

BSE-SME

COMPANY RESEARCH REPORT

JUPITER INFOMEDIA LTD.

July 5, 2012

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CARE Research

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BSE

INVESTORS' PROTECTION FUND

ISSUE DETAILS

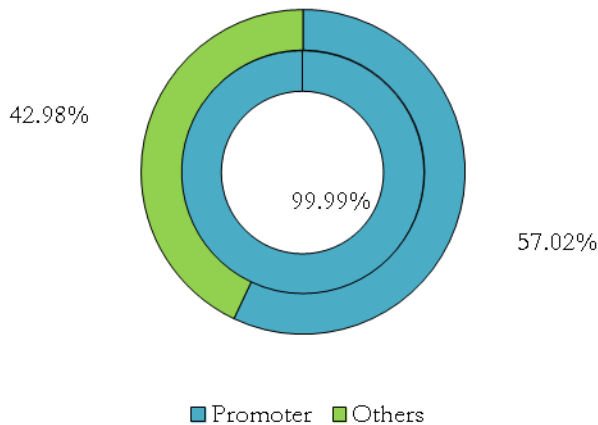
Issue price	Rs. per share	20.00
Face value	Rs. per share	10.00
No. of shares offered	No. in lakhs	20.40
Total no. of shares (post issue)	No. in lakhs	34.90
Issue size	Rs. crores	4.08
Pre-issue net-worth	Rs. crores	1.99
Post-issue net-worth	Rs. crores	6.07

Source: Draft Red Herring Prospectus (DRHP)

BACKGROUND AND BUSINESS OVERVIEW

Jupiter Infomedia Ltd (Jupiter) was incorporated on April 5, 2005 as a private limited company. On April 7, 2012 the company was converted into a public limited company. The company is a provider of online information in India. At present, Jupiter has three verticals, which comprise online business directory (www.JimTrade.com), encyclopedia on India (www.IndiaNetzone.com) and online yellow-pages directory division (www.JimYellowpages.com). The company operates out of its branch offices in Mumbai and Kolkata, and has a staff strength of around 27 employees. Going ahead, the company plans to strengthen its marketing and branding efforts, expand into other products and develop an online information library with information on various topics.

SHAREHOLDING PATTERN



Inner ring represent pre-issue shareholding pattern, outer ring represents post-issue shareholding pattern.

Source: DRHP

FINANCIAL SNAPSHOT

(Rs. lakhs)	2008	2009	2010	2011	2012
Net operating income	56.4	70.7	70.6	78.6	63.9
EBITDA	16.2	14.0	7.6	8.5	4.8
Adjusted PAT	9.2	5.7	10.3	5.5	2.0
Adjusted EPS* (Rs.)	2.35	1.47	2.64	1.40	0.51
Dividend, incl. tax	0.4	0.4	0.4	0.5	0.5
P/E (times)	8.5	13.6	7.6	14.3	39.1
EV/EBITDA (times)	17.2	20.0	36.9	32.7	58.6

Source: DRHP and CARE Research; Valuation ratios calculated @ IPO price of Rs. 20 per share, EPS has been adjusted for bonus shares.

IPO OBJECTIVE

	Rs. lakhs
Purchase and set up of offices in Mumbai and Kolkata	260.00
Renting of offices in Ahmedabad, Chennai and Delhi	35.00
Operating expenses	64.50
Issue related expenses	55.00

Source: DRHP

INDUSTRY OUTLOOK

Online advertising market in India comprises revenues from displays, classifieds, paid searches, videos and other online formats. The market is estimated to be around Rs. 11 -12 billion as at the end of 2011 and is expected to grow at a healthy pace of around 20-25%. Key verticals that form a significant portion of online advertisements in India are travel, banking, financial service and insurance (BFSI), telecom, automobiles and fast moving consumer goods (FMCG). The share of online advertisement in the overall media spend has increased, however it is still lower than the world average of around 14%. Online classified segment in online advertising has established a niche for itself, with around 40-50% of the internet users accessing the online classifieds. The key verticals in the online classifieds market in India are jobs, matrimonial, local searches, real estate, automobiles and general classifieds. Growth in internet penetration, increased hours of usage, increase in user engagement content and growth in web-enabled handsets would be some of the key drivers of the growth in online advertisement market in India.

