



**“JagranPrakashan Limited Q1 FY17 Earnings
Conference Call”**

August 10, 2016



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*JagranPrakashan Limited
August 10, 2016*

Moderator

Good morning, Ladies and Gentlemen. Welcome to the JagranPrakashan Limited Q1 FY17 Earnings Conference Call hosted by YES Securities. 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 would now like to hand the conference over to Ms. SonaliSalgaonkar from YES Securities. Thank you and over to you, ma'am.

SonaliSalgaonkar:

Thank you. Good morning, everyone. We, at YES Securities, are pleased to host the Q1 FY17 Earnings Conference Call for JagranPrakashan Limited. With us, we have the Management Team of JagranPrakashan represented by Mr. Sanjay Gupta – CEO, Mr. Shailesh Gupta – Director (Marketing), Ms. Apurva Purohit – President, and Mr. R.K. Agarwal – CFO. I now hand over the conference to the Management for their opening remarks. Thank you and over to you, Sir.

R.K. Agarwal:

Welcome to the conference call of JagranPrakashan Limited to discuss the results for Q1 FY17. In the first quarter, growth in advertisement revenue for print was higher than what we expected in H1 FY17. Radio delivered a best in class growth of 23% across the entire industry which is far higher than our growth guidance given for whole of the financial year 2016-2017.

If you recall, in the beginning of the year, the guidance for the year was 15% growth in radio revenues, as against that we now expect to be in the range of about 16% to 17% and that is only for existing stations. New stations will add further. Radio's better than expected and above industry performance was led equally by a price hike in the core markets and an increase in inventory utilization in rest of the markets. In almost all the categories, Radio City grew higher than the market. Operating profit grew by 23% and there was also marginal improvement in operating and net profit margins. Radio City continues to benefit from its leadership status in some of the key towns, brand strength and weekly reach of more than 4.5 crore listeners.

We had strong growth in advertisement revenue in all the three core businesses, namely, print, radio and digital. Other positive for Q1 was the consistent improvement in the performance of other publications, especially Mid-Day and NaiDunia. Mid-Day reported once again a growth of 8.5% in advertisement revenue from a market where other players seem to have generated revenue far lower than what they generated in the corresponding quarter of the previous year. It was heartening as near double-digit growth has been reported by Mid-Day for second quarter in succession. You will recall, in Q4 FY16, Mid-Day reported growth of 11%.

As far as NaiDunia is concerned, NaiDunia has converted operating loss in Q1 FY16 into operating profit, increased circulation and improved per copy realization. If you remember, the growth in circulation was deferred in previous year as MPCG market was not supporting the growth in advertisement revenue. Although the market is yet to pick up, it has been decided to



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gradually increase the circulation to remain competitive. Growth in advertisement revenue for NaiDunia was around 5% and this is what is pulling down overall print revenue growth. Otherwise, it would have been over 10%.

In Q1, circulation of DainikJagran was strategically increased in key markets and on over all basis by nearly 6.5% as compared to Q1 FY16 while maintaining same per copy realization as it was a year ago. In fact, all the three major brands namely DainikJagran, NaiDunia, I-Next posted significant growth in circulation where all the brands of Mid-Day maintained their circulation, average circulation I would say for the quarter, while improving further per copy realization. As a result, the consolidated circulation revenue grew by over 6%.

Third core business which is Digital-- there our effort to strengthen the network is underway as per the strategy formulated in the previous year. The growth in digital revenue was 24% and it is expected to improve as the year goes by.

As far as profits are concerned, they are little subdued due to certain strategic investments made in increasing circulation, promotion and publicity expenses as well as impact of adoption of IndAS as discussed in the last conference call. Some of these expenses will not recur in remaining quarters to the extent they were incurred in Q1. Further, there is expected to be saving in newsprint cost on account of improved efficiency in newsprint consumption in remaining quarters.

The Company's balance sheet continues to be strong with negative net debt. We are still waiting for the approval of the courts for the scheme of amalgamation and have therefore not been able to propose to the board buyback even this time. It is expected that these schemes will be approved in this quarter.

