FUNDSINDIA

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Jagran Prakashan Ltd.

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Incorporated in 1942, Jagran Prakashan Ltd (JPL) is a media house with interests spanning across printing and publication of newspapers & magazines, FM Radio, Digital, Outdoor Advertising and Promotional marketing/Event management/on ground activation businesses. The Group publishes 8 newspapers and 2 magazines from 37 different printing facilities across 13 states in 5 different languages.

Enjoys leadership position in Hindi newspaper segment: Dainik Jagran is JPL's flagship print publication and has a strong presence in tier II and tier III towns across the Hindi speaking belt with leadership position in UP. The newspaper enjoys India's most widely read newspaper and continues to be the largest read newspaper. According to the Indian Readership Survey 2017 released by Media Research Users Council, Dainik Jagran retained its leadership position as the largest read Hindi daily of the country across languages with a total readership of 7,03,77,000. Dainik Jagran holds a stronghold in the Hindi speaking belt mainly Tier II and Tier III cities and thus it benefits from fast growing advertising spending in these cities due to strong economic growth and rising consumption, which allows it to charge premium ad rates. We believe Jagran Prakashan with its strong market position can charge premium advertising rates going ahead.

Radio foray to add significant value and generate robust cash flow: In order to consolidate its position in the growing media space, JPL has forayed into Radio segment through the acquisition of Music Broadcast Pvt Ltd, which operates the popular Radio City FM stations - India's first and leading FM brand. MBL has expanded its presence over the years with footprint in 39 cities in 2017 and is present in 12 out of the top 15 cities in India by population from 4 cities in 2001. MBL also operates 46 web radio stations through Radio City in eight languages, which has a listenership of 33 mn in September 2017. We believe Radio City will continue to generate robust cash flow and add significant value for the shareholders of the company going ahead due to its high operating margins which will boosts JPL's operating margins and profitability.

Eyeing to strengthen presence through acquisition and diversification: Radio City, part of Music Broadcast Limited (MBL) and a subsidiary of Jagran Prakashan, is looking at inorganic growth for the next phase of expansion with an aim to expand Radio City's footprint to 65% of India's population, from the current 62%. To achieve this, the company is targeting to acquire local stations in new geographies like Kolkata, Madhya Pradesh and Chhattisgarh after the three-year lock-in period under Phase 3 of radio privatization that expires on 31 March 2018 to fill up their coverage gap in key cities.

Outlook and Valuation:

With 9 titles across 13 states in 5 different languages and a total readership of 70 million (IRS 2017), it is the largest print media group in the country. Despite increased competitive intensity, the company has managed to consistently increase ad yields. We expect the company to maintain growth momentum driven by healthy ad spend by sectors such as FMCG, education, autos, and government. We estimate consolidated revenue/PAT to grow at a CAGR of 8%/11% over FY17-20E. We recommend 'BUY' rating on the stock with a target price of Rs.217 based on SOTP methodology. We value the core business at 13x FY20E and radio business at 27x FY20E earnings.

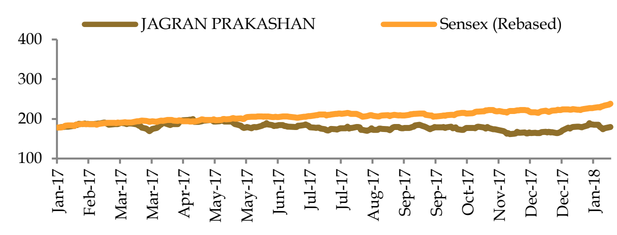
Market Data

Rating	**BUY**
CMP (Rs.)	178
Target (Rs.)	217
Potential Upside	22%
Duration	Long Term
Face Value (Rs.)	2
52 week H/L (Rs.)	208/161
Decline from 52WH (%)	15%
Rise from 52WL (%)	10%
Beta	0.07
Mkt. Cap (Rs.Cr)	5,811