ANALYTICAL CONTACTS

Amod Khanorkar	General Manager	+91-22-6754 3520
Jumana Badshah	Manager	+91-22-6754 3481

BACKGROUND

Jupiter was originally incorporated on April 04, 2005 as a private limited company. Pursuant to shareholders resolution dated April 7, 2012, the company was converted into a public limited company and the name was changed to Jupiter Infomedia Ltd.

Jupiter is a provider of online information service in India. Currently, the company has three verticals, which comprise online business directory (www.JimTrade.com), encyclopedia on India (www.IndiaNetzone.com) and online yellow pages (www.JimYellowpages.com).

Key milestones of the company

Year	Milestone
2005	Incorporation as “Jupiter Infomedia Pvt. Ltd.”
2005	Launch of www.JimTrade.com , www.JimYellowpages.com and www.IndiaNetzone.com
2006	Increased paid-up share capital from 1,00,000 to 3,00,000 by allotment of shares to promoters
2007	Opened up first branch office in Kolkata
2010	Opened up another office in Mumbai
2012	Bonus issue in the ratio of 12:1 to all eligible equity shareholders
2012	Conversion of the company into a public limited company

Source: DRHP

BUSINESS OVERVIEW

Jupiter operates in a single segment i.e. online media. Within this segment it has three online publications –

1. JimTrade.com – Business-to-business (B2B) portal, an online business directory of India
2. IndiaNetzone.com – free encyclopedia on India
3. JimYellowpages.com – online yellow pages of India

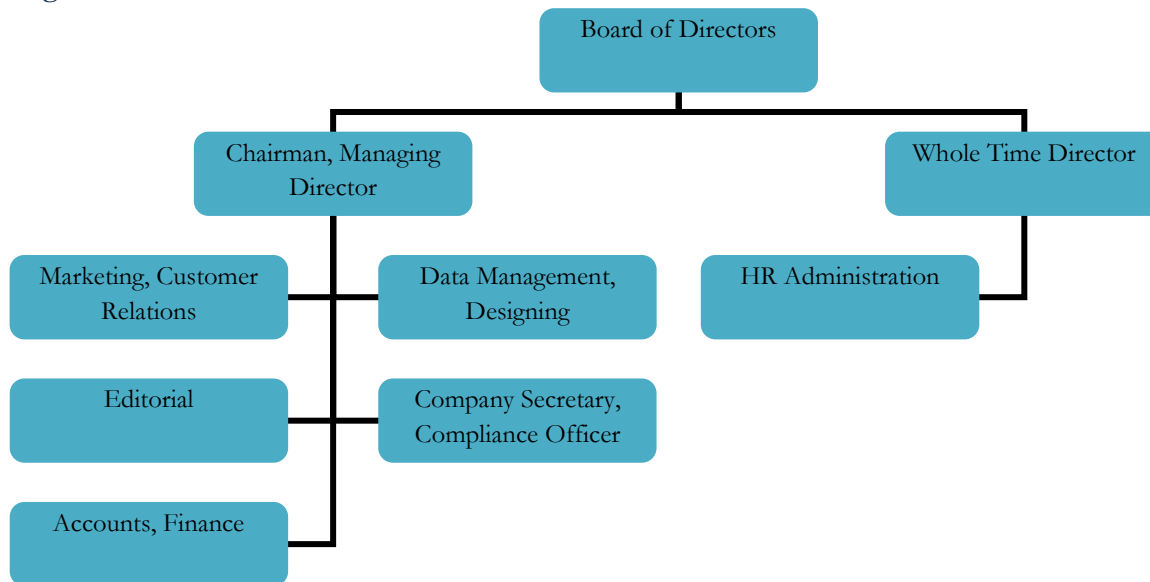
Jupiter operates out of its leased office located in Mumbai and Kolkata.

Currently, JimTrade.com, has nearly 3,00,000 products profiles, across 21 industries ranging from agriculture to industrial supplies. IndiaNetzone.com has a database of around 30,000 research articles. JimYellowpages.com which is an online yellow pages of India has around 10,00,000+ business listings covering 100+ Indian cities. This site also provides phone numbers, addresses and business information of all Indian cities

MANAGEMENT STRUCTURE

As on 31st March, 2012, the company had 27 employees.

