

Jagran Prakashan

Performance highlights

Quarterly data (Consolidated)

(₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq
Revenue	520	436	19.1	481	8.0
EBITDA	147	106	38.3	135	8.9
OPM (%)	28.3	24.3	393	28.0	24
PAT	91	57	61.4	180	(49.3)

Source: Company, Angel Research

For 2QFY2016, Jagran Prakashan (JPL)'s consolidated top-line grew by 19% yoy, mainly due to strong growth in the advertisement segment. The acquisition of the Radio City business in 1QFY2016 added to the advertising revenue. However, circulation revenue showed lower growth during the quarter. The company reported strong profitability on a consolidated basis due to falling news print costs and with contribution from Radio City.

Ad revenue up ~27% yoy, Circulation revenue up ~4% yoy: The company's advertising revenue growth for the quarter was healthy at ~27% yoy to ~₹520cr, primarily driven by increase in print revenue and radio advertisement revenue. Circulation revenue was up 4% yoy to ₹100cr due to increase in cover prices. However, income from other businesses declined by ~7% yoy to ~₹31cr. Consequently, the consolidated top-line grew by ~19% yoy to ~₹520cr.

OPM improves: The consolidated operating profit grew by ~38% yoy to ₹147cr and the OPM expanded by 393bp yoy to 28.2% owing to lower raw material cost. This led to a strong reported net profit growth of ~61% yoy to ₹91cr (including profits from the radio business).

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 Buy rating on the stock with a target price of ₹169.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Net Sales	1,522	1,703	1,770	2,170	2,355
% chg	12.3	11.9	3.9	22.6	8.5
Adj. Net Profit	258	234	225	290	325
% chg	44.6	(9.4)	(3.6)	28.9	11.9
OPM (%)	19.2	22.5	25.5	27.2	26.2
EPS (₹)	7.9	7.1	6.9	8.9	9.9
P/E (x)	18.5	20.4	21.2	16.5	14.7
P/BV (x)	5.1	5.0	4.2	3.4	3.0
RoE (%)	27.4	23.5	27.2	29.3	20.4
RoCE (%)	11.8	20.9	19.5	23.1	21.3
EV/Sales (x)	3.3	2.9	2.6	2.1	1.9
EV/EBITDA (x)	17.0	12.8	10.1	7.7	7.3

Source: Company, Angel Research; Note: CMP as of November 4, 2015

BUY

CMP	₹146
Target Price	₹169

Investment Period	12 Months
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Stock Info

Sector	Media
Market Cap (₹ cr)	4,849
Net Debt (₹ cr)	(202)
Beta	0.5
52 Week High / Low	154 / 107
Avg. Daily Volume	28,669
Face Value (₹)	2
BSE Sensex	26,553
Nifty	8,040
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	(4.7)	4.7	41.5
JAGP	6.4	11.8	45.1

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarterly performance (Consolidated)

Y/E March (₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq	FY2015	FY2014	% chg
Net Sales	520	436	19.1	481	8.0	1,770	1,703	3.9
Consumption of RM	155	160	(3.6)	156	(0.8)	626	609	2.7
(% of Sales)	29.7	36.7		32.4		35.3	35.8	
Staff Costs	82	65	26.3	72	13.3	263	240	10.0
(% of Sales)	15.7	14.8		15.0		14.9	14.1	
Other Expenses	136	105	29.8	118	15.2	430	482	(10.7)
(% of Sales)	26.3	24.1		24.6		24.3	28.3	
Total Expenditure	373	330	12.9	346	7.6	1,319	1,330	(0.8)
Operating Profit	147	106	38.3	135	8.9	451	373	20.9
OPM	28.3	24.3		28.0		25.5	21.9	
Interest	8	7	10.5	13	(35.9)	37	35	7.0
Depreciation	29	25	17.0	23	24.1	104	79	31.3
Other Income	14	7		116		108	47	132.3
PBT (excl. Ext Items)	124	82	52.1	215	(42.3)	418	306	36.8
Ext Income/(Expense)						0	0	
PBT (incl. Ext Items)	124	82	52.1	215	(42.3)	418	306	36.8
(% of Sales)	23.9	18.7		44.7		23.6	18.0	
Provision for Taxation	33	25		35		110	79	38.7
(% of PBT)	26.4	30.6		16.2		26.3	26.0	
Recurring PAT	91	57	61.3	180	(49.3)	308	226	36.2
PATM	17.6	13.0		37.4		17.4	13.3	
Minority Interest After NP		0.0		0.0		0.2	(0.3)	
Profit/Loss of Associate Company	(0.0)	(0.0)		(0.0)	0.0	0.0	(0.4)	
Reported PAT	91	57	61.4	180	(49.3)	308	226	36.2
Extra-ordinary Items	15	2		106		83	(7)	
Adj. PAT	77	54	41.7	73.7	4.2	225	234	(3.6)
Equity shares (cr)	33	33		33		33	32.69	
FDEPS (₹)	2.8	1.7	61.4	5.5	(49.3)	9.4	6.9	36.2

