

## Jagran Prakashan

### Performance highlights

#### Quarterly data (Consolidated)

(₹ cr)	3QFY16	3QFY15	% yoy	2QFY16	% qoq
Revenue	576	470	22.5	520	10.9
EBITDA	172	133	29.9	147	17.2
OPM (%)	29.9	28.2	170	28.3	159
PAT	93	67	39.8	91	2.2

Source: Company, Angel Research

For 3QFY2016, Jagran Prakashan (JPL)'s consolidated top-line grew by 22.5% yoy, mainly due to strong growth in the advertisement segment. The Radio City business' revenue has also been added to the overall advertising revenue. However, circulation revenue showed lower growth during the quarter. The company reported strong profitability on a consolidated basis due to lower news print costs and with contribution from Radio City.

**Ad revenue up ~29% yoy, Circulation revenue up ~2% yoy:** The company's advertising revenue growth for the quarter was healthy at ~29% yoy to ~₹435cr, primarily driven by increase in print revenue and radio advertisement revenue. Circulation revenue was up 2% yoy to ₹102cr due to increase in cover prices. Further, income from other businesses grew by ~23% yoy to ~₹40cr. Consequently, the consolidated top-line grew by ~23% yoy to ~₹576cr.

**OPM improves:** The consolidated operating profit grew by ~30% yoy to ₹172cr and the OPM expanded by 170bp yoy to 29.9%, owing to lower raw material costs. This led to a strong reported net profit growth of ~40% yoy to ₹93cr (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 ₹189.**

#### 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)	20.3	22.4	23.2	18.0	16.1
P/BV (x)	5.6	5.4	4.6	3.8	3.3
RoE (%)	27.4	23.5	19.9	20.9	20.4
RoCE (%)	11.8	20.9	19.5	23.1	21.3
EV/Sales (x)	3.6	3.1	2.8	2.3	2.1
EV/EBITDA (x)	18.6	14.0	11.2	8.5	8.1

Source: Company, Angel Research

## BUY

CMP	₹160
Target Price	₹189

Investment Period	12 Months
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#### Stock Info

Sector	Media
Market Cap (₹ cr)	5,334
Net Debt (₹ cr)	(202)
Beta	0.5
52 Week High / Low	176 / 108
Avg. Daily Volume	15,859
Face Value (₹)	2
BSE Sensex	24,825
Nifty	7,556
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	(7.3)	(16.2)	24.4
JAGP	13.8	20.4	47.6

#### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: Quarterly performance (Consolidated)**

