



“JagranPrakashan Limited Q2 FY 2017 Earnings
Conference Call”

December 15, 2016



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*JagranPrakashan Limited
December 15, 2016*

Moderator: Ladies and gentlemen, good day and welcome to JagranPrakashan Limited Q2 FY 2017 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R.K. Agarwal CFO from JagranPrakashan Limited. Thank you and over to you, Sir!

R. K. Agarwal: Good morning, friends I am with Mr. Sanjay Gupta, CEO; Mr. Shailesh Gupta, Director (Marketing) and Ms. ApurvaPurohit, President. Thank you very much for sparing your time and attending the call on Q2 Results of JagranPrakashan Limited.

To begin with, we are happy to share that ultimately the scheme of amalgamation of certain subsidiaries into the company and demerger of Radio Mantra into Radio City could get completed and has accordingly been given effect to in Q2 results. However, still there is one scheme which is pending and that is for amalgamation of another subsidiary SUVI into the company. It is expected that this will also become effective soon as the court has already pronounced the order and we are waiting for the certified copy of the order which is required to be filed with ROC in order to make the scheme effective.

As a result of accounting of approved scheme, following were the major adjustments

(A) the Company has an increase in consolidated accounts of Rs. 10 crores in amortization expense which relates to a period of six months. In other words, there is a hit to P&L at a rate of Rs. 5 crores per quarter and this is going to continue. This amortization relates to the amount allocated to the License Fees out of purchase consideration paid to the Seller of Radio City in accordance with IndAs

(B) The company has tax benefit to the extent of tax on amortization amount of goodwill of Rs. 230 crores arising on amalgamation.

(C) revenue and profit of Radio Mantra for six months have been included in the six-monthly results of Music Broadcast Limited and MBL will continue to benefit from the accumulated losses in taxation.



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Friends, since DRHP for IPO of MusicBroadcastLimited has been recently filed and since the stock exchanges have notified a few days ago that no company can disclose any of the consolidated figures or the figures relating to any of the subsidiaries which are not in public domain, we are legally advised to exercise extreme restraint in this regard and shall be compelled to share with you only as much as is permissible within the legal framework. I am pretty sure that you all will appreciate our constraints and discuss the results within these limitations of ours.

Also, I would like to tell you why we have not yet been able to present the consolidated results. Our decision to continue to submit standalone results till all the pending schemes get approved emanates from the need of avoiding misleading comparisons, analysis of numbers and the resultant conclusions. You will bear with us for two more quarters after which, we will again be submitting consolidated results.

Friends, as started by the Chairman, the highlight of the quarter is performance of digital business ably supported by radio business. In addition to these two businesses I-Next and Punjabi Jagran have also done very well beating the industry's growth rate for Q2.

Midday and Naidunia both continued with the strategic increase in the circulation but could not achieve the desired growth in advertisement revenues due to subdued market conditions primarily in the month of July. Midday also launched its evening edition of Midday English which is expected to give the desired results in due course.

The Events and Outdoor business are shaping up well as both these businesses have improved the efficiencies by improving the systems and processes and have increased their dependence for revenue on more sustainable sources i.e. corporate clients in case of event business and non-agency business in case of outdoor.

DainikJagran had a growth of 5% as compared to Q2 FY 2016. In comparison with Q1, it had slightly lower revenue which is pretty normal but, what is required to be pointed out to you is in spite of some de-growth from Q1, Jagran continued to maintain the operating margin rather improve it slightly as you may have noticed from the press release. Improvement in margins was possible due to the company's ability to keep the cost under check at a time when the growth in revenue is challenged.

As far as outlook is concerned, the consumption is likely to remain subdued till the cash liquidity improves and this is what does not augur well for all those industries including media entertainment which thrive on consumption. We hope and trust that the demonetization is a short-term pain and we expect the economic activity will soon be back on track.

With this, we close our opening remarks and request you kindly to start the discussions on the results circulated already..

- Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. We take our first question from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Hi, sir. Thanks for the opportunity. My first question is in Q1, Naidunia was a laggard within your businesses. So, if you could take us through how Middy, Naidunia and your DainikJagran have done in this quarter?
- R. K. Agarwal:** Naidunia was not laggard in Q1 either. They had some operating profit Abneesh.
- Abneesh Roy:** No, sir, in terms of ad growth.
- R. K. Agarwal:** No, I do not think in....
- Abneesh Roy:** 5% was ad growth in Naidunia in Q1 which was lower than DainikJagran 6.5%.
- R. K. Agarwal:** That is okay. As far as Middy is concerned, as I submitted Abneesh a little earlier unfortunately we are not able to share anything because these figures are not in public domain. Naidunia registered in fact no growth in Q2 **Abneesh Roy:** So, sir, in Naidunia what is the issue MP., Chhattisgarh, is not doing well or you are kind of focusing on some part of the business and not expanding too much so, what is the issue in Naidunia?
- R. K. Agarwal:** Abneesh, let me clarify to you here one point and thereafter Mr. Sanjay Gupta will elaborate on this point. You remember MPCG is a market which suffered most due to the floods. I just remind you the commentary from a peer when they were discussing results
- Sanjay Gupta:** We have been focusing on building of the brand over there. As you recall, four years back when we bought it the brand was in shambles and circulation was very low to make an impact..We have added, nearly 50% copies over there and we are waiting for the monetization to kick in before we launch a further growth plan in circulation. Having said that, the brand has a great traction ., We have recently done a re-launch kind of activity in Bhopal where we have got a great traction in circulation. So, I am quite comfortable on the growth in terms of circulation. **Abneesh Roy:** Sir, my second and last question is on demonetization, sir, in demonetization you expect a number one player to gain market share so in states where you are number one will you gain market share and similarly in states where you are number two or say number three will you lose market share that is one part of the demonetization question.
- R. K. Agarwal:** No, Abneesh, in fact demonetization has adversely impacted all across. It is not a question of number two, number one I mean there is no reason why number one will not get affected and there is no reason why number two will get affected.
- Abneesh Roy:** Sir, my question was on a relative basis.