Fiscal Year Ended

Y/E	FY17	FY18E	FY19E	FY20E
Revenue (Rs.Cr)	2,283	2,404	2,625	2,879
Adj. profit (Rs.Cr)	347	361	424	479
Adj. EPS (Rs.)	10.6	11.6	13.6	15.4
P/E (x)	16.7	15.4	13.0	11.6
P/BV (x)	2.7	2.6	2.3	2.0
ROE (%)	18.3	16.9	18.8	18.4

Fiscal Year Ended

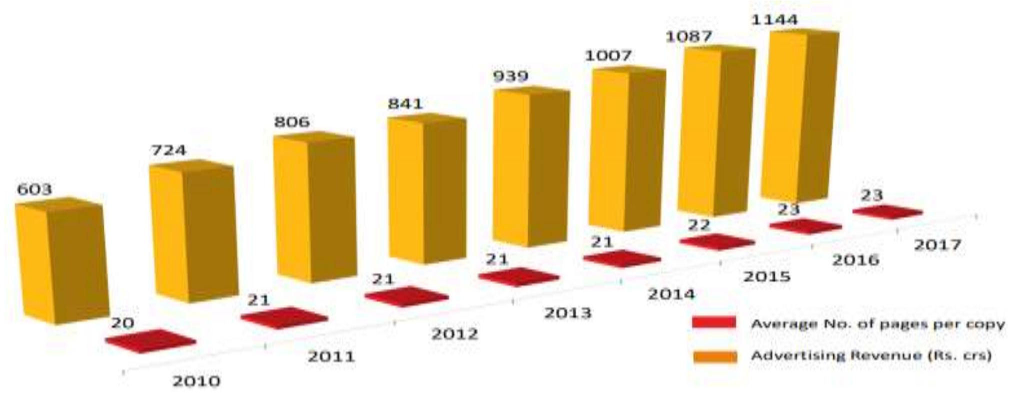


Shareholding Pattern	Jun-17	Sep-17	Dec-17
Promoters	60.8	60.8	60.8
FII's	14.5	10.5	9.2
MFs/Insti	11.5	14.0	15.4
Public	3.3	3.4	3.4
Others	9.9	11.3	11.2

Jagran Prakashan Ltd: Business overview

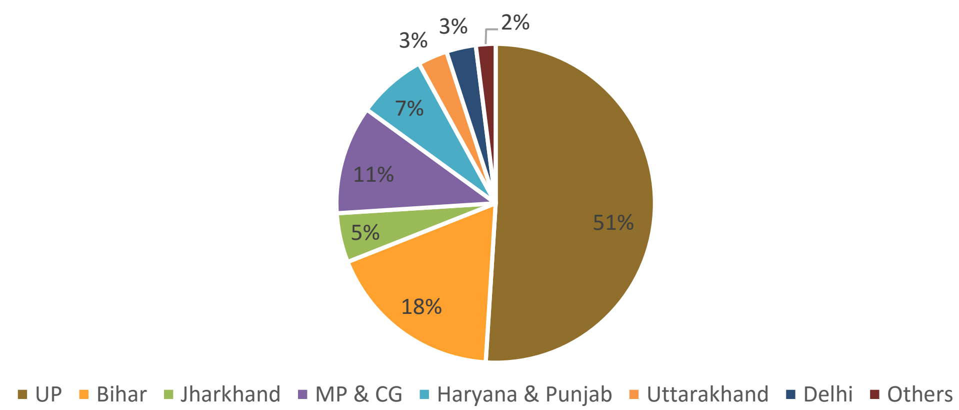
Incorporated in 1942, Jagran Prakashan Ltd (Jagran) is a media house with interests spanning across printing and publication of newspapers & magazines, FM Radio, Digital, Outdoor Advertising and Promotional marketing / Event management / on ground activation businesses. The Group publishes 8 newspapers and 2 magazines from 37 different printing facilities across 13 states in 5 different languages. It's flagship brand Dainik Jagran has been the largest read and circulated newspaper in India. Apart from Dainik Jagran, the group's publications include Midday, Naiduniya, INext, The Inquilab and Punjabi Jagran. Besides newspapers, the company also publishes the magazine Sakhi and Khet Khaliyan in addition to various other publications and coffee table books. It also enjoys a strong footing in the radio market through its radio channels operating under brand name Radio City/Radio Mantra in India. Jagran marks its entry into the radio business with the acquisition of Music Broadcast (MBPL), which operates the popular Radio City FM stations from 39 stations across 13 states to its bouquet through phase III and acquisition of Radio Mantra business. Further, in the digital space, the company is one of the fastest growing digital media platforms in India. Jagran New Media is the Group's Digital Division which offers Web, Text/Voice-based value-added services and products. Its digital platforms operate across diverse genres of Hindi news, health and education and command 50 million+ unique visitors making it one of the top digital media platforms in the country. The company's digital business continues its improved performance with 52% YoY growth in revenue in FY17. The Digital business has direct sales of 60%, while 40% is through the network.