Source: Company, Angel Research

Acquisition of Radio City boosts Ad revenue

The company reported a ~27% yoy growth in advertising revenue to ~₹520cr on the back of increase in yields and optimum utilization of advertisement inventory. In the print business, the company reported a 6% yoy growth to ~₹464cr and the balance of the revenue came from radio advertising. However, the company's other businesses witnessed a decline in operating income owing to its policy of not aggressively pursuing unprofitable non-print businesses, which led to a fall in the overall top-line.

Circulation revenue up 4% yoy

The company's circulation revenue for the quarter was up ~4% yoy to ₹100cr due to increase in cover prices. Further, the Management expects 8-10% growth in circulation revenue, going ahead.

Exhibit 2: Consolidated Net sales growth trend

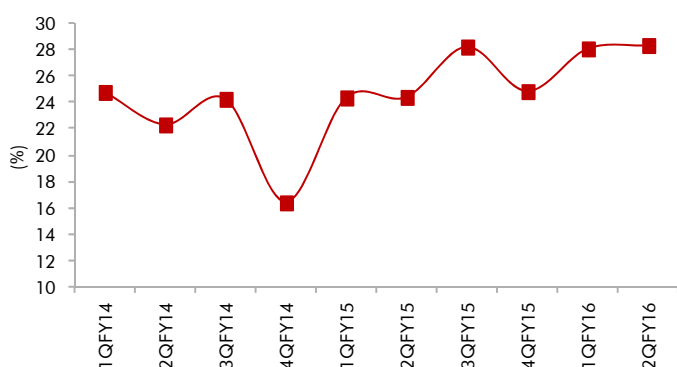


Source: Company, Angel Research

Improved operating performance

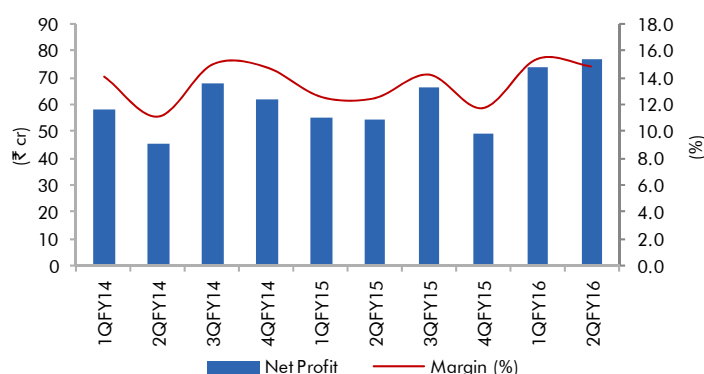
For the quarter, JPL’s flagship daily - Dainik Jagran’s margin expanded yoy to 34.8%. Other publications reported a cumulative operating profit of ₹7cr in 2QFY2016 as against a loss of ₹2cr for the same quarter last year. Overall, the consolidated EBITDA grew by ~38% yoy to ₹147cr and the OPM expanded by 393bp yoy to 28.2% owing to lower raw material costs (down 700bp as a % of sales, mainly due to lower news print costs). Further, the company is not aggressively pursuing other unprofitable businesses which led to a fall in the top-line for the quarter, although these businesses contributed towards improvement in the overall operating margins. Overall, at the consolidated level, the reported net profit grew to ~61% yoy to ₹91cr (including profit of the radio business).

