

## JAGRAN PRAKASHAN

MEDIA

17 NOV 2017

Quarterly Update

**BUY**

Target Price: Rs 190

### Ad growth hit by GST-led slowdown

JAGP's Q2 consol. print ad growth (up ~2% YoY) was impacted by >10% YoY decline across local (due to GST-led slowdown) and govt ad spends (combined contribution of 50-60% to ad revenues) - this negated 10% YoY rise in national spends. While GST-led slowdown in ad spends is expected to ease in H2, FY18 ad growth will get impacted.

While JAGP increased circulation copies across its key markets (+4-5% YoY), circulation revenues remained subdued (flat YoY) due to competitive pressure in UP (from Hindustan, Amar Ujala) and Bihar (Dainik Bhaskar). We revise our FY18/19E EPS by 4-5% to factor in slower ad and circulation growth. Maintain **BUY** with SoTP-based revised TP of Rs 190 (15x FY19E EPS for print business & 20% holding company discount to Radio City's market cap; Rs 205 earlier).

CMP : Rs 169  
Potential Upside : 12%

#### MARKET DATA

No. of Shares : 327 mn  
Free Float : 39%  
Market Cap : Rs 55 bn  
52-week High / Low : Rs 210 / Rs 163  
Avg. Daily vol. (6mth) : 268,617 shares  
Bloomberg Code : JAGP IB Equity  
Promoters Holding : 61%  
FII / DII : 11% / 14%

### Key highlights

- Consol. revenues grew 2% YoY to Rs 5.7 bn - *Dainik Jagran* revenues were flat YoY, while other publications' (Midday, Naiduniya, Punjabi Jagran, I-Next etc.) grew 5% YoY. EBITDA declined ~9% YoY (EBITDA margin down 320 bps YoY at 24.5%) on adverse operating leverage impact, while PAT declined 19% YoY to Rs 697 mn
- Given upcoming Indian Readership Survey bi-annual report (expected in Dec now), all print players (including JAGP) are pushing circulation, resulting in downward pressure on cover prices across UP and Bihar. While management highlighted its increase in market share, this will have near term impact on circulation revenue growth
- JAGP has closed its gap with Rajasthan Patrika in MP by increasing Naiduniya's circulation (volumes up 8% YoY). Higher volumes, coupled with higher realization, aided 16% YoY rise in its circulation revenues in Q2
- Radio City: Revenue grew ~10% YoY to Rs 758 mn**, led by 6-8% price increase in existing stations and volume growth in new stations. However, EBITDA margin declined to ~32% (vs. 40% YoY) on addition of new stations

### Financial summary (Consolidated)

Y/E March	FY16	FY17	FY18E	FY19E
Sales (Rs mn)	21,144	23,172	24,257	26,801
Adj PAT (Rs mn)	3,067	3,492	3,236	3,706
Con. EPS* (Rs)	-	-	12.4	14.1
EPS (Rs)	9.4	10.7	9.9	11.3
Change YOY (%)	(3.4)	13.9	(7.3)	14.5
P/E (x)	18.0	15.8	17.1	14.9
RoE (%)	22.6	20.9	17.6	18.2
RoCE (%)	25.3	25.2	23.9	26.0
EV/E (x)	9.6	8.5	8.5	7.3
DPS (Rs)	3.9	4.5	4.5	4.5

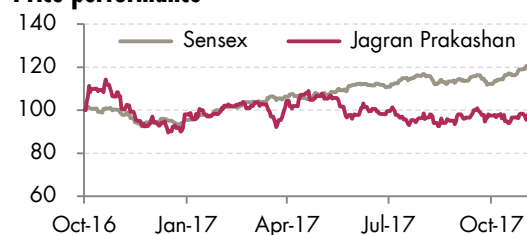
Source: \*Consensus broker estimates, Company, Axis Capital

