



## INDIA

JAGP IN Outperform

Price (at 08:33, 15 Dec 2016 GMT) Rs167.75

<b>Valuation</b>	<b>Rs</b>	<b>200.00</b>
- PER		
<b>12-month target</b>	<b>Rs</b>	<b>200.00</b>
<b>Upside/Downside</b>	<b>%</b>	<b>+19.2</b>
<b>12-month TSR</b>	<b>%</b>	<b>+22.2</b>
<b>Volatility Index</b>		<b>Low/Medium</b>
<b>GICS sector</b>		<b>Media</b>
<b>Market cap</b>	<b>Rsm</b>	<b>55,577</b>
<b>Market cap</b>	<b>US\$m</b>	<b>809</b>
<b>Free float</b>	<b>%</b>	<b>40</b>
<b>30-day avg turnover</b>	<b>US\$m</b>	<b>0.4</b>
<b>Number shares on issue</b>	<b>m</b>	<b>331.3</b>

## Investment fundamentals

Year end 31 Mar		2016A	2017E	2018E	2019E
Revenue	m	21,065	22,454	24,481	26,901
EBIT	m	4,852	5,206	5,655	6,199
EBIT growth	%	39.8	7.3	8.6	9.6
Recurring profit	m	4,674	5,054	5,650	6,235
Reported profit	m	3,284	3,538	3,870	4,302
Adjusted profit	m	3,284	3,538	3,870	4,302
EPS rep	Rs	10.05	10.82	11.84	13.16
EPS rep growth	%	37.1	7.6	9.4	11.2
EPS adj	Rs	10.05	10.82	11.84	13.16
EPS adj growth	%	37.1	7.7	9.4	11.2
PER rep	x	16.7	15.5	14.2	12.7
PER adj	x	16.7	15.5	14.2	12.7
Total DPS	Rs	0.00	5.00	6.00	6.00
Total div yield	%	0.0	3.0	3.6	3.6
ROA	%	21.6	19.9	19.3	19.3
ROE	%	24.7	21.1	19.4	19.4
EV/EBITDA	x	9.7	9.1	8.3	7.6
Net debt/equity	%	29.3	13.6	10.0	9.2
P/BV	x	3.5	3.1	2.5	2.5

## JAGP IN vs BSE Sensex, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, December 2016  
(all figures in INR unless noted)

## Analyst(s)

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15 December 2016

Macquarie Capital Securities India (Pvt) Ltd

## Jagran Prakashan

## Battling uncertainty

## Event

- Jagran Prakashan (JAGP) reported in-line performance in 2QFY17. Even as management indicated a sharp ad slowdown post demonetisation, it has not quantified the impact. Similar to its print peers, JAGP's high local exposure (55% in print; 45% in radio) has exacerbated the slowdown. We tone down our 2HFY17 ad growth estimates for JAGP from 12% YoY to a 3% YoY decline. We also revise our 1HFY18 ad growth estimate from 12% YoY earlier to 6% YoY now. UP elections in 4Q were expected to boost ad revenues, but even political spends could be curtailed this time around. Management is hoping to compensate the loss in ad revenues to some extent through cost control initiatives. Value unlocking through separate listing of Radio business is another key near-term monitorable. Maintain OP.

## Impact

- 2HFY17 ad growth to take a severe hit:** Management expects consumption to remain subdued in the near term. Following a good festive season in October, ad growth slumped in November and recovered marginally in December. Ad spends across sectors have been severely hit. Unlike TV broadcasters where November was relatively less impacted due to prior issuance of release orders, other media like print and radio witnessed cancellations immediately following the demonetisation announcement.
- Radio listing on the cards:** JPL's subsidiary – Music Broadcast (Radio City and Radio Mantra) has filed DRHP for its IPO with SEBI. The issue entails fresh issue of Rs4bn (largely used to pare debt) and an offer for sale of ~2.7m shares by JAGP promoters. In 1HFY17, Radio City has reported revenues of Rs1.4bn with PAT of Rs300m.
- 2QFY17 highlights:** JAGP's 2Q standalone revenues increased by 6.3% YoY to Rs4.6bn, with ad and circulation growth of 5.1% and 5.8% YoY respectively. PAT at Rs755m increased by ~14% YoY. The flagship brand – Dainik Jagran's ad revenues grew by ~5% YoY. While ad growth in Nai Dunia was subdued, circulation growth was strong at ~20% YoY. Digital revenues grew by strong 30% YoY on a low base. Standalone EBITDA margin dipped by ~230bps to 26.4% mainly due to jump in other expenses (circulation related, promotion and publicity spends).