Organization structure



Source: DRHP

CORPORATE GOVERNANCE

Jupiter has a five member Board and more than half of the Board comprises Independent Directors. Jupiter also has three sub-committees under the Board, i.e. Audit Committee, Shareholders' Grievances Committee and Remuneration Committee. All the three committees are headed by the Independent Directors, as per the listing guidelines of the exchange.

Board of Directors

Person	Age (in years)	Qualification	Role
Mr. Umesh Modi	44	B.Com, CA.	Chairman, Managing Director
Mrs. Manisha Modi	43	B.A. M.A.	Whole-time Director
Mr. Sivaramkrishnan Iyer	62	B.Sc (Special Maths)	Independent Director
Mr. Jay Ishwarlal Desai	51	B.Com, F.C.A.	Independent Director
Mr. Digesh Manilal Rambia	31	B.Com, F.C.A.	Independent Director

Source: DRHP and CARE Research

There are no contingent liabilities or litigations against the company, its promoters/promoter group or directors.

As at the end of FY12 (refers to period from April 1 2011 to March 31, 2012), the company has paid a refundable deposit of Rs. 1.55 crore to Mrs. Manisha Modi, the promoter and Whole-time Director for office premises in Andheri, Mumbai. The company has also an outstanding advance of Rs. 6.46 lakhs received from Mrs. Manisha Modi as at the end of FY12.

IPO DETAILS

Size

The issue comprises an offer for sale of 20.4 lakhs equity shares of face value of Rs.10 each at a fixed price of Rs.20 per share. This would constitute 58.45% of the post-issue paid-up capital.

Terms

The offer comprises 20.4 lakh equity shares of face value of Rs.10 each to be issued at a price of Rs.20 per share, of which 5.4 lakh equity shares are reserved for subscription by promoters as their contribution, 1.8 lakh equity shares are to be subscribed by 'BCB Brokerage Pvt. Ltd.', the market makers to the issue and remaining 13.2 lakh equity shares, i.e. the net issue would be available for subscription by public. The net issue would constitute 37.82% of the post issue equity share capital.

The issue is being made through fixed price process and at least 50% of the net issue to public would be available to allocation on proportionate basis to retail individual applicants.

The trading lot for the issue has been fixed at 6000 equity shares.

As per the DRHP, Jupiter has issued shares at a price lower than the issue price in the past 12 month period. The company issued 3.6 lakhs, bonus shares to its existing shareholders on March 20, 2012 and further issued 10.6 lakhs shares to its promoter, promoter group and non-promoters at a price of Rs.15 per share on March 31, 2012.

Objective

The main objects of the issue are as follows:

Particulars	Rs. lakhs
Purchase and set up of offices in Mumbai and Kolkata (area around 1000 sq. ft. each)	260.00
Renting of offices in Ahmedabad, Chennai and Delhi (area around 1000 sq. ft. each)	35.00
Initial operating expenses for the marketing/branch office	64.50
Issue related expenses	55.00

Source: DRHP

As per the DRHP, the proposed objects of the issue for which funds are being raised have not been appraised by any bank or financial institution. Also, no exact properties that are proposed to be acquired from the proceeds have yet been identified.

GROWTH DRIVERS

- Increased internet penetration and hours of usage
- Increased brand recognition and traffic on the portals
- Further extension of products and services covered under the business directory and yellow pages
- Increase in value-added services to help businesses connect
- Increase in the database of articles and subjects covered in the online encyclopedia
- Increased share of subscription revenues

RISK AND CONCERNS

- Content is the key for maintaining future revenues for the company. Jupiter faces intense competition from other established players both in India and globally.
- A substantial portion of the revenue is from third-party advertising on Jupiter's portals, also significant a portion of revenue is from a single client - Google AdSense (*revenue share of 89%, 83% and 78% in FY10, FY11, FY12, respectively*), resulting in concentration risk.
- While all portals whether in the "under development", or "to be launched" or "already operational" phase have a domain name registered thereby protecting Jupiter against duplicate domain name registrations, the product brands JimTrade.com, IndiaNetzone and JimYellowpages have not yet been registered as trademarks and are not protected under any intellectual property act in India or elsewhere. Also, although Jupiter has applied for the registration of 'Jupiter Infomedia Ltd.' or/and the logo as a brand or trademark under Trademark Act, the approval on the same is currently pending.

