

Initiating Coverage
Target Price – Rs.162
Buy

Codes	
BSE Code	532705
NSE Code	JAGRAN - EQ
Bloomberg Code	JAGP:IN
Reuters Code	JAGP.BO

Jagran Prakashan is the publisher of leading Hindi newspaper 'Dainik Jagran'. The group is leveraging on its dominant position in northern India through print and other media avenues like outdoor marketing, Event management and web based advertising. Jagran's revenue grew at 22% CAGR in last 3 years to Rs. 823.48crin FY'09. It is further expected that high growth would continue at 18% CAGR in next 3 years. This would be fueled mainly by the robust growth in advertisement revenue along with other media business.

KEY INVESTMENT ARGUMENTS
➤ Glamorous Industry Trend

- **High Growth Trajectory** – Entertainment & Media Industry (E&M) is one of the fastest growing sectors in India and has outperformed Indian economy, by registering a CAGR of above 15% during last five years.
- **High Positive Multiplier to GDP** – The E&M Industry generally tends to grow faster when economy is expanding. It enjoys 1.35x multiplier to GDP.
- **Bright Future Ahead** – Growth in Indian economy, rise in spending power, liberal foreign investment policy would lead E&M industry to grow multifold going forward.

Key Data	
Sensex	17,604
Nifty	5,264
Market Cap.	4034
Equity Capital	669.01
Face Value	2
52 Week High	141.80
52 Week Low	43.00
EPS	3.04
DPS	2.00
P/E	30
P/B	18
Avg. Vol. (1 mnth)	3,74,406

➤ Dainik Jagran

- **Pure Domestic Play through Localized Offering:** Dainik Jagran has 37 editions and 200 sub editions across 11 states such a great bouquet helps the news paper to cater the diverse preferences and tastes across the Hindi speaking belt of India.
- **Readership – maintaining the leadership:** IRS reaffirmed 12th time in a row the No.1 status of Dainik Jagran in the country across the languages with a total readership of 54.58mn.
- **Revival in advertisement:** The economy has started showing the sign of revival but the revival in the ad spends by the national advertisers is less than the regional ad spends. This is a positive for the company; as out of the total advertisement revenue, around 60% comes from the local advertisers and going forward, as the national advertisement would revive, the company would be getting an additional growth.
- **Low dependence on International Newsprint:** Jagran uses news print mix of 80% domestic and 20% imported which reduces the risk of fluctuations in international newsprint prices. Further, the investment in inventory is lower as the lead time of supply of domestic newsprint is lower than that of imported one.

Share Holding Pattern (%)	
Promoter	
Indian	55.33%
Foreigner	0.00%
Non-Promoter	
Mutual Funds	13.34%
Bank/FIs/Insurance	1.05%
FII's	2.94%
Individuals	27.34%

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- ***I-Next & City Plus – targeted to different reader class:*** *I-Next* is a bilingual newspaper targeted to the youth readers. It is currently circulated in 4 states with 9 editions. *City Plus* is a free weekly newspaper with 18 editions it is an infotainment newspaper with a high ad edit ratio. It is mainly targeted to the niche segment of the society. These 2 newspapers provide diversification to the print segment of the company.
- ***Strong Financial Performance:*** In the last 3 years the total income of Jagran grew by a CAGR of 20.02% to reach Rs823.42cr in FY'09 mainly propelled by the growth in advertisement income which grew by a CAGR of 21.11% over the same period. EBITDA grew by a CAGR of 33% in last 3 years and reached Rs167.50cr in FY'09 and PAT grew by a CAGR of 43% to Rs91.73cr.
- ***Improvement in Margins:*** In the first half of FY'10, EBITDA margins for JPL improved by 10% and PAT margins improved by 6%. The improvement was mainly result of the decreasing newsprint prices and effective cost control by management.
- ***Robust growth potential:*** *Mata research* expects the total income of the company to grow by 16% CAGR to Rs1297.91cr by FY'12 on account of robust growth in the advertisement revenue at 18% CAGR over the same period. The EBITDA is expected to grow at a higher CAGR of 32% to Rs. 387.25cr. over the next 3 years owing to the increasing contribution from the advertising revenue stream. PAT is expected to grow at a CAGR of 37.2% over FY'09 to FY'12 to Rs239.41cr.
- ***Hindi Portal with Yahoo:*** Jagran launched Hindi internet portal 'in.jagran.yahoo.com' by tying up with Yahoo. The portal achieved a 50mn. Pages view a month and 1.3 mn. unique visitors.

VALUATION

Mata Research values the standalone business of Jagran, based on DCF, at Rs. 162. At market price of Rs.135 (As on January 11, 2009), the scrip is trading at a 30x on the basis of 12 months trailing EPS of Rs.4.54 and 17x on expected EPS of FY'12 (Rs.7.95).

With the leadership position, low financial risk and high growth opportunity in the industry, we expect the stock to cross Rs.162 mark within a period of 12 months.