Lastly, I would also like to clarify that we could not present the consolidated results and have given only certain key consolidated figures, for your information, again due to pendency of schemes of arrangement. These schemes will necessitate certain accounting adjustments which could not have been incorporated before the court's approval. Had we presented consolidated statements as per IndAS without considering these adjustments, we would have presented materially different figures which would have been misleading. Without these adjustments, consolidated net profit, however, was Rs. 89 crores for the Q1

And as far as standalone profit is concerned, if we had not adopted IndAS and on like-to-like basis if we had continued to adopt Indian GAAP, our profit growth would have been 12% and not 5% as is getting reflected in the results.

Now I would request you to proceed with your questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on the radio business, you have reported best in class numbers till now, so want to understand how much is the government ads in this, ex of government how much is the growth? And why you are able to grow a bit faster, is it because of the market share data which is coming out or is there some one-off here?

ApurvaPurohit: So, government spending of course has been high in the first quarter and I would say that out of entire growth of 23%, maybe a couple of percentage points would have come due to this higher spend .It would have been around 21% - 21.5% without the government spending taken into consideration. So, all our categories in fact have grown quite dramatically, except of course ecommerce. In fact, in all our categories whether it is auto, whether it is government, whether it is FMCG, whether it is real-estate and retail, we have increased our market share by at least 1% . So, that is the answer to the first question. As far as EBITDA is concerned, I think it is straight away the revenue increase going down. There is no exceptional thing or one-time revenue or one-time cost saving that has happened. In fact, in marketing we have spent, as you would see from the details, more than last year because there was a reasonable amount of investment that was done in the brand itself.

Abneesh Roy: Apurva, my question was, is there any one-off in the revenue and why you are able to grow faster than the market leader? Because if I knock off the government ads also you are doing well, ahead of the market leaders.

ApurvaPurohit: I answered that Abneesh. There is nothing one-off in revenue growth in Q1. It is I think a result of several years of effort that is translating into the numbers Clearly, advertisers are seeing two-three very good things that are happening at Radio City, one is for 450 weeks we have been leaders in our markets as per RAM data, the market share data that AZ Agency has released recently again shows leadership position for us in most of our markets. And I think both to the vanilla advertising sale which is FCT and a creative solution that we are providing through the additional effort of setting up Audacity, our in house creative agency etc have clearly translated into these growths across all advertiser categories . what I am very pleased about, Abneesh, is that there has not only been a volume growth but there has consistently been growing our ER for the last three years. And as you know, clients are very tough in giving you a higher yield unless they see a response coming out of the advertising they put on. So for the last three years we have grown 8% year-on-year the ER. And I think our network sales has also helped, so you will see that nearly by 20% we have improved inventory utilization in our smaller markets.

Abneesh Roy: Just one clarification here, your RAM data is taken seriously by the advertisers, right and FMCG - how has that done? You mentioned it has done well, I was a bit surprised because some of the other players are saying there is a cut back there.

- ApurvaPurohit:** So quarter one I think FMCG has actually maintained the market share which they saw last year which was reasonably good. So we have not had a slowdown in FMCG.
- Abneesh Roy:** And my last question is on the MPCG market, so when I see the market leader, in spite of the base on a two-year basis they have still grown around 9% to 10% CAGR, you have grown at 5% and it was around 13.5% in Q4 and 10% in FY16, this is all in terms of ad growth. So, why suddenly your growth seems to have tapered versus a much larger number one player?
- R.K. Agarwal:** Abneesh, first, about radio I will add further. This performance of Radio City is not only for this quarter, but in fact if you look at their performance in past 15 months or so, they have been outperforming the leader. So, as Ms. Apurva mentioned, in fact, it is long drawn effort made over a period of time that has started giving the result for past 15 months or so.
- Abneesh Roy:** Are you changing your guidance, your guidance was 15% for same store station?
- R.K. Agarwal:** That is what I said in my opening remarks. We are upping the guidance to 16% to 17% growth as against 15% what we had said in the beginning. And this will further improve with the revenue from new stations.
- Abneesh Roy:** And the MPCG market?
- R.K. Agarwal:** MPCG market, yes, our growth is below expectation and Mr. Shailesh Gupta will explain.
- Shailesh Gupta:** As far as MPCG market is concerned, we are still consolidating. We expect that in quarter two, quarter three and quarter four local revenues will be much better than what we are seeing right now. As far as your comparison with the number one player is concerned, of course number one player is probably double the size of our circulation, so obviously they will get more market share as we get in Jagran in UP, so it goes the same way.
- Abneesh Roy:** Sir, even if I take that, it is a 9% to 10% CAGR over a two-year period. So if you see 20% growth came on a 10% decline, so anyway I am not talking about market share here, I am talking about growth. Your numbers are much smaller so why should your growth be, your growth in fact should be much higher than the much larger number one player, this is in terms of growth and not market share. So is it right that you are focusing more on margins rather than on revenue in the current scenario in terms of strategy?
- Sanjay Gupta:** There has been change in strategies in many of our editions in MPCG, as Shailesh has explained and this would take some time to translate into revenue but this will.
- Moderator:** Thank you. Our next question is from the line of Sonal Kohli from ENR Advisors. Please go ahead.

