

October 24, 2011

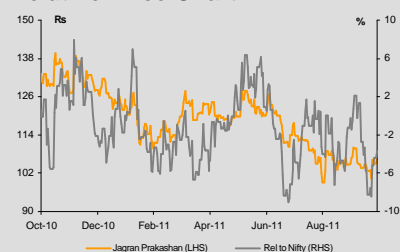
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs107	Rs135
EPS change FY12E/13E (%)	-3.2/ -8.1
Target Price change (%)	-9
Nifty	5,098
Sensex	16,939

### Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(6)	(11)	(21)
Rel. to Nifty	(2)	4	2	(6)

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	148/97
Market Cap (Rs bn/USD mn)	34/681
Daily Avg Volume (No of sh)	116490
Daily Avg Turnover (US\$m)	0.2

### Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	59.5	52.7	52.7
FII/NRI	11.1	10.5	10.6
Institutions	16.1	17.6	17.4
Private Corp	8.5	7.5	7.4
Public	4.9	11.7	11.8

Source: Capitaline

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- **Q2FY12 standalone revenue at Rs3054mn, up 10.3% yoy (in line with est.). Ad revenue growth remains subdued at 9.6% yoy growth (lagging peers in ad growth)**
- **Ad rev. of Rs2120mn was up 9.6% yoy (our est. of 9%). Circulation revenue registered growth of 11.6% yoy to Rs612mn. Event & OOH revenues stood at Rs226.4mn.**
- **EBITDA was down 13.0% yoy to Rs790.5mn with EBITDA margin at 25.9% (our est. of 25.4%), down 693bps yoy. Decline was led by significant increase raw material cost**
- **Factoring lower ad revenue growth and cost escalation, we cut EPS estimate by 3.2%/8.1% for FY12E/13E. Retain BUY rating with revised target price of Rs135 (earlier Rs 149)**

### Revenue growth in line but lagging peers

Jagran Prakashan reported standalone results in line with expectation. Revenue growth of 10.3% yoy to Rs2120mn, led by 9.6% yoy ad revenue growth and 11.6% yoy growth in circulation revenue. Jagran once again registered ad revenue growth lower than its peers (HMVL and DB Corp). EBITDA declined 13.0% yoy to Rs790mn and EBITDA margin declined to 25.9% down 693bps. Increase in circulation and expansion in Punjab kept the raw material cost on uptrend. PAT decline of 17.5% yoy to Rs457mn (our estimate of Rs455mn). It reported significantly high other income (ex forex loss of Rs135mn) led by increase in treasury operations.

### Ad growth remains in single digit

Ad revenue for the quarter stood at Rs2120mn up 9.6% yoy, once again remained in single digit and lower than its peers (HMVL and DB Corp). HMVL and DB Corp reported strong yoy ad revenue growth of 24% and 15.7% in Q2FY12. The management has further revised its full year ad revenue growth to 12% v/s 14%-15 earlier. In the wake of challenging times we have revised our ad revenue growth estimate downwards for FY12E to 12.0% yoy v/s 15.0% earlier.

### Circulation revenue surprises positively

With the increase in circulation across markets and launch of Punjabi edition and City plus editions pushed circulation revenue. Circulation revenue was up 11.6% yoy to Rs612mn (our est. Rs584mn), driven by 10% yoy growth in Dainik Jagran's circulation.

### Cut EPS estimate by 3.2%/ 8.1% for FY12E/13E

Considering the single digit ad revenue growth in H1FY12, we are lowering our FY12E ad revenue growth to 12% v/s 15% earlier. Moreover, increase in circulation and higher newsprint prices would put pressure on EBITDA. We have further revised our EBITDA estimates downwards by 1.8% and 5.8% for FY12E and FY13E, respectively. Subsequently, our EPS estimate gets downgraded by 3.2% /8.1% for FY12E/3E.

