

## Steady Outlook

14<sup>th</sup> Nov, 2017

<b>Rating</b>	
<b>CMP</b>	<b>Rs 169</b>
<b>Target Price</b>	<b>Rs 171</b>
<b>Recommendation</b>	<b>NEUTRAL</b>

### Stock Info

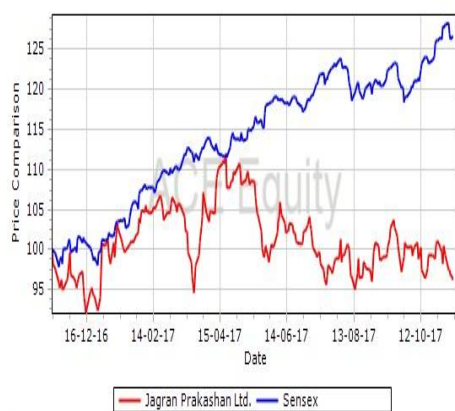
BSE Group	B
BSE Code	532705
NSE Symbol	JAGRAN
Bloomberg	JAGP IN
Reuters	JAG.BO
BSE Sensex	33,033
NSE Nifty	10,225

### Market Info

Market Capital	5,284 cr
Equity Capital	62 cr
Avg. Trading Vol.	2,44,090
52 Wk High/ Low	213/162
Face Value	2

Shareholding Pattern (%)	(Sept '17)
Promoters	60.8
Domestic Institutions	13.9
Foreign Institutions	10.5
Public & Others	14.8

### Price Chart:



For the quarter ended Sept 2017, Jagran Prakashan Ltd. reported a fall in profitability with net profit contracting by 19% YoY to Rs 61 cr and 22% sequentially.

Total revenue for the company grew by 1% YoY to Rs 465 cr while sequentially the revenue de-grew by 6%. Advertisement revenue for the company grew by 0.8% YoY to Rs 325 cr while the circulation revenue grew by 0.3% YoY to Rs 100 cr. Digital Advertisement revenue for the company grew by 37.1% YoY to Rs 8.1 cr. Page views for this quarter reached to 282.87 million while unique users reached 33.10 million.

Revenue from Dainik Jagran de-grew to Rs 372 cr reporting a decline of 0.5% YoY and 6% sequentially. Margins from the publication stood steady to 30.65% vs. 33.77% YoY. Revenue from Other Publications (Naidunia, I-Next, Punjabi Jagran, Josh Plus & Sakhi) came in at Rs 86 cr reporting a growth of 5% YoY and decline of 3% sequentially with margins improving to 6% vs. 3% YoY.

EBITDA margin for the quarter declined to 23.7% vs. 26.4% in corresponding quarter of previous year and 26.8% sequentially. This was on account of cost of materials expenses & flat revenues. Interest expenses for the company have dropped to Rs 3.5 cr against Rs 4.7 cr YoY aiding the company report net profit margins of 13.2% vs 16.4% YoY & 15.9% QoQ. Total comprehensive income for the company stood at Rs 61.30 cr.

Recognising Group's leadership position in different fields of operations, various distinguished bodies like WOW, DMA, APAC, Lisbon International Advertising Festival etc. have bestowed 47 Awards upon the Group during the quarter.

### Valuations

Media industry which thrives on discretionary spends was impacted in this quarter too due to slow recovery from newer reforms like GST. The overall performance of the company couldn't withstand this unusual economic condition and reported decline in net profit by 19% due to low single digit growth in advertisement revenue and circulation revenues. At CMP of Rs 169 per share the stock is trading at P/E and P/BV multiple of 10.8(x) and 2.4(x) respectively of FY19E. We have valued the stock at P/E multiple of 11(x) to FY 19E and have arrived at fair value of Rs 171 per share. We have Neutral rating for the stock.

