
Depreciation	94	336	84	89	98	113	383	465	497	
PBT	230	1,457	466	334	229	322	1,352	1,890	2,328	
Tax	74	476	150	108	75	104	436	614	757	
<b>PAT</b>	<b>156</b>	<b>981</b>	<b>316</b>	<b>227</b>	<b>155</b>	<b>218</b>	<b>916</b>	<b>1,275</b>	<b>1,572</b>	

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2. Neutral: Within 0-10% to Index
3. Underperformer: Less than 10% to Index

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