Y/E March (₹ cr)	3QFY16	3QFY15	% yoy	2QFY16	% qoq	9MFY16	9MFY15	% chg
<b>Net Sales</b>	<b>576</b>	<b>470</b>	<b>22.5</b>	<b>520</b>	<b>10.9</b>	<b>1,577</b>	<b>1,347</b>	<b>17.1</b>
Consumption of RM	161	158	1.6	155	4.2	471	482	(2.1)
(% of Sales)	27.9	33.7		29.7		29.9	35.7	
Staff Costs	84	65	28.5	82	2.7	238	195	22.0
(% of Sales)	14.5	13.9		15.7		15.1	14.5	
Other Expenses	159	114	39.5	136	16.8	414	325	27.4
(% of Sales)	27.6	24.3		26.3		26.3	24.1	
<b>Total Expenditure</b>	<b>404</b>	<b>338</b>	<b>19.6</b>	<b>373</b>	<b>8.5</b>	<b>1,123</b>	<b>1,001</b>	<b>12.2</b>
<b>Operating Profit</b>	<b>172</b>	<b>133</b>	<b>29.9</b>	<b>147</b>	<b>17.2</b>	<b>454</b>	<b>346</b>	<b>31.3</b>
OPM	29.9	28.2		28.3		28.8	25.7	
Interest	17	8	118.7	8	112.2	38	24	61.0
Depreciation	28	27	6.8	29	(1.2)	80	75	7.1
Other Income	6	1		14		136	15	804.5
<b>PBT (excl. Ext Items)</b>	<b>133</b>	<b>99</b>	<b>34.2</b>	<b>124</b>	<b>7.2</b>	<b>472</b>	<b>262</b>	<b>79.8</b>
Ext Income/(Expense)						0	0	
<b>PBT (incl. Ext Items)</b>	<b>133</b>	<b>99</b>	<b>34.2</b>	<b>124</b>	<b>7.2</b>	<b>472</b>	<b>262</b>	<b>79.8</b>
(% of Sales)	23.1	21.1		23.9		29.9	19.5	
Provision for Taxation	40	32		33		107	84	27.7
(% of PBT)	29.8	32.6		26.4		22.7	32.0	
<b>Recurring PAT</b>	<b>93</b>	<b>67</b>	<b>39.8</b>	<b>91</b>	<b>2.2</b>	<b>365</b>	<b>178</b>	<b>104.3</b>
PATM	16.2	14.2		17.6		23.1	13.2	
Minority Interest After NP							0.1	
Profit/Loss of Associate Company	(0.0)	(0.0)		(0.0)	0.0	0.0	0.0	
<b>Reported PAT</b>	<b>93</b>	<b>67</b>	<b>39.8</b>	<b>91</b>	<b>2.2</b>	<b>365</b>	<b>178</b>	<b>104.5</b>
<b>Extra-ordinary Items</b>				<b>15</b>		<b>9</b>		
<b>Adj. PAT</b>	<b>93</b>	<b>67</b>	<b>39.8</b>	<b>77</b>	<b>21.6</b>	<b>355</b>	<b>178</b>	<b>99.3</b>
Equity shares (cr)	33	33		33		33	32.69	
<b>FDEPS (₹)</b>	<b>2.9</b>	<b>2.0</b>	<b>39.8</b>	<b>2.3</b>	<b>21.6</b>	<b>10.9</b>	<b>5.5</b>	<b>99.3</b>

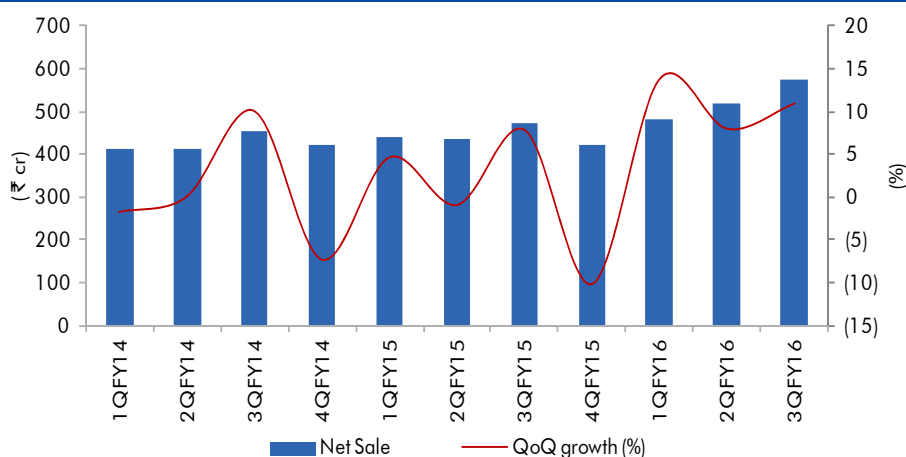
Source: Company, Angel Research

## Acquisition of Radio City boosts Ad revenue

The company reported a ~29% yoy growth in advertising revenue to ~₹435cr on the back of increase in yields and optimum utilization of advertisement inventory. In the print business, the company reported a 9% yoy growth to ~₹395cr and the balance of the revenue came from radio advertising.

