

Jagran Prakashan

Performance highlights

Quarterly data (Standalone)

(₹ cr)	1QFY17	1QFY16	% yoy	4QFY16	% qoq
Revenue	473	436	8.6	442	7.1
EBITDA	130	123	5.8	112	16.0
OPM (%)	27.5	28.3	(73)	25.4	212
PAT	74	70	5.4	61	21.4

Source: Company, Angel Research

For 1QFY2017, Jagran Prakashan (JPL) reported a 9% yoy growth in its standalone top-line but the growth in PAT was relatively lower mainly due to higher employee and other operating expenditure. On a consolidated basis, the company reported healthy double digit growth numbers on the back of a favorable performance in radio and other businesses. However, circulation revenue growth trailed a bit during the quarter.

Standalone - Ad revenue up ~9% yoy, Circulation revenue up ~6% yoy: The company's standalone top-line grew by 9% yoy to ₹473cr (on back of advertising revenue growth of ~9% yoy to ~₹333cr, primarily driven by improvement in yields; and circulation revenue growth of 6% yoy to ₹100cr due to increase in cover prices). Further, income from other businesses grew by ~13% yoy to ~₹40cr. On a consolidated basis, the top-line grew by ~17% yoy on back of strong advertising revenue and other operating income growth.

OPM improves: The standalone operating profit grew by ~6% yoy to ₹130cr and the OPM contracted by 80bp yoy to 27.5%, owing to higher employee and other operating expenditure. The net profit grew by 5% yoy on back of poor operating performance and lower other income.

Outlook and valuation: Considering Dainik Jagran's status as the most read Hindi newspaper in the country and its strong presence in the rapidly growing Hindi markets of Bihar, Haryana, Jharkhand, Punjab, Madhya Pradesh and Uttar Pradesh, we expect JPL to benefit the most from an eventual recovery in the Indian economy. Further, the acquisition of Radio City is also expected to boost the company's profitability, going ahead. Hence, **we maintain our Accumulate rating on the stock with a target price of ₹205.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017E	FY2018E
Net Sales	1,703	1,770	2,107	2,355	2,635
% chg	11.9	3.9	19.0	11.0	11.9
Adj. Net Profit	234	225	328	353	409
% chg	(9.4)	(3.6)	45.9	7.5	15.7
OPM (%)	22.5	25.5	33.5	28.0	28.0
EPS (₹)	7.1	6.9	10.0	10.8	12.5
P/E (x)	25.7	26.7	18.3	17.0	14.7
P/BV (x)	6.3	5.3	4.3	3.7	3.2
RoE (%)	23.5	19.9	23.3	21.7	21.7
RoCE (%)	20.9	19.5	31.3	24.3	24.9
EV/Sales (x)	3.6	3.3	2.9	2.6	2.3
EV/EBITDA (x)	16.0	12.9	8.7	9.2	8.0

Source: Company, Angel Research

ACCUMULATE

CMP	₹184
Target Price	₹205

Investment Period	12 Months
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Stock Info

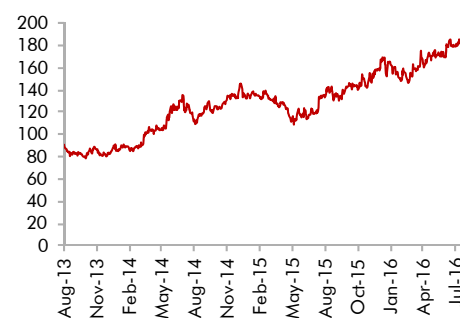
Sector	Media
Market Cap (₹ cr)	6,018
Net Debt (₹ cr)	(202)
Beta	0.5
52 Week High / Low	190 / 110
Avg. Daily Volume	16,518
Face Value (₹)	2
BSE Sensex	27,860
Nifty	8,592
Reuters Code	JAGP.BO
Bloomberg Code	JAGP@IN

Shareholding Pattern (%)

Promoters	60.8
MF / Banks / Indian Fls	12.7
FII / NRIs / OCBs	15.0
Indian Public / Others	11.6

