

May 30, 2011

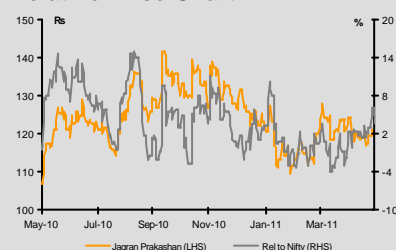
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs120	Rs149
EPS change FY12E/13E (%)	-3.6 / -1.5
Target Price change (%)	-4%
Nifty	5,476
Sensex	18,266

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	9	(6)	13
Rel. to Nifty	7	6	0	4

Source: Bloomberg

#### Relative Price Chart



Source: Bloomberg

#### Stock Details

Sector	Print Media
Bloomberg	JAGP@IN
Equity Capital (Rs mn)	633
Face Value(Rs)	2
No of shares o/s (mn)	316
52 Week H/L	148/104
Market Cap (Rs bn/USD mn)	38/840
Daily Avg Volume (No of sh)	104862
Daily Avg Turnover (US\$m)	0.3

#### Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	52.7	55.3	55.3
FII/NRI	10.6	11.0	10.4
Institutions	17.4	18.3	18.8
Private Corp	7.4	6.5	3.7
Public	11.8	8.9	11.8

Source: Capitaline

#### Naval Seth

naval.seth@emkayglobal.com  
+91 22 6624 2414

- Strong ad revenue growth of 19.7% yoy to Rs Rs1.9bn, on the back of improving yields. Circulation rev. up 6.3% to Rs558mn. Other business rev. grew 47.8% to Rs292mn
- EBITDA improved by 12.9% yoy, however, EBITDA margin declined by 150bps. Led by higher raw material cost & other expenses which escalated 34.8% yoy 13.7% yoy
- Mid-Day rev. grew 7.6% yoy to Rs1.1bn for FY11. EBITDA & PAT were lower at Rs145mn and Rs20mn, resp. Decline is attributed to change of accounting policies to same as JPL's
- Given the escalation in costs, we cut EPS est. by 3.6/1.5% for FY12E/13E. Valuations at 15.3x/12.1 for FY12E 13E. Retain BUY rating with revised TP of Rs 149 (earlier Rs155)

#### Revenue better than estimates but with dented margin

Jagran Prakashan reported better than expected results on the top line front. Revenue growth of 19.6% yoy to Rs2826mn, driven by strong ad revenue growth coupled with improvement in circulation and better performance from other businesses (Event, Digital and Outdoor). EBITDA was up 12.9% yoy to Rs714mn but EBITDA margin declined by 150bps to 25.3%. Higher newsprint cost and escalation in other expenditure (higher opex in other businesses) led to low margins during Q4FY11. PAT growth of 15.7% yoy to Rs 420mn (our estimate of Rs433mn) was partly aided by lower tax rate of 27.9%. JPL has announced final dividend of Rs3.5.

#### Strong advertisement revenue growth

Ad revenue for the quarter stood at 1.9bn, up 19.7% yoy. It was better than our expectations of 16% growth, led by improvement in yields. As JPL is consolidating its position in all the markets, we expect it to post strong ad revenue for next financial also.

#### Mid-Day financials re-aligned as per JPL's accounting policies

JPL reported Mid-Day financials for FY11. Revenue grew by 7.6% yoy to Rs1.1bn, driven by 6.97% growth in ad revenue and 4.4% yoy growth in circulation revenue. EBITDA declined from Rs193mn to Rs145mn and PAT was at Rs20mn v/s 93mn in FY10. Decline in both EBITDA and PAT is attributed to change in accounting policies to align with JPL's accounting policy. Revenue recognition and higher provisioning for the doubtful debts has impacted ~Rs50mn at EBITDA level. One time adjustment in depreciation policy (changed to WDV from SLM) led to increase in depreciation cost to Rs90mn v/s 2.7mn in FY10. JPL has also re-financed Mid-Day debt from 14% to 10%.