## Earnings and target price revision

- We factor in the impact of demonetisation leading to a 7-10% cut in our FY17-19 EPS estimates. As we roll forward to Sept-18, we revise our TP to Rs200 (from Rs210 earlier).

## Price catalyst

- 12-month price target: Rs200.00 based on a PER methodology.
- Catalyst: Ad growth recovery.

## Action and recommendation

- Even as we factor in ad slowdown getting extended until 1QFY18, JAGP is trading at just ~14x FY18 EPS. We rate the stock Outperform.

## Analysis

**Fig 1 2QFY17 standalone performance snapshot**

(Rs m)	2QFY17	2QFY16	% YoY	1QFY17	% QoQ
Revenues	4,590	4,319	6.3%	4,734	-3.0%
Cost of materials consumed	1,544	1,479	4.4%	1,626	-5.1%
Change in inventories	0	0	NA	0	174.4%
Employee costs	681	618	10.1%	656	3.7%
Other expenses	1,153	981	17.6%	1,148	0.4%
Total operating expenses	3,377	3,078	9.7%	3,430	-1.5%
EBITDA	1,213	1,241	-2.3%	1,304	-7.0%
EBITDA margin (%)	26.4%	28.7%		27.5%	
Depreciation	195	216	-10.0%	189	2.8%
EBIT	1,018	1,025	-0.6%	1,115	-8.7%
Other income	165	125	31.7%	79	107.5%
Finance costs	89	157	-43.4%	101	-12.4%
PBT	1,094	993	10.2%	1,093	0.1%
Tax expense	339	332	2.2%	356	-4.7%
PAT	755	661	14.2%	736	2.5%

Source: Company, Macquarie Research, December 2016

**Fig 2 Key performance indicators (standalone business)**

Particulars	(Rs m)	2QFY17	2QFY16	% YoY	1QFY17	% QoQ
<b>Dainik Jagran</b>	Revenue	3,735	3,571	4.6%	3,837	-2.7%
	EBITDA	1,261	1,252	0.7%	1,288	-2.1%
	EBITDA margin (%)	33.8%	35.1%		33.6%	
<b>Other publications</b>	Revenue	547	518	5.6%	550	-0.7%
	EBITDA	(9)	8	-210.4%	21	-141.1%
	EBITDA margin (%)	-1.6%	1.5%		3.8%	
<b>Digital</b>	Revenue	61	47	30.1%	61	-0.2%
	EBITDA	(43)	(13)	238.6%	(26)	66.7%
	EBITDA margin (%)	-71.1%	-27.3%		-42.6%	
<b>Outdoor and Event</b>	Revenue	278	204	36.4%	323	-13.9%
	EBITDA	3	(10)	-131.4%	22	-85.2%
	EBITDA margin (%)	1.2%	-5.0%		6.7%	
<b>Overall advertising</b>	Revenue	3,229	3,074	5.1%	3,334	-3.1%
<b>Overall circulation</b>	Revenue	993	939	5.8%	1,003	-1.0%

Source: Company, Macquarie Research, December 2016

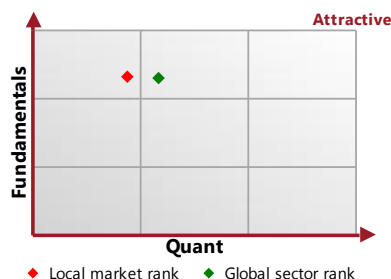
## Macquarie Quant View

The quant model currently holds a marginally negative view on Jagran Prakashan. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Quality, indicating this stock is likely to have a weaker and less stable underlying earnings stream.

**212/346**

Global rank in  
Media

% of BUY recommendations 89% (8/9)  
Number of Price Target downgrades 2  
Number of Price Target upgrades 0

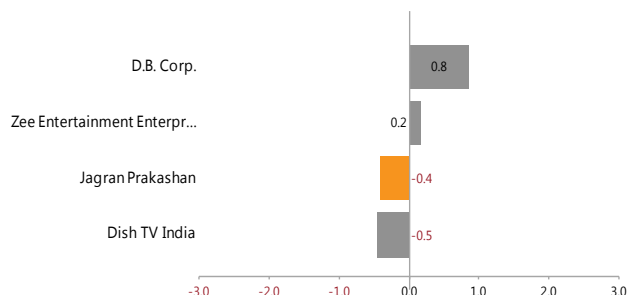


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (India) and Global sector (Media)

