



“Jagran Prakashan Q2 FY15 Results Conference
Call”

October 30, 2014



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Moderator: Ladies and gentlemen, good day and welcome to the Jagran Prakashan Limited Q2 FY 2015 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Mr. Mantri!

Vikash Mantri: Good morning everybody. We at ICICI Securities are pleased to host the Q2 FY 2015 conference call for Jagran Prakashan. We have with us the management of the company represented by Mr. Sanjay Gupta, the CEO and Mr. R. K. Aggarwal, the CFO of the company over to you Sir for initial remarks.

R. K. Aggarwal: Good morning friends. A very, very happy and prosperous Diwali to you all.

We hope and trust that the results produced by the company for the second quarter must be to your liking. There is an all-around growth in all the key parameters. Fact of the matter is that the performance of Q2 is better than what we had expected.

The highlights of the quarter were clearly remarkable growth of 11.5% in advertisement revenue, recorded by the mother brand Dainik Jagran, followed by significant improvement in the operating profit of other publication brands especially Mid-Day. The entire growth has been driven by yield improvement in continuation of Q1 this growth in advertisement revenue, as far as we know, is the highest in the industry considering high base.

Besides this contribution of consistent improvement in per copy realization and relentless effort to keep the cost under check by improving efficiencies were too equally important and responsible for delivering 16% growth in operating profit, 26% growth in EPS and improved cash position. The company had net cash of 65 Crores on September 30, 2014 as against net debt of 132 Crores six months ago.

If a stable currency lowered the exchange loss by Rs.8 Crores there was additional burden of 5 Crores on account of increased rate of depreciation and tax of Rs.11 Crores. Thus, on like-to-like basis on account of nonoperational items the company's net profit has got reduced to the extent of Rs.8 Crores. Even if there is a good growth, it could have been still better but for these items.



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We are also happy to report that even our competitors have realized the importance of recovering the cover prices with reference to business model of a print media company and accordingly they too have looked for increasing the cover prices in an environment which was not conducive for advertisement revenue growth. Our main competitor has been aggressively increasing the cover prices for some time and as a result their per copy realization has reached near ours. The difference between per copy realization between them and us has significantly gone down over a period of two, three years; we believe that the industry will continue to pursue this even when good days are back.

The point to be noted is that much against the common belief none of the publications of course which were meeting the expectations of the leaders have had a negative impact of increase in cover prices on circulation. Circulation of all such publications in fact registered growth; it clearly establishes that the readers do not mind paying for good content. As far as the outlook for the business is concerned, we expect higher advertisement revenue and lower newsprint cost and thus better results in the second half. This is, of course, based on our belief that the second half is going to be stronger because the economy is in better shape and so is the business confidence. Festive season just concluded is a testimony to our belief. With these opening remarks, we now invite you to discuss the results.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri:

Congratulations on the good set of numbers sir. I have a few questions. Firstly you have mentioned that the Dainik Jagran brand has grown well by around 11.5% if I just breakdown your advertising growth numbers it looks like the ex-Nai Dunia the Hindi ad revenue growth is about 10%, given that Dainik Jagran is actually a large part of this Hindi the revenue ex-Nai Dunia does not that imply that some of the smaller brands like I-Next, Punjabi Jagran et cetera have actually shown a decline year-on-year or at best been flat, can you kind of some numbers around the smaller brands how they are doing and what is the game plan there?

R. K. Aggarwal:

Yes, Punjabi Jagran was flat, I-Next registered a bit of de-growth because in this second quarter they did not have revenues from print-led activations this is why they had a de-growth I expect that in fact in remaining six months some of the print-led activations which used to happen will take place and they will be able to recover some loss of revenue in the second quarter.



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Srinivas Seshadri: Sir given that these are much smaller brands and you have invested aggressively in circulation of some of these brands over the years, should not the growth rate of some of these be logically much higher.

R. K. Aggarwal: Yes, this is what we expected in the beginning of the year and if you remember I-Next recorded a very steep growth in Q1, Q2 is an exception Similarly Punjabi Jagran which was more or less flat also recorded a growth exceeding 10% in Q1; yes they will come back in Q3.

Srinivas Seshadri: What was the specific issue with Punjabi Jagran sir if I may understand?

R. K. Aggarwal: It is nothing as such and it is just that it is was a flat remaining but if there is any specific reason our CEO can throw light on it.