FUTURE STRATEGY AND EXPANSION PLANS

As per the DRHP, Jupiter plans to:

- Develop an online information library that would provide in-depth information to its visitors on various topics.
- Extend into new products and services
- Increase marketing efforts across India and enhance its brand recognition.

Management speak: *"Jupiter offers advertising solutions that are designed to be more engaging and relevant for users in order to help advertisers better achieve their goals. The revenue will be primarily generated from advertising. The advertising opportunity/structure will depend from portal to portal & target visitor base. Generally advertising opportunity will consist of banner advertisement, featured listings, priority listings etc. Going ahead a significant portion of Jupiter's marketing effort is going to focus on contacting SMEs and other businesses to become paid users by converting free listings into campaigns."*

INDUSTRY OUTLOOK

Online advertising market

The online advertising market in India comprises of revenues from displays, classifieds, paid searches, videos and other online formats. The market is estimated to be around Rs. 11 -12 billion as at the end of 2011 and is expected to grow at a healthy pace of around 20-25%.

Online advertising are divided into two types –

- **Display advertising:** Banner advertising, pictures with links, etc.
- **Text advertising:** Side panels of search engines.

Currently, following are the key verticals for online advertisement market in India –

- Travel
- BFSI
- Auto
- Telecom

Also, over a period of time, the revenue model of online advertising is shifting from Cost per Impression to Cost per Click or Cost per Acquisition.

Online classifieds market

Online classified segment in online advertising has established a niche for itself. Online classifieds have cannibalized into the print classifieds market and now form around 40-50% of the total classifieds market. The market is expected to grow at a CAGR range of around 15-20% over the next few years, with around 40-50% of the online users accessing online classified sites on a regular basis. Increased penetration of internet into rural areas will further boost the online classified market.

Online classifieds market in India

Verticals	% of market	Source of revenue
Local		
Search	15	Paid listings, featured listings, Google Ad Sense, Ad banners
Jobs	46	Employers branding, resume database access, job seeker service, Google Ad Sense, Ad banners
Matrimony	19	Paid member, walk-in at matching making centers
Real Estate	8	Developers, builders, brokers for property listings, home page links, Ad banners
Education	3	educational institutes' listings, Ad banners
Auto	3	Lead generation for new car, car insurance, car finance, used cars listings, brokerage charge, Google Ad Sense, Ad banners
General	6	paid listings, featured listings, Google Ad Sense, Ad banners, lead generation

Source: Industry publications, CARE Research

Growth drivers of online advertising industry

- Increased hours of web usage
- Increased penetration of internet
- Improved user engagement websites
- Growth in online commerce both B2B and business to customers (B2C)
- Arrival of 3G and increased penetration of internet enabled handsets

FINANCIAL ANALYSIS

- In FY12, Jupiter reported revenue from operations of Rs.63.9 lakhs.
- Employee cost forms the largest portion of cost for Jupiter. In FY12, employee cost as a percentage of revenue from operations was at 59.5%.
- Other expenses include advertisement, conveyance, insurance, audit and legal charges, travel and communication, rental, etc. Increase in other expenses in FY12, was primarily on account of substantial increase in rental charges.
- The company reported EBITDA margins and PAT margins of 7.4% and 3.1% respectively in FY12.
- The significant drop in NFA turnover ratio in FY12 is primarily on account of increase in interest free security deposits paid for office premise from Rs.4.51 lakhs in FY11 to Rs.158.96 lakhs in FY12. (Calculation for net fixed asset includes interest free security deposits paid by Jupiter for leasing the office premise.)
- The company has no debt on its book as on 31st March 2012.
- The company does not hold any inventory; also the payables are almost negligible.
- The company has reported positive cash flows at operating levels over the last four years.
- Jupiter increased its paid-up capital and issued a total of 14.2 lakh fresh shares (including 3.6 lakh shares as bonus and 10.6 lakh shares as fresh issue), thereby increasing its networth from Rs.40.9 lakhs in FY11 to Rs.1.99 crores in FY12.