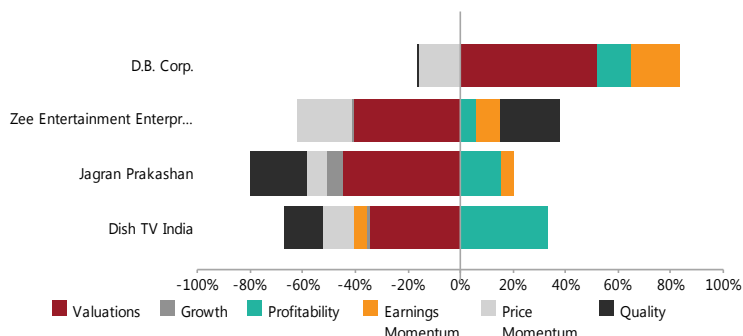
### Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



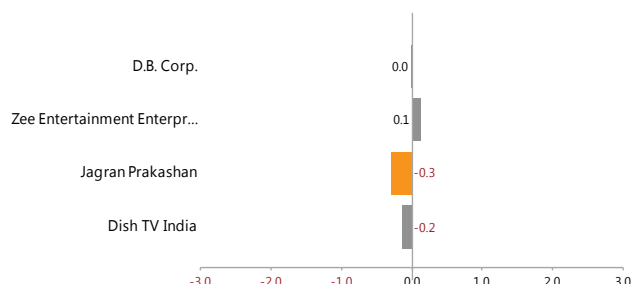
### Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



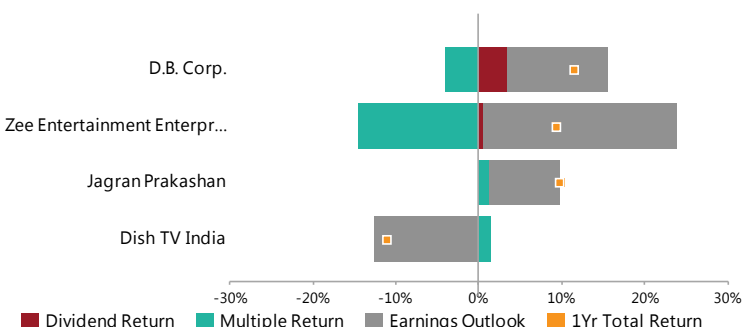
### Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



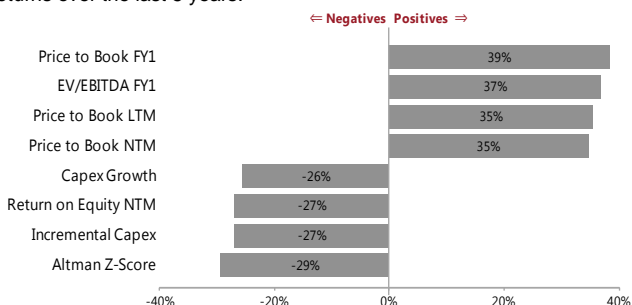
### Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



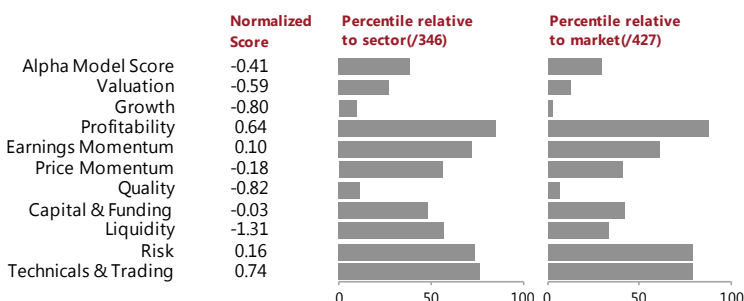
### What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