JAGRAN PRAKASHAN

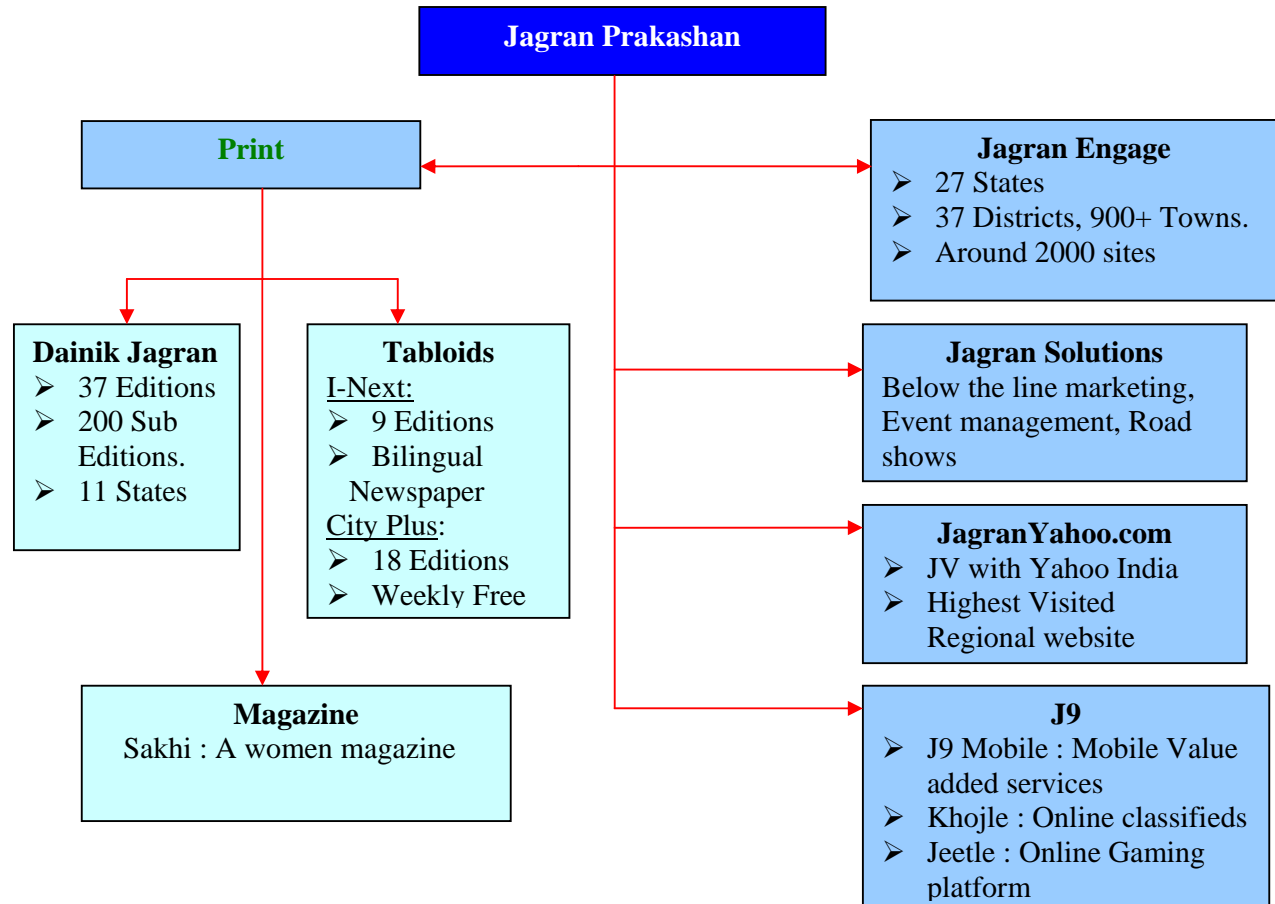
Highest readership

Jagran Prakashan is one of the leading media houses in India. 'Dainik Jagran' (DJ), the flagship newspaper of the company, is *the highest read newspaper with 16.095mn of average readers and 54.58mn of total readership as per IRS 2009 R2*. The company also publishes bilingual paper called 'I-Next' and weekly infotainment paper called 'City Plus' to reach different classes of readers. DJ has 37 editions and is published from 11 states.

In addition to the active role in print media, JPL has specialized outdoor media (OOH), Event Management with footprint across India and web based advertising.

The company registered a CAGR of 21.66% in total income during the last five year and for FY09, its total income was Rs.823.48cr.

DIVERSIFIED PRODUCT PORTFOLIO



BUSINESS SEGMENT ANALYSIS

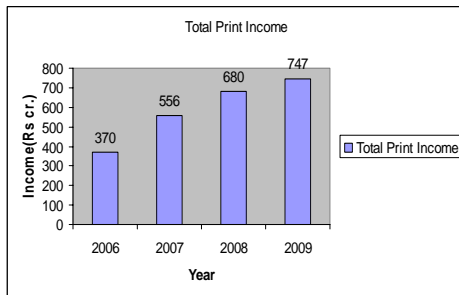
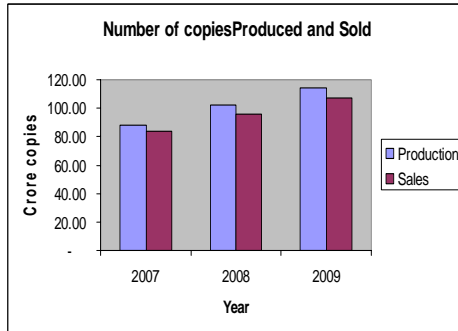
As stated, Jagran Prakashan Limited is one of the leading media houses of the country with presence in Print Media, Event

management and 'Out of the Home' solutions. The company is head-quartered in Kanpur, UP.

Print Media Business

Print media business is the main business of Jagran Prakashan which accounted for 90% of its total revenue in FY'09.

Currently, it is the number one player in northern India. Dainik Jagran is the leader in the readership and maintained its position for last 12 rounds of Indian Readership Survey. The Company is present in all Hindi speaking states except Rajasthan. The company is undisputed leader in UP market and holds no.2 position in the markets like Bihar, Jharkhand etc. To maintain its strong hold, the company introduced *I-Next* a bilingual daily which is having 9 editions and circulation of 3 lakh copies per day.



Revenue from the print segment grew at a CAGR of 15% during FY'05 to FY'09, from Rs.376.39cr. to Rs.748.82cr. Increase in revenue is mainly contributed by increase in ad income. Advertisement revenue is almost 91% of the total standalone income in FY'09 and it has a potential to grow with a CAGR of 18% during next five years.

The good readership numbers and Penetration in regional market provides Jagran with a good reputation among the advertisers.

Internet Business – Association with Yahoo

Jagran Prakashan has JV with Yahoo India for the website 'Jagran.yahoo.in'. In this JV, the Jagran provides news content and Yahoo manages the website and advertisement.

In FY'09, internet JV reported a revenue of Rs.50 lakh with 50million website visits and 1.69mn. unique visitors. The most important factor in this JV would be the monetization of the viewership. With increasing penetration of internet, the future prospects for this segment are very bright.

Event Management Business

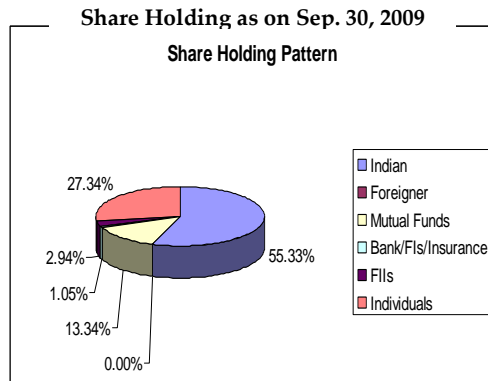
Jagran Solutions is the event management segment of Jagran. It provides *below the line* marketing solutions like events, promotions, road shows and product launches etc. In FY'2009, this segment reported a growth of 50% YoY in revenue. Though the revenue from this segment is not large enough (% of the total income), it offers some business diversification in the long run.

Out door Business

The outdoor business segment of Jagran Prakashan is in outdoor advertisements through billboards, kiosks, unique street furniture and transit and mobile media. The company has presence in 27 states. In FY'2009, the segment reported a growth of 36% in

revenue. Although this segment was the worst affected segment from the economic slowdown for the company, with the effective cost cutting measures taken by the company it was able to minimize the losses. The company was having around 2000 sites at the end of FY2009.

Share Holding Pattern



During FY'06, Jagran raised an amount of Rs.321.25cr. through an IPO. As on March 31, 2007, the equity capital of the company was Rs.60.23cr.

The shares with the face value of Rs.10 each were split into five shares of face value of Rs.2 each on October, 2007 to further enhance the liquidity of the stock on the bourses.

As on September 30, 2009, the promoters' holding in the company was 55.33% and the institutional holding was 17.33%.

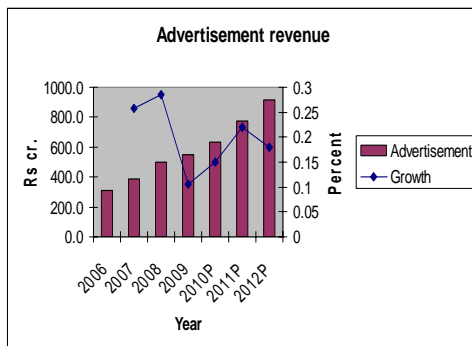
MANAGEMENT – strategically supporting the growth

The strong and efficient management of Jagran, chaired by Mr. Mahendra Mohan Gupta, who is a renowned industrialist and has a career span of 48 years in print media industry. He is a member of Rajya Sabha and has Chaired various associations in Industry such as United Press of India (UNI), India Newspaper Society (INS), Indian Languages Newspaper Association (ILNA) and many other prominent organizations.