### Key drivers

(%)	FY17			FY18	
	Q2	Q3	Q4	Q1	Q2
Print Ad growth^	5.1	3.9	5.0	3.9	0.8
Circ rev growth^	5.8	6.9	3.4	1.5	0.3
Radio rev growth	37.1	12.3	3.6	25.7	9.5
Radio EBITDA	39.9	36.6	24.9	31.5	32.0

^Standalone Ad revenues

### Price performance



## Exhibit 1: Results update

(Rs mn)	Quarter ended (Consolidated)					Y/E (Consolidated)		
	Sep-17	Sep-16	% Chg	Jun-17	% Chg	FY17	FY16	% Chg
Net sales	5,666	5,548	2.1	5,913	(4.2)	23,172	21,144	9.6
EBITDA	1,387	1,531	(9.4)	1,612	(14.0)	6,738	6,256	7.7
Other income	125	112	11.6	120	4.0	70	147	(52.8)
PBITD	1,512	1,643	(8.0)	1,733	(12.8)	6,807	6,403	6.3
Depreciation	340	308	10.5	328	3.7	1,289	1,219	5.7
Interest	74	78	(5.1)	72	3.2	350	545	(35.7)
PBT	1,098	1,257	(12.7)	1,333	(17.7)	5,168	4,639	11.4
Tax	375	396	(5.3)	446	(15.9)	1,675	1,572	6.6
Adjusted PAT	723	861	(16.1)	887	(18.5)	3,493	3,068	13.8
Extra ordinary income/ (exp.)	0	0.0	-	0	-	1	(439)	-
Reported PAT	697	861	(19.0)	865	(19.5)	3,492	3,507	(0.4)
No. of shares (mn)	327	327	-	327	-	327	317	3.0
EBITDA margin (%)	24.5	27.6	-	27.3	-	29.1	29.6	-
EBIT margin (%)	18.5	22.0	-	21.7	-	29.4	30.3	-
EPS (Rs.)	2.2	2.6	(16.1)	2.7	(18.5)	10.7	9.7	10.5

Source: Company, Axis Capital

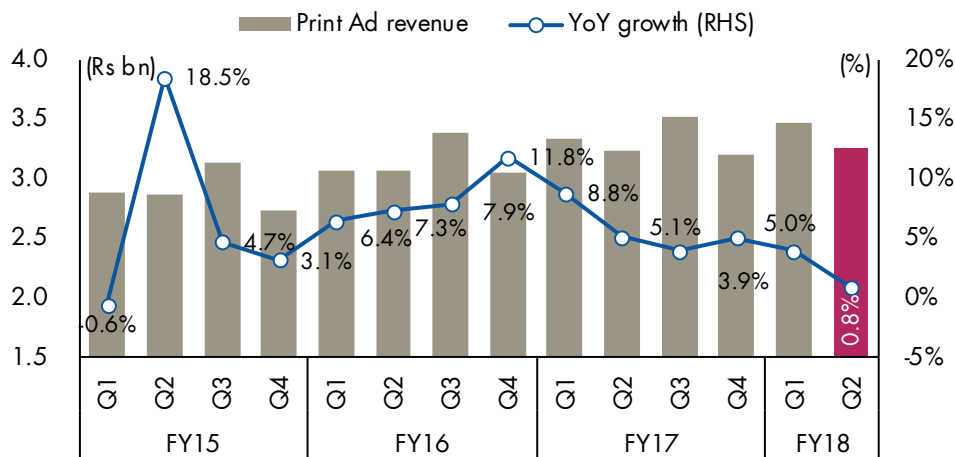
## Exhibit 2: Individual brand performance