Exhibit 3: Consolidated operating margin trend



Source: Company, Angel research

Exhibit 4: Consolidated Net profit and margin trend



Source: Company, Angel research

Exhibit 5: Operating performance

	2QFY2016	2QFY2016	% yoy	1FY2016	1HFY2015	% chg
Dainik Jagran						
Operating Revenue	362.5	336.0	7.9	723.9	671.9	7.7
Operating Profit	126.3	110.3	14.5	248.3	224.5	10.6
Operating Margin (%)	34.8	32.8	-	34.3	33.4	-
Other Publications						
Operating Revenue	79.2	76.7	3.3	158.2	152.8	3.5
Operating Profit	7.0	-2.4	-	13.9	-10.0	-
Operating Margin (%)	8.8	-3.1	-	8.8	-6.5	-

Source: Company, Angel Research

Investment rationale

- **Advertising revenue expected to bounce on back of improvement in economy:** After cutting advertising rates in FY2013, JPL has again been hiking rates since the beginning of FY2014. The Management expects yield driven advertising revenue growth to continue in FY2015, enabling the company to post decent growth in top-line. Further, 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 Buy rating on the stock with a target price of ₹169.

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)	FY12	FY13	FY14	FY15	FY16E	FY16E
Total operating income	1,356	1,522	1,703	1,770	2,170	2,355
% chg	11.0	12.3	11.9	3.9	22.6	8.5
Total Expenditure	1,039	1,229	1,320	1,319	1,580	1,738
Cost of Materials	461	544	609	626	720	803
Personnel	194	227	240	263	326	356
Others	383	458	472	430	534	579
EBITDA	317	292	383	451	590	617
% chg	(11.1)	(7.7)	30.9	17.8	31.0	4.5
(% of Net Sales)	23.4	19.2	22.5	25.5	27.2	26.2
Depreciation & Amortisation	71	126	79	104	120	141
EBIT	246	167	304	347	470	476
% chg	(15.5)	(32.1)	82.0	14.3	35.5	1.3
(% of Net Sales)	18.1	11.0	17.8	19.6	21.7	20.2
Interest & other Charges	16	31	35	37	45	45
Other Income	25	119	47	108	140	20
(% of PBT)	10.0	46.6	14.8	25.9	24.7	4.4
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	256	255	316	418	565	451
% chg	(17.0)	(0.2)	23.8	32.5	35.0	(20.1)
Prior Period & Ex-ord. Exp./ (Inc.)	-	-	10	-	-	-
PBT (reported)	256	255	306	418	565	451
Tax	77	0	79	110	158	126
(% of PBT)	30.2	0.2	26.0	26.3	28.0	28.0
PAT (reported)	178	255	226	308	407	325
Add: Share of earnings of asso.	(0)	(1)	(0)	0	0	0
Less: Minority interest (MI)	(0)	(0)	(0)	0	0	0
PAT after MI (reported)	178	255	226	308	406	325
Extra-ordinary Items	-	(3)	(7)	83	116	-
ADJ. PAT	178	258	234	225	290	325
% chg	(15.1)	44.6	(9.4)	(3.6)	28.9	11.9
(% of Net Sales)	13.2	16.9	13.7	12.7	13.4	13.8
Adj. Basic EPS (₹)	5.5	7.9	7.1	6.9	8.9	9.9
% chg	(14.8)	44.6	(9.4)	(3.6)	28.9	11.9