Sanjay Gupta: Punjabi Jagran is heavily depending currently on government spends from Punjab government which spent less.. So now they are all back and there were certain changes in the Public Relation Department in Punjab which resulted in shortfall of some revenue, but it has all come back now and next quarter as Mr. Aggarwal has said things will look up.

R. K. Aggarwal: Let me also tell you this is the first quarter when their revenue was flat, This brand has been launched just about two years back .Since then they have been registering a very steep growth this was the only quarter when revenue remained flat for the reasons what Sanjay Ji has explained but despite that they have improved their operating results very, very significantly which is what is getting reflected in the overall result as well.

Srinivas Seshadri: Sir if I may just ask one more question and I will get back to the queue after that. In terms of the cash generation it has been very strong you have talked about nearly 196 Crores of cash generation which is far higher than even the PAT which you have generated in the first half. Can you kind of throw some light on apart from the ESOP loan which has come back what has resulted in the higher cash generation?

R. K. Aggarwal: There is nothing special. Apart from what you have already talked about if you look at the cash generated from operation it is over 100 Crores plus nearly 50 odd Crores we recovered from trust so that way we have generated nearly 150 Crores.

Srinivas Seshadri: Sir just a related question to that is given that now you are back to a net cash position after quite a few quarters, what is the plan in terms of may be looking at a higher payout in terms of shareholders?



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- R. K. Aggarwal:** It is very much on card, the company has always believed in distributing the cash amongst the shareholders if it has surplus and that strategy would continue.
- Moderator:** Thank you the next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sir my first question is on the advertising front you said H2 will be better so what is the full year number you are looking at in Q1 you had said around 12% so what is the full year number in terms of ad growth you are looking in the current scenario?
- R. K. Aggarwal:** Abneesh in the beginning of the year we were expecting a revenue growth of about 11% to 12% that is what we guided also but given the lower growth in Q1 we would like to bring down our expectation from 11% to 12% to say 9% to 10% for whole of the year but then we continue to maintain that at operating profit level we will achieve in fact may improve also our operating results from the figure what we indicated in the beginning of the year i.e 440 Crores.
- Abneesh Roy:** Sir that is quite good but in terms of this around 2% cut in advertising growth this year which in terms of expectation which are the sectors which are laggards, is it the government and the local heads and if you could give which are the good performing sectors also.
- R. K. Aggarwal:** See clearly Q1 suffered on account of lower government spend as we discussed after closure of the first quarter and that was the laggard. As far as Q2 is concerned government spend has come back and in fact government has given us reasonably good growth. Apart from that FMCG continues to do very well, lifestyle products, consumer durables, even banking and finance showed a growth in Q2 for us so all these categories are doing pretty well what has not done well in Q2 is real estate, and education also did not get sufficient growth.
- Abneesh Roy:** Sir one important follow up is government ad has been a bit volatile especially around election but if you see post this the recent development the courts are saying that the government ads need to be curtailed you cannot have different ministries coming out with separate ads on an important event, or important day so clearly this is negative for print companies, whenever it happens it might take a bit of time but how do you see this development impacting such a important segment for you?
- R. K. Aggarwal:** Government contributes nearly about 15% in our total kitty, whenever it happens by then economy will have recovered or economy will be back on higher growth track . So, other categories will compensate for that loss if at all it happens.

- Sanjay Gupta:** Abneesh let me explain on that, this comment was done by the court during Lok Sabha election
- Abneesh Roy:** No sir, this was not Lok Sabha election they are saying for example.
- Sanjay Gupta:** No it was only for Lok Sabha elections that you cannot propagate government scheme on party logo that was the issue raised by the court.
- Abneesh Roy:** No, supposing there is some Mahatma Gandhi Jayanthi or something like that so...
- Sanjay Gupta:** That is allowed
- Abneesh Roy:** So you are very clear that it does not impact now and it's...
- Sanjay Gupta:** It will not have such a dramatic effect.
- Abneesh Roy:** And sir one more follow up FMCG we saw...
- R. K. Aggarwal:** Abneesh one more thing which needs to be noted is that the government is also thinking in terms of compensating the media company for the loss what they suffer on account of lower rates offered by the government, So, government is also considering to give on a reasonable hike in the rates.
- Abneesh Roy:** I think the rate hike was expected a bit earlier that did not happen so any timelines that with the new government.
- R. K. Aggarwal:** Not really, but this is something which government has already indicated.
- Abneesh Roy:** Sir one other follow up for the FMCG has cut down in Q2 the Bellwether, Lever in fact was the lower on an absolute basis and if you see the broadcasters also have reported a lower growth so...
- R. K. Aggarwal:** Not for us as yet.
- Abneesh Roy:** So basically the trend is continuing okay.
- R. K. Aggarwal:** Yes not for us FMCG again was one of the growth driver for us.
- Abneesh Roy:** No, but as the growth rate come down.