(Rs mn)	Sep-17	Sep-16	% Chg	Jun-17	% Chg	FY17	FY16	% Chg
<b>Dainik Jagran<sup>^</sup></b>								
Revenue	3,719	3,735	-0.4%	3,956	-6%	15,311	14,784	3.6%
EBITDA	1,140	1,261	-9.6%	1,313	-13%	5,293	5,073	4.3%
EBITDA margin (%)	30.6	33.8		33.2		34.6	34.3	
<b>Other Publications<sup>*</sup></b>								
Revenue	861	818	5.3%	884	-3%	1,696	2,128	-20.3%
EBITDA	50	21	N.A.	93	-47%	72	60	
EBITDA margin (%)	5.8	2.5		10.5		4.3	2.8	
<b>Outdoor and Event management</b>								
Revenue	283	278	2%	353	-20%	1,261	969	30%
EBITDA	(2)	3	N.A.	22	N.A.	37	(22)	
EBITDA margin (%)	(0.7)	1.2		6.2		2.9	(2.2)	
<b>Digital</b>								
Revenue	77	61	27%	77	0%	291	205	42%
EBITDA	(38)	(43)	N.A.	(38)	N.A.	(159)	(95)	NA
<b>Radio City</b>								
Revenue	758	692	9.5%	703	8%	2,301	2,046	12%
EBITDA	243	289	-16.0%	222	9%	784	640	23%
EBITDA margin (%)	32.0	41.7		31.5		34.1	31.3	

Source: Company, Axis Capital

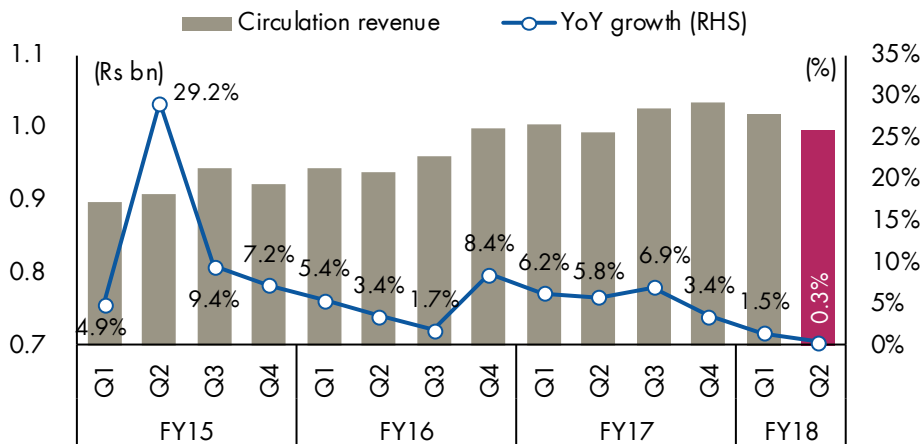
<sup>^</sup> standalone brand; <sup>\*</sup> includes Naiduniya, I-next, City Plus, Punjabi Jagran and Magazines

