

Attractive play on dividend!

Jagran Prakashan reported a weak set of Q4FY20 numbers. Operating revenue (consolidated) declined 24.8% YoY to ₹ 445.6 crore as print ad revenue was down 24.3% YoY to ₹ 262 crore. Subscription and radio revenue also registered de-growth of 9.6% YoY and 44% YoY, respectively. EBITDA declined 60.7% YoY to ₹ 54.3 crore due to a weaker topline with EBITDA margins at 12.2%, down 1109 bps YoY. Softened newsprint prices helped restrict EBITDA decline partially. Consequently, PAT was at ₹ 11.2 crore, down 83.1% YoY mainly due to a weaker operational performance.

Print de-growth dents performance...

Print ad revenue was down 24.3% YoY on account of economic slowdown coupled with the lockdown in the last week of March. Circulation was also affected due to supply chain disturbance. It witnessed a decline of 9.6% YoY. The ad spend from corporates has further declined in the current quarter (Q1FY21E-TD) and is minimal at 20% of pre-Covid level. Circulation is slowly regaining lost readership and is currently at 80% of normal levels. We believe the ad scenario will remain challenging in the near term and will only grow slowly if economic sentiments improve. We expect print ad revenues to decline 15% in FY21, followed by 15% growth to ₹ 1223 crore, on a depressed base in FY22. Subscription revenues are expected to decline 4% in FY21, followed by 5% growth in FY22E to ₹ 425 crore.

Newsprint costs benefits to be partly offset by custom duty

The company has undertaken cost cutting measures, which are expected to reduce fixed costs by ₹ 100 crore in FY21E. Lower newsprint costs will benefit the company as the management has locked in inventory at a blended cost of ₹ 37,000-38,000. Lower raw material prices and strategic increase in cover pricing have enabled them to compensate some of the revenue de-growth in print business. While the increasing readership in Mid-Day brands (pdf format) is a positive, monetisation of gained reader base with a digital subscription model remains key.

Valuation & Outlook

We expect the ad outlook to remain challenging in H1FY21E (already on a lower base) and have incorporated earnings cut in our estimates accordingly. The stock has corrected sharply while it prices in more than the negatives. One key attractive feature of Jagran has been strong distribution to shareholders in the form of dividend and buyback (total distribution of ₹ 1102 crore over the last three years – refer page 2). Even in a rather weak FY20, total distribution of ₹ 230 crore (~19% of the current market cap) was made. With buyback tax benefits now done away with, we expect Jagran to distribute through dividend (expected yield of 9% and 12.5% in FY21 and FY22, respectively). Therefore, we upgrade the stock from HOLD to **BUY** with a revised target price of ₹ 55 (6x FY22 P/E).



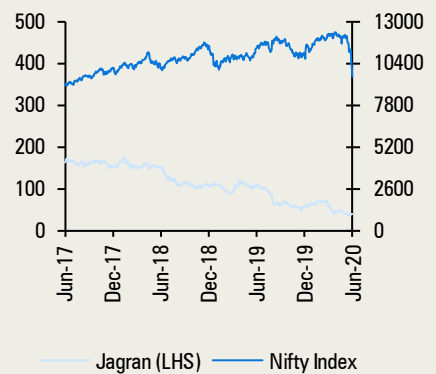
Particulars

Particular	Amount
Market Capitalization	₹ 1185.6 Crore
Total Debt (FY18)	₹ 244.6 Crore
Cash (FY18)	₹ 396.9 Crore
EV	₹ 1187.2 Crore
52 week H/L	120/ 36
Equity capital	₹ 56.2 Crore
Face value	2.0

Key Highlights

- Weak performance impacted by macroeconomic slowdown and Covid-19 impact
- Upgrade to BUY (vs. HOLD earlier) with revised target price of ₹ 55 (6x FY22 P/E) given attractive play on dividend

Price Chart



Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR FY20-FY22E
Net Sales (₹ crore)	2,304.0	2,362.7	2,097.3	1,835.8	2,131.0	0.8
EBITDA (₹ crore)	583.1	533.7	432.6	386.4	520.8	9.7
Adj. Net Profit (₹ crore)	299.8	260.6	273.4	167.6	269.6	(0.7)
EPS (₹)	9.6	8.8	9.2	5.7	9.1	
P/E (x)	4.2	4.6	4.3	7.1	4.4	
Price / Book (x)	0.6	0.6	0.6	0.6	0.6	
EV/EBITDA (x)	2.0	2.2	2.4	2.5	1.8	
RoE (%)	14.7	13.9	14.3	8.5	13.1	
RoCE (%)	18.6	16.7	12.6	10.4	15.3	