The company has been on the growth path with continuous innovative steps by the management to earn better return for the stake holders and to diversify the business model.

Investment Rationale

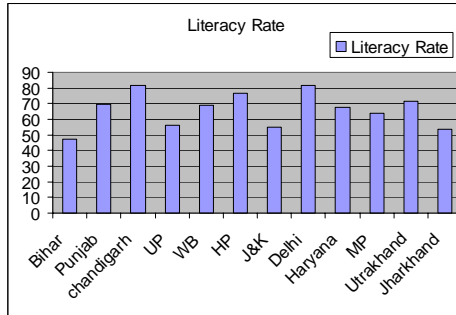
Advertisement Revenue to drive the growth.



Past performance: The advertisement revenue for the company grew by CAGR of 22% in last 3 years and reached Rs 551.71cr in 2009 from Rs.308cr in 2006. *Jagran has a 40:60 ratio of national to regional advertisements because of its focus on Tier-1 and Tier-2 cities. This exposure to regional markets helped Jagran to maintain the growth rate even in the economic slowdown as regional advertisers were less affected by the economic slowdown as compared to the national advertisers.*

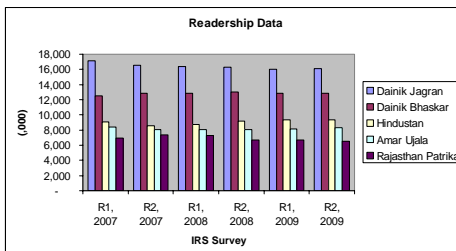
Key growth drivers in the advertisement revenue

➤ *Dominant in Hindi heartland.*



The dominance of Jagran in Hindi states provides it with edge over competitors. The localization strategy with 39 editions in 11 states gives company penetration in the regional markets. The regional exposure is one of the most important factors for the company growth as the media penetration is low in the regional markets and print is still the preferred option by the regional advertisers. The company is enjoying high readership in low literacy ratio states which shows the dominance of the company in these markets.

➤ *Strong Brand Recognition from Advertisers Viewpoint*



The dominant presence of Jagran in Northern India with highest readership across all newspapers in India gives Jagran strong brand recognition among the advertisers. *The Jagran is topping the readership survey from last 12 rounds of Indian Readership Survey which gives it better bargaining power with customers in terms of ad rates as compared to other competitors.*

➤ *Low Ad/Edit Ratio*

Ad/Edit ratio indicates the level of consumer preference to a print media product. Higher the Ad/Edit ratio, lower the consumer preference. Jagran enjoys a low Ad/Edit ratio of 40:60 which is an advantage as consumers prefer lower ads. The 'City Plus' weekly newspaper of Jagran Prakashan is having a higher ad-Edit ratio than other publications of the company as it is a lifestyle and entertainment newspaper.

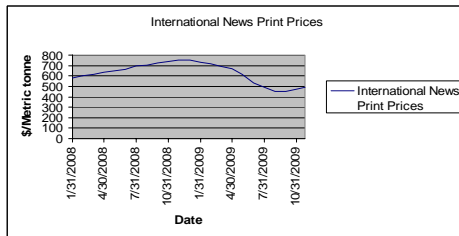
Future expectation

We expect the advertisement revenue to grow by a CAGR of 18% in next three years. The key triggers for advertisement revenue would be:

- Revival of advertisement Industry: The advertisement industry has shown the signs of revival in the first half of 2009 where advertisement revenue grew by 17% YoY. In the first half of the current financial year, the growth was mainly due to general elections and the festive season in the second quarter. We expect the growth momentum of advertisement industry to remain same in the second half of the year.
- Ad rate hike: Jagran usually takes an effective hike of 15% annually in ad rates. In the FY11, we expect the company would be taking a hike of 15% in the ad rates and the rest will be volume growth.

- **Commonwealth games in FY11:** The commonwealth games in FY11 should attract more advertisers from the other sectors like hospitality industry and consumer durable sectors.

We expect advertisement revenue would grow by 15% YoY in FY10 and 22% in FY11, which would mainly be through increase in ad volumes and hike in ad rates.



Source: Bloomberg, Mata Research

Decreasing Newsprint prices:

During FY'09, the Newsprint Prices rose to \$900/mt. Newsprint forms 50% of the total cost for the print companies. The rise in newsprint prices affected the margins of the most of the companies in print industry. But, in the first quarter of FY10 the prices started decreasing and reached to \$450/mt levels; though, later surged to \$550/mt levels.

Low dependence on International Newsprint

Newsprint constitutes 49% of the total cost of Jagran. The company uses a mix of domestic and foreign imports in the ratio of 76:24. Because of the dependence of company largely on the domestic newsprint, the company was able to absorb the rise in international newsprint prices whereas most of the other companies' profits soured because of this.

Better control on cost

The company decreased the number of pages used per copy to contain the rising newsprint prices. In FY'09, the number of copies increased by 11% whereas the newsprint used per cr. copies reduced by 5%. As a result, total newsprint cost increased by 16% for the company and it was able to absorb the affect of rising newsprint prices.

	2007	2008	2009	2010E	2011E	2012E
Total RM Consumed (Rs. Cr)	218.35	250.53	289.77	241.76	312.36	386.02
Units Consumed (MT)	83,085.00	98,940.00	100,275.00	111,545.91	125,321.83	140,799.08
Cost / MT (Cr.)	0.0026	0.0025	0.0029	0.0022	0.0025	0.0027
No. of Copies Produced (Cr.)	88.05	102.38	114.15	123.28	131.91	141.14
Newsprint / Cr. Copy (MT)	943.61	966.39	878.48	904.83	950.07	997.58

For 2011, we have assumed a rise of 15% in newsprint cost from the current level and for 2012 we have assumed a rise of 10%.

Expanding Product Portfolio and De-risking Business Model

The Jagran Prakashan has already added a bilingual newspaper *I-Next* and an English Entertainment and Lifestyle Newspaper *City plus* to its product portfolio. The group also entered into few emerging Media sectors like Internet website, OOH and Event management. The print industry gives stabilization to the company, while these emerging sectors would fuel the growth for the

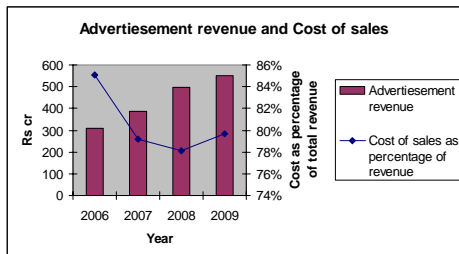
company in the long run.