### Exhibit 3: Standalone ad revenue growth performance



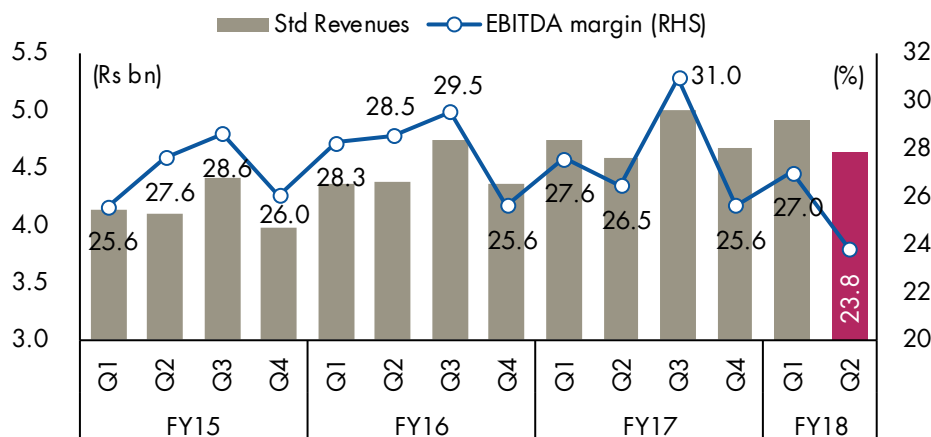
Source: Company, Axis Capital

### Exhibit 4: Standalone circulation revenue trend



Source: Company, Axis Capital

### Exhibit 5: Standalone operating performance



Source: Company, Axis Capital

**Profit & loss (Rs mn)**

Y/E March	FY16	FY17	FY18E	FY19E
Net sales	21,144	23,172	24,257	26,801
Other operating income	-	-	-	-
<b>Total operating income</b>	<b>21,144</b>	<b>23,172</b>	<b>24,257</b>	<b>26,801</b>
Cost of goods sold	(8,130)	(8,660)	(8,806)	(9,511)
Gross profit	13,014	14,512	15,451	17,290
<i>Gross margin (%)</i>	<i>61.5</i>	<i>62.6</i>	<i>63.7</i>	<i>64.5</i>
Total operating expenses	(6,757)	(7,774)	(8,966)	(10,069)
<b>EBITDA</b>	<b>6,256</b>	<b>6,738</b>	<b>6,486</b>	<b>7,221</b>
<i>EBITDA margin (%)</i>	<i>29.6</i>	<i>29.1</i>	<i>26.7</i>	<i>26.9</i>
Depreciation	(1,219)	(1,289)	(1,329)	(1,358)
<b>EBIT</b>	<b>5,037</b>	<b>5,449</b>	<b>5,157</b>	<b>5,863</b>
Net interest	(398)	(281)	(79)	(7)
Other income	-	-	-	-
<b>Profit before tax</b>	<b>4,199</b>	<b>5,167</b>	<b>5,078</b>	<b>5,856</b>
Total taxation	(1,132)	(1,675)	(1,676)	(1,932)
<i>Tax rate (%)</i>	<i>27.0</i>	<i>32.4</i>	<i>33.0</i>	<i>33.0</i>
Profit after tax	3,067	3,492	3,402	3,923
Minorities	-	-	(166)	(218)
Profit/ Loss associate co(s)	-	-	-	-
Adjusted net profit	3,067	3,492	3,236	3,706
<i>Adj. PAT margin (%)</i>	<i>14.5</i>	<i>15.1</i>	<i>13.3</i>	<i>13.8</i>
Net non-recurring items	-	-	-	-
Reported net profit	3,067	3,492	3,236	3,706

**Balance sheet (Rs mn)**

Y/E March	FY16	FY17	FY18E	FY19E
Paid-up capital	654	654	654	654
Reserves & surplus	15,159	16,930	18,611	20,813
Net worth	15,812	17,584	19,265	21,467
Borrowing	5,120	2,677	1,677	677
Other non-current liabilities	1,000	1,000	1,000	1,000
<b>Total liabilities</b>	<b>21,933</b>	<b>21,261</b>	<b>21,942</b>	<b>23,144</b>
Gross fixed assets	21,767	22,267	22,767	23,267
Less: Depreciation	(7,813)	(9,102)	(10,431)	(11,789)
Net fixed assets	13,954	13,165	12,337	11,479
Add: Capital WIP	722	722	722	722
Total fixed assets	14,676	13,887	13,059	12,201
Total Investment	3,066	3,066	3,066	3,066
Inventory	669	1,270	1,329	1,469
Debtors	4,977	4,656	4,889	5,378
Cash & bank	493	600	1,975	3,543
Loans & advances	769	1,270	1,329	1,469
Current liabilities	3,780	4,549	4,767	5,042
Net current assets	3,218	3,336	4,845	6,906
Other non-current assets	972	972	972	972
<b>Total assets</b>	<b>21,933</b>	<b>21,261</b>	<b>21,942</b>	<b>23,144</b>