- R. K. Agarwal:** Even then, I mean everybody is equally affected, I mean so long as you continue to maintain your market position, the affect will also be evenly distributed.
- Abneesh Roy:** Yes, why I was asking is if budgets are curtailed by say the consumer companies will they prioritize that let me just spend on the first player or may be the second player so, for example Naidunia and MPCG will....
- R. K. Agarwal:** No, it does not happen that way because you know if they have to opt for two players they will opt for two players, they cannot live with one player. I mean that it not something they have extra money therefore they will give money to number two player or number three player because number two's and number three 's areas are also as much their need as the area of number one is.
- Abneesh Roy:** And sir, follow-up on this your FY 2017 forecast the guidance was 11% to 12% I understand that does not stand so, any number you are giving out at this stage and has Paytms of the world and MobiKwiks and the government Ads kind of helped you in some way in terms of overcoming the demonetization impact, are you doing anything on a proactive basis?
- R. K. Agarwal:** Yes, fact of the matter is you cannot do much about it. Abneesh, this Paytm, government all definitely are helping but they cannot compensate for the loss which has occurred already or which is expected to occur because of demonetization. They can only partly compensate and as far as sharing any number is concerned it is going to be only guess because nobody knows what is in store tomorrow. Sure, December is not as bad as November was.
- Abneesh Roy:** But we expect normalcy after two months - three months only, right when full notes are back in the system.
- R. K. Agarwal:** I would like to get guided by you also on this. You guys, you understand the market better, we are frog in deep well. How do we know?
- Abneesh Roy:** Okay, sir, I will come back in the queue.
- Moderator:** Thank you. We take our next question from the line of YogeshKirve from B&K Securities. Please go ahead.
- YogeshKirve:** Thanks for the opportunity. Sir, sticking with the demonetization and it is difficult to predict what will happen but it was really appreciate if you can share what has been the extent of impact so far compared to last year or the normalized rate if you can share some insights on that that would be helpful.

- R. K. Agarwal:** Yes, Yogesh, you know that this demonetization impact cannot be shared basis one month or one and a half month. It is an impact we all expect to continue for a few months and thereafter only you can say what was the impact of this demonetization.
- YogeshKirve:** Right, sir. Sir, regarding if you can share how the different categories have impacted that would be helpful.
- R. K. Agarwal:** See again, whenever we talk about the impact unless and until that impact is over that period is over which is getting impacted whatever you will say that will go wrong.
- YogeshKirve:** Appreciate sir. So secondly regarding going for the, if you look a the next two years, three years. So, in the print business specifically what sort of increase in the operating expenses can we built in, let us exclude the raw material cost because that depends on the raw material prices but apart from that what kind of expansion that we have in our mind?
- R. K. Agarwal:** We are very clear in our mindthat Jagran is a company which is ready to adopt to the changing environment, right. If there is a pressure on advertisement revenue, then company starts looking for taking increase in circulation revenue or keeping the cost under check or both. So, our past has shown that we have moved as the market has moved. If you look at DainikJagran margins we have remained pretty consistent in maintaining the margins between 32% to 35% and that speaks volumes of Jagran's ability. If we expect inflation at the rate of 5% and if you are asking me to exclude print consumption then you can very well assume an increase of 7% to 8% year-on-year and but once you include the news print, it may come down slightly.
- YogeshKirve:** Right, sir. That was helpful, sir finally, regarding the tax benefit that you talk, if we can just reiterate that I missed it I am sorry.
- R. K. Agarwal:** As a result of accounting for the scheme of amalgamation what has happened is there is a creation of goodwill arising on amalgamation and that amount is Rs. 230 crores. As we all know under tax you get tax benefit to the extent of tax on25% amortization which you do every year. In other words, if we talk about the entire tax benefit, it should be taken as 34% on Rs. 230 crores that is nearly Rs. 70 crores or whatever it is **Moderator:** Thank you. We take our next question from the line ofShalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Just a few points of clarification. So earlier, you use to disclose results of Radio City but they did not include Radio Mantra so, they were not in effect the results that you have announced for this first-half are not really that comparable with the results earlier, that is what I want to put across

- R. K. Agarwal:** Right, absolutely, right. Again, Shalini you bear with us, we cannot disclose these two figures separately, as I mentioned in the opening remarks because of legal issues, but let me assure you even though we have to exclude those numbers, . Radio City has done better than industry.
- Shalini Gupta:** Okay. And sir, my second question like as far as I understood it, the standalone included everything except for radio and Midday. So, radio is now out so, now the standalone numbers just do not include Midday otherwise everything else they include.
- R. K. Agarwal:** No, radio is not included.
- Shalini Gupta:** Yes, radio and Midday.
- R. K. Agarwal:** Yes, that is right.
- Shalini Gupta:** Okay. Like I just wanted to check with you U. P. elections are just around the corner, so I mean we do not see any benefit and you are such a larger player in U. P. You are the market leader in U. P. so, like how come we do not see any impact of that coming in?
- R. K. Agarwal:** Shalini, I wonder how do you say that? I mean the impact cannot be seen if you compare the absolute figures because the absolute figures include many other things. We are getting as many advertisement from State Government as possible or as they are doing. And it is too early. In fact, the election is still far away. Mr. Sanjay Gupta will explain you.
- Sanjay Gupta:** See, the political advertising kicks in only after the election is notified by the election commission. Currently what we are getting is basically advertisement on State Government rate that is basically DAVP rates. **Shalini Gupta:** Okay. So, I mean broadly speaking it should start kicking-in around the third quarter?
- R. K. Agarwal:** Very difficult to tell .let the notification come then the political advertising will start. Most likely it is the mid-January the notification is likely to come in.
- Shalini Gupta:** Okay. And sir, just one last question, like sometime back Jio made an entry and they made an entry like with free internet primarily free broadband. So, sir, like going forward I understand after sometime the internet connectivity will not be free, but I think it will reasonably cheap so, do you see that impacting your business as the readership shifting online for you say in the next two year, three years, four years?
- R. K. Agarwal:** Shalini, there are a lot many presumptions you have already made, a lot many conclusions you have already reached, you are asking me question so, first of all I need to correct your assumption so, that is something which you can discuss with our president Apurvawhenever you have time in Mumbai, because first of all we will have to correct you on your assumption and then we will be able to answer.