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- R. K. Aggarwal:** Not really.
- Abneesh Roy:** Sir my last question is on subscription circulation you mentioned interesting remark in the opening statements that the gap has reduced in the last two, three years versus your peers, so why we have been more hesitant in terms of taking price hike and does this price stance reverse for you because gap has reduced now they are almost at parity so why we have been hesitant because as a leader I would expect you to have that pricing power.
- R. K. Aggarwal:** We have been increasing the cover prices. They were having very low cover prices. . Jagran has always believed in that and has always taken lead in that. When our per copy realization was Rs.2.03 that time there per copy realization was Rs.1.58, Rs.1.60 So , that big a difference in fact was forcing us also not to increase the cover prices so
- Sanjay Gupta:** We have already taken certain cover pricing increases which will reflect in the next quarter.
- R. K. Aggarwal:** Which had already started reflecting because Q1 had an impact of nearly 8% to 9% of increase in cover prices taken till then, in Q2 also there is a positive impact of nearly 5% to 6% of taking an increase in cover prices and that is something which is continuing.
- Abneesh Roy:** Sir just one last follow up on this normally we see when advertising growth recovers the cover price increase becomes extremely benign and now we have taken quite a bit increase in terms of the entire industry in the last two, three years so how much is the room still available in that context because if you see now cover price what is your average cover price?
- R. K. Aggarwal:** Sorry.
- Abneesh Roy:** What is our average cover price and how much is the room still available in the context?
- R. K. Aggarwal:** Availability of room is something which cannot be judged by whatever we have or by whatever others have because if you look at the cover prices what are prevailing in India they are still not even 50% of the prices which even the poorest of the countries have. So there is no yardstick to judge whether room is available or not. It all depends how the competitors behave when the good days are back and this is what I mentioned in my opening remark and let us hope that when the good days are back we continue to pursue this strategy in order to continually strengthen the business model. Let us see what happens at that point in time when really we are back to consistent advertisement revenue growth of 12% to 13% . I wonder whomsoever has with so much difficulty been able to increase the



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cover price without having an adverse impact why should one drop it once it has already been accepted.

- Moderator:** The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Thanks for the opportunity. I wanted to ask what has been the increase in the average newsprint price during the first half?
- R. K. Aggarwal:** During the first half it should be in the range of about 5% to 6% as compared to the previous year.
- Yogesh Kirve:** Sir for the full year basis or in the second half what would be our expectation at this point of time.
- R. K. Aggarwal:** It will be around that only.
- Yogesh Kirve:** 5% to 6%. What is the planned circulation increase?
- R. K. Aggarwal:** That is continuing whatever we have planned, that is continuing.
- Yogesh Kirve:** But would it be something like 4% to 5% or it could be more.
- R. K. Aggarwal:** Yes that is something which is what is planned for Jagran and that is what has taken place till September 30.
- .
- Yogesh Kirve:** Finally I understand the capex during the first half stood at about 17, 18 Crores. So if I am not wrong.
- R. K. Aggarwal:** 26 Crores.
- Yogesh Kirve:** 26 right and what should be your guidance for the full year?
- R. K. Aggarwal:** For the whole of year we had planned about 60 Crores so this is what remains unchanged.