## Circulation revenue up 2% yoy

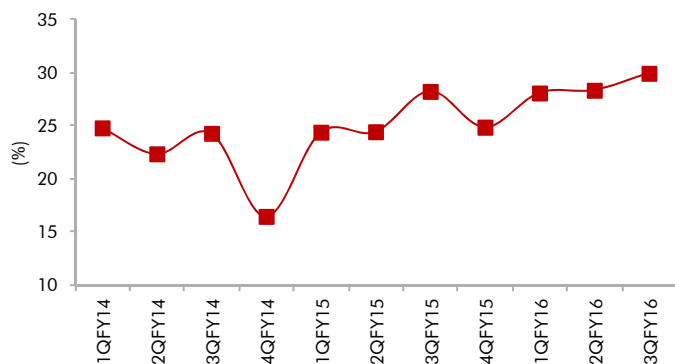
The company's circulation revenue for the quarter was up ~2% yoy to ₹102cr due to increase in cover prices. Further, the Management expects 8-10% growth in circulation revenue, going ahead.

**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 35.3%. Other publications reported a cumulative operating profit of ~₹10cr in 3QFY2016 as against a profit of ~₹7cr for the same quarter last year. Overall, the consolidated EBITDA grew by ~30% yoy to ₹172cr and the OPM expanded by 170bp yoy to 29.9% owing to lower raw material costs (down 574bp as a % of sales, mainly due to lower news print costs). Further, the company is not aggressively pursuing other unprofitable businesses which led to improvement in the overall operating margins. Overall, at the consolidated level, the reported net profit grew by ~40% yoy to ₹93cr (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**

	3QFY2016	3QFY2016	% yoy	9MFY16	9MFY15	% chg
<b>Dainik Jagran</b>						
Operating Revenue	394.5	361.1	9.2	1,118.4	1,033.1	8.3
Operating Profit	139.3	129.1	7.9	387.6	353.6	9.6
Operating Margin (%)	35.3	35.8	-	34.7	34.2	-
<b>Other Publications</b>						
Operating Revenue	86.7	87.5	-0.9	244.9	240.3	1.9
Operating Profit	10.0	7.2	-	23.9	-2.8	-
Operating Margin (%)	11.5	8.2	-	9.8	-1.1	-

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 Buy rating on the stock with a target price of ₹189.