Shalini Gupta: No, my assumption being that internet will be a little cheap. I mean overall internet connectivity will get a little cheaper that is my only assumption.

R. K. Agarwal: See, Shalini, very simple question, I am asking you why people are having so much of problem in demonetization? Paytm is there, everything is there, wallets are there, they are having so much of problem in getting the payment made, etc., etc., why? I mean if anything becomes cheap it does not mean that it is available also.

Shalini Gupta: Okay. So, if I can conclude correctly, you do not really see too much of an impact from....

R. K. Agarwal: You better have a discussion with Apurva whenever you have time because it needs may be half an hour- may be an hour to address this question.

Moderator: Thank you. We take our next question from the line of Sonaal Kohli from E&R Advisors. Please go ahead.

Sonaal Kohli: Hello, sir, this is Sonaal Kohli. My first question was pertaining to plans for buyback considering impact of demonetization. Would you like to now use the surplus cash you have for extending credit and are you looking at extending the credit to some of your advertisers rather than deploying it for the buyback? And secondly, when we started the year we are talking for high growth rate for advertisements, but obviously, this quarter the growth in advertising was much lower. So, what really happened and where do you think your assumptions versus reality were a little different?

R. K. Agarwal: . Yes, revenue growth was low in Q2, right but if I remind you we have already said in the beginning of the year itself that for first-half we are not expecting beyond 7.5% of advertisement revenue growth, okay. I am talking about the consolidated advertisement revenue growth that is what was the guidance for the first-half excluding radio. , There we have not fallen much short. So, there is a bit of shortfall but not that much which is concerning even when you may have noticed, we have reported almost, even with this smaller growth in advertisement revenue better operating profits.

Sonaal Kohli: I thought so your operating margins are under pressure now.

R. K. Agarwal: Mr. Kohli, if you look at DainikJagran's margins, please see page number three of the Press Release In Q1, we reported 33.55% operating profit and this quarter we have reported 33.76%. It has improved. T What I say is in first-half we are not far away from what we expected; number one and we could have very well recovered it in H2 but for this demonetization

Sonaal Kohli: Sir, typically the impact with what lag does it hit you is it a one month lag

because of the advance booking or it happens to you from next week itself. So, when you look at did the worst period was November or it is still to come?

R. K. Agarwal: It happens from 8th itself from 9th itself. In fact, better it was at 8 o'clock in the night otherwise it would have impacted right from very next moment.

Sonaal Kohli: Okay. And sir, coming on the use of cash and extending credit to your advertisers?

R. K. Agarwal: See, giving the cash to advertisers is not a good option but giving cash to shareholders is a better option.

Sonaal Kohli: Right.

R. K. Agarwal: Giving cash to newspaper agents is of course worse option than giving cash to shareholders. . If the company has already generated cash and it is within the legal framework able to do something on buyback front, it will more certainly do. Currently we are not able to say anything simply because one scheme of amalgamation is not yet completed which I expect to be completed in next few days..**Sonaal Kohli:** And sir, is that a questioning factor for a company to do buyback, sorry for my ignorance about the laws....

R. K. Agarwal: Yes, because you cannot do the buyback unless and until your amalgamation scheme gets approved.

Moderator: Thank you. We take our next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Some of the questions have been answered, just a couple of clarifications here. Now, if understand you did mention in your earlier remarks that month-on-month there has been an improvement in advertisement which is let us say November second week advertisement were much lower then let us say December second week now. Is that a right understanding?

R. K. Agarwal: That is right.

Ankur Periwal: And this improvement of advertisement which we are witnessing is across the local and national advertisers or there is some sector specifications there?

R. K. Agarwal: Both.

Ankur Periwal: So, it's across the sectors, across both local as well as the national advertiser, is it?

R. K. Agarwal: Yes.

- Ankur Periwal:** Great. And sir, one specific question on real estate because I understand real estate will be one of the key sectors which will hit more...
- R. K. Agarwal:** Has never been a key category for us. Yes, it is a key sector which is hit.
- Ankur Periwal:** Yes, but so, even real estate and the allied activities or even from an outdoor perspective, does that hamper our ad revenues across the categories or across the states?
- R. K. Agarwal:** No, if one particular sector is stopping advertisement of course we will also be loser to that extent, there is no denying to this. But what it is mattering to us, or how much it is mattering to us that is not significant.
- Ankur Periwal:** Sure. And we have never been pro ad for equities so, it will not beas much.
- R. K. Agarwal:** No, we have never.
- Ankur Periwal:** Great. Sir, lastly now, incrementally across the Ad medium we have seen a lot of government advertisement regarding demonetization or Income Tax etc., this is more National Government rather than State Government. Are we seeing some benefit of that coming to us as well?
- R. K. Agarwal:** Absolutely, this is happening with us also.
- Ankur Periwal:** Okay. So, the comment that we earlier made that in terms of overall improvement on a month-on-month basis is partially benefited by the government ads as well?
- R. K. Agarwal:** Of course.
- Ankur Periwal:** Though it may not be too margin accretive?
- R. K. Agarwal:** Yes.
- Ankur Periwal:** Okay. Sir, just one clarification in our Press Release we do mention that the wages have increased because of the delayed implementation of the 7th Pay Commission. Can you help us better understand that, is it more peg like the wage board is pegged there or how does it happen?
- R. K. Agarwal:** Wages have increased?
- Ankur Periwal:** So, it is a normal wage increase....
- Shailesh Gupta:** What we have indicated in press release is the impact of 7th Pay Commission is yet to come in to improve advertising.