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	445.6	592.8	553.0	-24.8	-19.4	Revenues were lower as both print and radio ad declined sharply YoY
Other Income	4.0	12.9	10.3	-69.3	-61.5	
Raw Material Expenses	122.6	179.5	143.4	-31.7	-14.5	
Employee Expenses	102.1	104.0	104.2	-1.8	-2.0	
Marketing Expenses	166.5	171.3	158.2	-2.8	5.3	
Total Expenses	391.3	454.8	405.8	-14.0	-3.6	
EBITDA	54.3	138.0	147.1	-60.7	-63.1	The weakness in revenues percolated to operating levels
EBITDA Margin (%)	12.2	23.3	26.6	-1109 bps	-1443 bps	
Depreciation	37.1	33.1	37.0	12.3	0.4	
Interest	8.1	8.3	8.1	-2.2	1.2	
Total Tax	5.3	39.2	30.6	-86.6	-82.8	
PAT	11.2	66.5	75.9	-83.1	-85.2	
Key Metrics						
Print Ad Growth (%)	-24.3	10.2	-10.2			
Subscription Growth (%)	-9.6	2.1	-0.5			

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E		Comments
	Old	New	% Change	Introduced		
Revenue	2,574.7	1,835.8	-28.7	2,131.0		Lowered our estimate to incorporate the weak ad environment
EBITDA	652.2	386.4	-40.8	520.8		
EBITDA Margin (%)	25.3	21.1	-428 bps	24.4		
PAT	313.4	167.6	-46.5	269.6		
EPS (₹)	10.6	5.7		9.1		

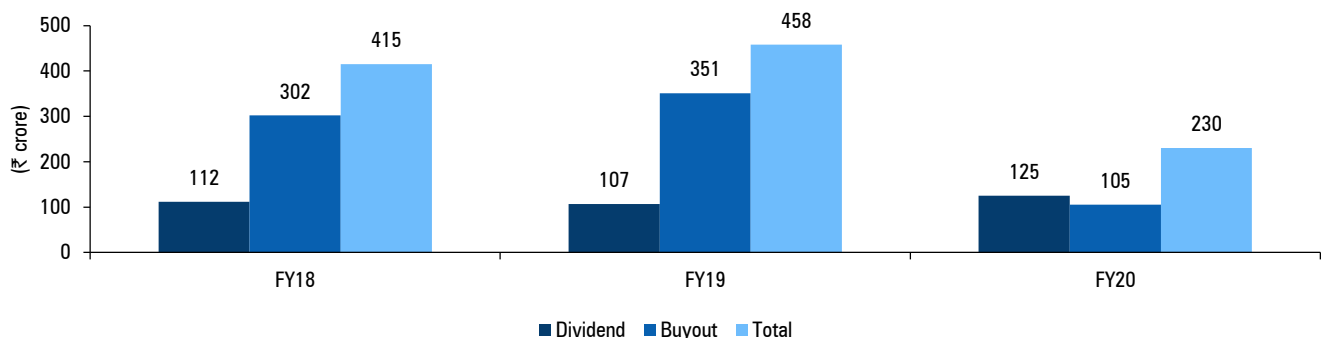
Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier		
	FY18	FY19	FY20	FY21E	FY22E	FY21E	F22E
Print Ad Growth (%)	-1.5	0.7	-10.1	-14.5	15.1	8.0	NA
Subscription Growth (%)	0.0	1.2	-3.5	-4.4	5.2	0.5	NA