Abs. (%)	3m	1yr	3yr
Sensex	7.8	(1.2)	46.6
JAGP	8.7	29.4	103.5

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarterly performance (Standalone)

Y/E March (₹ cr)	1QFY17	1QFY16	% yoy	4QFY16	% qoq	FY2016	FY2015	% chg
Net Sales	473	436	8.6	442	7.1	1,804	1,662	8.6
Consumption of RM	163	149	9.2	151	8.0	602	593	1.5
(% of Sales)	34.3	34.2		34.0		33.4	35.7	
Staff Costs	66	62	6.3	61	8.1	247	230	7.1
(% of Sales)	13.9	14.2		13.7		13.7	13.9	
Other Expenses	115	102	12.4	119	(3.1)	453	399	13.5
(% of Sales)	24.2	23.4		26.8		25.1	24.0	
Total Expenditure	343	313	9.7	330	4.0	1,302	1,223	6.5
Operating Profit	130.4	123	5.8	112	16.0	502	439	14.4
OPM	27.5	28.3		25.4		27.8	26.4	
Interest	10	16	(36.4)	12	(16.7)	57	35	60.7
Depreciation	19	20	(7.4)	20	(4.1)	84	95	(11.6)
Other Income	8	18		9		25	26	(3.4)
PBT (excl. Ext Items)	109	105	4.1	90	21.7	387	335	15.5
Ext Income/(Expense)						0	0	
PBT (incl. Ext Items)	109	105	4.1	90	21.7	387	335	15.5
(% of Sales)	23.1	24.1		20.3		21.4	20.1	
Provision for Taxation	36	35		29		132	111	18.5
(% of PBT)	32.6	33.5		32.5		34.0	33.2	
Recurring PAT	74	70	5.4	61	21.4	255	224	14.1
PATM	15.6	16.0		13.7		14.1	13.5	
Minority Interest After NP								
Profit/Loss of Associate Company					0.0			
Reported PAT	74	70	5.4	61	21.4	255	224	14.1
Extra-ordinary Items		4					2	
Adj. PAT	74	66	11.1	61	21.4	255	221	15.3
Equity shares (cr)	33	33		33		33	32.69	
FDEPS (₹)	2.3	2.1	5.4	1.9	21.4	7.8	6.8	15.3

Source: Company, Angel Research

Exhibit 2: Quarterly performance (Consolidated)

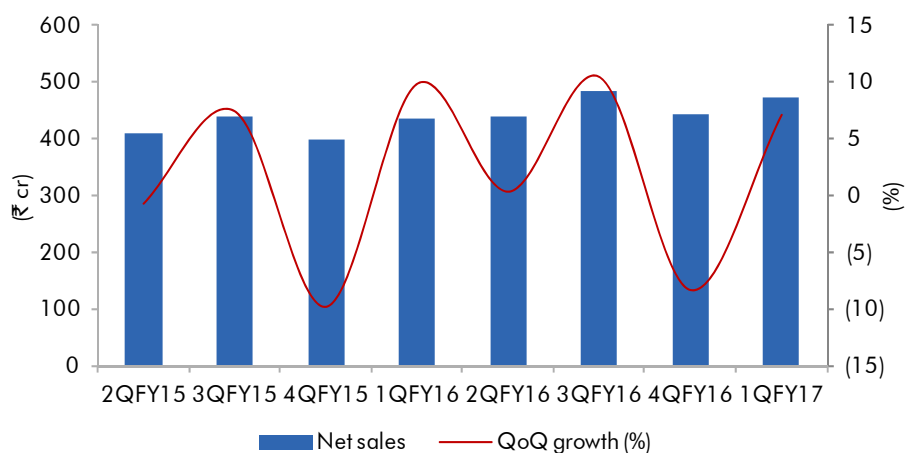
	1QFY17	1QFY16	yoy %
Operating Revenues	557.99	474.96	17%
Advertisement Revenues**	411.26	339.38	21%
Circulation Revenues	107	100.51	6%
Other Operating Revenues	39.73	35.07	13%
Operating Profit	154.59	134.13	15%

Source: Company, Angel Research note: Represents print, radio and digital advertisement revenues

Standalone top-line grew by 9% yoy

The company's standalone top-line grew by 9% yoy to ₹473cr (on back of advertising revenue growth of ~9% yoy to ~₹333cr, primarily driven by improvement in yields; and circulation revenue was up 6% yoy to ₹100cr due to increase in cover prices). Further, income from other businesses grew by ~13% yoy to ~₹40cr. On a consolidated basis, the top-line grew by ~17% yoy on back of strong advertising revenue and other operating income growth.