- Ankur Periwal:** From the consumption point of view?
- Shailesh Gupta:** Consumption point of view.
- R. K. Agarwal:** Yes.
- Ankur Periwal:** Okay, because it was written in one line saying that “due to delayed payout of wages”
- R. K. Agarwal:** “partly due to delayed payout of wages on implementation of 7th Pay Commission”.
- Ankur Periwal:** Okay, from the advertisement point of view. And this wage hike was nominal in nature and primarily for the company itself.
- R. K. Agarwal:** Sorry.
- Moderator:** Thank you. We take our next question from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** Thank you so much for the opportunity, sir. Just a quick book keeping question to begin with, the circulation revenue growth that we have seen in this particular quarter if you can just break it down between cover price hikes and circulation growth overall?
- R. K. Agarwal:** Amit, as you know monsoon quarter never has a growth in circulation. There is always a dip and this time as we all know, floods were creating kind of havoc in our areas of operation. So, there was some dip in circulation and this growth has come in through growth in Naidunia circulation as well as the improved per copy realization . In case of Naidunia, it grew because there was a push in circulation but otherwise floods etc., reduce the circulation.
- Amit Kumar:** Sir, just as to clarify on a Y-o-Y basis the circulation has still grown by 6% - 7%, right?
- R. K. Agarwal:** Yes, that is okay. I was talking about Q1.
- Amit Kumar:** I wanted to look at it on a Y-o-Y basis.
- R. K. Agarwal:** Y-o-Y basis yes. Y-o-Y basis in fact per copy realization of Jagran was slightly lower, right. It was I think 1% approximately not much but then Naidunia had a better per copy realization, I-Next had a better per copy realization, Punjabi was more or less static.
- Amit Kumar:** Okay. So, on an overall basis there was a little increase in per copy realization and probably more from circulation.

R. K. Agarwal: More from circulation and there was a increase in circulation of Jagran, I-Next, Punjabi Jagran, and Naidunia. In fact, Naidunia increased their circulation revenue by nearly 20% on year-on-year basis.

Amit Kumar: Okay. Sir, my next question, is for Mr. Sanjay Gupta, since you are also the Chief Editor of the overall Jagran Publication, what is the sort of on-ground color if you can provide any where are we in terms of the recovery path kind of how much of a currency challenge our people on the ground sort of facing especially in the core markets U. P., Bihar, Punjab, Haryana, Delhi, and M. P., what are the kind of challenges that are there. Any sort of color that you can give when can we expect situation to achieve normalize any sort of sense would be really, really helpful.

Management: You are talking in relation to demonetization?

Amit Kumar: Yes, correct.

Sanjay Gupta: Yes, there is an impact on the society of demonetization. There have been lay offs, their plants are operating at a lower capacity etc., etc. So, it will have its impact. Very difficult to say as Mr. Agarwal was saying that when will things start normalizing one month, two month. The budget will probably be the key factor over here to accelerate the growth in economy. . People are holding up cash, they are not spendin.It is a the fact and there is a kind of sense in people that the government may go ahead and do something even more . So, , they are being wary of making expenditure which is not necessity. So, yes, the impact is there all across and it is really very difficult to say at this point of time that when things will normalize. Having said that ,there is feeling in the masses that whatever Modi Government has done will have its long-term impact in economy and that the Modi government has gone ahead to crack the black-market economy. So, the voter mood you can say is with Modi at this point of time but having said that he is not going in for elections for two and half years In a large economy where as much as Rs. 15 lakh odd crores were circulated in cash now only just about Rs. 4 lakhs odd crores are back in to the economy and that too is getting hoarded so, very difficult to say that when things can go back on track.

R. K. Agarwal: And Amit I believe you track e-paper of Jagran, and you may have seen we are covering almost in all editions the local misères caused by demonetization every day There are queues , people are crying for cash, they are suffering and when it will recover, when it will get normalized it is anybody's guess.

Amit Kumar: Okay, thank you so much for this. Sir, just one sort of point, you are saying that popular sentiments still remains in favor of this move?

Sanjay Gupta: See, About 30% people are directly impacted because of cash. Rest 70% of the poor India who were not dealing in Rs. 1,000 or Rs. 500 denomination remain largely unaffected directly

but because they are part of an ecosystem, they get affected because others are getting affected. A servant working in some place may have been laid off because the home owner is not wanting to pay in cash to that man. So, he is on the road but he is willing to brave it out because he feels in the larger picture, things will be improved dramatically. That is what at least BJP has gone about and trying to convince people. The real test of it is only once a county wide election is held and then people be able to judge it.

Moderator: Thank you. We take our next question from the line of VikashMantri from ICICI Securities. Please go ahead.

VikashMantri: The topic seems to be demonetization I will continue on that. Now, while we do not know the impact and how long it will be from a Jagran perspective I understand that as soon as advertising goes for a slow down our immediate ability to cut pagination is there. But would want to know more color on the circulation and if things continue to be bad what are the operating leverage that we have basically trying to say even if things worsen from here onwards and affect lingers on. Do we have enough levers to maintain our margins and what are they?

R. K. Agarwal: Yes, Vikash. How do I explain this question? I just give you an example of a one particular month and I leave you to conclude, right. In one of the months, we had a revenue of say Rs. 100 crores, we report operating profit of say Rs. 35 crores and in another month, we do revenue of Rs. 80 crores, right and we report operating profit of Rs. 30 crores. So, you can really make out what operating leverage will we have. Fact of the matter is as you know in newspaper industry all our costs remain same, where you play around is the pagination and the cover price. These are the two areas, right. So, cover price is a function of market forces. We have put in place system which automatically controls the pagination level and I think that itself does a trick. The month which I just shared with you, there we did not take any increase in cover price. But what happened even though revenue was less by Rs. 20 crores there was an impact in operating profit of just Rs. 5 crores.

VikashMantri: Okay. So, but example you gave me you did said we have ended up spending from a month-to-month we can vary our cost by Rs. 15 crores but these are something which we are use to, we know few months behave this way and the few months do not behave the other way so, our system is tune to this. I am saying that let us say December, January, February, March, the slow down continues because of demonetization I am just gestimating, I do not really have an answer to how this demonetization plays out. I am saying can we cut circulation by 4% to 5% to make good....

R. K. Agarwal: So, Vikash the point is, this year we have invested in growth in circulation of I-Next, JagranPunjabi Jagran and Naidunia, etc., I do not think that could be a very good strategy because this is you know circumstantial impact and that is something which should always be treated as exception.