- Yogesh Kirve:** Sir we have seen our capex intensity decline quite significantly over last two or three year. So is there a possibility in coming year there might be a little bump up or catch up capex.
- R. K. Aggarwal:** These are maintenance capex which we are incurring, After two years if there are plans which are not yet drawn to ad spends to other territories or something of that sort then it might increase.
- Sanjay Gupta:** Or may be a new printing plant coming up you cannot comment on this at this moment.
- Moderator:** The next question is from the line of Amit Kumar from Espirito Santo Securities. Please go ahead.
- Amit Kumar:** Thank you so much for the opportunity. Couple of book keeping questions to begin with, your circulation increase was about 7% you seem to indicate at 5%, 6% cover price and remaining is you can see the increase in circulation.
- R. K. Aggarwal:** Yes.
- Amit Kumar:** On the newsprint side how has the consumption the 9% increase in raw material cost. How has that moved in terms of pricing and consumption?
- R. K. Aggarwal:** Amit increase in newsprint price is having an impact of nearly 5% to 6% as I mentioned 3%/ 3.5% is on account of increase in quantity. In fact it could have been higher but for efficiencies in consumption of newsprint, which we had been striving for consistently.
- Amit Kumar:** Now if you could just tell me that for second half of the year how are you looking at your consumption and pricing to move on the newsprint side.
- R. K. Aggarwal:** Newsprint prices are going to remain soft. We are expecting couple of percentage fall in prices again and as far as consumption is concerned it will slightly increase because circulation is increasing every month.
- Amit Kumar:** Newsprint price you seem to indicate 5% YOY increase DB I think is reported a bit of a decline. Is there a bit of an inventory that you are sitting on here?
- R. K. Aggarwal:** No I do not think, for the first half as I mentioned there is an impact of increasing newsprint prices to the extend of 5% to 6%. What I say in fact it is slightly more. It could be about 7%. This impact will go down to nearly 4% by the year end. So what I am expecting is there should be a fall in newsprint prices to the extent of about 2% from now onwards.



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Amit Kumar: Why only 2% if I remember correctly same in second half of last year your rupee dollar rate was extremely elevated and this time.

R. K. Aggarwal: What I am saying is from the current level. I am not saying it on the YOY basis.

Amit Kumar: Okay from the current level. Sir my second question was I am sorry I joined the call a bit late may be this point was already discussed that when we look at the breakup of the business across Dainik Jagran your emerging print publication and then outdoor and event while Dainik Jagran continues to deliver very strongly the revenue growth in your other print publications has just about petered out.

R. K. Aggarwal: The question has been answered.

Amit Kumar: I am sorry I joined a bit late. So I just wanted to have one particular sense have has Nai Dunia done.

R. K. Aggarwal: Nai Dunia, as far as circulation revenue is concerned they have registered a very good growth as per plan. Advertisement revenue for them was flat in Q2 but August and September were very good. July for them was bad. In fact it is continuation of Q1 wherein in fact they suffered on account of lower governmental spend, which continued till the late August and MPCG are the market where you have a significant portion coming from government that is nearly 30% to 35%.

Amit Kumar: So it is essentially the government fees which were reasonably elevated last time around that sort of providing the base this time. My final point on this despite the fact that your revenues on this emerging print segment are more or less constant you have seen an improvement in terms of bottomline.

R. K. Aggarwal: It is on account of primarily improved per copy realization. It is primarily on account of much improved performance of Mid-Day. It is also because of our relentless effort to keep cost under check by improving the efficiency.

Amit Kumar: This cost control was this specific to any publication.

R. K. Aggarwal: Nothing like that. For example ,by putting LED we have saved a lot on account of power consumption, by following and monitoring the standard of consumption, we have significantly saved ink. Similarly various steps have been taken to improve the efficiency. So it is across. If you look at increase in other costs for the entire group also you would see these are flat.

- Amit Kumar:** Overhead expenses have been the primary driver.
- R. K. Aggarwal:** I mean it is for each and every account head. It will be difficult to detail all those heads but if you look at each and every component of that cost which total up to the total other cost, you will see there is a work done and there is saving in almost 25% to 30% account head.
- Amit Kumar:** So that answers my question and that is what I was just trying to understand that it is specific to any publication.
- R. K. Aggarwal:** This exercise is continuing for everyone. In some cases the saving has been more. In some cases the saving has been less .
- Moderator:** The next question is from the line of Bijal Shah from India Infoline. Please go ahead.
- Bijal Shah:** Thank you for the opportunity and congratulation on good numbers. I have two questions. First is on circulation, now incrementally advertising growth outlook is improving so how do you see that to impact the circulation may be over next two year, should we see acceleration in circulation growth or current level is fine?
- R. K. Aggarwal:** Circulation growth is not something which we have stopped. We are growing our circulation as per our plan whether the growth was less or more because we have to protect our future. So because advertisement growth is lower we decide to grow the circulation less is not true. Both these things are independent. We could slightly postpone the growth in circulation but it is not that we stop it because advertisement growth is slowing.
- Bijal Shah:** So circulation growth will remain at current level is that correct?
- R. K. Aggarwal:** Will remain at current level or might increase but not significantly.
- Bijal Shah:** There will not be any significance change.
- R. K. Aggarwal:** No there is no attempt to change the circulation growth.
- Bijal Shah:** So that was one. Second is on this readership survey now it seems that it has hit already deadlock, so in your opinion will it remain like these are what are the things which can actually change and again the readership data start coming in on a regular basis or what you are looking for from the MRUC to start this readership surveys again.
- R. K. Aggarwal:** Mr. Sanjay Gupta is on MRUC. He will explain.

