

FY23 could bring in sharp recovery...

Jagran Prakashan reported a weak set of Q4FY21 numbers. Operating revenue (consolidated) declined 8.8% YoY to ₹ 406.4 crore as print ad revenue was down 10.7% YoY to ₹ 234 crore. Subscription and radio revenue also registered de-growth of 12.1% YoY and 7.4% YoY, respectively on a depressed base. EBITDA, however, was up 66.6% YoY to ₹ 89.9 crore. EBITDA margins were at 22.2%, up ~1000 bps YoY. Cost control measures and softened newsprint prices helped EBITDA despite weak revenues. Consequently, PAT at ₹ 37.6 crore grew more than 3x YoY due to strong performance at EBITDA level and also higher other income.

Recovery halted due to outbreak of second wave...

Print ad revenue was down 10.7% YoY, despite a favourable base (24.3% YoY decline), on account of outbreak of second Covid wave. We note that in the base quarter, the impact was severe due to fear psychosis of newspaper carrying virus, which was later dismissed by the Health Ministry ([Link](#)). Circulation also improved to ~80% of pre-Covid level now from the trough of 40% in the past. Going forward, we believe that gradual economic recovery due to possible accelerated vaccination drive and resumption of spending by some key sectors like auto, real estate and tailwind from UP election would help print advertisement. We are baking in 23.5% CAGR print advertisement growth over FY21-23E to ₹ 1080 crore on a depressed base while circulation growth is expected to grow at 16.5% CAGR over FY21-23E, largely due to a recovery in circulation with cover price increase only in FY23E once the volumes stabilises. We expect digital, radio revenues to grow 14.9%, 38.5% CAGR, respectively, in FY21-23E.

Newsprint costs see rise

Jagran indicated that there has been a temporary increase in newsprint prices in Q4FY21 but given the lower pagination and contracted inventory, the impact will be much lower than the price rise. However, as the business scales up some cost like employee and marketing expenses may see some rise. We are baking in 42.2% EBITDA growth over FY21-23E, with margins reaching 23% in FY23E.

Valuation & Outlook

We expect the ad outlook to remain challenging in H1FY22E due to subsequent impact of second wave and possibility of third wave that would push economic recovery in FY23E only. One key attractive feature of Jagran has been strong distribution to shareholders in the form of dividend and buyback (total distribution of ₹ 1204 crore in the last four years), especially ₹ 101 crore in the challenging times in last one year. We maintain **BUY** rating with a revised target price of ₹ 70, at 8x FY23 P/E (earlier TP: ₹ 55/share).



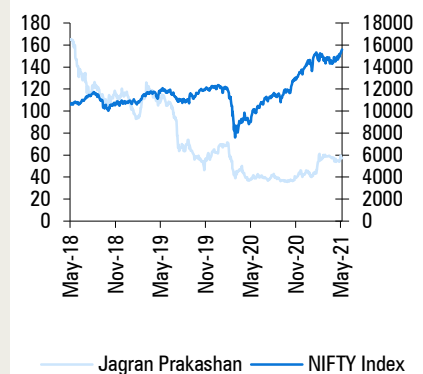
Particulars

Particular	Amount
Market Capitalization	₹ 1452.1 Crore
Total Debt	₹ 264.4 Crore
Cash	₹ 75.9 Crore
EV	₹ 1453.7 Crore
52 week H/L	65/ 36
Equity capital	₹ 56.2 Crore
Face value	2.0

Key Risks

- Longer impact of Covid-19 impacting print ad growth
- Slower recovery in radio ad pricing

Price Performance



Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Sameer Pardikar
sameer.pardikar@gmail.com

Key Financial Summary

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E	CAGR FY21-FY23E
Net Sales (₹ crore)	2,362.7	2,097.3	1,289.2	1,607.0	2,005.1	24.7
EBITDA (₹ crore)	533.7	432.6	227.7	275.8	460.3	42.2
Adj. Net Profit (₹ crore)	260.6	273.4	96.4	107.8	237.2	56.8
EPS (₹)	8.8	9.7	3.5	4.1	9.0	
P/E (x)	6.3	5.7	15.9	13.5	6.1	
Price / Book (x)	0.9	0.8	0.8	0.7	0.7	
EV/EBITDA (x)	2.7	2.9	6.0	5.1	2.8	
RoE (%)	13.9	14.3	4.8	5.5	11.0	
RoCE (%)	16.7	12.6	5.7	7.0	13.0	