Exhibit 3: Standalone Net sales trend

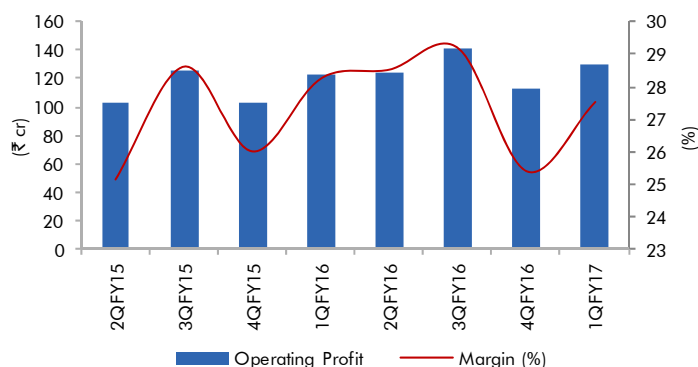


Source: Company, Angel Research

Standalone operating performance subdued

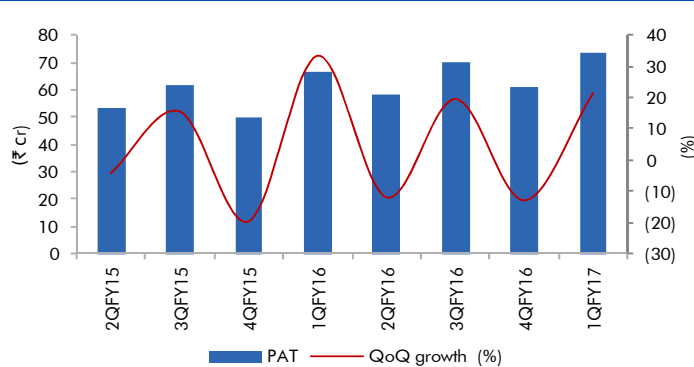
The company's standalone EBITDA grew by ~5% yoy to ₹130cr and the OPM contracted by 83bp yoy to 27.5% owing to higher employee costs and other expenditure. JPL's flagship daily Dainik Jagran and the radio business reported operating margin contraction to 33.6% & 28.4% respectively while other publications reported operating margin expansion.

Exhibit 4: Standalone operating margin trend



Source: Company, Angel research

Exhibit 5: Standalone Net profit trend



Source: Company, Angel research

Exhibit 6: Operating performance

	1QFY2017	1QFY2016	% yoy
Dainik Jagran			
Operating Revenue	383.7	355.6	7.9
Operating Profit	128.8	121.8	5.7
Operating Margin (%)	33.6	34.2	(69bp)
Other Publications			
Operating Revenue	84.0	78.6	6.9
Operating Profit	7.0	6.4	9.7
Operating Margin (%)	8.4	8.2	21bp
Radio			
Operating Revenue	55.2	45.0	22.8
Operating Profit	15.7	13.2	18.8
Operating Margin (%)	28.4	29.4	(94bp)
Digital			
Operating Revenue	7.1	5.8	24.0
Operating Profit	(3.9)	(1.4)	-
Outdoor and Activation business			
Operating Revenue	32.3	25.4	27.2
Operating Profit	2.2	0.9	154.1
Operating Margin (%)	6.7	3.4	334bp