Key factors for other business:

- *Monetization of viewership of Jagran and Yahoo JV* – Its website has become the no.1 regional site so some monetization of viewership can be expected going forward.
- The Outdoor media business (OOH) is expected to be in profits in next 2-3 years. It reported a marginal operating profit for the first time in Q2'FY10.
- Event management business is already in profits. In Q2 FY'10, it reported a increase of 60% in revenue.

Improvement in margins

The margins of the company are expected to improve as the advertisement income will grow as the cost will be divided into the greater income so the cost per rupee of sales will come down and which will directly escalate to the EBITDA margins of the company. In the year 2009, when the prices of newsprint rose by 40% the cost of sales increased by 2% as the increase in raw material cost was contained by the increase in revenue. In H1'FY10, Jagran reported a EBITDA margin of 32% and PAT margin of 21%.



KEY RISK FACTORS

Intense Competition

The print media market is lucrative because of high population, low penetration of other forms of media and growing literacy levels. The company's dominant market like UP has seen expansion of players like Hindustan and Dainik Bhaskar which are expanding in the markets by launching new editions. The intense competition may put pressure on the cover prices and may lower the ability of company to increase ad rates.

Monetization of other segments

The monetization of the business like outdoor advertising, event management and internet business may take some more time as during the last year, the outdoor was one of the most affected sectors in the print media industry.

High Newsprint Cost

Newsprint constitutes 49% of total cost of Jagran. A sustainable spike like FY'09 in newsprint prices may adversely impact the operating profit margin of the company.

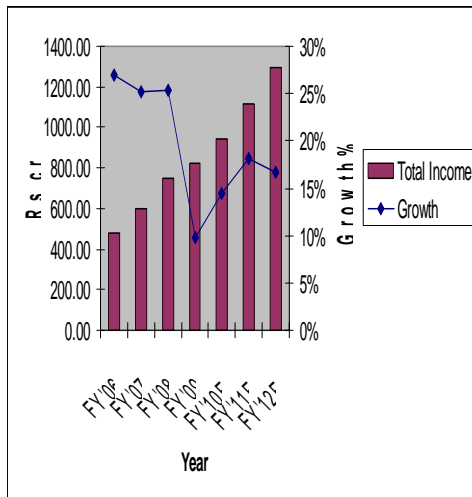
Slowdown in Ad Spends

Advertisement spends by the companies is strongly related to the entire economic growth of the country; any slowdown in the economic affairs will directly hit the advertisement spends, consequently, the revenue of Jagran.

FINANCIAL PERFORMANCE

The effect of economic slowdown was seen in media sector in the second half of FY'09 and the first half of FY'10. The slowdown in the advertisement expenses by major sectors like BFSI, FMCG, Real Estate etc. resulted in the slowdown in the print media sector's growth.

⇒ *Buoyant Income Growth*

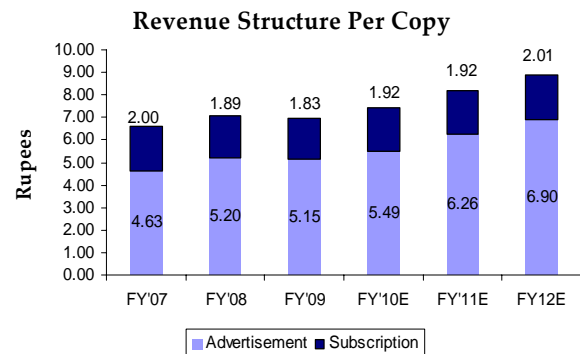
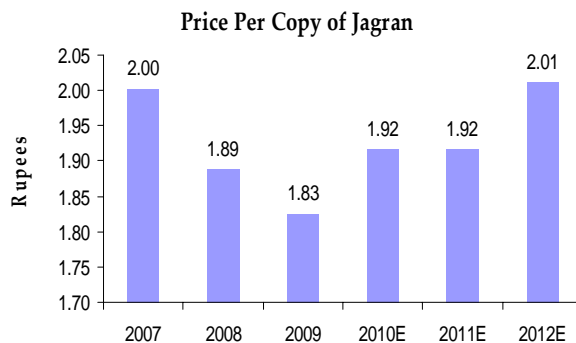


During FY'05-09, total income of the company grew at a CAGR of 17%. In FY'09 Jagran reported a growth of 10% in the revenue where most of the industry players reported a negative growth or low growth.

Main triggers behind the phenomenal growth in total income –

- Advertisement revenue grew by 10.6% in FY'09 as compared to the previous financial year; the slow growth was mainly because of economic slowdown.
- Subscription revenue registered a growth of 8% during previous financial year and marginal growth in subscription revenue is mainly due to 11% in number of copies circulated.
- The Outdoor and Events revenue decreased during the year mainly because of lesser new launches and brand promotional activities.

⇒ *Per Copy Statistics*



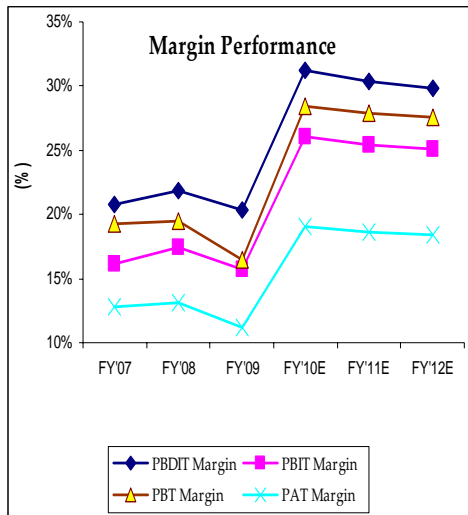
The Subscription prices have reduced for the company in last few years in spite of this the subscription revenue increased by a CAGR of 11% during 2005-09. The increase was result of the increase in the number of copies circulated.

The advertisement revenue per copy increased by CAGR of 6% from FY'07 to FY'09. The high number of readership helps company in advertisement growth.

Future Expectations

We expect ad revenue per copy will increase by 6% in FY'10 and 14% in FY'11 mainly because of the robust growth in advertisement revenue and circulation numbers.

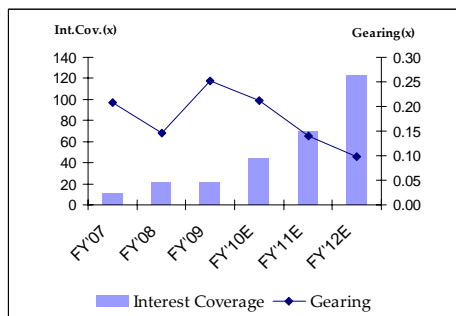
⇒ Strong Profitability Margins



In FY'09, the economic slowdown and increased newsprint prices have put pressure on the print media companies. In this adverse situation the affect on the margins was much lower than the other industry players the reason for that was the dependence on domestic newsprint. With the increasing advertising income and normalizing newsprint prices the margins of the company are expected to improve further.

As the contribution of advertisement in the total revenue would increase the cost per rupee of sale would decrease and profit margins will improve.

We expect EBITDA margins to be 31% in FY'10 and PAT margins to be 19%. Further, we expect company would be able to maintain the margins in next year unless there is any irrational rise in news print prices.