- Sanjay Gupta:** Painting a very doomsday kind of picture. **VikashMantri:** No, sir, I am not painting I am saying that what are the levers we have? I am not trying to, we should be prepared for scenarios what I am saying.
- Sanjay Gupta:** There is no question of going back on circulation this moment.; more so because IRS findings are coming out and I do not sense that the economy will be so bad that a dramatic cut is required in expenditure outlay.
- VikashMantri:** Okay, fair enough, sir. I will come back to you with discussion later on.
- R. K. Agarwal:** And let me also give you some sense on what circulation cutting means, If I have per copy utilization of say Rs. 2.50 and if I have cost of a copy say Rs. 3.50 I am talking about variable cost so, even if you cut down 5% - 6% circulation it may hit you business wise very much but financially how much it will help you? It will be maximum Rs. 4 crores to Rs. 5 crores in a year.
- VikashMantri:** Okay. So, I thought the variable cost ended up Rs. Rs. 4.50 - Rs. 5.
- R. K. Agarwal:** Let us say Rs. 4 also What I am trying to give us is just a broader figures. See Rs.1 or Rs. 1.50 paisa per copy loss 5% circulation means 2 lakh copy say maximum Rs. 3 lakh per day, 360 days' circulation say Rs. 10 crores - Rs. 11 crores and net of tax it is Rs. 6 crores - Rs. 7 crores.
- VikashMantri:** Okay, it makes sense that way, sir. Sure.
- R. K. Agarwal:** And our other businesses are now further going to help us. In this quarter, if you have seen Jagran Solution has reported profit after long, long time, In the same way, radio is doing very well, Mantra has got included now in the group., . So, these businesses plus radio will help us to compensate for that Rs. 4 crores - Rs. 5 crores which we could have saved by reducing circulation. So, it does not make any sense.
- Moderator:** Sure. We take the next question from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Pavneet Singh:** I would like to ask whether the mobile wallets giving advertisement on the cover page these days what kind of fillers do you have, are they going to continue for the longer duration or it is just a temporary blip during demonetization trend?
- Shailesh Gupta:** They are already doing with us .. So, we are part of the plans. The frequency we do not know.
- ApurvaPurohit:** But, I think from a category perspective ,clearly they are seeing it as a huge opportunity and to the extent this digitization as a concept has been pushed by the government I think whether it is print or radio or outdoor or digital, this category is going to be a significant category in the next three months to six months.

- Pavneet Singh:** And since they came in unplanned over a period of 15 days to 1 month due to demonetization, are you able to command a better rates for those which are popping up all of sudden instead of long duration planning of couple of months or three months lag?
- Shailesh Gupta:** Yes, I think we have been very much.
- Moderator:** Thank you. We take our next question from the line of KarthikGadafrom ValQ. Please go ahead.
- KarthikGada:** Firstly. So, the tax benefit on the Rs. 230 crores, so when will it reflect in the P&L any timeline?
- R. K. Agarwal:** . The point is, underIndAS it will never get reflected, it will save the cash because under IndAS even though you do not have to pay you have to account for deferred tax asset or liability whatever the case be. Under Indian GAAP it was possible to inflate your EPS because of tax benefits but not now. You will have free cash increasing to this extent whatever tax you save, but on EPS it will be EPS neutral.
- Moderator:** Thank you. We take the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Sir, I just wanted to understand which asset do we hold in SUVI, because as I understand it see Naidunia is already part of the standalone of entity of JagranPrakashanso, now which asset do we hold in SUVI?
- R. K. Agarwal:** SUVI has funds.
- Shalini Gupta:** SUVI has funds that is it?
- R. K. Agarwal:** Yes. The shell company and once it gets amalgamated whatever funds they had they had passed it on to holding company that is JPL on interest, So, when this amalgamation gets completed you will see improved standalone profit in the next quarter.
- Shalini Gupta:** Okay. Sir, about the tax benefits, if you can speak about it again.
- R. K. Agarwal:** Accounting of amalgamation has resulted in creation of a goodwill of Rs. 230 crores in the books of JagranPrakashan Limited. That goodwill has a tax benefit, you have to amortize under the Income Tax Act, okay.So, if you amortize, that is like depreciation, you buy an asset worth Rs. 5 crores you depreciate it over 10 years so, you get tax benefit at the rate of 34% on Rs. 5 crores. See, in the same way you will get benefit of 34% on this Rs. 230 crores,
- Shalini Gupta:** Yes, sir.

Moderator: Thank you. We take our next question from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: My questions to Apurva on digital. When I look at our digital revenues and compare it with one of your peers it is probably one-fourth of the peer and when I look at app downloads of both the companies are comparable I understand that there is a gap in unique viewers on the Web on a monthly unique viewers thing but at a very broad level what do you think is it the difference in the markets or may be more effort required on the side of Jagran to monetize the digital viewership.

R. K. Agarwal: Yes, on business before Apurva addresses, I would like to make three points and then she can take over. Number one is we are not one-fourth of peer. We did Rs. 7.5 crores they did Rs. 14 crores in a quarter.

Jay Doshi: Okay, my mistake.

R. K. Agarwal: Right, so we are not one-fourth, number one. Number two is our growth has been higher than peer's growth, right, . Number three you know digital is something which is market agnostic otherwise it will become newspaper or it will become radio, it can be tuned in from wherever you are. . .

Apurva Purohit: I think you also talked about things like app downloads etc., I think he has answered the question on market it does not really matter which markets and both of us are serving in the Hindi speaking market. App downloads do not make any difference to revenue . I would agree that our revenue figures are lower and we have had a slightly late start. But if you look at it from the growth perspective quarter-on-quarter we are growing faster. We anticipate that over the next four quarters to five quarters our growth will be far higher than any competitors' growth because there are reasonably aggressive plans in place and while the overall numbers tend to hide some specific point which I will just make to you which are going to help us again in revenue. One of the things that we are concentrating on right now is really building our high value verticals. So, things like business and technology which ultimately give higher CPTs, we did not have. So., while our numbers overall may have been significant there was really vanilla advertising that we were getting out of it. Over a period of time ,the high value vertical will play out. There are huge investments that we have been making in the last few months also on our ad technology front. So, the programmatic buying we are going to offer in the market we believe we will be one of the first few to be able to offer this audience segmented buying. This will enable us in improving our CPTs.. So, in summation yes, our revenues in the recent part are not as much as our own page views command but over a period of time based on the right investment on the right type of high value verticals and technology we believe that we will be growing at a very, very fast pace and much higher than competition.