#### Other businesses on track

Event and outdoor revenues stood at Rs292mn v/s 197mn in Q4FY10. Digital revenue grew 65.9% to Rs22mn. For FY11 Event and outdoor revenues grew 32.6% to Rs939mn and Digital 169.3% to Rs82mn. Both outdoor and Event business reported net profit

#### Retain BUY rating with revised target price Rs149 (earlier Rs155)

Given the cost escalations, we cut EPS est. by 3.6/1.5% for FY12E/13E. Maintain BUY rating on the stock with revised target price of Rs149. At CMP of Rs120, stock trades at 15.3x /12.1x our EPS estimate for FY12E/13E.

#### Financial Snapshot

Y/E	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS % chg	ROE (%)	P/E	EV/ EBITDA	P/BV
FY10	9419	2823	30.0	1759	5.6	92.0	28.6	21.6	13.4	6.2
FY11P	12211	3568	29.2	2078	6.6	18.2	29.8	18.2	10.9	5.4
FY12E	13786	4082	29.6	2484	7.9	19.4	28.5	15.3	9.3	4.4
FY13E	15509	4988	32.2	3132	9.9	26.1	28.2	12.1	7.5	3.4

## Mid-Day Financials

Rs Mn

Mid-Day	FY10	FY11P
Revenue	989.9	1,065.2
EBITDA	193.0	145.8
EBITDA%	19.5	13.7
PAT	93.4	20.6
PAT%	9.4	1.9

## Quarterly financials

	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Sales	2,363	2,698	2,769	2,860	2,826	19.6	(1.2)	11,153	9,418	18.4
Raw Material	675.8	755.7	801.2	863.4	911.1	34.8	5.5	3,331	2,736	21.8
as % of sales	28.6	28.0	28.9	30.2	32.2			29.9	29.0	
Employee Cost	319.5	347.4	353.7	363.2	365.5	14.4	0.6	1,430	1,212	17.9
as % of sales	13.5	12.9	12.8	12.7	12.9			12.8	12.9	
SG&A expenses	735.0	693.4	705.3	736.2	835.5	13.7	13.5	2,970	2,648	12.2
as % of sales	31.1	25.7	25.5	25.7	29.6			26.6	28.1	
Total operating exp	1730.3	1796.5	1860.1	1962.9	2112.0	22.1	7.6	7731	6596	17.2
<b>EBITDA</b>	<b>632.5</b>	<b>901.7</b>	<b>908.4</b>	<b>897.5</b>	<b>714.2</b>	<b>12.9</b>	<b>(20.4)</b>	<b>3,422</b>	<b>2,822</b>	<b>21.2</b>
Depreciation	134.9	124.9	132.7	146.2	160.4	19.0	9.7	564.3	507.5	11.2
<b>EBIT</b>	<b>497.7</b>	<b>776.8</b>	<b>775.7</b>	<b>751.3</b>	<b>553.7</b>	<b>11.3</b>	<b>(26.3)</b>	<b>2857</b>	<b>2315</b>	<b>23.5</b>
Other Income	66.0	57.5	64.0	55.3	55.1	(16.5)	(0.4)	231.9	342.5	(32.3)
Interest	23.9	12.3	14.0	20.9	24.8	3.8	18.7	72.0	65.7	9.6
<b>PBT</b>	<b>539.8</b>	<b>822.0</b>	<b>825.7</b>	<b>785.7</b>	<b>584.0</b>	<b>8.2</b>	<b>(25.7)</b>	<b>3017.4</b>	<b>2591.5</b>	<b>16.4</b>
Tax	175.9	266.0	270.6	259.3	163.2	(7.2)	(37.1)	959.1	833.2	15.1
Effective tax rate%	32.6	32.4	32.8	33.0	27.9					
<b>PAT</b>	<b>363.8</b>	<b>555.9</b>	<b>555.1</b>	<b>526.4</b>	<b>420.8</b>	<b>15.7</b>	<b>(20.1)</b>	<b>2058.3</b>	<b>1758.3</b>	<b>17.1</b>
EPS	1.2	1.8	1.8	1.7	1.3	15.7	(20.1)	6.5	5.6	17.1