⇒ Solvency Position

The company has low credit profile with gearing of the company showing a decreasing trend during last three years and as on March 31, 2009, it was only 0.25x. Again, the company has adequate financial flexibility with high interest coverage of 21.87 X for FY'09. The Company generates around 125cr. of operating cash flow which is expected to reach 225cr. In FY'10 owing to the improved margins.

⇒ Current Fiscal – a fine printed income statement

In the current fiscal Year H1 FY'10 the company registered a top line growth of 14% and a growth of 89% in the bottom line. The growth in the top line was mainly propelled by the improved advertisement scenario which led to a growth of 17% in the advertisement revenue. The bottom line growth was mainly driven by the decreased news print prices which helped company to reduce its raw material cost by 12%.

The company reported a EBITDA Margin of 32% and PAT margin of 21% in H1 FY'2010

Quarterly Performance

Quarter Ending Sep. 30	FY'10	FY'09	Growth (%)
Total Income	246.82	208.63	18%
PBDIT	83.24	37.99	119%
PBT	73.81	33.44	121%
PAT	50.29	22.69	122%
EPS (Rs.)	1.67	0.75	122%

(Rs. Crore)

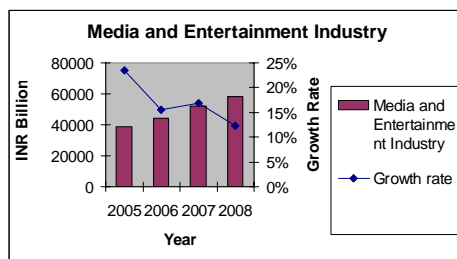
Half-yearly Performance

Half-Year Ending Sep.30	FY'10	FY'09	Growth (%)
Total Income	478.69	421.40	13.6%
PBDIT	153.81	93.93	63.7%
PBT	146.28	80.94	80.7%
PAT	99.82	54.34	83.7%
EPS (Rs.)	3.31	1.80	83.7%

(Rs. Crore)

INDIAN ENTERTAINMENT & MEDIA INDUSTRY

The Entertainment and Media (E&M) industry is one of the fastest growing sectors in India and has out-performed the Indian economy. The E&M industry generally tends to grow faster when the economy is expanding. The Indian economy has been growing at a fast clip over the last few years, and the income levels too have been experiencing a high growth rate. Above that, consumer spending is also on the rise. All these factors have given an impetus to the E&M industry and are likely to contribute to the growth of this industry in the future.



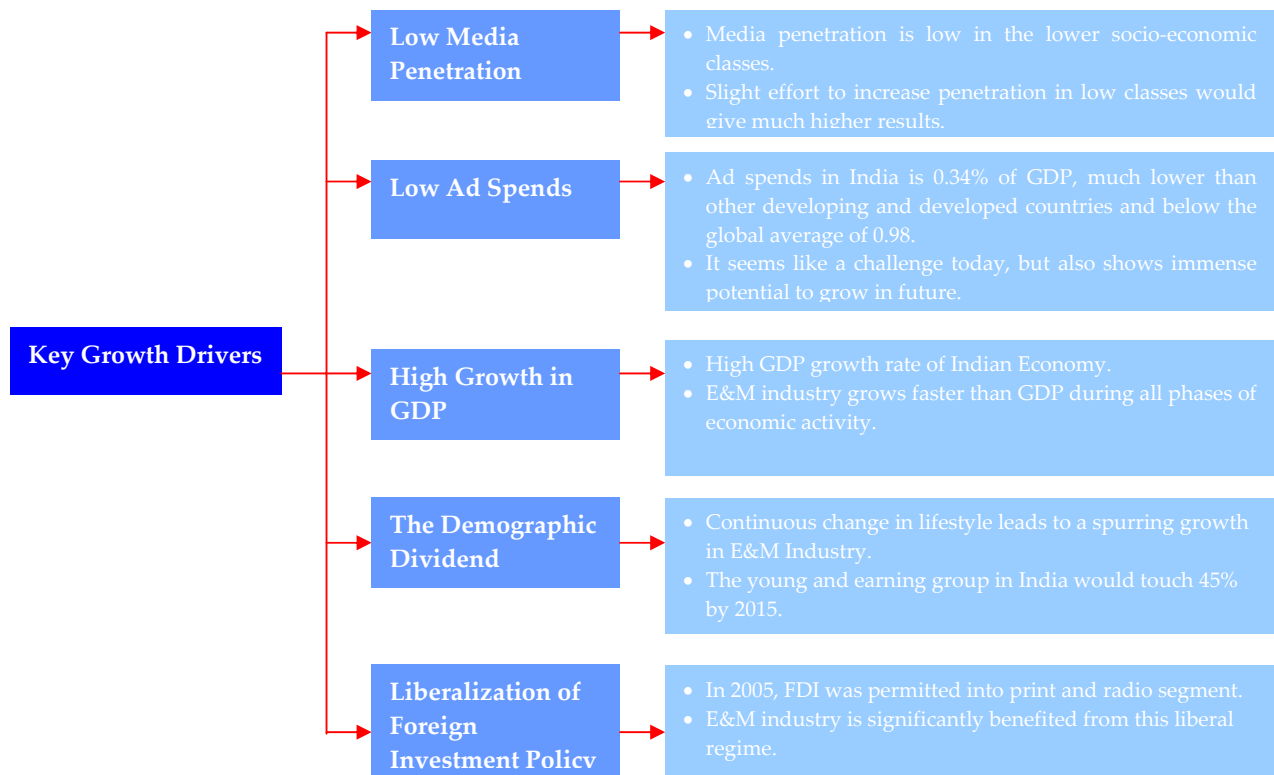
Sources: FICCI, Mata Research

Spectacular Past Performance

E&M Industry which was Rs.31, 100cr in 2004, valued at Rs.58, 400cr in the year 2008 and by the end of 2010, this value is expected to exceed Rs.70, 000cr.

Continuous growth in Indian economy, high disposable income in the hand of Indian middle class and Government's initiatives to reform this sector would lead to an impressive growth in this sector.

Growth Drivers



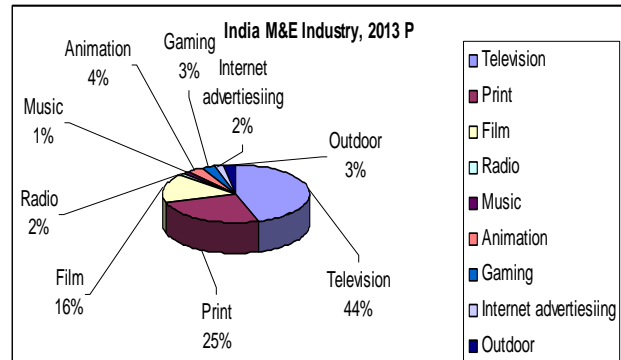
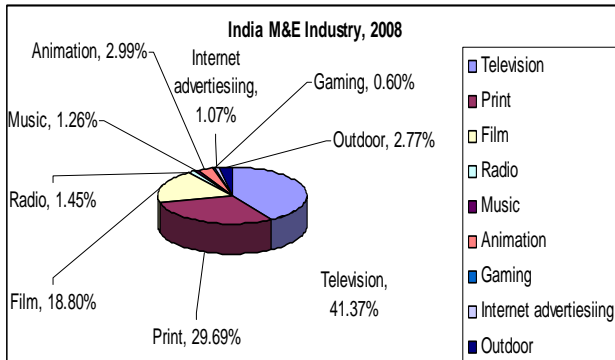
Industry Segmentation

Entire E&M Industry can be divided into eight main segments-

- (i) Print Media, (ii) Television, (iii) Internet Advertising (iv)

Radio, (v) Music, (vi) OOH Entertainment,
, (viii) Film Entertainment.