SonalKohli: I have broadly three questions. Firstly, you had given a guidance of 15% EBITDA growth and 20% growth in PAT, considering new accounting would you stick by that guidance or what kind of change would you like to put?

Secondly, do you have any plans for monetization of radio property in next 12 months?

Thirdly, what excites you the most from next 12 months' perspective as far as your business is concerned?

R.K. Agarwal: Yes, we continue to maintain our guidance for growth in operating profit by 15%, and if you have seen, Mr. Kohli, in fact even in the first quarter we have recorded a growth of 15% in operating profits.

SonalKohli: At a consolidated level sir?

R.K. Agarwal: I am talking about the consolidated number. And PAT growth, even with the new accounting standard, yes, I am maintaining we will do 20% growth.

SonalKohli: Sir, second question was on monetization of radio and real-estate. And third question was, what is the most exciting part you like about your business from next 12 months, 24 months' perspective?

R.K. Agarwal: As far as monetization of radio is concerned, we continue to explore various options, There is nothing which is yet firm up. And as soon as there is anything which gets finalized, we will inform you.

Number three is what excites us most? Of course, print remains bread and butter and will do whatever it has been doing for so many years, but for the current year for us there are two businesses which are exciting, one is radio and other is digital.

SonalKohli: And sir, do you see digital contributing significantly three years hence? And my other question was, monetization of property.

R.K. Agarwal: Again, talking monetization at this juncture for digital may be a bit premature. First of all we have to consolidate our position there. Let us grow, consolidate and then we will look at monetization. So we are very much on our way or we are directionally proceeding to strengthen the business of ours and this is something which is going to be along with radio an exciting part of business for us in next 12 months.

SonalKohli: Sir, actually my question was, monetization of real-estate, not of digital.

R.K. Agarwal: Okay, real-estate monetization. Real-estate, you know, we keep selling the properties, Let the prices pick up ,we will keep selling the properties, so that is something ongoing process, there is

no timeframe fixed as such. And company is already generating lot of cash, I don't say that we wish to keep the capital blocked in the unproductive assets, but at the same time there should not be any desperation to make realization by selling those properties and get lower values.

Moderator: Thank you. Our next question is from the line of Ankur Saxena of Axis Securities. Please go ahead.

Ankur Saxena: I have a couple of quick questions. Sir, in your presentation you have mentioned YoY 8% growth in operating revenue for DainikJagran, excluding other publications. Sir, appreciate if you could provide the breakup of this 8% into advertisement revenue and circulation revenue growths.

And my second question is, what will be the newsprint price outlook for Q2 and Q3?

R.K. Agarwal: You are talking about our operating profit growth of 8% or you are talking about 8% growth in...?

Ankur Saxena: Operating revenue for DainikJagran excluding other publication.

R.K. Agarwal: So, circulation revenue grew by about 6.5%. And advertisement revenue grew by nearly 9.5%. Second question was what?

Ankur Saxena: Sir, second question was, what is the outlook for newsprint prices?

R.K. Agarwal: Newsprint prices are going to remain stable, I do not see any problem in that. And as I mentioned, we have taken a few steps which is going to improve the newsprint consumption efficiency in remaining quarters and there you would see some advantage coming to us.

Ankur Saxena: Sir approximately I was asking.

R.K. Agarwal: Approximately asking, it should be about 33,500 or approximately something of that sort.

Moderator: Thank you. We have the next question from the line of Sonali Salgaonkar from YES Securities. Please go ahead.