### Financial Snapshot

Particulars	2017	2018E	2019E
Revenue from Operations	2283	2582	2871
Operating Margin	28%	29%	29%
Net Profit Margin	15%	17%	17%
RoE	21%	24%	23%
P/E	16.6	12.2	10.8

**Q2 FY18 Earnings Snapshot:**

Standalone Quarterly Results					
Particulars	Q2 FY 18	Q2 FY 17	YoY	Q1 FY 18	QoQ
Total Revenue	465	459	1%	492	-6%
Cost of Materials Consumed	159	154		163	
Total Expenditure	355	338		360	
EBITDA	110	121	-9%	132	-17%
EBITDA Margin	23.7%	26.4%		26.8%	
Depreciation	20	19		20	
Interest	4	5		3	
Other Income	7	16		7	
PBT	93	109		116	
Tax	33	34		39	
Net Profit	61	75	-19%	78	-22%
PATM%	13.2%	16.4%		15.9%	
Major Business Performance					
Particulars	Q2 FY 18	Q2 FY 17	YoY	Q1 FY 18	QoQ
<b>Dainik Jagran</b>					
Revenue	372	374	-0.4%	396	-6%
Profit	114	126	-10%	131	-13%
Margin	31%	34%		33%	
<b>Other Publications</b>					
Revenue	86	82	5%	88	-3%
Profit	5	2.1	141%	9.3	-46%
Margin	6%	3%		10%	
<b>Digital</b>					
Revenue	8	6.3	34%	7.7	10%
Profit	-4	-4.6	-4%	-3.8	-18%
Margin	-52%	-73%		-49%	
<b>Outdoor &amp; Event</b>					
Revenue	28	28	2%	35	-20%
Profit	-0.2	0.3	-166%	2.2	108%
Margin	-1%	1%		6%	

Source: Ace Equity, Arihant Research

**Income Statement**

Particulars	2017	2018E	2019E
Revenue from Operations	2283	2582	2871
Cost of raw material consumed	653	801	890
Employee cost	374	382	431
Total Expenditure	1643	1828	2038
Operating Profit	640	754	833
Depreciation	129	123	137
EBIT	511	631	696
Finance Costs	35	46	37
Other Income	41	41	46
PBT	517	626	705
Tax	168	188	212
PAT	349	438	494

**Balance Sheet**

Particulars	2017	2018E	2019E
Share Capital	63	63	63
Shareholders Fund	1724	1968	2243
Long term borrowings	240	270	210
Non-current Liability	345	380	348
Current Liability	650	707	707
<b>Total Liabilities</b>	<b>2719</b>	<b>3064</b>	<b>3318</b>
Net Block	1329	1326	1329
Non-current Investment	16	16	17
Total Non-current assets	1611	1733	1753
Cash & Balance	9	40	61
Total Current Assets	1108	1331	1566
<b>Total Assets</b>	<b>2719</b>	<b>3064</b>	<b>3318</b>

**Cashflow Statement**

Particulars	2017	2018E	2019E
Profit Before Tax	517	626	705
Non-operating activities	164	170	173
Op. Profit before W.C changes	681	795	879
Changes In working Capital	-113	-111	-120
Tax Paid	-172	-192	-232
Cash From Operating Activities	396	493	526
Capex	-133	-128	-150
Other Investing Activities	-13	-15	-15
Cash Flow from Investing Activities	-146	-143	-165
Dividend & taxes	-42	-184	-219
Other financing activities	-297	-183	-169
Cash from Financing Activities	-339	-367	-389
Net Cash Inflow / Outflow	-89	-18	-28
Closing Cash	4	35	55

**Ratios**

Particulars	2017	2018E	2019E
Revenue Growth	8%	13%	11%
Operating Margin	28%	29%	29%
Net Profit Growth	6%	25%	13%
<b>Du-Pont Analysis</b>			
Net Profit Margin	15%	17%	17%
Asset Turnover	0.9	0.9	0.9
Financial Leverage	1.6	1.6	1.5
RoE	21%	24%	23%
Current Ratio	1.7	1.9	2.2
D/E	0.3	0.2	0.2
<b>Valuation</b>			
P/E	16.6	12.2	10.8
P/B	3.3	2.7	2.4
EV/EBITDA	9.6	7.6	6.8

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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