Sanjay Gupta: The thing is that at this moment the committee of readership has not yet been able to decide on the way forward but yes some data would be released but the kind of confusion that is prevailing in the industry the data may not have any significance in helping marketeers or media planners to plan their campaigns. So yes there is a dilemma in the industry and it will take some time to sort it out.

Moderator: The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

Srinivas Seshadri: Thanks for taking my questions again. I have a few more. Firstly on Mid-Day several quarters have gone by the ad revenue traction is not coming. One of your competitors in the Mumbai English market has shown some bit of a bounce back. So is there some kind of a market share loss, which Mid-Day is going through that is question number one and secondly given that several years have passed by since the acquisition, how do you look at this properties future over the next two, three years. I mean at what stage would you say that possibly the acquisition is not working or things have not gone as per plan and you take a call based on that. That is on Mid-Day. I am just asking based on the reported financials.

R. K. Aggarwal: Mr. Seshadri let me clarify couple of points to you first. Revenue growth is one part. Second part is the operating performance. As I mentioned in my opening remark, Mid-Day has reported a robust operating result in Q2. They have reported an operating profit of about 3.2 Crores. So revenue growth definitely is not there that is because of the market condition. What my competitor has said, what my competitor has not said I cannot comment on that but as far as share of Mid-Day in Mumbai market is concerned that is pretty intact and in fact you would be glad to know that the revenue generated from markets outside Mumbai for Mumbai Mid-Day has generated more revenue than any other comparable English publication,. Number two point is that we did not acquire that company only for Mid-Day English. We consistently maintain that we made that acquisition for each of their brands .Mid-Day English is very, very important for us. I am not saying that it is not important and it will continue to remain important but there were other two brands which this company had. One was Inquilab which is doing fantastically well and Mid-Day Gujarati that is also doing very well . As you may be knowing, our stated strategy was to become number two in Mumbai in Gujarati market that we have already become two years back. Unfortunately economy is not supporting. Bombay being metro is suffering most, we too are suffering. So that is related to the market condition. Another thing is as a matter of policy we completely stopped barter at Mid-Day, which they used to do when we acquired which we continued to do till earlier CEO was holding the charge. Now since the time new CEO has come we have completely stopped the barters and those private treaties. So in all those years there was good revenue coming from these sources, which has got completely stopped in the current



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year. This is why we see in fact no growth but in case we remove it and do like-to-like comparison., Mid-Day registered some growth that is about couple of percentage in Q1 So we are in no way unhappy with the performance, yes it should have been better and there is always a scope for improvement. That is something which cannot be denied but fact of the matter is that if one feels that we are unhappy with this, no, we are not unhappy at all. Another important thing which you need to know about Mid-Day. Mid-Day is now selling in Bombay on its strength at full price, which many others are not doing. We have completely discontinued the discounted subscription schemes. whatever copies were booked about a year back they are continuing that we cannot stop because we have already committed. In Mumbai market are you aware per copy realization of our competitor? I am not talking about TOI but others per copy realization for them is negative, which is what Mid-Day had.

We decided instead of having negative per copy realization we go for full subscription and as a result of that even if there is some drop in circulation you should not mind because any which way you are not sure whether those copies were being read or were being wasted; so now one would be happy that Mid-Day is able to sustain the full cover price. People are picking up Mid-Day at full cover price, which no other paper again I am excluding TOI is getting picked at.

Srinivas Seshadri: Sir let me also question in a different way. I understand that you have made a lot of positive changes from a financial perspective in the company. If I were to take a three year view from here would you be satisfied with Mid-Day maybe growing at mid single digit or would your base expectations be that it should grow.

R. K. Aggarwal: We will be more than happy if we consistently grow at 9% to 10% and that is what was the expectation when we acquired. We never expected that Mid-Day English would record higher growth. Definitely Inquilab and Mid-Day Gujarati will keep on growing at higher rate but Mid-Day English if grows by 8% to 9% even , we will be happy.