Source: Company, ICICI Direct Research

Exhibit 4: Attractive distribution to shareholders



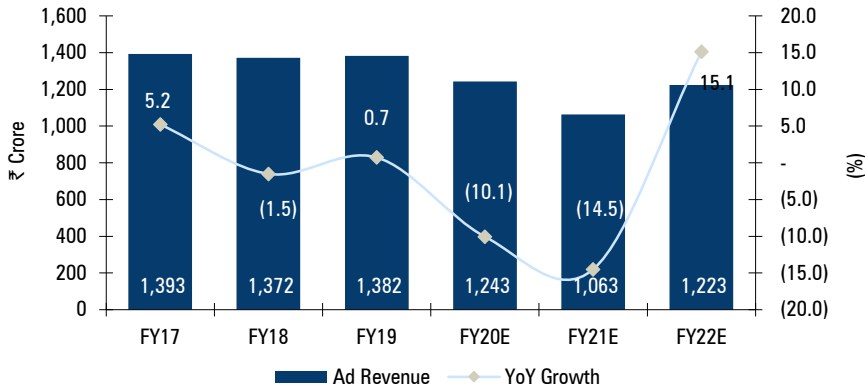
Source: Company, ICICI Direct Research

Conference Call Highlights

- **Covid-19 impact:** The management said de-growth in ad revenues in Q4FY20 translated into ~60% of total ad revenues loss for FY20. The ad revenue in the lockdown period is at ~20% of pre-Covid level. Only the digital segment managed to grow in Q4. However, it is also facing pressure in Q1FY21E while ad loss in the print segment was not recovered via the digital segment. However, some traction is observed in Jagran brands after the government announced easing of lockdown. The management added that government spend will be important in the near term as they will advertise more to publicise new initiatives/schemes. The management refrained from giving specific guidance as they said ad volume is too low. It will not make sense to give guidance in the uncertain times. However, the ad volume scenario will be better in Q2 compared to Q1 while the festive season will lift revenues in Q3
- **Circulation at 80%; low newsprint prices provide relief:** The management indicated that circulation had dropped to much lower levels in the earlier period of the lockdown due to supply chain issues and is currently at 80% of normal levels. Also, rumours of newspapers being Covid-19 carriers affected circulation. However, as per the management, newspapers being more credible source have regained the reader base partially and circulation is slowly picking up. Blended newsprint cost is at ₹ 37,000-38,000/tonne and has helped the company reduce expenditure and pages per copy realisation has improved. Loss in print ad revenue was partly compensated by reduced newsprint prices. The management has decided to lock in more inventory at current prices which will benefit in FY21E
- **Cost rationalisation measures; no heavy capex in FY21E:** The management has undertaken cost saving measures at the group level as MBL & MIL have reduced fixed costs in the range of 20-25%. The target at consolidated level is to reduce fixed cost by ₹ 100 crore in FY21E and ₹ 60 crore at standalone level. They further added that cost cutting is in line with lower volume and benefits will be reflected from June-July onwards. The management further said EBITDA will remain positive due to lower newsprint prices, strategic increase in cover price and better per copy realisation by 12-13%. The capex for FY21E will be at bare minimum level of ₹ 25-30 crore
- **Liquidity not an issue; subscription model to be tested:** The management indicated that the company has focused on reducing cost and augmenting liquidity since the lockdown has started. They added the company at group level has ₹ 800 crore of liquidity (cash & credit line) and can survive the prolonged lockdown. They also added that Mid-Day publications are profitable at the circulation level and their combined readership in PDF format is ~₹ 12 crore with market share increasing 1% to 27%. It was indicated that they will test subscription model in the digital segment for better monetisation