Market Share of Different Segments

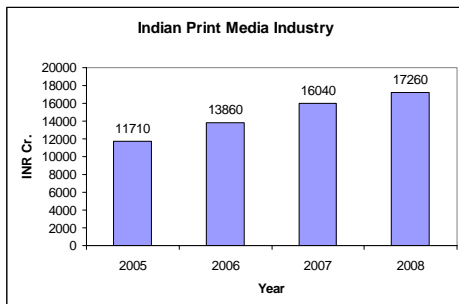


Sources: FICCI, Mata Research

Television and Print media are the two largest segment of this industry. Television continues to dominate the E&M industry by garnering a share of over 41.37% in 2008, which is expected to increase further to reach about 44% by 2013. The next big segment, i.e. Print Media is expected to achieve a market share of 25% over the next four years and the overall pie would increase with the increase in the literacy level.

(i) Print Media Segment

Print media segment is the second largest part of Indian E&M industry. A booming Indian economy, increase in literacy level and government initiatives of opening up the sector to foreign investment are driving growth in the print media. With the literacy level on the rise, more people in rural and urban areas are reading newspapers and magazines today.



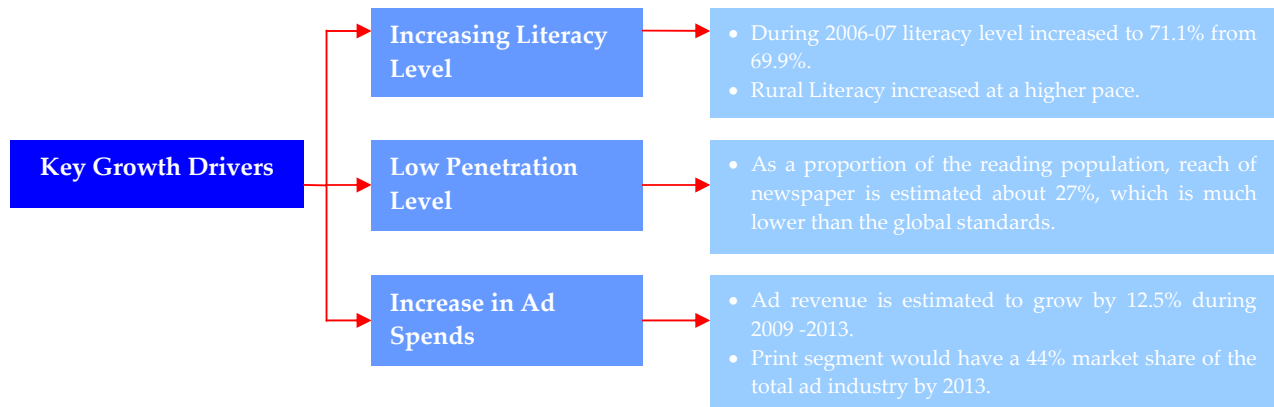
Sources: FICCI, Mata Research

➤ **Past Performance**

Indian print media industry was valued at Rs.17,280cr in 2006, which registered a growth of more than 14% during 2005 to 2008. By the end of 2013, this segment is expected to reach a level of Rs.26,600cr with the increase in number of subscription.

Continuous increase in literacy level and expansion of activity by the big print media players in rural Indian market, would help print media segment to grow multifold.

➤ Growth Drivers for Print Media



• Penetration of Print Media

Section	Reach (lakh people)	Percentage
Rural		
R1	17007	68.6
R2	42683	57.4
R3	85729	36.2
R4	28749	11.6

All India	852333	100%	325470	0.382
Urban				
A1	8824	100%	8304	94%
A2	18262	100%	16215	89%
B1,B2	43877	100%	34866	80%
C	53990	100%	36459	68%
D	62451	100%	32018	51%
E	80667	100%	23390	29%

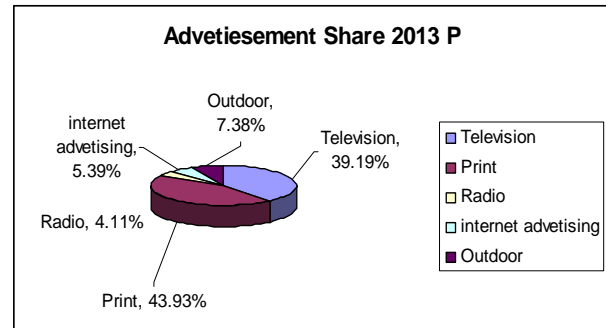
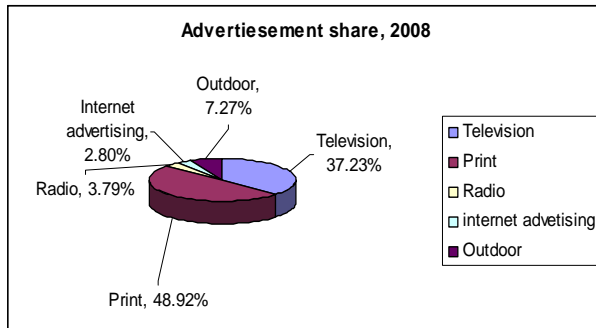
	Urban & Rural		Urban		Rural	
	Number	Percentage	Number	Percentage	Number	Percentage
Total	852333	100%	268080	100%	584253	100%
Any Publication	325470	38%	151252	56%	174217	30%
Any Daily	315361	37%	148044	55%	167317	29%
Hindi Dailies	131328	15%	60919	23%	70410	12%
English Dailies	31819	4%	27036	10%	4783	1%
Any Magazine	89090	11%	47566	18%	41524	7%

Source :IRS, Mata Research

The Penetration of media in the uppermost socio-economic class is high whereas in the lower economic classes the penetration is low. India's 69% of the population resides in the rural area. The penetration in the uppermost sections of rural population is 68.6% while in lower rural classes the penetration is very low. With the increasing Income level and literacy, the rural and Tier 2, 3 cities will be the very big market for the print industry.

• Share in Advertisement Industry

Print dominates other segments of the media industry; in terms of advertisement realization with the highest market share of the total advertisement spends in India. In 2013, print media is expected to achieve a 44% market share of Indian advertisement industry.