Sonali Salgaonkar: Sir, last quarter you mentioned that Bihar as a market is gaining traction for your company, any update on that sir?

R.K. Agarwal: Yes, Bihar continues to do reasonably good.

Sonali Salgaonkar: So sir any new things that we are rolling out in Bihar that could lead to much better growth over there?

- R.K. Agarwal:** Much better growth? There is nothing as such happening which gives you confidence that we would grow faster than at what rate we are growing currently.
- SonaliSalgaonkar:** Sir, and lastly I missed the number which you had shared for the consolidated profit for Q1 FY17, could you please repeat that?
- R.K. Agarwal:** Yes, Sonali the consolidated net profit for our Q1 is Rs. 89 crores.
- SonaliSalgaonkar:** And we increased our guidance for radio revenues to 16% to 17%?
- R.K. Agarwal:** That is right.
- SonaliSalgaonkar:** And do we maintain that outlook for sprint ad revenue?
- R.K. Agarwal:** We continue to maintain that because we expect H2 to be far-far better. We said the composite growth in the range of about 11% to 12% in print advertisement revenue for whole of the year.
- Moderator:** Thank you. We have the next question from the line of Manish Parekh from Vibrant Securities. Please go ahead.
- Manish Parekh:** Can you throw some light on our revenue growth in Uttar Pradesh which is our leading market and how is your competition shaping up in that market?
- R.K. Agarwal:** As far as competition is concerned, you have already seen the results of HMVL, so you can very well make out our competitive position. As far as Jagran is concerned, UP, Uttarakhand continue to be the top market for us and if we have grown by 9.5%, UP of course has given higher growth, i.e. more than double-digit.
- Manish Parekh:** So we have outperformed our competition in this quarter by a wide margin?
- R.K. Agarwal:** Yes.
- Manish Parekh:** And going forward how do you see this shaping up? In the sense, are we seeing any pressure in terms of these because of the competition
- R.K. Agarwal:** I really do not understand which competition you are talking about.
- Manish Parekh:** Obviously HMVL.

- R.K. Agarwal:** In UP for the last couple of years it has remained more or less where it was. In fact in couple of markets people keep doing the things... that will keep happening. So that is in no way changing the competitive scenario for the state as a whole.
- Manish Parekh:** So you do not see any sort of pressure on your numbers because of that, is it fair to assume that?
- R.K. Agarwal:** There is nothing new. If you can ask me specifically what is indicating to you that the competitive intensity has increased in UP, then I will be able to elaborate it further.
- Manish Parekh:** My question is this that if say HMVL gaining at the expense of Amar Ujala or that is what you mean to say?
- R.K. Agarwal:** Sorry?
- Manish Parekh:** Sir, HMVL gaining market in UP at the expense of Amar Ujala and not JagranPrakashan, that is what you are saying?
- R.K. Agarwal:** No, I am not saying that. What I said was, you have seen HMVL's growth, that is only sub 6%.
- Manish Parekh:** That is only for this quarter, correct, but in the last two three years they have grown at near double-digits.
- R.K. Agarwal:** No, what we are talking, we are talking about future only from now. And as far as past is concerned, in that case, of course when you are going to launch new edition you will eat into everyone's share whether it is Amar Ujala or it is Jagran, Whenever there is going to be third player, third player will eat into maybe to the extent of 1% maybe to the extent of 1.5% share of each incumbent. There is nothing new in that. So, your question was very relevant for future and future can be guided only by first quarter performance.
- Moderator:** Thank you. We have the next question from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir, you mentioned that we are increasing the copies in our markets, could you share the exact amount of copy increase and what is the strategy on that?
- R.K. Agarwal:** We have increased significantly circulation in the first quarter and still we have been able to manage per copy realization what was a year ago, as I mentioned in the opening remarks. As far as strategy is concerned, CEO will explain.
- Sanjay Gupta:** Can you repeat your question please?
- Ankit Kedia:** Sir, the strategy on increasing circulation, in which markets are we increasing the circulation and what is the outlook from one year to two-year perspective on that?