Srinivas Seshadri: Sir you think the business is positioned for delivering that kind of growth over a three year period.

R. K. Aggarwal: It is very much positioned and at the end I would like to share with you in October (definitely that is the festive/election season that cannot be taken as benchmark) they have registered around 25% growth.



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- Srinivas Seshadri:** The second question is on many of the media companies are pursuing radio as part of growth strategy. I mean I am talking about the listed. So is there any and around that.
- R. K. Aggarwal:** Management is thinking about it.
- Srinivas Seshadri:** Okay because we are pretty close to the auctions probably in a few months down the line.
- R. K. Aggarwal:** I think decision will be taken shortly.
- Srinivas Seshadri:** Fair enough and if I may ask one more question some of the properties have been classified as a current investment in your recent annual report and you have monetized.
- R. K. Aggarwal:** Those are the properties which are sitting in Mid-Day's balance sheet and have got acquired through the process of those barter and treaties, which were done by the earlier management.
- Srinivas Seshadri:** What is the timeline around which you are looking?
- R. K. Aggarwal:** We are trying to dispose them off; couple of them has already got disposed off. Couple of them is seeing the appreciation in the value so there is a temptation to hold them back.
- Srinivas Seshadri:** What would be the market value of these?
- R. K. Aggarwal:** 6 to 7 Crores.
- Srinivas Seshadri:** On the treasury income if I just eliminate the one time items it looks like the co-treasury income is around 6 Crores for the quarter if I am not mistaken, if I reduce the forex.
- R. K. Aggarwal:** Correct as we mentioned in the beginning of the quarter , you will find lower in the coming quarters. The reason is we have rolled over those FMPs for three years in order to save tax.
- Moderator:** The next question is from the line of Ankit Kedia from Centrum Brooking. Please go ahead.
- Ankit Kedia:** Sir my first question is regarding the ad growth in the DJ. Could you share some thoughts in which states have we seen good ad growth? Is it due to market share gain or it is due to the market itself expanding?
- R. K. Aggarwal:** There was some market share gain also.



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- Ankit Kedia:** Could you share the growth rates in UP and Bihar market?
- R. K. Aggarwal:** But of course it is our main territory where we have done better than our competitors.
- Ankit Kedia:** So could the ad growth be similar in the two key states of Bihar and UP?
- R. K. Aggarwal:** Yes we are hopeful. Not only UP but this time Bihar which was disappointing for us last year also has started doing very well since June.
- Ankit Kedia:** Sir my second question is regarding the outdoor business. Sir though on the revenue decline we have stated that the focus is on profitability but at the EBITDA level the losses are only increasing.
- R. K. Aggarwal:** Outdoor was bit disappointing, there is no doubt about it and especially August month. I do not know what happened because as per our information the whole of outdoor industry suffered very badly in the month of August. Outdoor suffered operating loss may be after 12/ 14 quarters but I am sure this is one off because the third quarter is doing well so far.
- Ankit Kedia:** So we can expect a decline of revenue to profitability at least will be at breakeven level?
- R. K. Aggarwal:** Absolutely right and there was one contract which was expiring on September 30. It was three year contract that made us suffer hugely and that is now over, so that loss will also go away and in fact in Q2 that contract also contributed significant loss.
- Moderator:** The next question is from the line of Aruna Bharathi from Pari Washington. Please go ahead.
- Aruna Bharathi:** I just have a couple of book keep question. One is I just want to know what is the current net realization per copy actually?
- R. K. Aggarwal:** It is around Rs.2.36 paisa.
- Aruna Bharathi:** I got it and what is the overall circulation number as of now at this point in time?
- R. K. Aggarwal:** This is about 3.7 million for Jagran.
- R.K.Agarwal** 3.7 million for Jagran, group as a whole we circulate nearly 4.8 million to 4.9 million.