- Jay Doshi:** Thank you. And would you be able to give some idea on you know what would be digital revenues of may be the largest English print edition in India? If you have that sort of intelligence....
- ApurvaPurohit:** The entire news and infotainment category t is anything between I think around a Rs. 1,000 crores right now and if it is around Rs. 1,000 crores one would assume that the number one player would in my opinion be around 12% to 15% share so that is the figure that we would look at today as the number one-----pure play, news and infotainment leader.
- Jay Doshi:** Understood so, this Rs. 1,000 crores were also sort of include the revenues that Google and Facebook platforms?
- ApurvaPurohit:** No, I am talking news and infotainment category alone.
- Jay Doshi:** Understood. No, if the advertising is directed from Google or Facebook so the revenue that they will also retain is purely on the publisher site.
- ApurvaPurohit:** Publisher sites alone I mean ;we all know that Facebook and Google would be getting around 70% to 80% of the digital revenue which I think is in the region of Rs. 5,000 crores to Rs. 6,000 crores already, Yes.
- Moderator:** Thank you. We take our next question from the line of Chitrangda Kapoorfrom Shamiksha Capital. Please go ahead.
- Chitrangda Kapoor:** Mr. Agarwal, first few bookkeeping questions then I will have few questions for Ms. Purohit. So, the bookkeeping question, what is the dividend policy that we will be holding for this financial year?
- R. K. Agarwal:** Dividend policy,Jagran's management has always believed in a policy of distribution of whatever surplus cash the company may have so, that is what is the dividend policy and that continues to be maintained.
- Chitrangda Kapoor:** Okay. No, why I am asking in this context is because in your one of your remarks to earlier question you said that giving out cash to the shareholders is much better then to some other entity.
- R. K. Agarwal:** Yes, that is what I said.
- Chitrangda Kapoor:** And last year there was no dividend paid so I....
- R. K. Agarwal:** Remember in June quarter we had taken proposal of buyback to the board, board did not consider that proposal because the schemes of amalgamation were pending. And under law, unless and until those schemes get completed, we cannot change the capital structure.. So, this

is why board decided not to approve that proposal and said, whenever those schemes get completed then they may consider. Still one scheme is pending and once that is done then we will see.

Chitragda Kapoor: Okay, then the second actual book keeping question, what is the net debt in the books of Radio City currently?

R. K. Agarwal: Net debt in Radio City again, Chitragdahere we will not be able to say anything.

Chitragda Kapoor: First quarter you mentioned it was about 106.

R. K. Agarwal: First quarter they had not filed the DRHP.

Chitragda Kapoor: Okay, what is the average per copy realization for us right now?

R. K. Agarwal: Around Rs. 2.45.

Chitragda Kapoor: Okay, same as last quarter.

R. K. Agarwal: From last quarter it has slightly improved but it is same as year before last year.

Chitragda Kapoor: Okay. And what was the current newsprint price, how much it has inched up and what is the consumption per metric tonne, how much inventory we are holding?

R. K. Agarwal: Prices have not moved much, they may increase in times to come, so they are more or less flattish there is not much of increase.

Chitragda Kapoor: Okay. So, is that currently around \$500 per metric tonne is the newsprint price is that around that level?

R. K. Agarwal: Yes.

Chitragda Kapoor: Okay. And how much was our consumption sir?

R. K. Agarwal: Consumption, roughly about 12,000 tonnes per month.

Chitragda Kapoor: Okay, right. Ms. Purohit, I just want to ask you, with regards to your radio revenues I believe it also you said includes Radio Mantra but at the same time there are two new radio stations which were open it was Kota and Ajmer, correct?

ApurvaPurohit: No. New station opened in the quarter that we are referring to. The first station that launch was in Kanpur on 10th October. I said that the subsequent stations have been after 10th October. So, Kota etc., that you are talking is in the month of December.

- Chitragda Kapoor:** Okay. So, it will reflect in quarter three.
- ApurvaPurohit:** That is right.
- Chitragda Kapoor:** Okay, the expenses for those stations I mean how do we do the accounting for it, is it happening in this quarter or it will happen only in the third quarter?
- R. K. Agarwal:** Very pertinent question, those expenses get accounted for whenever we incur.
- Chitragda Kapoor:** I see, so, that means quarter two includes Kanpur?
- R. K. Agarwal:** Expenses yes, some expenses for launch and employees who had already been taken on roll.
- Chitragda Kapoor:** Okay. Radio City was on at close to about 34% EBITDA margins so, this quarter it has been close to 40% of EBITDA margins. Is it fair to assume that Radio Mantra is actually much more profitable than Radio City?
- R. K. Agarwal:** Again, that is a problem.
- ApurvaPurohit:** I think the safer comment Chitragda is that if you look at it from the size of Mantra and the size of Radio City the impact whether higher or lower of the Mantra margins will not make more than 1% difference to Radio City. I mean if you look at it from a size side.
- Chitragda Kapoor:** Okay, then what I read from you is basically that Radio City the core entity is actually improved on its operational performance in this quarter because Radio Mantra in itself will not be very significant to bump up your operating margins by such great numbers.
- R. K. Agarwal:** Please make interpretation basis on our comment because you are intelligent you will make right interpretation.
- Chitragda Kapoor:** Thank you for the compliment. Ma'am another question is on the advertisement part of it. How much is it the regional local advertisement and how much is the national on an average could you give us that split?
- ApurvaPurohit:** So, at an industry level that plays out for the Radio City and Radio Mantra as well, it is 55% - 45% in favor of national and local advertising.
- Chitragda Kapoor:** 55%. So, in that context again I know you will not be able to give me a proper answer to that but obviously the regional advertisement from the comments that Mr. Agarwal has made earlier has been affected much more significantly in terms of on account of demonetization than national advertisers so, is it okay, I have answered my own question.

Moderator: Thank you. We take our next question from the line of Jay Gandhi from Motilal Oswal. Please go ahead.