- Sanjay Gupta:** There are editions where we are number two or number three, we are slowly plugging those gaps. So we do allocate some copies in those editions also.
- Ankit Kedia:** Agarwal sir, what would be the exact quantum or in percentage terms the increase in circulation?
- R.K. Agarwal:** As I mentioned, 6.5% is the increase in the circulation. When I say it is only in DainikJagran... if you talk about I-Next there we have had in past one year since the time it got converted in broadsheet, an increase of nearly 70%.
- Ankit Kedia:** And sir, NaiDunia also...have we increased circulation?
- R.K. Agarwal:** Yes, we have increased the circulation, this is what I mentioned in the opening remark, was positive for NaiDunia. While NaiDunia may have recorded only 5% growth in advertisement revenue, but what they have done is they have increased the circulation and also they have converted operating loss into operating profit. So these two read with each other are pretty positive i.e despite increase in circulation they were able to convert the operating loss into an operating profit so this is something which should be noted. And circulation increase, if you recall, last year it was deferred. So they started growing the circulation again from almost stagnant base.
- Ankit Kedia:** So sir going forward, can in quarter two, quarter three, this growth will continue or probably we are done with our increase now?
- R.K. Agarwal:** No, as far as NaiDunia is concerned, it will continue.
- Ankit Kedia:** And sir my second question was on your absolute PAT number on consol basis, if I look at your presentation on Slide#9, if I add up the PAT of Jagran standalone, Mid-Day music broadcast and others, I get around Rs. 83.5 crores PAT and you mentioned it would be around Rs. 89 crores?
- R.K. Agarwal:** I was right and you are also right. The difference lies in the fact that there is another 100% subsidiary called Suvi. They had a profit about Rs. 5 crores to Rs. 6 crores..
- Ankit Kedia:** Sir, but in your presentation you have mentioned that in others you have included Suvi Info Management, that is the same company, right?
- R.K. Agarwal:** Yes.
- Ankit Kedia:** Sir but if I am consolidating that, then I am getting 83%, so we should look at it from Rs. 83 crores perspective or from a Rs. 89 crores?
- R.K. Agarwal:** Rs. 89 crores, Rs. 83 crores you are adding standalone Jagran, you are adding standalone music broadcast.

- Ankit Kedia:** So interest cost you are saying is there.
- Sanjay Gupta:** Yes, it will get knocked off, Jagran's standalone will increase if you take Suvi also into consideration.
- Moderator:** Thank you. Our next question is from the line of Amit Kumar from Investec Cap. Please go ahead.
- Amit Kumar:** A couple of questions. One, if you could just one more time highlight the consolidated CAPEX expected for this year if you can sort of break it down across its different components.
- R.K. Agarwal:** Amit, for the current year radio should be investing nearly 26/27 crores, out of that they have already invested I think Rs. 7 crores, Rs. 8 crores. So, in remaining nine months they have to invest 20 more crores in setting up the new stations that is what it is. Besides that, radio does not have any other CAPEX. As far as Jagran is concerned, we invested nearly about Rs. 9 crores to Rs. 10 crores in the first quarter and for the remaining nine months our CAPEX plan is of about I think another Rs. 40 crores to Rs. 50 crores essentially adding/replacing the machines.
- Amit Kumar:** Anything on Mid-Day?
- R.K. Agarwal:** Mid-Day, no, there is no CAPEX plan. In no other company there is any other CAPEX plan.
- Amit Kumar:** And just a quick follow-up, this FM radio CAPEX of Rs. 26 crores - Rs. 27 crores, I presume a significant part of this would be in new stations.
- R.K. Agarwal:** Yes, that is what I said, all of it.
- Amit Kumar:** So when we move into FY18 what will be the recurring FM radio CAPEX numbers?
- R.K. Agarwal:** That is Rs. 3 crores to Rs. 4 crores.
- Amit Kumar:** Just a quick one on radio for Apurva, we have seen a very strong revenue growth, 23% YoY and EBITDA also sort of similar, but that also implies the expenses have grown by almost 23% YoY as well. So anything specific that you want to call out, any one-off or any incremental marketing, any frontloaded cost in this essentially?
- ApurvaPurohit:** No, so clearly there obviously is marketing cost. If you have seen our previous growth figures for the last 15 months, the EBITDA growth has obviously been higher than the revenue growth. In this case, it is the same as you rightly pointed as we have invested in marketing such as "Rag Rag Mein" campaign which is getting into micro hyper local in each of our cities. So there was an investment there, we have invested in a few events and properties which we will play out over the course of the year, things like Gig City, etc. So really marketing was additional but that is also just about Rs. 1 crores, there is nothing else there.

