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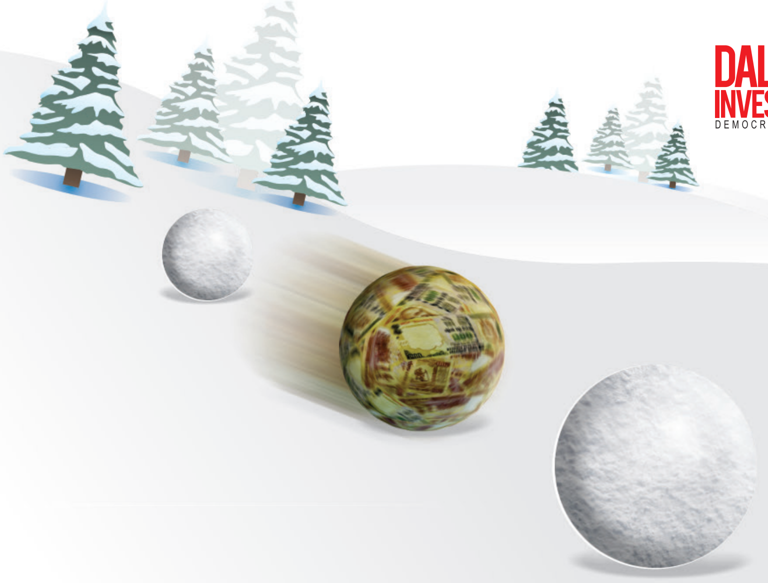
DEMOCRATIZING WEALTH CREATION

MID BRIDGE
THE MIDCAP MARVEL



COMPANY NAME	:	**Jagran Prakashan**
BSE Code	:	**532705**
Time Duration	:	**1 year**
CMP	:	₹**174.70 (as on 18 Oct., 2017)**
Target Price	:	₹**230**

The Mid Bridge for the month of October is Jagran Prakashan Limited (Jagran). It is India's leading media and communication group with a focus on print, digital and radio. Company's digital business has shown robust growth in revenue and was up 52% yoy in FY17. Its Hindi website tops the news and communication category and mobile website is the most read site in the education category. Jagran holds 70.58% stake in Music Broadcast which runs Radio City which is a leading brand in FM industry with presence across 39 cities and has 62% reach among radio listeners. The reach of its newspapers is also huge and are published in many regional languages.

Consistent growth in advertisement and circulation

Company's revenue is generated from advertisements (74.6%) and circulation (22.8%). The advertisement segment has shown continuous growth since the past few years. Due to demonetisation, its growth was affected in H2FY17. Yet advertisement revenue from Dainik Jagran-I grew by 23% as against 18.5% in FY16. Digital ads revenue also grew by 57% in FY17 as compared to 49% in FY16. Total ads revenue grew by 10% in FY17 which was better than its peers despite demonetisation effects. Tie-ups with Google and Facebook would also aid the revenue of the company.

Company's circulation revenue is from major brands like Dainik Jagran, Naidunia and Dainik Jagran-I next. Circulation of Dainik Jagran-I next grew by over 22% YoY and Naidunia's circulation grew by 7% YoY in FY17. The factors which led this growth were strong brand recognition in the market and easy availability. Also, the per copy realisation of Naidunia and Dainik Jagran increased by 5% and 1.6%, respectively in FY17.

Some effects of demonetisation continued to Q1FY18, also the onset of regulations like RERA and GST affected the growth of ads and circulation. Yet, ads grew by 3.8% and circulations by 1.5% in Q1FY18 on YoY basis. Cover prices too declined in Q1FY18 due to increased competition in UP and Bihar. The print industry was exempted from indirect taxation till now, but now it has come under the ambit of GST. Hence, Q2FY18 will experience pressures from GST. However, we expect to see revival and growth in the next two quarters as it falls in the festive season. Also, monsoons have been better than expected and would stabilize the business across all sectors in the upcoming months.

Trigger in radio segment

Jagran has been the first and oldest private FM radio broadcaster in India and has a pan-India presence. It has strengthened its position by foraying into Tier II and III cities. Radio City which is a leading FM channel reached 39 cities of India. The company had bid for phase three stations which enabled it for geographical expansion and focus on the metro and mini-metro areas where there is stiff competition. In this auction, 140 frequencies were sold with a presence in 54 cities and listenership of more than 1mn population. Currently, there are 42 stations under Radio City with more than 52.5 million listeners. Revenue from radio segment grew by 20.4% YoY in FY17. In Q1FY18, this segment grew by 11.9% YoY and management expects 30% margins for FY18. We see growth in this segment in terms of ads generation, geographical expansion, increasing population penetration and growing demand in digital space.

Media & Entertainment Industry Outlook

Print continues to be the second largest industry in Indian media & entertainment segment. The industry is expected to benefit from the implementation of 7th Pay Commission and good monsoon thereby registering higher growth in H2. Growth had slipped to a low single-digit growth post demonetisation. It is expected that it will take at least two more quarters before industry experiences 10% growth. The radio industry grew by 14.5% in 2016, which is faster than other traditional mediums like Print & TV due to its easy access and affordable prices. With an expected CAGR of 16%, the radio industry is looking to double its size by the end of 2021. Digital Advertising is the fastest growing vertical in the Indian M&E industry at 28%. It holds a lot of promise for the future as it is expected to grow at 30.8% CAGR by 2021. The number of Internet users is likely to grow by 20% CAGR by 2021. Mobile advertisement is expected to grow at 50.93% CAGR from Rs 16.92 billion in 2016 to Rs 132 billion in 2021.

Financial Performance

In FY17, company's consolidated revenue grew by 10% from Rs. 2,079.2 crore in FY16 to Rs. 2,283 crore on YoY basis. Out of which, advertisement revenue grew by 10% and circulation revenue by 6% YoY. The operating profit increased by 8% in FY17 to Rs. 639.6 crore from Rs 590.5 crore in FY16. However, net profit declined marginally from Rs. 349.8 crore to Rs. 347.6 crore in FY17. Some demonetisation effect was seen in entertainment and media industry which has affected the profitability of the company. The company is virtually debt-free.

Valuation

The company is trading at TTM P/E of 15.3x with TTM EPS of Rs 11.22. It has delivered ROE and ROCE of 18.45% and 23.56%, respectively in FY17. Management is optimistic about making its digital segment profitable by FY20. Despite demonetisation, the company has fared well as compared to its peers which have increased confidence among investors. The company has also shown consistency and stability in the business over these years. Considering these factors, we see an upside of 31% in the scrip with a target price of Rs. 230 for the period of one year.

Inc/Exp Statement(Consolidated) (Rs in Crore)					
Description	201703	201603	201503	201403	201303
Net Sales	2282.95	2079.24	1769.76	1702.73	1521.80
Total Income	2324.16	2132.84	1801.89	1765.49	1651.75
Total Expenditure	1643.43	1492.50	1323.42	1336.30	1240.33
PBIDT	680.74	640.34	478.47	429.20	411.42
PAT	349.26	306.78	308.09	226.26	254.70
Dividend %	150.00		175.00	200.00	100.00
Adj. EPS(Rs)	10.69	9.39	9.71	7.27	8.07

Quarter On Quarter (Consolidated)			
Particulars	201706	201606	Y on Y Var%
Net Sales	591.33	564.44	4.76
Total Expenditure	430.07	408.60	5.26
PBIDT (Excl OI)	161.26	155.84	3.48
PAT	88.70	84.10	5.47
PBIDTM% (Excl OI)	27.27	27.61	-1.23
PBIDTM%	29.30	29.26	0.14