Dainik Jagran constantly improving yields



Source: Company, In-house research

JPL Hindi Publication Readership - By States



Investment Rationale

Enjoys leadership position in Hindi newspaper segment

Dainik Jagran is JPL's flagship print publication and has a strong presence in tier II and tier III towns across the Hindi speaking belt with leadership position in UP. The newspaper enjoys India's most widely read newspaper and continues to be the largest read newspaper. With 38 editions, Dainik Jagran covers 11 states of India. It has the highest circulation amongst all its peers as per ABC certification for the period ended June 30,2017. It was voted as the most credible and trusted newspaper in India in a Globescan survey commissioned by BBC-Reuters, which was conducted across 10 leading countries, including the US, the UK, Germany and Russia. Dainik Bhaskar was also ranked world's fourth largest circulated daily by WANIFRA in its World Press Trends 2016 report. According to the Indian Readership Survey 2017 released by Media Research Users Council, Dainik Jagran retained its leadership position as the largest read Hindi daily of the country across languages with a total readership of 7,03,77,000. Dainik Jagran holds a stronghold in the Hindi speaking belt mainly Tier II and Tier III cities and thus it benefits from fast growing advertising spending in these cities due to strong economic growth and rising consumption, which allows it to charge premium ad rates. We believe Jagran Prakashan with its strong market position can charge premium advertising rates going ahead.

Dainik Jagran retain top slots among Hindi dailies in IRS 2017

According to the Indian Readership Survey (IRS) 2017, Dainik Jagran continues to be the top read publication in India and is the most read newspaper among Hindi dailies with total readership of over 7 crore. The survey also revealed that Hindi dailies saw a huge spurt in readership despite a healthy base of 121 million readers in IRS 2014. According to IRS 2017 data, Hindi dailies saw a 45% surge in readership to reach 176 million. Indian newspaper market recorded healthy growth numbers and witnessed a major pick up in new readers addition during the last four years, according to the IRS 2017. The survey said 11.2 crore new readers were added during the past four years, taking the overall readership to 40.7 crore. The survey report further said Hindi dailies readership surged by a whopping 45% to 17.6 crore.

Radio foray to add significant value and generate robust cash flow

In order to consolidate its position in the growing media space, JPL has forayed into Radio segment through the acquisition of Music Broadcast Pvt Ltd, which operates the popular Radio City FM stations - India's first and leading FM brand. MBL has expanded its presence over the years with footprint in 39 cities in 2017 and is present in 12 out of the top 15 cities in India by population from 4 cities in 2001. MBL also operates 46 web radio stations through Radio City in eight languages, which has a listenership of 33 mn in September 2017. The acquisition marks JPL's foray into the high growth radio industry and catapults the company to a leadership position in the radio segment of the media industry. This acquisition further consolidates JPL's position as India's leading media and communication conglomerate, strengthens its portfolio of leading media brands and enable the company to benefit from the rapid growth in radio advertising. We believe Radio City will continue to generate robust cash flow and add significant value for the shareholders of the company going ahead due to its high operating margins which will boosts JPL's operating margins and profitability.