Margin %						(bps)	(bps)			
EBIDTA	26.8	33.4	32.8	31.4	25.3	(150)	(611)	30.7	30.0	71
EBIT	21.1	28.8	28.0	26.3	19.6	(147)	(667)	25.6	24.6	104
EBT	22.8	30.5	29.8	27.5	20.7	(218)	(680)	27.1	27.5	(46)
PAT	15.4	20.6	20.0	18.4	14.9	(51)	(351)	18.5	18.7	(21)
ETR	32.6	32.4	32.8	33.0	27.9	(465)	(505)	31.8	32.2	(36)

## Cut in EPS estimates by 3.6/ 1.5% for FY12E/13E

With the recent spike in newsprint prices and management's guidance on expansion of Inquilab and launch of Punjabi Jagran edition, we have cut our EBITDA margin by 123bps for FY12E and 112bps for FY13E. We believe the margin pressure would ease post FY12E as it would complete its lined up expansion of new editions and cost increase due to launch of DB corp's Bihar launch would also happen in FY12E.

Particulars	FY12E			FY13E		
	Old	New	% Change	Old	New	% Change
Revenue	1,357.8	1378.6	1.5	1,524.6	1550.9	1.7
EBITDA	418.8	408.2	-2.5	507.4	498.8	-1.7
EBITDA Margin %	30.8	29.6	-123 bps	33.3	32.2	-112 bps
PAT	257.5	248.4	-3.6	318.0	313.2	-1.5
EPS	8.1	7.9	-3.6	10.1	9.9	-1.5

## Financials

## Income statement

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
<b>Net Sales</b>	<b>9,419</b>	<b>12,211</b>	<b>13,786</b>	<b>15,509</b>
<i>Growth (%)</i>	14.4	29.6	12.9	12.5
Raw material	2,736	3,590	3,857	4,169
Employee cost	1,212	1,727	1,875	1,987
SG&A expenses	2,648	3,327	3,971	4,365
<b>Total operating expenditure</b>	<b>6,596</b>	<b>8,643</b>	<b>9,704</b>	<b>10,520</b>
<b>EBITDA</b>	<b>2,823</b>	<b>3,568</b>	<b>4,082</b>	<b>4,988</b>
<i>Growth (%)</i>	80.1	26.4	14.4	22.2
Depreciation	507	655	687	743
EBIT	2,315	2,913	3,396	4,245
<b>EBIT margin (%)</b>	<b>24.6</b>	<b>23.9</b>	<b>24.6</b>	<b>27.4</b>
Other Income	343	256	329	429
Interest expenses	66	91	72	72
Exceptional items	0	25	0	0
<b>PBT</b>	<b>2,592</b>	<b>3,054</b>	<b>3,652</b>	<b>4,602</b>
Tax	833	976	1,169	1,470
<i>Effective tax rate (%)</i>	32.1	32.0	32.0	31.9
<b>PAT</b>	<b>1,759</b>	<b>2,078</b>	<b>2,484</b>	<b>3,132</b>
<i>Growth (%)</i>	92.0	18.1	19.5	26.1

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
<b>PBT</b>	2,250	2,800	3,324	4,173
Depreciation	507	655	687	743
Interest	66	91	72	72
Other Non-Cash items	59	38	0	0
Chg in working cap	-311	-134	-966	-915
Tax paid	-833	-976	-1,169	-1,470
<b>Operating Cashflow</b>	<b>1,738</b>	<b>2,473</b>	<b>1,947</b>	<b>2,603</b>
Capital expenditure	-459	-1,654	-1,182	-1,132
<b>Free Cash Flow</b>	<b>1,280</b>	<b>819</b>	<b>765</b>	<b>1,471</b>
Other income	343	256	329	429
Investments	-98	-700	0	0
<b>Investing Cashflow</b>	<b>-214</b>	<b>-2,098</b>	<b>-853</b>	<b>-703</b>
Equity Capital Raised	0	30	0	0
Loans Taken / (Repaid)	-201	580	-200	-400
Interest Paid	-66	-91	-72	-72
Dividend paid (incl tax)	-1,233	-1,295	-740	-740
<b>Financing Cashflow</b>	<b>-1,500</b>	<b>-776</b>	<b>-1,012</b>	<b>-1,212</b>
<b>Net chg in cash</b>	<b>24</b>	<b>-401</b>	<b>82</b>	<b>688</b>
Opening cash position	856	880	479	561
Closing cash position	880	479	561	1,249