FINANCIAL STATISTICS

Income statement

(Rs. lakhs)	2008	2009	2010	2011	2012
Net operating income	56.4	70.7	70.6	78.6	63.9
EBITDA	16.2	14.0	7.6	8.5	4.8
Depreciation and amortisation	3.0	3.3	2.6	2.4	2.4
EBIT	13.2	10.6	4.9	6.1	2.4
Interest	-	-	-	-	-
PBT	13.5	9.2	11.8	7.5	3.0
Ordinary PAT	9.2	5.7	10.3	5.5	2.0
Adjusted PAT	9.2	5.7	10.3	5.5	2.0
Adjusted EPS* (Rs.)	2.35	1.47	2.64	1.40	0.51
Dividend, including tax	0.4	0.4	0.4	0.5	0.5

* Calculated based on Ordinary PAT on Current Face Value of Rs. 10/- per share and adjusted for bonus shares

Balance sheet

(Rs. lakhs)	2008	2009	2010	2011	2012
Tangible net worth	20.7	26.0	35.9	40.9	199.2
Debt	0.1	-	-	-	-
Deferred tax liabilities	0.1	(0.3)	(0.2)	(0.2)	(0.3)
Total capital employed	20.9	25.7	35.7	40.7	198.9
Net fixed assets (incl. refundable security deposits)	11.2	9.6	9.0	11.7	164.7
Investments	4.9	6.3	12.8	16.0	16.8
<i>Inventory</i>	-	-	-	-	-
<i>Receivables</i>	10.8	13.6	15.3	16.0	13.4
<i>Cash and cash equivalents</i>	2.8	1.4	5.4	2.6	11.1
Current assets, loans and advances	18.3	22.7	30.0	31.7	39.0
Less: Current liabilities and provisions	13.6	12.9	16.2	18.6	21.5
Total assets	20.8	25.7	35.7	40.7	198.9

Cash flow statement

(Rs. lakhs)	2009	2010	2011	2012
EBT	9.2	11.8	7.5	3.0
Depreciation	3.3	2.6	2.4	2.4
Interest paid	-	-	-	-
Tax paid	(3.5)	(1.5)	(2.1)	(1.0)
Change in deferred tax liability	(0.2)	0.1	0.0	(0.1)
Net working capital	(6.6)	0.1	(2.0)	4.1
Operating cash flow	2.4	13.0	5.9	8.4
Capital expenditure	(1.2)	(1.2)	(4.0)	(154.3)
Investments	(1.4)	(6.5)	(3.2)	(0.8)
Investing cash flows	(2.6)	(7.7)	(7.2)	(155.1)
Change in borrowings	-	-	-	-
Issuance of equity	(0.8)	(0.8)	(1.0)	155.8
Dividend paid	(0.4)	(0.4)	(0.5)	(0.5)
Financing cash flow	(1.2)	(1.2)	(1.5)	155.2
Net change in cash	(1.5)	4.1	(2.8)	8.5
Closing cash balance	1.4	5.4	2.6	11.1

Ratios analysis

	2009	2010	2011	2012
Growth in net operating income	25.4%	-0.1%	11.2%	-18.6%
Growth in EBITDA	-13.7%	-45.9%	13.0%	-44.3%
Growth in PAT	-37.4%	79.4%	-46.9%	-63.3%
Growth in EPS	-37.4%	79.4%	-46.9%	-99.2%
EBITDA margin	19.8%	10.7%	10.9%	7.4%
PAT margin	8.1%	14.6%	7.0%	3.1%
Return on capital employed (RoCE)	59.9%	24.4%	22.2%	4.0%
Return on equity (RoE)	24.6%	33.3%	14.2%	1.7%
Net debt-equity (times)	-	-	-	-
Interest coverage (times)	NM	NM	NM	NM
Current ratio (times)	NM	NM	NM	NM
Inventory (days)	NM	NM	NM	NM
Receivable (days)	78.0	78.9	78.4	68.9
Price/EPS (P/E) (times)	13.6	7.6	14.3	39.1
Price/Book value(P/BV) (times)	3.0	2.2	1.9	1.5
Enterprise value (EV)/EBITDA (times)	20.0	36.9	32.7	58.6

Source: DRHP and CARE Research; Valuation ratios are calculated @ IPO price of Rs. 20 per share.

NOTES

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