Source: Company, Axis Capital

**Cash flow (Rs mn)**

Y/E March	FY16	FY17	FY18E	FY19E
Profit before tax	4,199	5,167	5,078	5,856
Depreciation & Amortisation	1,219	1,289	1,329	1,358
<i>Chg in working capital</i>	<i>(2,851)</i>	<i>(11)</i>	<i>(134)</i>	<i>(493)</i>
<b>Cash flow from operations</b>	<b>2,421</b>	<b>5,121</b>	<b>4,749</b>	<b>4,871</b>
<i>Capital expenditure</i>	<i>(7,442)</i>	<i>(500)</i>	<i>(500)</i>	<i>(500)</i>
<b>Cash flow from investing</b>	<b>(6,935)</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>
<i>Equity raised/ (repaid)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Debt raised/ (repaid)</i>	<i>(359)</i>	<i>(2,443)</i>	<i>(1,000)</i>	<i>(1,000)</i>
<i>Dividend paid</i>	<i>980</i>	<i>(1,721)</i>	<i>(1,721)</i>	<i>(1,721)</i>
<b>Cash flow from financing</b>	<b>76</b>	<b>(4,514)</b>	<b>(2,874)</b>	<b>(2,804)</b>
Net chg in cash	(4,438)	106	1,376	1,568

**Key ratios**

Y/E March	FY16	FY17	FY18E	FY19E
<b>OPERATIONAL</b>				
FDEPS (Rs)	9.4	10.7	9.9	11.3
CEPS (Rs)	13.1	14.6	14.0	15.5
DPS (Rs)	3.9	4.5	4.5	4.5
Dividend payout ratio (%)	41.4	42.1	45.5	39.7
<b>GROWTH</b>				
Net sales (%)	19.5	9.6	4.7	10.5
EBITDA (%)	38.9	7.7	(3.7)	11.3
Adj net profit (%)	(0.4)	13.9	(7.3)	14.5
FDEPS (%)	(3.4)	13.9	(7.3)	14.5
<b>PERFORMANCE</b>				
RoE (%)	22.6	20.9	17.6	18.2
RoCE (%)	25.3	25.2	23.9	26.0
<b>EFFICIENCY</b>				
Asset turnover (x)	1.3	1.2	1.3	1.4
Sales/ total assets (x)	0.9	0.9	0.9	1.0
Working capital/ sales (x)	0.1	0.1	0.1	0.1
Receivable days	85.9	73.3	73.6	73.2
Inventory days	16.4	28.2	27.3	27.4
Payable days	92.7	101.0	97.9	94.0
<b>FINANCIAL STABILITY</b>				
Total debt/ equity (x)	0.4	0.2	0.1	-
Net debt/ equity (x)	0.3	0.1	-	(0.1)
Current ratio (x)	1.9	1.7	2.0	2.4
Interest cover (x)	12.7	19.4	65.0	816.7
<b>VALUATION</b>				
PE (x)	18.0	15.8	17.1	14.9
EV/ EBITDA (x)	9.6	8.5	8.5	7.3
EV/ Net sales (x)	2.8	2.5	2.3	2.0
PB (x)	3.5	3.1	2.9	2.6
Dividend yield (%)	2.3	2.7	2.7	2.7
Free cash flow yield (%)	(0.1)	0.1	0.1	0.1

Source: Company, Axis Capital

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, authors (Research team) and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associates do not have any material conflict of interest. I/we have not served as director, officer or employee in the subject company.

**Research Team**

Sr. No	Name	Designation	E-mail
1	Hiren Trivedi	Research Associate	<a href="mailto:hiren.trivedi@axissecurities.in">hiren.trivedi@axissecurities.in</a>
2	Kiran Gawle	Associate	<a href="mailto:kiran.gawle@axissecurities.in">kiran.gawle@axissecurities.in</a>

5. ASL or its associates has not received any compensation from the subject company in the past twelve months. ASL or its Research Analysts has not been engaged in market making activity for the subject company.

6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

- i. Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
- ii. Managed or co-managed public offering of the securities from the subject company of this research report and / or;
- iii. Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report

**Term& Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkarMarg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654