## 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
<b>Total operating income</b>	<b>1,356</b>	<b>1,522</b>	<b>1,703</b>	<b>1,770</b>	<b>2,170</b>	<b>2,355</b>
% chg	11.0	12.3	11.9	3.9	22.6	8.5
<b>Total Expenditure</b>	<b>1,039</b>	<b>1,229</b>	<b>1,320</b>	<b>1,319</b>	<b>1,580</b>	<b>1,738</b>
Cost of Materials	461	544	609	626	720	803
Personnel	194	227	240	263	326	356
Others	383	458	472	430	534	579
<b>EBITDA</b>	<b>317</b>	<b>292</b>	<b>383</b>	<b>451</b>	<b>590</b>	<b>617</b>
% 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
<b>EBIT</b>	<b>246</b>	<b>167</b>	<b>304</b>	<b>347</b>	<b>470</b>	<b>476</b>
% 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	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>256</b>	<b>255</b>	<b>316</b>	<b>418</b>	<b>565</b>	<b>451</b>
% chg	(17.0)	(0.2)	23.8	32.5	35.0	(20.1)
Prior Period & Ex-ord. Exp./(Inc.)	-	-	10	-	-	-
<b>PBT (reported)</b>	<b>256</b>	<b>255</b>	<b>306</b>	<b>418</b>	<b>565</b>	<b>451</b>
Tax	77	0	79	110	158	126
(% of PBT)	30.2	0.2	26.0	26.3	28.0	28.0
<b>PAT (reported)</b>	<b>178</b>	<b>255</b>	<b>226</b>	<b>308</b>	<b>407</b>	<b>325</b>
Add: Share of earnings of asso.	(0)	(1)	(0)	0	0	0
Less: Minority interest (MI)	(0)	(0)	(0)	0	0	0
<b>PAT after MI (reported)</b>	<b>178</b>	<b>255</b>	<b>226</b>	<b>308</b>	<b>406</b>	<b>325</b>
Extra-ordinary Items	-	(3)	(7)	83	116	-
<b>ADJ. PAT</b>	<b>178</b>	<b>258</b>	<b>234</b>	<b>225</b>	<b>290</b>	<b>325</b>
% 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
<b>Adj. Basic EPS (₹)</b>	<b>5.5</b>	<b>7.9</b>	<b>7.1</b>	<b>6.9</b>	<b>8.9</b>	<b>9.9</b>
% 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
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	63	63	62	63	63	63
Reserves & Surplus	689	869	899	1,071	1,323	1,524
<b>Shareholders' Funds</b>	<b>752</b>	<b>932</b>	<b>962</b>	<b>1,134</b>	<b>1,386</b>	<b>1,587</b>
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
<b>Total Liabilities</b>	<b>1,503</b>	<b>1,506</b>	<b>1,543</b>	<b>1,861</b>	<b>2,113</b>	<b>2,314</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	1,216	1,241	1,336	1,418	1,483	1,603
Less: Acc. Depreciation	351	466	545	644	765	906
<b>Net Block</b>	<b>865</b>	<b>776</b>	<b>791</b>	<b>773</b>	<b>718</b>	<b>697</b>
Capital Work-in-Progress	66	131	114	72	72	72
<b>Investments</b>	<b>252</b>	<b>222</b>	<b>332</b>	<b>357</b>	<b>357</b>	<b>357</b>
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
<b>Net Current Assets</b>	<b>314</b>	<b>358</b>	<b>300</b>	<b>651</b>	<b>958</b>	<b>1,181</b>
<b>Deferred Tax Asset</b>	<b>6</b>	<b>19</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>
Mis. Exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,503</b>	<b>1,506</b>	<b>1,543</b>	<b>1,861</b>	<b>2,113</b>	<b>2,314</b>

**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	-	-
<b>Cash Flow from Operations</b>	<b>228</b>	<b>202</b>	<b>331</b>	<b>437</b>	<b>300</b>	<b>294</b>
(Inc.)/ Dec. in Fixed Assets	(160)	(194)	(60)	(415)	(100)	(121)
(Inc.)/ Dec. in Investments	(53)	30	(110)	(25)	-	-
<b>Cash Flow from Investing</b>	<b>(213)</b>	<b>(164)</b>	<b>(170)</b>	<b>(441)</b>	<b>(100)</b>	<b>(121)</b>
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)
<b>Cash Flow from Financing</b>	<b>50</b>	<b>(86)</b>	<b>(180)</b>	<b>463</b>	<b>(165)</b>	<b>(167)</b>
Inc./(Dec.) in Cash	65	(48)	(20)	459	35	6
<b>Opening Cash balances</b>	<b>35</b>	<b>100</b>	<b>52</b>	<b>33</b>	<b>493</b>	<b>528</b>
<b>Closing Cash balances</b>	<b>100</b>	<b>52</b>	<b>33</b>	<b>493</b>	<b>528</b>	<b>534</b>



### Key Ratios

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	29.3	20.3	22.4	23.2	18.0	16.1
P/CEPS	21.0	13.7	17.1	12.7	9.9	11.2
P/BV	7.0	5.6	5.4	4.6	3.8	3.3
Dividend yield (%)	2.2	1.3	0.6	1.3	1.6	1.9
EV/Sales	4.1	3.6	3.1	2.8	2.3	2.1
EV/EBITDA	17.5	18.6	14.0	11.2	8.5	8.1
EV / Total Assets	3.0	3.0	2.8	2.2	2.0	1.8
<b>Per Share Data (₹)</b>						
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
<b>Returns (%)</b>						
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	19.9	20.9	20.4
<b>Turnover ratios (x)</b>						
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 WC (days)	72	69	67	71	75	79

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### 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)