Amit Kumar: And the new stations, will they start launching from 2Q, I mean, is that guidance intact or any sort of slippage or that you see in that?

ApurvaPurohit: So there has been a marginal delay as we all know from getting the government infrastructure, but we anticipate that from mid-September to end December, maybe early January, all the stations will be setup, this is the latest data as per what we have heard from the government.

Amit Kumar: Just a final question directed to Director – Marketing, what we have seen at least as far as the listed FMCG company results are concerned, is that advertising growth has been fairly subdued. Given the fact that both on print and radio side the FMCG growth has been in the region, it seems a little bit similar to 9% for print and 23% for FM radio. Is there any specific callout that you would like to make either in terms of some specific category or some specific advertisers sort of driving that growth for you?

And just one small follow-up, do you have any sort of tie-up with Patanjali, because Patanjali seems to be fairly strong in the Northern belt which is also your area of operation? Just on those two elements if you can talk about, please.

Shailesh Gupta: Well, as far as Patanjali is concerned, we have a deal but it is not a huge deal .As far as FMCGs are concerned, for us FMCG has been firing and especially Unilever has been extra bullish in our market. Also, there are lot of local FMCGs like Ghari and other clients coming out from smaller towns who have been using our publication very effectively.

Amit Kumar: And is there any plan to actually do that or you are comfortable with the current arrangement for the time being?

Shailesh Gupta: Right now we are comfortable but we are speaking to them at the same point of time.

Moderator: Thank you. Our next question is from the line of Chitragda Kapoor from Samiksha Capital. Please go ahead.

Chitragda Kapoor: I have my first question to Mr. Agarwal, when I am looking at your key consolidated numbers for DJ, music broadcast, Mid-Day, etc., the operating income for DJ has been flattish on a year-on-year basis, just about 0.8% growth, and it has actually declined on a sequential basis. What is it that I am missing here, sir?

R.K. Agarwal: Other operating income you are right, this time it has fallen. It has two components – one is job work. Yes, we have lost some job-work at Delhi and we are trying to recover it from elsewhere, that is one. Number two is, it also comprises sale of waste raw material and that gets accounted for as per our policy as and when we sell. In this quarter, we have sold lower quantity because there was problem of lifting and this is why we had a lower income in this quarter. But then it will get compensated in coming quarters. The material was lying in stock which we do not

consider in our accounts. So it will get sold in the next quarter, i.e. in this quarter, and we will have in this quarter higher income. It is just postponement.

- Chitragda Kapoor:** Sir, how big a contributor is job works to your overall operating revenue?
- R.K. Agarwal:** Overall operating revenue, we do not have much. We have about total operating revenue including everything is Rs. 2,000 crores and this is just less than 2%, we have only about Rs. 30 crores of job work across the group, I mean 1.5%.
- Chitragda Kapoor:** No, what I am looking at is about Rs. 359 crores of operating revenues of DJ in this quarter vis-à-vis Rs. 356 crores.
- R.K. Agarwal:** Sorry, please say again, which figure you are talking?
- Chitragda Kapoor:** In DJ, the total operating revenue is about Rs. 359 crores in this quarter vis-à-vis Rs. 356 crores same quarter last year, and if I look on a sequential basis it is Rs. 365 crores on Quarter 4. So, this is all because of job work and sell of that?
- R.K. Agarwal:** Which number you are looking at, standalone you are looking at, right?
- Chitragda Kapoor:** Yes.
- R.K. Agarwal:** So it is Rs. 462 crores.
- Chitragda Kapoor:** No, I am looking at the publication wise breakup that you have given.
- R.K. Agarwal:** You are talking about press release where we have...
- Chitragda Kapoor:** Yes, I am talking about press release.
- R.K. Agarwal:** Okay, Jagran, DainikJagran you are talking about, yes?
- Chitragda Kapoor:** Correct, yes.
- R.K. Agarwal:** So it was Rs. 355 crores last year, in Q4 it was Rs. 359 crores and now it is Rs. 383 crores.
- Chitragda Kapoor:** Okay, so I got that wrong.
- R.K. Agarwal:** Yes, I got that press release before my eyes.
- Chitragda Kapoor:** So, the second question is, your outdoor has done quite well...
- R.K. Agarwal:** Yes, Apurva will explain this.