### Retain BUY rating with revised target price of Rs135 (Earlier Rs149)

Maintain BUY rating on the stock with revised target price of Rs149. At CMP of Rs107, stock trades at 15.5x/12.7x on our EPS estimate of Rs6.9 /Rs8.4 for FY12E/13E. Dividend yield of 3.3% adds value to the stock.

### Financial Snapshot

Y/E	Rs Mn									
	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	28.7	19.2	11.9	5.5
FY11	12211	3568	29.2	2078	6.6	18.2	29.6	16.3	9.8	4.8
FY12E	13648	3700	27.1	2175	6.9	4.6	27.5	15.5	9.2	4.3
FY13E	15301	4417	28.9	2662	8.4	22.4	28.7	12.7	7.6	3.6

## Quarterly financials

	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	YTD'12	YTD'11	YoY (%)
Sales	2,769	2,860	2,826	3,046	3,054	10.3	0.2	6,101	5,467	11.6
Raw Material	801.2	863.4	911.1	989.2	1075.7	34.3	8.7	2,065	1,557	32.6
as % of sales	28.9	30.2	32.2	32.5	35.2			33.8	28.5	
Employee Cost	353.7	363.2	365.5	392.7	375.7	6.2	(4.3)	768	701	9.6
as % of sales	12.8	12.7	12.9	12.9	12.3			12.6	12.8	
SG&A expenses	705.3	736.2	835.5	844.3	812.1	15.2	(3.8)	1,656	1,399	18.4
as % of sales	25.5	25.7	29.6	27.7	26.6			27.2	25.6	
Total operating expenditure	1860.1	1962.9	2112.0	2226.1	2263.6	21.7	1.7	4490	3657	22.8
<b>EBITDA</b>	<b>908.4</b>	<b>897.5</b>	<b>714.2</b>	<b>820.4</b>	<b>790.5</b>	<b>(13.0)</b>	<b>(3.6)</b>	<b>1,611</b>	<b>1,810</b>	<b>(11.0)</b>
Depreciation	132.7	146.2	160.4	150.0	160.1	20.6	6.7	310.1	257.6	20.4
<b>EBIT</b>	<b>775.7</b>	<b>751.3</b>	<b>553.7</b>	<b>670.3</b>	<b>630.4</b>	<b>(18.7)</b>	<b>(6.0)</b>	<b>1301</b>	<b>1552</b>	<b>(16.2)</b>
Other Income	64.0	55.3	55.1	77.6	39.5	(38.3)	(49.1)	117.1	121.5	(3.6)
Interest	14.0	20.9	24.8	27.6	28.5	103.7	3.3	56.1	26.3	113.6
<b>PBT</b>	<b>825.7</b>	<b>785.7</b>	<b>584.0</b>	<b>720.3</b>	<b>641.4</b>	<b>(22.3)</b>	<b>(11.0)</b>	<b>1361.7</b>	<b>1647.6</b>	<b>(17.4)</b>
Tax	270.6	259.3	163.2	223.2	183.7	(32.1)	(17.7)	406.9	536.6	(24.2)
Effective tax rate%	32.8	33.0	27.9	31.0	28.6					
<b>PAT</b>	<b>555.1</b>	<b>526.4</b>	<b>420.8</b>	<b>497.2</b>	<b>457.7</b>	<b>(17.5)</b>	<b>(7.9)</b>	<b>954.9</b>	<b>1111.0</b>	<b>(14.1)</b>
EPS	1.8	1.7	1.3	1.6	1.4	(17.5)	(7.9)	3.0	3.5	(14.1)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	32.8	31.4	25.3	26.9	25.9	(693)	(105)	26.4	33.1	(671)
EBIT	28.0	26.3	19.6	22.0	20.6	(738)	(136)	21.3	28.4	(708)
EBT	29.8	27.5	20.7	23.6	21.0	(882)	(264)	22.3	30.1	(782)
PAT	20.0	18.4	14.9	16.3	15.0	(506)	(133)	15.7	20.3	(467)
Effective Tax rate	32.8	33.0	27.9	31.0	28.6	(413)	(233)	29.9	32.6	(269)