Jay Gandhi: So, apology if I am a little repetitive I joined a little late your other expenses have kind of shot up Y-o-Y is there a particular reason for this?

R. K. Agarwal: No, there is no particular reason as such. In fact, it was on account of taking increase in circulation number one so, Naidunia circulation revenue has grown on year-on-year basis by 20% so there were certain increased promotional expenses which were incurred by Naidunia. Moreover, since IRS survey is continuing so Jagran is also spending on promotional expenses, and also there were certain publicity expenses which are incurred in advance of festive season starting.

Jay Gandhi: Right. Fair enough sir, thanks a lot for this. So, you are saying this could probably moderate a bit going forward?

R. K. Agarwal: Yes, absolutely.

Jay Gandhi: Right. Okay, sir also on a little broader question now, if I am an advertiser and I have to assign a budget to regional print for the third quarter typically what is the weight of the third quarter I am talking about the ceteris paribus situation where no elections nothing.

R. K. Agarwal: No, again there is no thumb rule as such because if the festive season gets divided into two quarters that is Q2, Q3, it will be different, if it is going to be only in Q3 it is going to be different and if it is going to be Q2 then it is going to be different. So, that is something which is the case and this time what we had expected was for various reasons and not only because the entire festive season was shifting to Q3 H2 should give a revenue of about 56% to 57% as against 52% in case the festive season gets divided between two quarters.

Jay Gandhi: Right. So, you are saying annually whatever your number was 2x was supposed to contribute around 56% - 57% that may not hold to now because of demonetization?

R. K. Agarwal: For the current year...

Jay Gandhi: For the current year, Yes.

R. K. Agarwal: The current year and the reasons for that expectation were as follows:

- 1) Impact of the good monsoon.
- 2) Impact of roll out of 7th Pay Commission recommendation.
- 3) Impact of two festivals important festivals falling in the same quarter.

Moderator: Thank you. We take our next question from the line of Sonaal Kohli from E&R Advisors. Please go ahead.

- Sonaal Kohli:** Sir a couple of follow-up questions. Firstly, when you are talking about 7th Pay Commission impact what is the status of the same and especially at the State Government level has U. P. seen any implementation of Pay Commission considering elections were near the corner and did the speed up the process compare to other states?
- R. K. Agarwal:** We carried that news day before yesterday that U. P. government has approved.
- Sonaal Kohli:** And sir, when does the money hit the pockets of the you know the....
- R. K. Agarwal:** That is what Chief Minister has said our CEO is telling from next month the distribution will start.
- Sonaal Kohli:** And sir, is there anything else specifically U. P. government has done considering the elections being near around the corner post demonetization which they could do from the state level entities or at by promising some extra employment or something just to over write the demonetization impact?
- Sanjay Gupta:** In what context are you asking...
- Sonaal Kohli:** Election, sir, in context of election then the neediness to prove that we care much more than others.
- Sanjay Gupta:** No, are you asking it in context of the state of U. P.?
- Sonaal Kohli:** Sir, because you get indirectly impacted from what happens in U. P. so, it is more about the U. P.
- Sanjay Gupta:** The government is in election mode and the demonetization is not going to impact the government's role in implementing its schemes and offerings to the general public at all
- Sonaal Kohli:** So there is no new measure as such?
- R. K. Agarwal:** Actually there is nothing required,; as it is U. P. government has been doing very well for the past one and half year or so, **Sanjay Gupta:** Yes, so it is just 40 days away or two months away so whatever little they can do is just to make announcements at this moment nothing will show on the ground.
- Sonaal Kohli:** So, except for the Pay Commission nothing new will hit the ground. And sir, secondly coming to the...
- R. K. Agarwal:** Mr. Kohli, please do share your expectation from U. P. Government. What do you expect, what else they can do or what else any State Government can do to neutralize the impact of demonetization?

- Sonaal Kohli:** Sir, not neutralize I mean it is all incremental, there is nothing which can neutralize the impact.
- R. K. Agarwal:** If you are referring any bonanza I think we are expecting too much but as it is U. P. government has been carrying a lot of developmental work in past two years.They have invested a lot of money in the state of U. P. To our mind that in itself is good enough and whatever was required to be done by an active political party that is what they are doing.
- Sonaal Kohli:** And sir, lastly in all your discussions regarding demonetization you have been referring to a one month or a two month to all the questions which were answered so, is that what is your expectation the pain period is pain period or it could may be six months and nine months?
- R. K. Agarwal:** We did not say that at all , we request you all to let us know how long this impact will last. We never said one month or two months. We do not know and we would like to be guided by you all knowledgeable people how long this impact will continue?
- Sonaal Kohli:** Understood so, it might be will be beyond six months also, is it right to interpret?
- R. K. Agarwal:** We will get guided by that.
- Moderator:** Thank you. We take our next question from the line of Ronak Shahfrom SJC Advisors. Please go ahead.
- Ronak Shah:** My question was around your customers acquisition strategy on the digital side so, how you get people or you must have download the app or go the website in terms of getting that reach out there and then secondly, how has CPT has been tracking in that business over the last couple of quarters also on a year-over-year basis are you using that lever at all or is it more of a question of just filling inventories for now?
- R. K. Agarwal:** Yes, before Apurvaadds Ronak we all know what customer acquisition strategy does, we have seen what has been done to Flipkart, what has been done to Snapdeal, etc., so, if you go crazy on customer acquisition strategy,it is not rewarding.
- ApurvaPurohit:** Really as Mr. Agarwal has rightly pointed out we are not really in the business of buying customers. I know a lot of competition does that but we do not know therefore a large part of growth is really organic and apart from that of course we do a lot of interactive work and in a very partnership kind of way with both Google and Facebook and through social media. . In fact Facebook and our partnership has been very successful in attracting customers to our site.
- Ronak Shah:** Just the pricing on the digital advertising side, has pricing moved higher at all in the last couple of quarters for you guys or is it mostly a question of increasing volumes now?
- ApurvaPurohit:** Yes, so we are at this stage using all kinds of advertising opportunities so, direct selling remains our core proposition but we are not loath to using all the networks too. In Direct

advertising clearly we are seeing an upward trend in terms of growth in CPT. Network in fact more or less has remained steady or in particular month actually gone down.