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	Q3FY21	YoY (%)	QoQ (%)	Comments
Revenue	406.4	445.6	402.6	-8.8	0.9	Revenues were lower as both print and radio ad declined YoY
Other Income	9.1	4.0	18.4	129.9	-50.3	
Raw Material Expenses	89.0	122.6	85.1	-27.4	4.6	
Employee Expenses	88.8	102.1	91.2	-13.0	-2.6	
Marketing Expenses	138.7	166.5	97.0	-16.7	43.0	
Total Expenses	316.5	391.3	273.3	-19.1	15.8	
EBITDA	89.9	54.3	129.3	65.6	-30.5	Cost rationalisation led to improved EBITDA
EBITDA Margin (%)	22.1	12.2	32.1	993 bps	-1001 bps	
Depreciation	32.0	37.1	32.1	-13.9	-0.5	
Interest	9.1	8.1	8.2	11.6	10.6	
Total Tax	16.3	5.3	25.8	210.8	-36.8	
PAT	37.6	11.2	77.9	235.4	-51.7	
Key Metrics						
Print Ad Growth (%)	-10.7	-24.3	-26.9			
Subscription Growth (%)	-12.1	-9.6	-21.5			

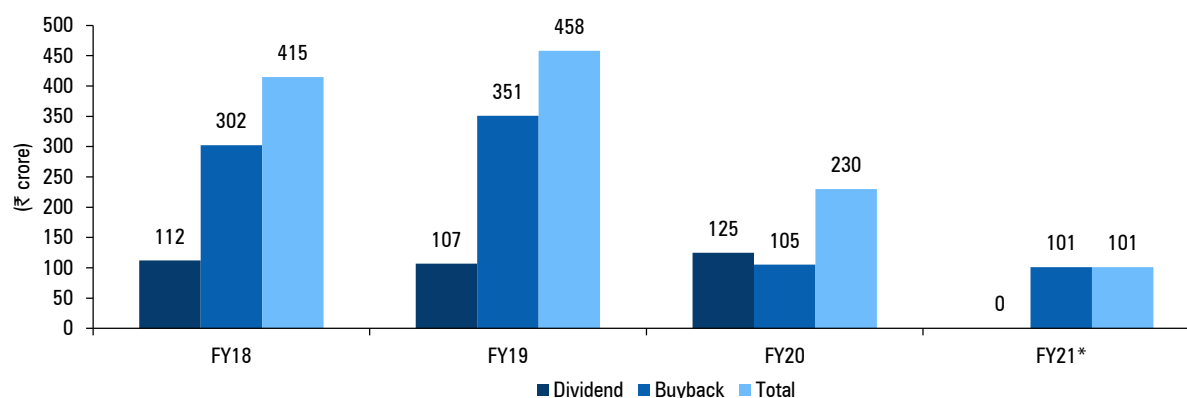
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY22E			FY23E	Comments
	Old	New	% Change	Introduced	
Revenue	2,131.0	1,607.0	-24.6	2,005.1	Lowered our estimate to incorporate the weak ad environment amid second wave
EBITDA	520.8	275.8	-47.0	460.3	
EBITDA Margin (%)	24.4	17.2	-727 bps	23.0	
PAT	269.6	107.8	-60.0	237.2	
EPS (₹)	9.1	4.1		9.0	

Source: Company, ICICI Direct Research

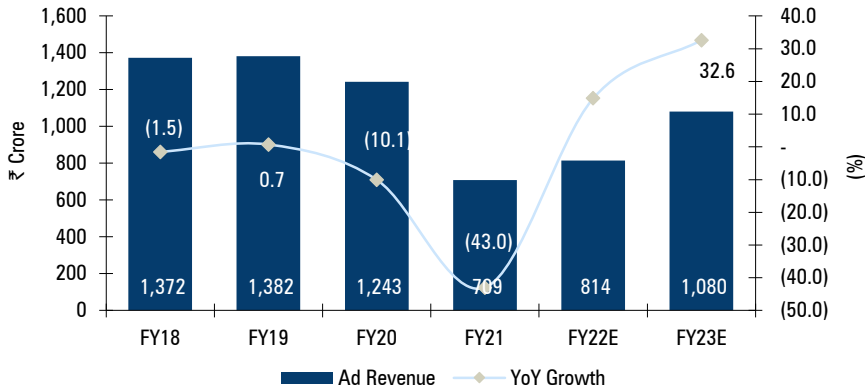
Exhibit 3: Attractive distribution to shareholders