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- Aruna :** I got it because this number was close to 4 million actually was about close to 4 million right in 2014 now you are talking about 4.8 million.
- RKAgarwal :** 4.8 to 4.9 million yes for the group as a whole.
- Aruna :** Including Nai Dunia right?
- Aruna Bharathi:** Yes Nai Dunia, Mid-Day, City Plus, I-Next everything put together.
- Moderator:** The next question is from the line of Amit Kumar from Espirito Santo Securities. Please go ahead.
- Amit Kumar:** Thank you so much again for the opportunity sir. Most of my questions have already been answered but just to actually reiterate the point on our outdoor and events business I am still struggling to understand the sort of either the strategy or the business case here because for one reason or the other they do not really seem to be going anywhere. So what you would do with these pieces within the overall Jagran group?
- R. K. Aggarwal:** Amit your concern is pretty much justified. Management is also seized with the fact and is reviewing it very closely. Let us see what we decide in course of time but as far as activation business is concerned it is on the expected lines there. There is no disappointment as such. Let me tell you for them the second half always traditionally have been far, far better because they do nearly 35% to 40% revenue in first half and nearly 60% revenue in the second half. So activation is not a problem. On strategy for outdoor, I would request our CEO to throw light.
- Sanjay Gupta:** Outdoor is a very traditional medium. The rates are under immense pressure due to unorganized sector. The future belongs to LED screens and things like that which the company is trying to get into but having said that you will have to appreciate that it is a kind of a traditional business and we started the same as a complementary to print business and we continue to believe that going forward marketeers will have a reliance on outdoor. We are not extremely aggressive in trying to acquire outdoor properties and then trying to expand our footprint in outdoor and we believe that consolidation and having the right property are the way forward. There cannot be any radical strategies like digital strategy or an internet strategy on this.
- Amit Kumar:** That is exactly my point. Is it just a case that because the economic environment has been bad.



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R. K. Aggarwal: That is main reason One part is very good about outdoor i.e for nearly 2 and 2.5 years we have not invested anything in outdoor . Whatever cash they are generating they are ploughing back and they have been growing the business and in the beginning of the year as I mentioned our focus shifted to profitability.

Unfortunately for both these businesses what has happened is around 2006 we started both these businesses and thereafter before they could settle down, they had to counter with the bad economic environment immediately after these businesses were established and before they could come out of that, again they suffered that setback due to another downturn in economy. So definitely economic conditions are instrumental in not allowing these two businesses to do what we had expected but at the same time as I mentioned and as Sanjay ji has just explained to you these are very much complementary to our main print business and in fact those benefits which accrue to the print because of these two businesses do not get reflected in their performance unfortunately .

Amit Kumar: Could you elaborate on this last point?

R. K. Aggarwal: Like for example there are FMCG advertisers who want event / activation also alongside print, They want outdoor also. Not only FMCG but other sectors also have such requirement.. So it gives us an edge over those players who do not have outdoor and events.

Unfortunately these two businesses will never get the credit for what they are directly or indirectly contributing to the print.

Sanjay Gupta: Also I would like to tell you in outdoor the unorganized industry that we had anticipated will get marginalized with organized players coming in. That have really not happened. So majority of the business is still being given to the unorganized sector by media planners, which we have been taking up at the correct forums but the results have been slow on this.

R. K. Aggarwal: Let me tell you that there are few properties which are doing fantastically well for us. Like for example from Goa we do turnover of just 1.2 Crores or something of that sort per annum but the cash generation from that business is in the range of about a Crore.

Amit Kumar: I am sure that given the fact that it has been marginally profitable business whereas some properties are doing well and some properties not doing well.

R. K. Aggarwal: Amit as I mentioned there was one contract. Having explained you the facts, let me clarify that we are not justifying their performance but we are trying to bring in right perspective

and their relevance for us. Yes, if one wants one line answer , we will say that their performance should have been better.

Amit Kumar: I will take it offline that is from my side.

Moderator: The next question is from the line of Ritwik Rai from Kotak Securities. Please go ahead.

Ritwik Rai: Congratulations for a good set of numbers. I just wanted some more clarification on this other expenditure line, which has shown significant decline. Could you tell us a little more about what has affected this?

R. K. Aggarwal: The other expenditure decline is on account of lower level of outdoor event and activation businesses and also lower exchange loss as far as decline is concerned. This is why I said we were able to maintain the expenditure at last year's level. I did not talk about any decline. Decline is because of this.

Ritwik Rai: Sir otherwise your other expenses are flat as compared with last year.

R. K. Aggarwal: Flat.

Ritwik Rai: Alright and that flatness is caused by general cost discipline measure nothing dramatic out nothing no cuts in marketing spends.