- Chitragda Kapoor:** No, do we still have the intent to sell the business is my question?
- R.K. Agarwal:** It is too early to say that Wedo not want to exit. In fact, if the performance continues like this then definitely management will reconsider the decision, so a few more quarters let us wait.
- Chitragda Kapoor:** To Apurva ma'am, on radio, you mentioned Gig City, it is a fantastic property, let me congratulate on that because I have actually listened to it and it was quite good. So what are the economics for such new properties that you bring about in Radio City?
- ApurvaPurohit:** So, as you are aware, typically event and activations, while they add to the top-line they do not really deliver in margins, and we are very cognizant of the fact that we have delivered best in class margin on the back of selling radio better and better every year. And therefore that sort of philosophy and strategy continues. So even if you see Gig City, Gig City is really an on-air event and not an off-air event which adds to cost. So, I would say the economics of Gig City would be very similar to the rest of our radio business because it is ultimately at the end of the day a radio property.
- Chitragda Kapoor:** So, the marketing additional is about Rs. 1 crores you mentioned, so that is the actual cost or artist cost does not include because you also mentioned that it does not slowdown to your EBITDA. So, I am trying to understand, is it commensurate into say 2% revenue in terms of higher advertisement.
- ApurvaPurohit:** So, let me just clarify, there is no slowdown on the EBITDA, in fact we have added 1% point, so from 31% it has actually gone up to 32% in terms of margins that we have delivered. The point that I was making that there has been investment in marketing in quarter one, especially around the brand, so whether it is Gig City or whether it is the "Rag Rag Mein" campaign, so typically our marketing spends end up being around 7% of our revenues and this quarter they were around 9%.
- R.K. Agarwal:** So, what she is clarifying is if this expense was not incurred then the EBITDA would have been 34% and not 32% that is all she is saying.
- Chitragda Kapoor:** Okay, so that actually clarifies my question. Also, you have mentioned that your inventory and yield consistently have improved when you are actually selling radio, so I was under the impression that we are already working on a full inventory utilization, so have we added the dead hours also in our inventories or how are we increasing inventory if we are already working on a full utilization?
- ApurvaPurohit:** So, I think the answer is in two parts – One is, whether the big markets, the eight top markets and the balance market. In our balance market the inventory was full to the extent of around 55% - 60% where the inventory has gone up by another 20% and that has really been our big success here in being able to sell the entire network to most of our clients which is where you will also

see that in each and every category , market share has increased by at least 1% point. That is one part. The other part is, on the big markets there has been both an ER increase to the extent of 6% to 8% and as you are rightly saying, slowly and slowly we are expanding and selling more of inventory beyond the 18 hours. So, if our prime time was going full and our off prime time was around 80% - 90%, that has gone up to 100%. So, you are right that we are being able to sell more of the day better and we are able to sell the smaller markets better, and added to that is the 8% hike that we have been able to take primarily because of the consistency and leadership that we have shown for 450 weeks.

Chitragda Kapoor: Are we also participating in the second batch of the Phase-III auctions that...

ApurvaPurohit: No, so again I would like to reiterate our original strategy which is to go for the big metros, mini metros where we believe the advertising footprint is large and which have a high advertiser potential, we continue to maintain that stance. And in Phase-II whatever cities that we wanted we have already got in part one which is the 11 cities. So that is why we are not participating.

Chitragda Kapoor: Finally, to you ma'am, does GST have any benefit to us once it is implemented?

R.K. Agarwal: Yes, GST will benefit digital, GST will benefit Radio City, GST will benefit outdoor because you can very well understand...whatever increase will happen because of GST in tax rate, that we are going to recover from the customers, number one. So that is not going to be an additional burden on me. But then whatever VAT we are paying , that we will be able to set off against this GST and this will be benefit to these businesses

Chitragda Kapoor: So, what I have understood from you is two parts, Mr. Agarwal, one that you are going to pass on the increase in your tax rate to the customer. And the second is, you will also have a tax benefit in the bottom-line?