Source: Company, ICICI Direct Research * As of May, 2021 end

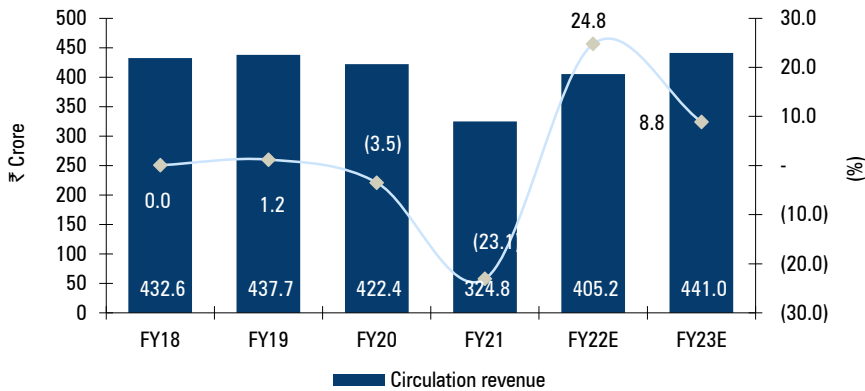
Story in Charts

Exhibit 4: Print ad revenue trend



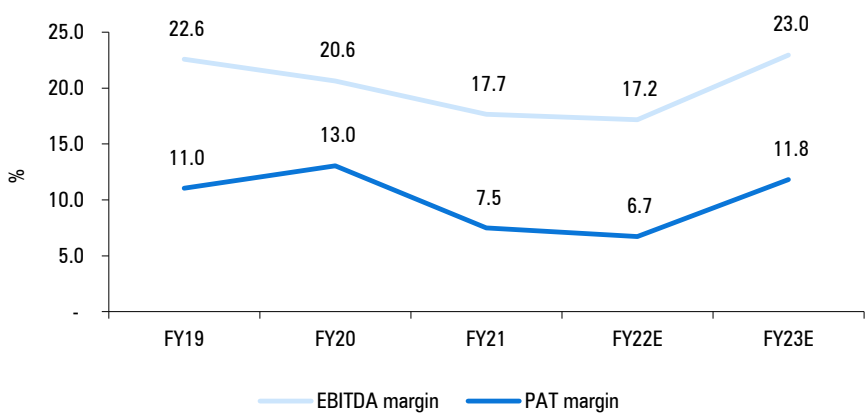
Source: Company, ICICI Direct Research

Exhibit 5: Circulation ad revenue trend



Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	2,097.3	1,289.2	1,607.0	2,005.1
Growth (%)	-8.1	-38.5	24.7	24.8
Raw Material Expenses	601.0	305.3	513.2	541.0
Employee Expenses	417.1	371.5	340.6	380.3
Administrative Expenses	646.6	384.7	477.4	623.5
Other Expenses	0.0	0.0	0.0	0.0
Total Operating Expenditure	1,664.7	1,061.4	1,331.1	1,544.8
EBITDA	432.6	227.7	275.8	460.3
Growth (%)		-47.4	21.1	66.9
Depreciation	145.8	128.6	128.6	130.3
Interest	33.3	33.6	34.0	34.0
Other Income	32.3	52.0	36.0	36.0
Exception Items	0.0	10.6	0.0	0.0
PBT	285.8	107.0	149.3	332.0
MI/PAT from associates	7.5	-10.6	3.9	11.2
Prior Period Items	0.0	0.0	0.0	0.0
Total Tax	4.9	28.9	37.6	83.7
PAT	273.4	88.7	107.8	237.2
Adjusted PAT	273.4	96.4	107.8	237.2
Growth (%)	-21.4	-64.7	11.8	120.0
Reported EPS (₹)	9.7	3.2	4.1	9.0