Source: Company, Angel Research

Investment rationale

- **Advertising revenue expected to bounce on back of improvement in economy:** Considering Dainik Jagran's status as the most read Hindi newspaper and its strong presence in the rapidly growing Hindi markets of Bihar, Haryana, Jharkhand, Punjab, Madhya Pradesh and Uttar Pradesh, we believe JPL will benefit the most from an eventual recovery in the Indian economy.
- **Recent acquisitions to fuel growth:** The acquisition of the radio business (Radio City) would also boost the company's revenue going ahead. Radio City has ~20 stations across 7 states in the country and is second only to ENIL in all its operating circles, ie Delhi, Mumbai, Bengaluru, Chennai, Ahmedabad, Hyderabad, Pune and Lucknow. The company covers ~51% (~66mn people) of the total radio population.
- **Falling raw material prices to boost profitability:** Raw material prices (newsprint costs) have been declining over the past 5 quarters and are expected to remain stable, going forward. Thus, considering lower news print costs, healthy sales, and higher margins in the radio business, we expect the company to post higher profitability, going ahead.

Outlook and valuation

Considering Dainik Jagran's status as the most read Hindi newspaper in the country and its strong presence in the rapidly growing Hindi markets of Bihar, Haryana, Jharkhand, Punjab, Madhya Pradesh and Uttar Pradesh, we expect JPL to benefit the most from an eventual recovery in the Indian economy. Further, the acquisition of Radio City will also boost the company's profitability, going ahead. Hence, **we maintain our Accumulate rating on the stock with a target price of ₹205.**

Company Background

Dainik Jagran, with an AIR of ~16.4mn, is the most read newspaper in India published by Jagran Prakashan (JPL). The company enjoys a leadership position in Uttar Pradesh, the largest Hindi market for almost a decade now. The company is present in the rapidly growing Hindi print media markets of Bihar, Delhi, Haryana, Jharkhand, Punjab and Uttar Pradesh. Apart from its commanding position in print media, JPL is also present in the internet, OOH, and event management businesses.

Profit & Loss Statement (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Total operating income	1,522	1,703	1,770	2,107	2,355	2,635
% chg	12.3	11.9	3.9	19.0	11.0	11.9
Total Expenditure	1,229	1,320	1,319	1,401	1,696	1,897
Cost of Materials	544	609	626	629	702	785
Personnel	227	240	263	320	360	406
Others	458	472	430	452	633	706
EBITDA	292	383	451	706	659	738
% chg	(7.7)	30.9	17.8	56.7	(6.6)	11.9
(% of Net Sales)	19.2	22.5	25.5	33.5	28.0	28.0
Depreciation & Amortisation	126	79	104	104	138	142
EBIT	167	304	347	601	521	596
% chg	(32.1)	82.0	14.3	73.3	(13.3)	14.3
(% of Net Sales)	11.0	17.8	19.6	28.6	22.1	22.6
Interest & other Charges	31	35	37	52	44	39
Other Income	119	47	108	35	27	27
(% of PBT)	46.6	14.8	25.9	5.9	5.4	4.7
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	255	316	418	584	505	584
% chg	(0.2)	23.8	32.5	39.5	(13.5)	15.7
Prior Period & Ex-ord. Exp./ (Inc.)	-	10	-	-	-	-
PBT (reported)	255	306	418	584	505	584
Tax	0	79	110	139	151	175
(% of PBT)	0.2	26.0	26.3	23.8	30.0	30.0
PAT (reported)	255	226	308	445	353	409
Add: Share of earnings of asso.	(1)	(0)	0	-	0	0
Less: Minority interest (MI)	(0)	(0)	0	0	0	0
PAT after MI (reported)	255	226	308	445	353	409
Extra-ordinary Items	(3)	(7)	83	116	-	-
ADJ. PAT	258	234	225	328	353	409
% chg	44.6	(9.4)	(3.6)	45.9	7.5	15.7
(% of Net Sales)	16.9	13.7	12.7	15.6	15.0	15.5
Adj. Basic EPS (₹)	7.9	7.1	6.9	10.0	10.8	12.5
% chg	44.6	(9.4)	(3.6)	45.9	7.5	15.7