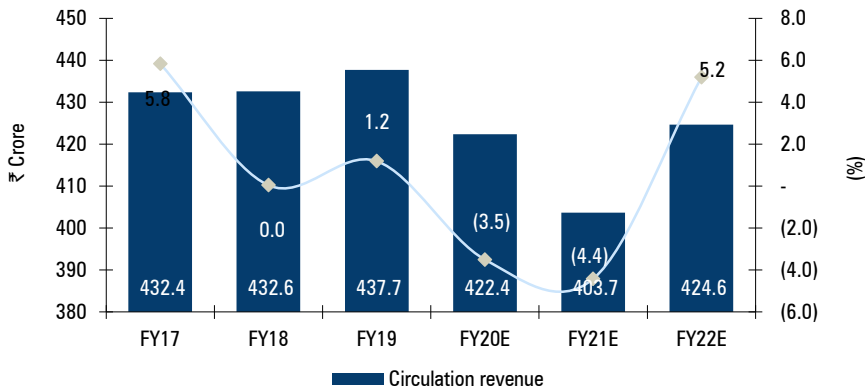
Story in Charts

Exhibit 5: Print ad revenue trend



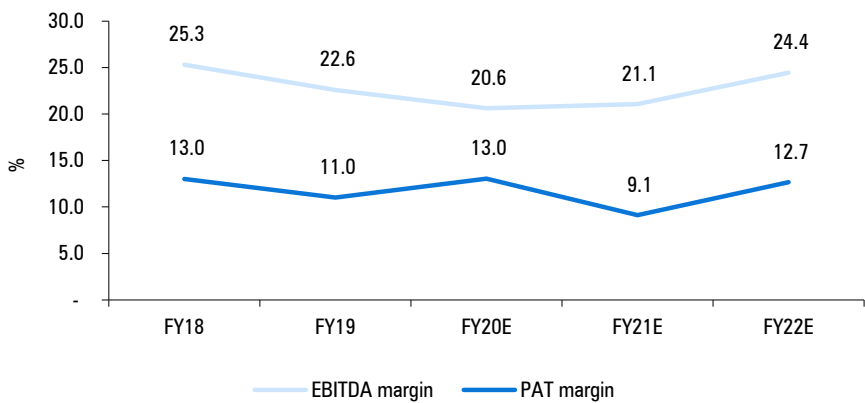
Source: Company, ICICI Direct Research

Exhibit 6: Circulation ad revenue trend



Source: Company, ICICI Direct Research

Exhibit 7: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Total operating income	2,362.7	2,097.3	1,835.8	2,131.0	
Growth (%)	3.5	-11.2	-12.5	16.1	
Raw Material Expenses	730.1	601.0	531.0	546.3	
Employee Expenses	419.2	417.1	388.6	402.7	
Administrative Expenses	679.6	646.6	529.7	661.3	
Other Expenses	0.0	0.0	0.0	0.0	
Total Operating Expenditure	1,828.9	1,664.7	1,449.4	1,610.2	
EBITDA	533.7	432.6	386.4	520.8	
Growth (%)		-18.9	-10.7	34.8	
Depreciation	127.9	145.8	137.7	138.5	
Interest	25.9	33.3	36.8	34.0	
Other Income	40.8	32.3	21.0	28.0	
Exception Items	0.0	0.0	0.0	0.0	
PBT	420.7	285.8	233.0	376.2	
M/PAT from associates	13.2	7.5	7.1	12.5	
Prior Period Items	0.0	0.0	0.0	0.0	
Total Tax	147.0	4.9	58.2	94.1	
PAT	260.6	273.4	167.6	269.6	
Adjusted PAT	260.6	273.4	167.6	269.6	
Growth (%)	-25.1	4.9	-38.7	60.9	
Reported EPS (₹)	8.8	9.2	5.7	9.1	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Profit after Tax	260.6	273.4	167.6	269.6	
Add: Depreciation	127.9	145.8	137.7	138.5	
Add: Interest Paid	25.9	33.3	36.8	34.0	
(Inc)/dec in Current Assets	-103.7	49.8	93.6	-106.8	
Inc/(dec) in CL & Provisions	89.4	-17.5	-51.3	58.0	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	400.0	484.8	384.4	393.3	
(Inc)/dec in Investments	19.7	-19.3	-100.0	-100.0	
(Inc)/dec in Fixed Assets	-141.8	-106.2	-30.0	-60.0	
Others	-19.4	-76.9	3.8	11.1	
CF from investing activities	-141.5	-202.3	-126.2	-148.9	
Issue/(Buy back) of Equity	-3.0	-3.0	0.0	0.0	
Inc/(dec) in loan funds	196.3	-99.2	0.0	0.0	
Dividend paid & dividend tax	-106.7	-124.5	-124.5	-177.8	
Interest Paid	25.9	33.3	36.8	34.0	
Others	-366.5	-169.8	-73.6	-68.0	
CF from financing activities	-254.1	-363.2	-161.3	-211.8	
Net Cash flow	4.4	-80.8	96.8	32.6	
Opening Cash	117.7	122.1	41.3	138.1	
Closing Cash	122.1	41.3	138.1	170.7	