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
SOURCES OF FUNDS						
Equity Share Capital	63	63	62	63	63	63
Reserves & Surplus	689	869	899	1,071	1,323	1,524
Shareholders' Funds	752	932	962	1,134	1,386	1,587
Minority Interest	8	1	1	1	1	1
Total Loans	668	484	490	648	648	648
Deferred Tax Liability	76	89	91	78	78	78
Total Liabilities	1,503	1,506	1,543	1,861	2,113	2,314
APPLICATION OF FUNDS						
Gross Block	1,216	1,241	1,336	1,418	1,483	1,603
Less: Acc. Depreciation	351	466	545	644	765	906
Net Block	865	776	791	773	718	697
Capital Work-in-Progress	66	131	114	72	72	72
Investments	252	222	332	357	357	357
Current Assets	672	672	688	1,051	1,393	1,569
Inventories	78	83	100	93	119	142
Sundry Debtors	289	319	343	364	464	516
Cash	100	52	33	493	528	534
Loans & Advances	196	155	151	36	174	212
Other	11	62	62	65	109	165
Current liabilities	358	313	388	399	435	389
Net Current Assets	314	358	300	651	958	1,181
Deferred Tax Asset	6	19	6	7	7	7
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	1,503	1,506	1,543	1,861	2,113	2,314

Cashflow Statement (Consolidated)

Y/E March (₹ cr)	FY12	FY13	FY14	FY15E	FY16E	FY17E
Profit before tax	256	255	306	418	565	451
Depreciation	71	125	89	104	120	141
Change in Working Capital	(14)	(69)	(13)	(51)	(271)	(216)
Interest / Dividend (Net)	0	24	29	22	45	45
Direct taxes paid	(75)	(50)	(62)	(70)	(158)	(126)
Others	(10)	(83)	(19)	14	-	-
Cash Flow from Operations	228	202	331	437	300	294
(Inc.)/ Dec. in Fixed Assets	(160)	(194)	(60)	(415)	(100)	(121)
(Inc.)/ Dec. in Investments	(53)	30	(110)	(25)	-	-
Cash Flow from Investing	(213)	(164)	(170)	(441)	(100)	(121)
Issue of Equity	-	-	-	-	-	-
Inc./ (Dec.) in loans	148	87	(26)	139	35	1
Dividend Paid (Incl. Tax)	(111)	(111)	(95)	(93)	(154)	(123)
Interest / Dividend (Net)	13	(63)	(59)	417	(45)	(45)
Cash Flow from Financing	50	(86)	(180)	463	(165)	(167)
Inc./ (Dec.) in Cash	65	(48)	(20)	459	35	6
Opening Cash balances	35	100	52	33	493	528
Closing Cash balances	100	52	33	493	528	534

Key Ratios

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratio (x)						
P/E (on FDEPS)	26.8	18.5	20.4	21.2	16.5	14.7
P/CEPS	19.1	12.5	15.6	11.6	9.1	10.3
P/BV	6.3	5.1	5.0	4.2	3.4	3.0
Dividend yield (%)	2.4	1.4	0.7	1.4	1.7	2.1
EV/Sales	3.8	3.3	2.9	2.6	2.1	1.9
EV/EBITDA	16.1	17.0	12.8	10.1	7.7	7.3
EV / Total Assets	2.7	2.7	2.5	2.0	1.8	1.7
Per Share Data (₹)						
EPS (Basic)	5.5	7.9	7.1	6.9	8.9	9.9
EPS (fully diluted)	5.5	7.9	7.1	6.9	8.9	9.9
Cash EPS	7.6	11.6	9.3	12.6	16.1	14.2
DPS	3.5	2.0	1.0	2.0	2.5	3.0
Book Value	23.0	28.5	29.4	34.7	42.4	48.6
Returns (%)						
RoCE	17.3	11.8	20.9	19.5	23.1	21.3
Angel RoIC (Pre-tax)	23.0	14.6	27.9	37.2	40.9	35.4
RoE	23.7	27.4	23.5	27.2	29.3	20.4
Turnover ratios (x)						
Asset Turnover	1.1	1.2	1.3	1.2	1.5	1.5
Inventory / Sales (days)	21	20	21	19	20	22
Receivables (days)	78	77	73	75	78	80
Payables (days)	27	27	28	24	23	23
Net Working capital (days)	72	69	67	71	75	79

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Disclosure of Interest Statement	Jagran Prakashan
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

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)