R.K. Agarwal: Bottom-line which is VAT. So since you are asking whether it is going to be beneficial, I am saying yes, but sum total of that may not be Rs. 50 lakhs in a year.

Chitragda Kapoor: No, I understand that. What I am trying to, and as it is GST is not yet implemented, it is future we are talking about.

R.K. Agarwal: Yes, futuristically.

Chitragda Kapoor: So in the first part of your answer, when you are passing on the increase to the customer, when we are already increasing our yield on a year-on-year basis, do you think the advertisers will be resistant or acceptable to further increase because of the service tax increase that we are passing on to them, would it not impact our inventory utilization?

R.K. Agarwal: Better you have asked this question, this is a very interesting question and I would answer in two parts. There are two sets of advertisers – number one is those who are the manufacturers. So, any

which way they will be able to pass it on to their own customers. So, it should not impact us at all, they should not expect us to bear that. Ultimately, it is you and me who is going to bear that additional tax, not the manufacturer or anyone for that matter. Number two, there is another set of advertisers that is retail. For example, a general merchant shop or a sweets shop. Any way they were not getting any benefit against the VAT which they pay on these goods when they sell and they were advertisers with us. Now, since this will have available for set off against their liability on the taxes payable on the finished goods, then they should have more money to offer to us. So, as far as these businesses are concerned, from retailers we should get more money and from manufacturers we should continue to get the same money without having any adverse impact. And on third front, our eligibility to set off the VAT which is going waste currently, should add to our bottom-line. So net-net, we should also be one of the beneficiaries as a company but as consumers especially high end users we are going to be losers.

Chitragda Kapoor: Final, elections are coming for your key market; during that time probably it is the festival. Is it fair to assume that your second half is going to be a blockbuster in terms of your advertisement revenue, a follow-up to that what I am trying to understand is, how is the economics for election quarter work out for you in terms of advertisement?

R.K. Agarwal: That second part, Director – Marketing will address. But as we discussed while discussing the annual results, H2 we are expecting to be better than H1 in general for two reasons – one is, you are having good monsoons so there will be impact of that. Number two is, that distribution of arrears as a result of implementation of recommendation of 7th Pay Commission.

Chitragda Kapoor: Right, so higher disposable income is what you are alluding to?

R.K. Agarwal: That is what is going to help you, right. These are the two things which will help in general. Now, as far as UP scenario is concerned, benefit from the election is concerned, there Shailesh Gupta will explain it.

Shailesh Gupta: benefit of elections, of course it will be there in some quarters and in some quarters it will not be there and due to imposition of election code of conduct, there will be loss of govt . revenue..

Net-2 revenue gain these days is not as significant as it is made out but yes there will be some that may increase growth by 1% -2%

Chitragda Kapoor: One bookkeeping question sir – what is our per copy realization currently since we have referred to that at least twice during opening commentary and what is the debt in the books of Radio City?

R.K. Agarwal: Per copy realization for DainikJagran continues to be at the same level as it was a year ago, that is Rs. 2.42. And debt on Radio City book, net debt is in the range of about Rs. 150 crores.



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- Moderator:** Thank you. We have the next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sir, I understand in the DainikJagran business our ad revenues have grown by about 9.5% and I thought you said that in Bihar it has grown about 11% - 12% and even UP has grown in double-digits. So, which are the markets where the ad revenue growth has been slower and what were the factors behind that?
- R.K. Agarwal:** Jagran has other two-three markets where the growth was lower, and what were the factors in general, you know this was lower for everyone; I cannot attribute any one reason for the lower growth. And wherever we have grown at around 10% or 11%, that is something which is slightly higher than what the economic environment could have provided, given the fact that Jagran grew in Q1 on base of the last year which also was after growth of around 8% . Some had a very low base due to steep de-growth recorded by them and therefore they had benefit of advantage of higher growth.
- Yogesh Kirve:** Sir just for understanding, apart from UP and Bihar what were the key market for our flagship DainikJagran between Jharkhand, Punjab and Delhi?
- Shailesh Gupta:** It will be Delhi NCR.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments.
- R.K. Agarwal:** We thank you for sparing your time and expect you to continue to support the Company. And we assure you that we would do our level best to live up to you expectation. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Yes Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.