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Equity share capital	602	633	633	633
Reserves & surplus	5,551	6,333	8,077	10,469
<b>Net worth</b>	<b>6,153</b>	<b>6,966</b>	<b>8,709</b>	<b>11,101</b>
Loan Funds	1,214	1,794	1,594	1,194
Net deferred tax liability	580	620	620	620
<b>Total Liabilities</b>	<b>7,947</b>	<b>9,379</b>	<b>10,923</b>	<b>12,915</b>
Gross Block	5,635	7,245	8,335	9,425
Less: Depreciation	1,945	2,555	3,200	3,901
<b>Net block</b>	<b>3,690</b>	<b>4,690</b>	<b>5,135</b>	<b>5,524</b>
Capital work in progress	251	250	300	300
<b>Investment</b>	<b>1,666</b>	<b>2,366</b>	<b>2,366</b>	<b>2,366</b>
<b>Current Assets</b>	<b>4,201</b>	<b>4,773</b>	<b>5,326</b>	<b>6,990</b>
Inventories	533	567	617	665
Sundry debtors	1,812	2,122	2,410	2,943
Cash & bank balance	880	479	561	1,249
Loans & advances	717	1,376	1,459	1,754
Other current assets	259	229	279	379
<b>Net Current liabilities</b>	<b>1,861</b>	<b>2,700</b>	<b>2,205</b>	<b>2,265</b>
Provisions	0	0	0	0
<b>Net current assets</b>	<b>2,340</b>	<b>2,073</b>	<b>3,122</b>	<b>4,725</b>
<b>Total Assets</b>	<b>7,946</b>	<b>9,379</b>	<b>10,923</b>	<b>12,915</b>

## Ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
<b>Profitability (%)</b>				
Core EBITDA Margin	30.0	29.2	29.6	32.2
Net Margin	16.7	16.2	16.7	18.6
ROCE	31.4	33.3	33.0	34.5
ROE	28.6	29.8	28.5	28.2
RolC	48.3	51.0	48.6	50.9
<b>Per Share Data (Rs)</b>				
EPS (adjusted)	5.6	6.6	7.9	9.9
CEPS	7.2	8.6	10.0	12.3
BVPS	19.5	22.0	27.5	35.1
DPS	3.3	3.5	2.0	2.0
<b>Valuations (x)</b>				
PER	21.6	18.2	15.3	12.1
P/CEPS	16.7	13.9	12.0	9.8
P/BV	6.2	5.4	4.4	3.4
EV / Sales	4.0	3.2	2.8	2.4
EV / EBITDA	13.4	10.9	9.3	7.5
Dividend Yield (%)	2.8	2.9	1.7	1.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.1	0.2	0.1	0.0
Net Debt/EBITDA	-0.5	-0.3	-0.3	-2.2

**Recommendation History: Jagran Prakashan – JAGP IN**

Date	Reports	Reco	CMP	Target
28/02/2011	<a href="#">Jagran Prakashan Management Meet Update</a>	Buy	112	155
31/01/2011	<a href="#">Jagran Prakashan Q3FY11 Result Update</a>	Buy	120	155
01/11/2010	<a href="#">Jagran Prakashan Q2FY11 Result Update</a>	Buy	129	155
02/08/2010	<a href="#">Jagran Prakashan Q1FY11 Result Update</a>	Buy	121	155

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
23/05/2011	<a href="#">LMW Q4FY11 Result Update</a>	Accumulate	2,126	2,535
19/05/2011	<a href="#">DB Corp Q4FY11 Result Update</a>	Hold	240	271
18/05/2011	<a href="#">HT Media Q4FY11 Result Update</a>	Buy	156	183
13/05/2011	<a href="#">Tulip Telecom Q4FY11 Result Update</a>	Buy	163	218

**Emkay Global Financial Services Ltd.**

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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