### How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpq@macquarie.com](mailto:cpq@macquarie.com))

**Jagran Prakashan (JAGP IN, Outperform, Target Price: Rs200.00)**

Quarterly Results						Profit & Loss					
		2Q/17A	3Q/17E	4Q/17E	1Q/18E			2016A	2017E	2018E	2019E
Revenue	m	5,508	5,727	5,416	6,098	Revenue	m	21,065	22,454	24,481	26,901
Gross Profit	m	3,745	3,894	3,683	4,147	Gross Profit	m	14,779	15,268	16,647	18,293
Cost of Goods Sold	m	1,762	1,833	1,733	1,952	Cost of Goods Sold	m	6,287	7,185	7,834	8,608
EBITDA	m	1,539	1,661	1,514	1,689	EBITDA	m	5,896	6,310	6,891	7,492
Depreciation	m	308	310	312	305	Depreciation	m	1,044	1,103	1,235	1,292
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	1,231	1,351	1,202	1,384	EBIT	m	4,852	5,206	5,655	6,199
Net Interest Income	m	-90	-90	-90	-80	Net Interest Income	m	-523	-373	-320	-320
Associates	m	0	0	0	0	Associates	m	0	0	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	68	65	67	72	Other Pre-Tax Income	m	345	220	315	355
Pre-Tax Profit	m	1,209	1,326	1,180	1,376	Pre-Tax Profit	m	4,674	5,054	5,650	6,235
Tax Expense	m	-363	-398	-354	-426	Tax Expense	m	-1,390	-1,516	-1,781	-1,933
Net Profit	m	847	928	826	949	Net Profit	m	3,284	3,538	3,870	4,302
Minority Interests	m	0	0	0	0	Minority Interests	m	0	0	0	0
Reported Earnings	m	847	928	826	949	Reported Earnings	m	3,284	3,538	3,870	4,302
Adjusted Earnings	m	847	928	826	949	Adjusted Earnings	m	3,284	3,538	3,870	4,302
EPS (rep)		2.59	2.84	2.53	2.90	EPS (rep)		10.05	10.82	11.84	13.16
EPS (adj)		2.59	2.84	2.53	2.90	EPS (adj)		10.05	10.82	11.84	13.16
EPS Growth yoy (adj)	%	10.3	-0.5	3.0	1.3	EPS Growth (adj)	%	37.1	7.7	9.4	11.2
						PE (rep)	x	16.7	15.5	14.2	12.7
						PE (adj)	x	16.7	15.5	14.2	12.7
EBITDA Margin	%	28.0	29.0	28.0	27.7	Total DPS		0.00	5.00	6.00	6.00
EBIT Margin	%	22.4	23.6	22.2	22.7	Total Div Yield	%	0.0	3.0	3.6	3.6
Earnings Split	%	23.9	26.2	23.3	24.5	Basic Shares Outstanding	m	327	327	327	327
Revenue Growth	%	6.0	-0.6	2.3	5.1	Diluted Shares Outstanding	m	327	327	327	327
EBIT Growth	%	4.2	-6.0	7.8	-2.7						
Profit and Loss Ratios						Cashflow Analysis					
		2016A	2017E	2018E	2019E			2016A	2017E	2018E	2019E
Revenue Growth	%	19.0	6.6	9.0	9.9	EBITDA	m	5,896	6,310	6,891	7,492
EBITDA Growth	%	30.9	7.0	9.2	8.7	Tax Paid	m	-1,390	-1,516	-1,781	-1,933
EBIT Growth	%	39.8	7.3	8.6	9.6	Chgs in Working Cap	m	-29,308	-9,668	-8,576	-7,216
Gross Profit Margin	%	70.2	68.0	68.0	68.0	Net Interest Paid	m	0	0	0	0
EBITDA Margin	%	28.0	28.1	28.1	27.9	Other	m	30,957	9,532	8,745	7,467
EBIT Margin	%	23.0	23.2	23.1	23.0	Operating Cashflow	m	6,155	4,657	5,279	5,810
Net Profit Margin	%	15.6	15.8	15.8	16.0	Acquisitions	m	0	0	0	0
Payout Ratio	%	0.0	46.2	50.7	45.6	Capex	m	-1,042	-1,572	-1,714	-1,883
EV/EBITDA	x	9.7	9.1	8.3	7.6	Asset Sales	m	0	0	0	0
EV/EBIT	x	11.8	11.0	10.1	9.2	Other	m	-7,604	7,293	-3,636	982
Balance Sheet Ratios						Investing Cashflow	m	-8,646	5,721	-5,349	-902
ROE	%	24.7	21.1	19.4	19.4	Dividend (Ordinary)	m	0	0	0	0
ROA	%	21.6	19.9	19.3	19.3	Equity Raised	m	0	0	0	0
ROIC	%	27.2	17.8	19.2	17.5	Debt Movements	m	2,146	-2,755	-1,961	-1,961
Net Debt/Equity	%	29.3	13.6	10.0	9.2	Other	m	0	0	0	0
Interest Cover	x	9.3	14.0	17.7	19.4	Financing Cashflow	m	2,146	-2,755	-1,961	-1,961
Price/Book	x	3.5	3.1	2.5	2.5	Net Chg in Cash/Debt	m	-345	7,624	-2,031	2,947
Book Value per Share		48.4	54.2	67.9	67.9	Free Cashflow	m	5,113	3,086	3,566	3,927
						Balance Sheet					
		2016A	2017E	2018E	2019E			2016A	2017E	2018E	2019E
						Cash	m	493	1,591	1,776	1,951
						Receivables	m	4,977	4,617	5,153	5,662
						Inventories	m	669	669	669	669
						Investments	m	9,164	1,871	5,507	4,525
						Fixed Assets	m	8,696	15,657	16,135	16,726
						Intangibles	m	0	0	0	0
						Other Assets	m	1,630	2,315	2,572	2,815
						Total Assets	m	25,629	26,720	31,811	32,347
						Payables	m	0	0	0	0
						Short Term Debt	m	0	0	0	0
						Long Term Debt	m	5,120	4,000	4,000	4,000
						Provisions	m	195	210	240	267
						Other Liabilities	m	4,501	4,794	5,383	5,893
						Total Liabilities	m	9,816	9,004	9,623	10,159
						Shareholders' Funds	m	15,812	17,715	22,188	22,188
						Minority Interests	m	0	0	0	0
						Other	m	0	0	0	0
						Total S/H Equity	m	15,812	17,715	22,188	22,188
						Total Liab & S/H Funds	m	25,629	26,720	31,811	32,347