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
SOURCES OF FUNDS						
Equity Share Capital	63	62	63	63	63	64
Reserves & Surplus	869	899	1,071	1,346	1,565	1,819
Shareholders' Funds	932	962	1,134	1,410	1,629	1,883
Minority Interest	1	1	1	1	1	1
Total Loans	484	490	648	512	512	512
Deferred Tax Liability	89	91	78	78	78	78
Total Liabilities	1,506	1,543	1,861	2,001	2,220	2,474
APPLICATION OF FUNDS						
Gross Block	1,241	1,336	1,418	1,883	1,933	2,033
Less: Acc. Depreciation	466	545	644	749	887	1,029
Net Block	776	791	773	1,134	1,046	1,004
Capital Work-in-Progress	131	114	72	72	72	72
Investments	222	332	357	307	307	307
Current Assets	672	688	1,051	887	1,192	1,520
Inventories	83	100	93	69	90	116
Sundry Debtors	319	343	364	479	548	614
Cash	52	33	493	49	176	290
Loans & Advances	155	151	36	169	212	264
Other	62	62	65	121	165	237
Current liabilities	313	388	399	407	404	436
Net Current Assets	358	300	651	480	788	1,084
Deferred Tax Asset	19	6	7	7	7	7
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	1,506	1,543	1,861	2,001	2,220	2,474

Cashflow Statement (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15	FY16	FY17E	FY18E
Profit before tax	255	306	418	584	505	584
Depreciation	125	89	104	104	138	142
Change in Working Capital	(69)	(13)	(51)	(273)	(180)	(182)
Interest / Dividend (Net)	24	29	22	52	44	39
Direct taxes paid	(50)	(62)	(70)	(139)	(151)	(175)
Others	(83)	(19)	14	-	-	-
Cash Flow from Operations	202	331	437	328	355	408
(Inc.)/ Dec. in Fixed Assets	(194)	(60)	(415)	(500)	(51)	(101)
(Inc.)/ Dec. in Investments	30	(110)	(25)	50	-	-
Cash Flow from Investing	(164)	(170)	(441)	(450)	(51)	(101)
Issue of Equity	-	-	-	-	-	-
Inc./ (Dec.) in loans	87	(26)	139	(101)	1	2
Dividend Paid (Incl. Tax)	(111)	(95)	(93)	(169)	(134)	(155)
Interest / Dividend (Net)	(63)	(59)	417	(52)	(44)	(39)
Cash Flow from Financing	(86)	(180)	463	(323)	(177)	(192)
Inc./ (Dec.) in Cash	(48)	(20)	459	(444)	127	114
Opening Cash balances	100	52	33	493	49	176
Closing Cash balances	52	33	493	49	176	290

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E
Valuation Ratio (x)						
P/E (on FDEPS)	23.3	25.7	26.7	18.3	17.0	14.7
P/CEPS	15.8	19.7	14.6	11.0	12.2	10.9
P/BV	6.5	6.3	5.3	4.3	3.7	3.2
Dividend yield (%)	1.1	0.5	1.1	1.4	1.6	1.9
EV/Sales	4.1	3.6	3.3	2.9	2.6	2.3
EV/EBITDA	21.3	16.0	12.9	8.7	9.2	8.0
EV / Total Assets	3.4	3.2	2.6	2.6	2.3	2.0
Per Share Data (₹)						
EPS (Basic)	7.9	7.1	6.9	10.0	10.8	12.5
EPS (fully diluted)	7.9	7.1	6.9	10.0	10.8	12.5
Cash EPS	11.6	9.3	12.6	16.8	15.0	16.8
DPS	2.0	1.0	2.0	2.5	3.0	3.5
Book Value	28.5	29.4	34.7	43.1	49.8	57.6
Returns (%)						
RoCE	11.8	20.9	19.5	31.3	24.3	24.9
Angel RoIC (Pre-tax)	14.6	27.9	37.2	38.4	31.4	33.1
RoE	27.4	23.5	19.9	23.3	21.7	21.7
Turnover ratios (x)						
Asset Turnover	1.2	1.3	1.2	1.1	1.2	1.3
Inventory / Sales (days)	20	21	19	12	14	16
Receivables (days)	77	73	75	83	85	85
Payables (days)	27	28	24	25	26	28
Net WC (days)	69	67	71	70	73	73

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Jagran Prakashan

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)