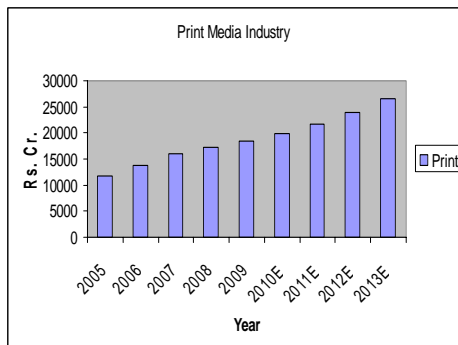


Source: FICCI, Mata Research

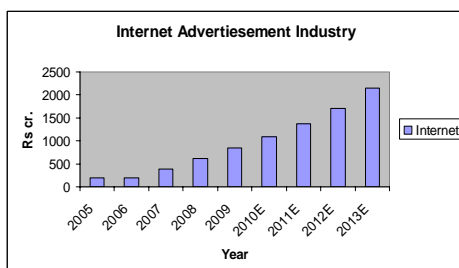
➤ Foreign Investment Regulation

In the year 2005, Indian Government had relaxed the foreign investment policy for print media –

- 26% FDI is permitted in newspaper and periodicals with news and current affairs.
- 100% FDI is permitted in newspaper and periodicals in non-news publications.



Source: FICCI, Mata Research



Source: FICCI Mata Research

➤ Future Prospects

Print media segment, which comprises of Newspaper and Magazine publications, is estimated to be Rs.18,390 in 2008 and expected to grow with a CAGR of 9% over the next five years to reach Rs.26,660cr by 2013.

Indian Newspaper Industry was Rs.15,870cr in 2008 and projected to grow at 9.1% CAGR over the next five years. Whereas, Indian Magazine Industry is expected to register a CAGR of 8.1% during 2008 to 2013 and reach to Rs.2,060cr level from Rs.1,390cr.

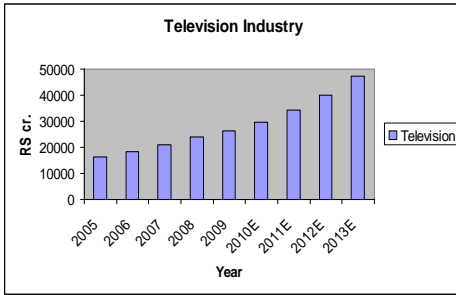
(ii) Internet Advertising

Internet advertisement is the fastest growing segment in the entire E&M segment. An estimated 12 crores Indians are currently using internet, which was only at a level of 50lakhs in the year 2000, registered a CAGR of 51%. Internet penetration level in India is only 5.3%, whereas it is 69% in USA and 63% in UK.

Internet segment is currently valued at Rs.620cr and is expected to grow at a CAGR of 27.5% by 2013 to reach Rs.2140cr.

(iii) Television

Television is the largest segment of E&M industry in terms of value. Subscription is the main source of revenue of the television segment. Buoyancy of the Indian economy and increase in disposable income will drive the homes, both in rural and urban areas, to buy television sets and subscribe for the pay services.



Source: FICCI, Mata Research

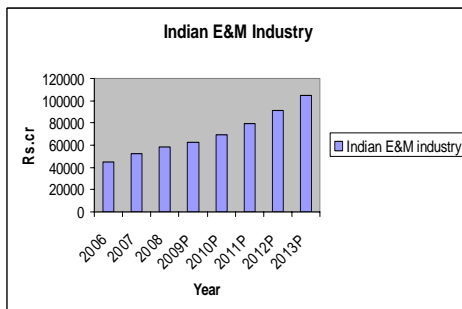
Television segment was valued at Rs.19,120cr in the year 2006 and it has a potential to grow at a CAGR of above 20% by 2011. New distribution platforms like DTH, IPTV and modern technological developments would help to increase the subscriber base and subscription revenue, thus drive the segment to grow with an increasing pace.

Growth Prospects of Different Segments

(Rs.Crore)

Segments	2008	2009P	2010P	2011P	2012P	2013P	CAGR
Television	24,050	26270	29560	34170	39910	47260	14.5%
Print Media	17,260	18390	16,220	21670	23930	26600	9%
Film	10,930	10920	11,200	13090	15130	16860	9.1%
Radio	840	920	1030	1190	1390	1,630	14.2%
Music	730	750	750	800	950	1070	8%
OOH Advertising	1,610	1770	1,980	2240	2550	2930	12.8%
Others	2390	2940	3660	4570	3960	4880	25.6%
Internet Advertising	620	840	1100	1370	1710	2140	43%
Total	43,650	50,080	58,830	69,715	85,070	1,00,170	12.5%

Source: FICCI, Mata Research



Source: FICCI, Mata Research

E&M Industry – Glamorous Future Ahead

The size of the E&M industry is currently estimated at Rs.58,400cr. and is expected to grow at a CAGR of 12.5% to reach a level of Rs.1,05,200cr by 2013.

Indian Economy would continue to perform strongly and E&M industry would perform better than the entire economy due to its income elasticity wherein when income rises, more resources get spent on leisure and entertainment.

Peer Comparison

	Jagran Prakashan		Deccan Chronicle		HT Media	
	FY'2009	H1 FY'10	FY'2009	H1 FY'10	FY'2009	H1 FY'10
Advertt Revenue	551.71	332.52	796.99	437.47	1129.9	560.2
Subsc.revenue	195.42	108.8	55.83	30	153.11	92.3
Total revenue	823.48	478.69	968.33	467.47	1323.04	683.15
EBITDA	167.5	153.81	300.25	244.61	185.29	134.72
	91.73	99.82	142.33	176.92	85.23	63.81
EBITDA Margin	20.34%	34%	31%	52%	14%	20%
Pat Margin	11.14%	20%	14.70%	38%	6.44%	9.50%
EPS	3.05	3.31	5.81	7.81	3.64	2.72

Stock Valuation

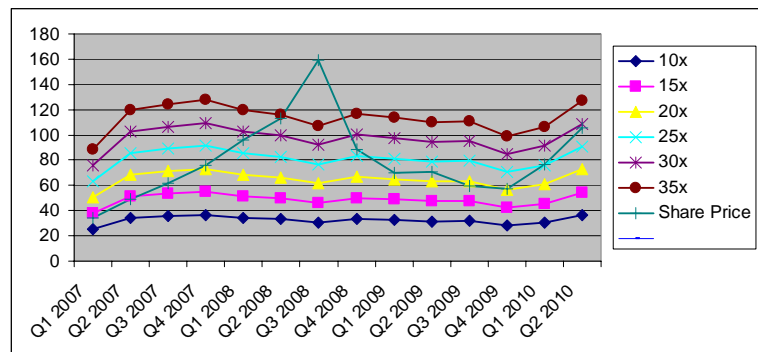
The valuation of the company would be driven by –

- The Growth in the advertisement revenue of the company.
- Improvement in margins.
- Maintaining its leadership in readership.

Price chart



With its reputation among advertisers and its diversified product base, the company's business risk seems low.



P/E Multiple

Jagran has historically traded in the 12month Trailing P/E band of 10X to 35X, currently the company is trading at a CMP of Rs 135 with a P/E of 30X at the trailing 12 month EPS of Rs.4.54. The EPS of FY'12 is discounted at the P/E of 21x and the price target would be Rs.165 (an upside of 22% from CMP of Rs.135).

DCF: We are getting a fair price of Rs162 based on the DCF.

We initiate coverage on Jagran Prakashan with a target price of Rs.162 over the next 12-15 months.