Ronak Shah: Okay, got it. And then just one more question on the radio side so, obviously post the MBL IPO I think your stake is going to be north of 90% still which needs to come down to 75% over the next, actually I would like to find out what is the timeline is for that in terms of bringing your stake down?

R. K. Agarwal: Ronak, no, it is not necessary. It is currently 90%...

Ronak Shah: Sorry, I got that wrong. So, it should be almost 75% actually right?

R. K. Agarwal: It will go down to 75%, in fact below 75%.

Moderator: Thank you. We take our next question from the line of Dipesh Kashyap from Equirus Securities. Please go ahead.

Dipesh Kashyap: My name is Dipesh. Most of the questions have been answered. Just a few quick ones, on the outdoor and event business last year you were talking about your plans for exiting the outdoor and event business and the reasons you cited were poor growth and poor profitability of the business. Now, this year the growth has been improving so how do you view it now?

R. K. Agarwal: See, it is too early to change the view but if this continues like this probably management may change the view ..

Dipesh Kashyap: Okay, So, you may like continue with the business?

R. K. Agarwal: Yes, in fact if this continues to grow like that.

Dipesh Kashyap: So, the profitability part because the margins are still very low as compared to your other business.

R. K. Agarwal: Yes, you are absolutely right and that was also one of the reasons but now probably management is having more confidence in these businesses the way it has been shaping up.

Dipesh Kashyap: Okay, sure. Sir, a question on Midday last year you gave a margin guidance of 24% -25% in FY 2017. In Q1 you did some around 20% and I think in Q2 you were around that figure that figure only so, has your guidance changed for FY 2017?

R. K. Agarwal: See, I mean like we are standing at a point in time where no guidance will matter, whatever we will say it will be just you know firing the arrow in the air.

- Dipesh Kashyap:** Sure. Sir coming back to the demonetization thing that is going on. So, are you seeing any pressure on the advertisement rates as well like as the volumes are going down so, are you seeing the pressure on advertisement rates as well?
- ShaileshGupta:** Not really. rate will matter when the advertiser will come.
- Dipesh Kashyap:** Okay. And sir, can you remind what is the split of national and local advertisers in the print business?
- ShaileshGupta:** About 55% local and 45% national.
- Dipesh Kashyap:** Okay. And sir, how much the government is in e-commerce in your total advertiserspie?
- Sanjay Gupta:** e-commerce is hardly anything, I would not say even 0.5% would be e-commerce, and government would be to the tune of about 20% -25%.
- Dipesh Kashyap:** 20% - 25%, okay. And sir lastly, on the news-print that the crude oil is rising and also the dollar is strengthening so, like what your views on coming few months how much you expect in the news print cost?
- R. K. Agarwal:** We always expect you know every year 4% to 5% increase which is a normal expectation and if it does not increase which has not happened in the current year that is a bonus to us.
- Moderator:** Thank you. We take our next question from the line of RohitDokaniafrom IDFC. Please go ahead.
- RohitDokania:** Just two questions from my side, one is can you talk about any resolution that has happened on the IRS and this time when we the survey comes out all of us will accept it or that will be totally dependent on what kind of findings that brings up?
- R. K. Agarwal:** That survey is not coming in January or February, now it is postponed to say August or September next year.
- RohitDokania:** Okay. And is it because of this demonetization or something?
- R. K. Agarwal:** No, demonetization has got nothing to do with the survey **RohitDokania:** Sure. I understand, okay. And the second question would be so, I understand obviously it is very difficult to say when things will normalize post this whole demonetization part. But sir, it will be great if you can actually throw some light on how October and November been Y-o-Y if you could quantify it would be great, sir.
- R. K. Agarwal:** Quantification is not possible, if I tell you something about November you will conclude something which will be completely misleading because it is just a question in continuation of

a question **RohitDokania:** No, sir, trust us, none of us will like that as you rightly pointed that December is probably better than November so, we will assume that progressively things will get better as cash also gets flushed into the...

R. K. Agarwal: I do not want anyone to extrapolate because we ourselves cannot extrapolate. So, let us not discuss about November or October, let us wait for a month more we will meet again in January and we will tell you.

RohitDokania: Yes, obviously, because the results have to come out so, you will tell you. Okay, no problem sir, if you not comfortable.

R. K. Agarwal: Because you know it will lead to confusions and nothing else.

Moderator: Thank you. We take our next question from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Just wanted some qualitative flavor on the radio business. So, you mentioned in the call that Radio City has done better than the industry and some pan India radio players have indeed seen a subdued advertising growth in Q2 we have not been able to increase volumes and generally because the shradh period also fell this quarter. So, what is it been with Radio City has been able to achieve the kind of growth that it has?

R. K. Agarwal: We have given the results for the six months in the press release you may have seen it.

Neeta Khilnani: Yes.

R. K. Agarwal: So, that kind of a growth we have done.

Neeta Khilnani: Indeed sir, but so, are we kind of pushing inventory levels higher or what would have been driving this growth against what the industry has achieved?

R. K. Agarwal: It is blended, it is mix of the two.

Neeta Khilnani: Okay. And sir, how has been the response to the Kanpur radio station been in the sense, are you running have ad started on the station and or are we seeing some ad-free periods going on there?

ApurvaPurohit: Not at all. In fact, from day one we carried advertising in Kanpur. In fact, we have been offering network deals for all our new stations.

Neeta Khilnani: Okay. And the pricing has been similar to your flagship stations?



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- ApurvaPurohit:** Yes, so the pricing would be on par with the size of the station so like-to-like so, Kanpur would be similar to Lucknow and so on and so forth.
- Moderator:** Thank you. We take the next question from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand conference over to Mr. Sanjay for closing comments.
- Sanjay Gupta:** Thank you participants and everybody for joining in this conference call. Your questions, I hope were answered adequately by the management and I will be looking forward to again your questions in the next quarter. Thank you.
- Shailesh Gupta:** Thank you.
- Moderator:** Thank you very much. On behalf of JagranPrakashan Limited, that concludes this conference. Thank you for joining us and you may now disconnect the lines.