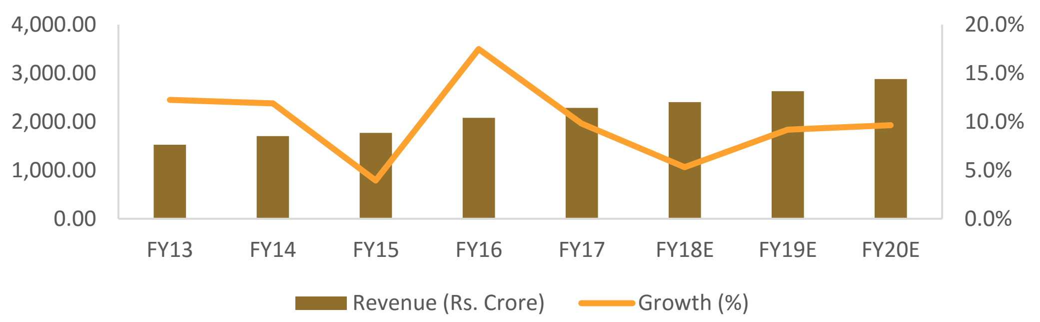
Eyeing to strengthen presence through acquisition and diversification

Radio City, a part of Music Broadcast Limited (MBL) and a subsidiary of Jagran Prakashan, is looking at inorganic growth for the next phase of expansion with an aim to expand Radio City's footprint to 65% of India's population, from the current 62%. To achieve this, the company is targeting to acquire local stations in new geographies like Kolkata, Madhya Pradesh and Chhattisgarh after the three-year lock-in period under Phase 3 of radio privatization that expires on 31 March 2018 to fill up their coverage gap in key cities. Further, the company is targeting to increase the share of local ad revenue to 60% from current 40% by organizing outreach programmes to tap the local advertising market. Further, to achieve the strategy of diversification and localisation by offering its digital platform for its regional audience, the company has launched a web platform - radiocity.in Hindi.

Financials

JPL recorded 11% net sales CAGR during FY13-17 driven by 12.5%/8.2% CAGR in advertising and circulation revenue respectively. Advertisement revenue accounts for 74% of total revenue while circulation account for 19% as of FY17. While, other revenue including Outdoor & Event Management and Digital Services businesses grew just 2% CAGR. The increased advertisement revenue was on account of the company's strengthened relationships with clients with wider offerings, expansion in language offerings - English, Gujarati & Urdu (Total presence with 9 Languages) and extension in print footprint in Western India and Central India. The growth in advertising revenue was led by Dainik Jagran ad revenue which rose at a CAGR of 10% over FY10-17 driven by better yields and increased volumes. The advertisement revenue also got a boost from the company's foray into the flourishing radio industry. The company continued to witness healthy traction in the radio segment. Further, healthy revenue from the digital segment also supported the revenue growth. The circulation revenue grew at a CAGR of 8% over FY13-17 led by Dainik Jagran circulation revenue which grew at 8% during the same period mainly due to growth in no. of copies and improvement in per copy realization. Further, hike in cover prices, improved realization/copy across the publications also supported the revenue growth. We expect advertisement revenue growth to accelerate going ahead and model a CAGR of 10% in ad growth over FY17-20E. Further, we expect circulation revenue to grow at a CAGR of 4% over FY17-20E. Hence, we expect, overall revenue to grow at a CAGR of 8% over FY17-20E.

Revenue to grow at 8% CAGR over FY17-20E



Outlook and Valuation

With 9 titles across 13 states in 5 different languages and a total readership of 70 million (IRS 2017), it is the largest print media group in the country. Despite increased competitive intensity, the company has managed to consistently increase ad yields. We expect the company to maintain growth momentum driven by healthy ad spend by sectors such as FMCG, education, autos, and government. Further, strong footing in the Radio market and increasing presence in the Digital space bodes well for the growth outlook. We estimate consolidated revenue/PAT to grow at a CAGR of 8%/11% over FY17-20E. We recommend 'BUY' rating on the stock with a target price of Rs.217 based on SOTP methodology. We value the core business at 13x FY20E earnings and radio business at 27x FY20E earnings.

Key Risks

- Newsprint price fluctuation as well as foreign exchange risk.
- Adverse change in macro-economic conditions.
- Increasing competition to lead to price war.