## EPS Estimates cut by 3.2% /8.1% for FY12E /13E

We have revised our revenue estimates downwards led by single digit ad revenue growth in H1FY12. We have revised our ad revenue growth target to 12% for FY12E v/s 15% earlier. Factoring higher raw material cost led by higher consumption of newsprint due to increase in overall circulation. We have cut our EPS estimate by 3.2% for FY12E and 8.1% for FY13E. Our revised EPS estimate stands at Rs6.9 and 8.4 for FY12E and FY13E, respectively.

	FY12E			FY13E		
	Old	New	Chg %	Old	New	Chg %
Revenue	1,385.9	1364.8	-1.5%	1,552.2	1530.1	-1.4%
EBIDTA	376.7	370.0	-1.8%	468.9	441.7	-5.8%
EBIDTA %	27.2	27.1	-7 bps	30.2	28.9	-134 bps
PAT	224.8	217.5	-3.2%	289.6	266.2	-8.1%
EPS	7.1	6.9	-3.2%	9.2	8.4	-8.1%

## Financials

## Income statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>Net Sales</b>	<b>9,419</b>	<b>12,211</b>	<b>13,648</b>	<b>15,301</b>
<i>Growth (%)</i>	14.4	29.6	11.8	12.1
Raw material	2,736	3,863	4,246	4,655
Employee cost	1,212	1,727	1,586	1,745
SG&A expenses	2,648	3,054	4,115	4,485
<b>Total operating expenditure</b>	<b>6,596</b>	<b>8,643</b>	<b>9,948</b>	<b>10,884</b>
<b>EBITDA</b>	<b>2,823</b>	<b>3,568</b>	<b>3,700</b>	<b>4,417</b>
<i>Growth (%)</i>	80.1	26.4	3.7	19.4
Depreciation	507	655	723	783
EBIT	2,315	2,913	2,977	3,634
<b>EBIT margin (%)</b>	<b>24.6</b>	<b>23.9</b>	<b>21.8</b>	<b>23.7</b>
Other Income	343	256	309	393
Interest expenses	66	91	88	112
<b>PBT</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>0</b>
Tax	<b>2,592</b>	<b>3,054</b>	<b>3,199</b>	<b>3,915</b>
<i>Effective tax rate (%)</i>	833	976	1,024	1,253
<b>PAT</b>	<b>32.1</b>	<b>32.0</b>	<b>32.0</b>	<b>32.0</b>
<i>Growth (%)</i>	<b>1,759</b>	<b>2,078</b>	<b>2,175</b>	<b>2,662</b>

## Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
<b>PBT</b>	<b>2,250</b>	<b>2,800</b>	<b>2,889</b>	<b>3,522</b>
Depreciation	507	655	723	783
Interest	66	91	88	112
Other Non-Cash items	59	111	0	0
Chg in working cap	-311	-255	-185	-41
Tax paid	-833	-976	-1,024	-1,253
<b>Operating Cashflow</b>	<b>1,738</b>	<b>2,425</b>	<b>2,492</b>	<b>3,124</b>
Capital expenditure	-459	-2,182	-780	-1,132
<b>Free Cash Flow</b>	<b>1,279</b>	<b>243</b>	<b>1,711</b>	<b>1,992</b>
Other income	343	256	309	393
Investments	-98	-352	0	0
<b>Investing Cashflow</b>	<b>-215</b>	<b>-2,278</b>	<b>-471</b>	<b>-738</b>
Equity Capital Raised	0	30	0	0
Loans Taken / (Repaid)	-201	711	-200	-400
Interest Paid	-66	-91	-88	-112
Dividend paid (incl tax)	-1,233	-1,285	-1,295	-1,295
<b>Financing Cashflow</b>	<b>-1,500</b>	<b>-635</b>	<b>-1,583</b>	<b>-1,807</b>
<b>Net chg in cash</b>	<b>24</b>	<b>-487</b>	<b>438</b>	<b>578</b>
Opening cash position	828	852	364	802
Closing cash position	852	364	802	1,380

## Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	602	633	633	633
Reserves & surplus	5,523	6,391	7,271	8,639
<b>Net worth</b>	<b>6,126</b>	<b>7,024</b>	<b>7,904</b>	<b>9,271</b>
Loan Funds	1,214	1,924	1,724	1,324
Net deferred tax liability	580	617	617	617
<b>Total Liabilities</b>	<b>7,919</b>	<b>9,566</b>	<b>10,246</b>	<b>11,213</b>
Gross Block	5,636	7,300	8,483	9,573
Less: Depreciation	1,945	2,575	3,256	3,998
<b>Net block</b>	<b>3,691</b>	<b>4,725</b>	<b>5,227</b>	<b>5,575</b>
Capital work in progress	251	744	300	300
<b>Investment</b>	<b>1,666</b>	<b>2,018</b>	<b>2,018</b>	<b>2,018</b>
<b>Current Assets</b>	<b>4,173</b>	<b>4,981</b>	<b>6,113</b>	<b>7,146</b>
Inventories	533	639	713	800
Sundry debtors	1,812	2,310	2,775	2,927
Cash & bank balance	852	364	802	1,380
Loans & advances	717	1,415	1,521	1,636
Other current assets	259	252	302	402
<b>Net Current liabilities</b>	<b>1,861</b>	<b>2,902</b>	<b>3,412</b>	<b>3,825</b>
Provisions	0	0	0	0
<b>Net current assets</b>	<b>2,312</b>	<b>2,079</b>	<b>2,701</b>	<b>3,320</b>
<b>Total Assets</b>	<b>7,919</b>	<b>9,566</b>	<b>10,246</b>	<b>11,213</b>

## Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
<b>Profitability (%)</b>				
Core EBITDA Margin	30.0	29.2	27.1	28.9
Net Margin	16.7	16.2	14.8	16.1
ROCE	31.5	32.6	30.9	34.3
ROE	28.7	29.6	27.5	28.7
RoIC	48.3	50.3	43.9	49.6
<b>Per Share Data (Rs)</b>				
EPS (adjusted)	5.6	6.6	6.9	8.4
CEPS	7.2	8.6	9.2	10.9
BVPS	19.4	22.2	25.0	29.3
DPS	3.3	3.5	3.5	3.5
<b>Valuations (x)</b>				
PER	19.2	16.3	15.5	12.7
P/CEPS	14.9	12.4	11.7	9.8
P/BV	5.5	4.8	4.3	3.6
EV / Sales	3.6	2.9	2.5	2.2
EV / EBITDA	11.9	9.8	9.2	7.6
Dividend Yield (%)	3.1	3.3	3.3	3.3
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.1	0.2	0.1	0.0
Net Debt/EBIDTA	-0.5	-0.1	-0.3	-2.1

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

Date	Reports	Reco	CMP	Target
29/07/2011	<a href="#">Jagran Prakashan Q1FY12 Result Update</a>	Buy	114	149
30/05/2011	<a href="#">Jagran Prakashan Q4FY11 Result Update</a>	Buy	120	149
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

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
21/10/2011	<a href="#">Idea Cellular Q2FY12 Result Update</a>	Accumulate	91	105
21/10/2011	<a href="#">DB Corp Q2FY12 Result Update</a>	Accumulate	230	271
20/10/2011	<a href="#">Sterlite Technologies Q2FY12 Result Update</a>	Hold	38	47
19/10/2011	<a href="#">Dish TV Q2FY12 Result Update</a>	Accumulate	77	96

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