Financial Projections:
Operational Performance

Particulars	FY' 06	FY' 07	FY' 08	FY' 09
				(Rs. cr)
Net Sales	473.61	593.85	743.93	817.25
Other Income	4.322	4.33	5.70	6.12
Total Income	477.93	598.44	749.92	823.48
Cost of Sales	406.72	473.91	585.78	655.98
PBDILT	71.22	124.53	164.14	167.50
Depreciation	20.12	27.81	33.59	38.33
PBILT	51.10	96.72	130.55	129.18
Finance charges	7.61	8.50	5.98	5.90
Op. Profit bfr Tax	43.49	88.22	124.57	123.28
Extraord. Items	1.13	10.99	5.39	1.11
PBT	45.17	115.36	146.03	135.30
Less: Tax	5.65	37.20	32.92	44.59
PAT	31.11	76.42	98.41	91.73

Balance Sheet

Particulars	FY' 06	FY' 07	FY' 08	FY' 09
				(Rs.cr)
Assets				
Fixed Assets	159.8	264.53	304.61	398.97
Investments	176.01	144.60	183.31	156.80
NCA/NWC	267.26	208.50	129.76	145.61
Current Assets	345.68	352.80	382.95	360.05
Current Liabilities	78.42	144.3	253.19	214.44
Total Cap. Empld	603.07	617.63	617.68	701.37
Liabilities				
Share Capital	50.2	60.23	60.23	60.23
Reserves	436.54	450.87	478.52	499.68
Misc exp w/o	0.16	0.2	0.14	0
Net Worth	486.58	510.90	538.61	559.91
Term Liabilities	116.49	106.73	79.07	141.46
Total Cap. Empld	603.07	617.63	617.68	701.37

Key Ratios

Particulars	FY' 06	FY' 07	FY' 08	FY' 09
Growth in Total Inc.	26.98%	25.21%	25.31%	9.81%
Growth in PAT	2408.65%	145.65%	28.78%	-6.79%
PBDIT Margin	14.90%	20.81%	21.89%	20.34%
PAT Margin	6.51%	12.77%	13.12%	11.14%
ROCE	14.07%	19.50%	23.78%	22.86%
RONW	11.20%	15.32%	18.75%	16.70%
Gearing (x)	0.24	0.21	0.15	0.25
Overall Gearing (x)	0.24	0.21	0.15	0.25
Current Ratio (x)	1.79	1.47	2.87	1.69
Interest Cover (x)	6.71	11.38	21.83	21.89
Sales Per Share	19.04	19.87	24.90	27.34
EPS (Rs.)	1.24	2.54	3.27	3.05
DPS (Rs.)	0.80	1.50	2.00	2.00

Cash Flows

Particulars	FY' 06	FY' 07	FY' 08	FY' 09
Profit After Tax	31.11	76.42	98.41	91.73
Depreciation	20.12	27.81	33.59	38.33
Misc Excl. w/o	0	0	0.2201	2.18
Change in WC	31.10	14.44	-14.05	-30.24
Opr. Cash Flow	20.63	132.64	125.50	125.52
Inc/Dec-Gr.Bloc	49	81.99	70.31	88.01
Inc/(Dec in CWIP	5.42	26.52	0.00	22.88
Inc/Dec in Inv.	-12.19	8.19	1.97	-2.911
C.F.Investing	229.78	108.51	108.85	110.89
Dividend paid	0	3.86	5.62	7.03
Dividend Tax	0	0.56	0.82	1.19
Inc. in T. Liab.	-13.89	-9.76	-27.66	62.39
C.F.Financing	372.27	-51.25	-27.66	62.39
Op. Cash Bal.	11.28	174.55	101.35	36.66
Cl.. Cash Bal	174.55	101.35	36.66	82.75

Operational Performance

Particulars	FY' 09	FY'10P	FY'11P	FY'12P
				(Rs. cr)
Net Sales	817.25	935.04	1103.78	1287.06
Other Income	6.12	7.41	8.89	10.67
Total Income	823.48	942.46	1112.89	1297.91
Cost of Sales	655.98	648.20	774.70	910.66
PBDILT	167.50	294.26	338.19	387.25
Depreciation	38.33	48.76	55.16	61.56
PBILT	129.18	245.49	283.03	325.68
Finance charges	5.90	5.57	3.84	2.34
Extraord. Items	0.00	0.00	0.00	0.00
PBT	135.30	268.01	310.09	357.33
Less: Tax	44.59	88.44	102.33	117.92
PAT	91.73	179.57	207.76	239.41

Balance Sheet

Particulars	FY' 09	FY'10P	FY'11P	FY'12P
				(Rs.cr)
Assets				
Fixed Assets	398.97	450.21	470.05	478.48
Investments	156.80	166.80	196.80	246.80
NCA/NWC	145.61	193.47	250.92	341.43
Current Assets	360.05	405.29	473.95	562.83
Current Liabilities	214.44	211.82	232.63	255.74
Total Cap. Empld	701.37	810.47	908.16	1032.37
Liabilities				
Share Capital	60.23	60.23	60.23	60.23
Reserves	499.68	608.78	736.47	880.68
Net Worth	559.91	669.01	796.70	940.91
Term Liabilities	141.46	141.46	111.5	91.46
Total Cap. Empld	701.37	810.47	908.16	1032.37



Key Ratios

Particulars	FY' 09	FY'10P	FY'11P	FY'12P
Growth in Total Inc.	9.81%	14.45%	18.08%	16.62%
Growth in PAT	95.75%	15.70%	15.24%	95.75%
PBDIT Margin	20.34%	31.22%	30.39%	29.84%
PAT Margin	11.14%	19.05%	18.67%	18.45%
ROCE	22.86%	36.19%	36.33%	36.25%
RONW	16.70%	29.22%	28.16%	26.88%
Gearing (x)	0.25	0.21	0.14	0.09
Overall Gearing (x)	0.25	0.21	0.14	0.09
Current Ratio (x)	1.68	1.91	2.04	2.20
Interest Cover(x)	21.89	44.04	73.62	138.93
Sales Per Share	27.34	31.30	36.95	43.10
EPS (Rs.)	3.05	5.96	6.90	7.95
DPS (Rs.)	2.00	2.00	2.00	2.00

Cash Flows

Particulars	FY' 09	FY'10P	FY'11P	FY'12P
Profit After Tax	91.73	179.57	207.76	239.41
Depreciation	38.33	48.76	55.16	61.56
Misc Exo w/o	0.00	0.00	0.00	0.00
<i>Change in WC</i>	-30.24	32.85	24.99	29.77
Opg. Cash Flow	125.52	228.33	262.92	300.97
Inc/Dec-Gro.Block	88.01	130.00	80.00	80.00
Inc/(Dec in CWIP)	22.88	-30.00	-5.00	-10.00
Inc/Dec in Inv.	2.911	1.01	-7.36	-8.30
C.F.Investing	-26.51	10.00	30.00	50.00
Dividend paid	60.23	60.23	60.23	60.23
Dividend Tax	10.24	10.24	10.24	10.24
Inc. in T. Liab.	62.39	0	-30	-20
C.F.Financing	62.39	0	-30	-20
Op. Cash Balance	36.66	82.75	97.77	128.86
Cl. Cash Balance	82.75	97.77	128.86	187.65

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