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Liabilities					
Equity Capital	59.3	56.2	56.2	56.2	
Reserve and Surplus	1,816.4	1,862.2	1,905.4	1,997.2	
Total Shareholders funds	1,875.7	1,918.5	1,961.6	2,053.4	
Total Debt	343.9	244.6	244.6	244.6	
Others	452.9	376.0	379.8	390.9	
Total Liabilities	2,672.5	2,539.2	2,586.0	2,689.0	
Assets					
Gross Block	2,235.6	2,342.9	2,375.0	2,435.0	
Less: Acc Depreciation	1,159.2	1,305.0	1,442.7	1,581.2	
Net Block	1,076.3	1,037.9	932.3	853.8	
Capital WIP	3.3	2.1	0.0	0.0	
Total Fixed Assets	1,079.6	1,040.0	932.3	853.8	
Investments	617.7	637.0	737.0	837.0	
Goodwill	337.7	338.1	338.1	338.1	
Inventory	167.8	186.7	163.4	189.7	
Debtors	632.8	563.3	503.0	572.2	
Loans and Advances	21.8	18.9	16.5	19.2	
Other Current Assets	57.8	61.6	53.9	62.6	
Cash	122.1	41.3	138.1	170.7	
Total Current Assets	1,002.3	871.8	875.0	1,014.4	
Creditors	163.2	191.9	168.0	195.0	
Provisions	185.1	137.6	120.4	139.8	
Other Current Liabilities	81.0	82.3	72.0	83.6	
Total Current Liabilities	429.3	411.8	360.4	418.4	
Net Current Assets	573.0	460.0	514.6	596.0	
Other non Current Assets	64.4	64.1	64.1	64.1	
Application of Funds	2,672.5	2,539.2	2,586.0	2,689.0	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Per share data (₹)					
EPS	8.8	9.2	5.7	9.1	
Adjusted EPS	8.8	9.2	5.7	9.1	
BV	63.3	64.7	66.2	69.3	
DPS	3.0	3.5	3.5	5.0	
Cash Per Share	4.1	1.4	4.7	5.8	
Operating Ratios (%)					
EBITDA Margin	22.6	20.6	21.1	24.4	
PBT / Total Operating inc	17.2	13.7	13.6	17.9	
PAT Margin	11.0	13.0	9.1	12.7	
Inventory days	25.9	32.5	32.5	32.5	
Debtor days	97.8	98.0	100.0	98.0	
Creditor days	25.2	33.4	33.4	33.4	
Return Ratios (%)					
RoE	13.9	14.3	8.5	13.1	
RoCE	16.7	12.6	10.4	15.3	
RoIC	21.1	16.5	14.7	21.7	
Valuation Ratios (x)					
P/E	4.6	4.3	7.1	4.4	
EV / EBITDA	2.2	2.4	2.4	1.7	
EV / Net Sales	0.5	0.5	0.5	0.4	
Market Cap / Sales	0.5	0.6	0.6	0.6	
Price to Book Value	0.6	0.6	0.6	0.6	
Solvency Ratios					
Debt/EBITDA	0.6	0.6	0.6	0.5	
Debt / Equity	0.2	0.1	0.1	0.1	
Current Ratio	2.1	2.0	2.0	2.0	
Quick Ratio	1.7	1.6	1.6	1.6	

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Inox Leisure	221	235	Hold	2,264	13.0	8.2	-10.2	17.0	26.8	NM	7.7	4.0	9.6	13.2	19.6	10.7	10.6	14.2	12.2
Music Broadc:	13	15	Hold	451	2.2	0.8	0.7	5.9	16.0	17.7	2.4	4.0	3.2	15.0	6.2	6.8	10.2	4.5	4.0
PVR	962	990	Hold	4,493	39.2	13.0	-42.2	24.5	74.0	NM	9.8	4.8	9.6	14.7	13.8	8.2	11.5	14.8	5.2
Sun TV	407	410	Buy	16,029	36.4	36.3	34.7	11.2	11.2	11.7	5.1	5.6	5.5	35.5	38.5	30.0	24.2	25.9	22.9
TV Today	178	240	Buy	1,064	22.0	23.4	22.6	8.1	7.6	7.9	3.9	4.3	4.2	30.4	22.7	24.7	19.3	14.6	16.0
ZEE Ent.	186	150	Hold	17,854	16.1	15.9	15.1	11.6	11.7	12.3	6.1	6.8	6.5	25.6	25.7	21.4	15.3	15.7	14.7

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with SEBI Registration Number – INH00000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.