All figures in INR unless noted.

Source: Company data, Macquarie Research, December 2016

## Important disclosures:

## Recommendation definitions

## Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return  
Neutral – return within 3% of benchmark return  
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

## Macquarie – Asia/Europe

Outperform – expected return >+10%  
Neutral – expected return from -10% to +10%  
Underperform – expected return <-10%

## Macquarie – South Africa

Outperform – expected return >+10%  
Neutral – expected return from -10% to +10%  
Underperform – expected return <-10%

## Macquarie - Canada

Outperform – return >5% in excess of benchmark return  
Neutral – return within 5% of benchmark return  
Underperform – return >5% below benchmark return

## Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return  
Neutral (Hold) – return within 5% of Russell 3000 index return  
Underperform (Sell) – return >5% below Russell 3000 index return

## Volatility index definition\*

This is calculated from the volatility of historical price movements.

**Very high–highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock could be speculative.

**High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low–medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to Asia/Australian/NZ/Canada stocks only

## Recommendations – 12 months

**Note:** Quant recommendations may differ from Fundamental Analyst recommendations

## Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense

Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

**EPS** = adjusted net profit /  $\text{efpowa}^*$

**ROA** = adjusted ebit / average total assets

**ROA Banks/Insurance** = adjusted net profit / average total assets

**ROE** = adjusted net profit / average shareholders funds

**Gross cashflow** = adjusted net profit + depreciation

\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

## Recommendation proportions – For quarter ending 30 September 2016

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	47.26%	55.50%	38.46%	45.47%	59.09%	48.21%	(for US coverage by MCUSA, 8.20% of stocks followed are investment banking clients)
Neutral	38.01%	29.31%	42.86%	48.77%	37.88%	36.79%	(for US coverage by MCUSA, 8.25% of stocks followed are investment banking clients)
Underperform	14.73%	15.19%	18.68%	5.76%	3.03%	15.00%	(for US coverage by MCUSA, 8.00% of stocks followed are investment banking clients)

## JAGP IN vs BSE Sensex, &amp; rec history



(all figures in INR currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, December 2016

## 12-month target price methodology

JAGP IN: Rs200.00 based on a PER methodology

## Company-specific disclosures:

**JAGP IN:** Macquarie Group Limited together with its affiliates may have a beneficial interest in the debt securities of the companies mentioned in this report.

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

Date	Stock Code (BBG code)	Recommendation	Target Price
31-May-2016	JAGP IN	Neutral	Rs172.00
01-Feb-2016	JAGP IN	Neutral	Rs160.00
02-Nov-2015	JAGP IN	Neutral	Rs145.00
29-Sep-2015	JAGP IN	Neutral	Rs133.00
07-Aug-2015	JAGP IN	Neutral	Rs132.00
29-May-2015	JAGP IN	Neutral	Rs121.00
07-Jan-2015	JAGP IN	Neutral	Rs141.00
13-Oct-2014	JAGP IN	Neutral	Rs122.00
30-Jan-2014	JAGP IN	Neutral	Rs97.00

## Target price risk disclosures:

**JAGP IN:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

## Analyst certification:

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