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Profit & Loss Account (Consolidated)

Y/E (Rs. Cr)	FY17	FY18E	FY19E	FY20E
Total operating Income	**2,283**	**2,404**	**2,625**	**2,879**
Raw Material cost	652	717	743	806
Employee cost	374	394	430	472
Other operating expenses	617	650	709	778
EBITDA	**640**	**644**	**743**	**823**
Depreciation	129	136	146	155
EBIT	**511**	**508**	**597**	**668**
Interest cost	35	24	21	17
Other Income	41	56	60	66
Profit before tax	**516**	**540**	**636**	**717**
Tax	168	178	210	237
Profit after tax	**349**	**362**	**426**	**480**
Minority Interests	2	2	2	2
P/L from Associates	0	1	1	1
Adjusted PAT	**347**	**361**	**424**	**479**
E/o income / (Expense)	-	-	-	-
Reported PAT	**347**	**361**	**424**	**479**

Balance Sheet (Consolidated)

Y/E (Rs. Cr)	FY17	FY18E	FY19E	FY20E
Paid up capital	65	62	62	62
Reserves and Surplus	2,090	2,039	2,351	2,718
Net worth	**2,155**	**2,101**	**2,413**	**2,780**
Minority interest	236	238	240	243
Total Debt	308	308	238	208
Other non-current liabilities	17	17	17	17
Total Liabilities	**2,717**	**2,665**	**2,909**	**3,248**
Total fixed assets	1,154	1,134	1,088	1,024
Capital WIP	76	60	50	50
Goodwill	338	338	338	338
Investments	535	535	535	535
Net Current assets	730	714	1,014	1,418
Deferred Tax assets (Net)	(170)	(170)	(170)	(170)
Other non-current assets	54	54	54	54
Total Assets	**2,717**	**2,665**	**2,909**	**3,248**

Cash Flow Statement (Consolidated)

Y/E (Rs. Cr)	FY17	FY18E	FY19E	FY20E
Pre tax profit	517	541	636	718
Depreciation	129	136	146	155
Chg in Working Capital	(48)	(29)	(49)	(59)
Others	19	(32)	(39)	(48)
Tax paid	(139)	(178)	(210)	(237)
Cash flow from operating activities	**477**	**437**	**484**	**528**
Capital expenditure	(118)	(100)	(90)	(90)
Chg in investments	(318)	-	-	-
Other investing cashflow	17	56	60	66
Cash flow from investing activities	**(419)**	**(44)**	**(30)**	**(24)**
Equity raised/(repaid)	400	(302)	-	-
Debt raised/(repaid)	(280)	-	(70)	(30)
Dividend paid	(0)	(112)	(112)	(112)
Other financing activities	(57)	(24)	(21)	(17)
Cash flow from financing activities	**63**	**(438)**	**(203)**	**(160)**
Net chg in cash	**121**	**(45)**	**251**	**344**

Key Ratios (Consolidated)

Y/E	FY17	FY18E	FY19E	FY20E
Growth (%)				
Net Sales	9.8	5.3	9.2	9.7
EBITDA	8.3	0.7	15.3	10.8
Net profit	-0.3	3.8	17.7	12.8
Margin (%)				
EBITDA	28.0	26.8	28.3	28.6
NPM	15.2	15.0	16.2	16.6
Return Ratios (%)				
RoE	18.3	16.9	18.8	18.4
RoCE	22.3	21.1	23.7	24.0
Per share data (Rs.)				
EPS	10.6	11.6	13.6	15.4
DPS	3.0	3.0	3.0	3.0
Valuation(x)				
P/E	16.7	15.4	13.0	11.6
EV/EBITDA	9.4	9.0	7.4	6.2
EV/Net Sales	2.6	2.4	2.1	1.8
P/B	2.7	2.6	2.3	2.0
Turnover Ratios (x)				
Net Sales/GFA	1.8	1.6	1.7	1.7
Sales/Total Assets	0.8	0.8	0.8	0.8

Rating Criteria

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	**Buy**	More than equal to 15%
Hold	Upside or downside is less than 10%	**Accumulate***	Upside between 10% & 15%
Reduce	Less than equal to -10%	**Hold**	Between 0% & 10%
		Reduce/sell	Less than 0%

***** To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

***** Jagran Prakashan Limited is a mid-cap company.

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