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	273.4	88.7	107.8	237.2
Add: Depreciation	145.8	128.6	128.6	130.3
Add: Interest Paid	33.3	33.6	34.0	34.0
(Inc)/dec in Current Assets	49.8	235.7	-113.8	-175.5
Inc/(dec) in CL & Provisions	-17.5	-63.7	85.5	107.4
Others	0.0	0.0	0.0	0.0
CF from operating activities	484.8	422.8	242.0	333.3
(Inc)/dec in Investments	-19.3	-313.9	-100.0	-100.0
(Inc)/dec in Fixed Assets	-106.2	-20.3	-20.0	-20.0
Others	-36.4	-33.4	3.9	11.2
CF from investing activities	-161.8	-367.5	-116.1	-108.8
Issue/(Buy back) of Equity	-3.0	-0.6	-2.9	0.0
Inc/(dec) in loan funds	-139.7	60.2	0.0	0.0
Dividend paid & dividend tax	-118.1	0.0	-56.2	-56.2
Interest Paid	33.3	33.6	34.0	34.0
Others	-169.8	-78.4	-148.0	-68.0
CF from financing activities	-397.3	14.8	-173.1	-90.2
Net Cash flow	-74.4	70.0	-47.3	134.3
Opening Cash	127.6	53.2	123.2	75.9
Closing Cash	53.2	123.2	75.9	210.2

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	56.2	55.6	52.8	52.8
Reserve and Surplus	1,862.2	1,939.7	1,923.1	2,104.0
Total Shareholders funds	1,918.5	1,995.3	1,975.9	2,156.8
Total Debt	204.1	264.4	264.4	264.4
Others	416.5	380.3	384.1	395.3
Total Liabilities	2,539.2	2,640.0	2,624.4	2,816.5
Assets				
Gross Block	2,342.9	2,363.4	2,383.4	2,403.4
Less: Acc Depreciation	1,305.0	1,433.6	1,562.1	1,692.5
Net Block	1,037.9	929.8	821.3	710.9
Capital WIP	2.1	1.9	1.9	1.9
Total Fixed Assets	1,040.0	931.7	823.1	712.8
Investments	637.0	950.9	1,050.9	1,150.9
Goodwill	338.1	338.1	338.1	338.1
Inventory	186.7	53.6	132.1	164.8
Debtors	563.3	431.9	440.3	549.3
Loans and Advances	18.9	48.7	60.6	75.7
Other Current Assets	61.6	60.7	75.6	94.4
Cash	41.3	111.3	75.9	210.2
Total Current Assets	871.8	706.1	784.6	1,094.4
Creditors	191.9	109.6	154.1	192.3
Provisions	137.6	137.9	154.1	192.3
Other Current Liabilities	82.3	100.6	125.3	156.4
Total Current Liabilities	411.8	348.1	433.5	540.9
Net Current Assets	460.0	358.1	351.0	553.5
Other non Current Assets	64.1	61.2	61.2	61.2
Application of Funds	2,539.2	2,640.0	2,624.4	2,816.5

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	9.7	3.2	4.1	9.0
Adjusted EPS	9.7	3.5	4.1	9.0
BV	68.2	71.7	74.9	81.8
DPS	3.5	0.0	2.0	0.0
Cash Per Share	1.5	4.0	2.9	8.0
Operating Ratios (%)				
EBITDA Margin	20.6	17.7	17.2	23.0
PBT / Total Operating inc	13.7	7.7	9.2	16.5
PAT Margin	13.0	7.5	6.7	11.8
Inventory days	32.5	15.2	30.0	30.0
Debtor days	98.0	122.3	100.0	100.0
Creditor days	33.4	31.0	35.0	35.0
Return Ratios (%)				
RoE	14.3	4.8	5.5	11.0
RoCE	12.6	5.7	7.0	13.0
RoIC	16.5	5.2	7.7	16.8
Valuation Ratios (x)				
P/E	5.7	17.3	13.5	6.1
EV / EBITDA	2.9	6.0	5.1	2.8
EV / Net Sales	0.6	1.1	0.9	0.6
Market Cap / Sales	0.7	1.1	0.9	0.7
Price to Book Value	0.8	0.8	0.7	0.7
Solvency Ratios				
Debt/EBITDA	0.5	1.2	1.0	0.6
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	2.0	1.7	1.6	1.6
Quick Ratio	1.6	1.6	1.3	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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