R. K. Aggarwal: No.

Ritwik Rai: Just one more thing I wanted to take up with you this 4% to 5% circulation increase that you are thinking of in the coming year. Is this uniform across geographies or is there any specific geography in which the circulation growth will be much higher.

R. K. Aggarwal: I did not hear the percentage.

Ritwik Rai: 4% to 5% circulation increase is what is planned for the next year Sir. Is that correct?

R. K. Aggarwal: Next year it could be slightly higher. I was talking about 4% to 5% increase for the current year.

Ritwik Rai: Next year.

R. K. Aggarwal: It could be higher and it will be higher rather.

- Ritwik Rai:** It will be higher and on what count sir why is that on your agenda?
- R. K. Aggarwal:** Especially in MP and Chhattisgarh.
- Ritwik Rai:** Sir of course you said that currently there is a fair amount of flux in the market regarding the readership survey and this will take sometime to resolve, so I was just wondering what newspaper like you or DB Corp for that matter it should be doing at a time like this when for a fair amount of fairly long time of period of time there will be a lot of uncertainty in the market and your challenger at this particular data may or may not be correct but your challenger has been consistently gaining over a period of time.
- R. K. Aggarwal:** I do not think anyone who has got benefit from the survey is gaining. If it was so, losers would not have grown which is not the case.
- Ritwik Rai:** No sir I am not talking about this survey you may be correct in pointing that this survey's faulty. I am saying is from this survey and until you resolve this problem and you go to the next survey what would be better for you to sit on the kind of circulation that you have been sitting on.
- Sanjay Gupta:** I just elaborated that the dilemma that is in the industry and with many players announcing publicly that they are not wanting to be now part of the IRS we still believe that this currency is relevant for planning and very much required. This has given Dainik Jagran our flagship brand the number one position and we continue to believe that in due course of time the technical committee will come to realize that there have been aberrations in the way they have been conducting the survey and corrections will start happening.
- R. K. Aggarwal:** That is right. Let me also tell you IRS is not the only thing. It definitely helps advertisers to understand but ground realities and the strength of a newspaper they also know very well.
- Ritwik Rai:** In this paid circulation and high copy and per copy realization etc will become benchmark in due course of time and we believe it is a ideal currency also that media planners look into paid copy circulation and that to at what cover pricing it is.
- R. K. Aggarwal:** Absolutely right and readership survey is relevant for the national advertising, which constitutes nearly about 40%. Also, government revenue is based on circulation instead of readership.
- Ritwik Rai:** I take your point on that.

- R. K. Aggarwal:** So out of that I mean like for any newspaper nearly 60% to 65% revenue is not dependent on IRS.
- Sanjay Gupta:** I would put that figure higher to about 75% because local advertising never ever uses IRS. It is completely depending on local circulation numbers. No readership.
- Ritwik Rai:** I agree with you on that sir the only point that I was trying to make is that may be in a rush to find faults with this we are missing the larger picture in the sense of that there may be lot of.
- Sanjay Gupta:** I am not in a rush in to find fault in it. Do not say that we are in a rush to find fault.
- Ritwik Rai:** I am saying not for you alone but I am saying for you and competitors to junk it is fine but then the problem happens for a very long time there will be no sense of how you stand vis-à-vis your competitor.
- Sanjay Gupta:** We appreciate your point that we do believe that there has to be an effective currency to monitor readership because it is a tool to guide media planners and designing their strategies for marketing but having said that, is readership the only tool and should it always be the only tool that is the question that we have raised in many a forum.
- R. K. Aggarwal:** Only point what we are trying to make is there has to be currency for measurement, There is no doubt about it and as our CEO already mentioned that it is very important. Importance of that cannot be over emphasized but at the same time the only point what we are trying to make is the faulty readership numbers are not going to drive the advertisers anywhere.
- Ritwik Rai:** This readership survey is not going to in anyway affect your circulation decisions going forward. Am I correct?
- Sanjay Gupta:** No not at all. It has never affected and will not at all. We do not do circulation to improve readership. Readership is function of circulation and must increase automatically with right type of increase in circulation and this is what we try to achieve. .
- R. K. Aggarwal:** You should also note that as far as this survey was concerned Dainik Jagran per se was not loser. We are still number one. We were not the sufferers but wrong are wrong that is something which needs to be called and that is what we did.
- Moderator:** As there are no further questions I would now like to hand the floor over to the management for closing comments.



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Sanjay Gupta: Thank you everyone. Nice set of questions.

Moderator: Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.