"JagranPrakashan Conference Call to Discuss the Contours of Acquisition of Music Broadcast Private Limited"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the JagranPrakashan Conference Call to Discuss the Contours of Acquisition of Music Broadcast Private Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. R.K. Aggarwal – CFO of JagranPrakashan. Thank you. And over to you, Mr. Aggarwal.

R. K Agarwal: Good Morning Friends. Thanks you very much for taking call on a very very short notice. With me are the top management of JagranPrakashan Limited represented by CEO Mr. Sanjay Gupta and Director Marketing Shailesh Gupta, top Management of Radio City represented by Ms. ApurvaPurohit and top management of Radio Mantra represented by CEO Rahul Gupta.

Friends, Media has been kind enough to give the coverage of the transaction which is one of the milestones in the history of the company JagranPrakashan Limited. However, on valuation, there have been certain speculations giving the ranges purely because under the confidentiality agreement, we are constrained not to disclose the enterprise value or the consideration being paid. I understand that this is crucial for you to understand the financial implications, etc., but unfortunately, this is our constraint and I am sure youwould appreciate.

However, let me tell youthat this is a win-win transaction for both the parties to the agreement. And let me also tell you thatthe investment in the asset was by a venture capital fund and they had to exit. They cannot remain permanently there, and this fact was duly considered by them and also they were pretty considerate in appreciating the fact that this transaction should be value-accretive to all the stakeholders of JPL.

We all know that migration to the new license regime and also third-phase roll out, both are going to happen in near future. This would have entailed an outgo of migration fees by the fund. Fund was considerate of the fact and whatever value ultimately got negotiated is good for both under the circumstances .

Now, there is another point which I would like to bring to your notice is while board approved the transaction yesterday, they have also mandated the top management of JPL to explore the possibility, how do we quickly consolidate the promoters Radio business under the brand name of Radio Mantra into Radio City, so that combination of these two brands plus a few more stations can make the Radio business of the company a formidable one even in North India which is the primary area of operations for the company.

As far as migration is concerned, the Ministry of Information and Broadcasting has already accepted the recommendations of TRAI which were released sometime in the month of February and those recommendations have brought a lot of clarity to the migration fee as well as on the bidding price for the new stations. But, at the same time, these are still to be firmed up and therefore we have some sense as to what could be the outer limits but at the same time, we cannot be sure of what kind of fees will be required to be paid for migration or for applying new stations.

Also, I would like to inform you, yesterday, when board approved it, the transaction was subject to the approval of MIB which is going to take some time but we are moving ahead and Apurva is already working on it and I believe we should be filing the application sometime in the next week.

There was another conditionand that was execution of definitive document. I am happy to report that last night it has already been done.

With these opening remarks,since you have already been circulated a brief presentation on the transaction. I would not waste much of your time and request you to straightaway go for your questions which we would be glad to answer to the best of our ability and within the given constraint. Thank you very much.

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

Abneesh Roy: Sir, what was the thought process to this acquisition, because Radio has been in the unlisted entity of yours and it has a pretty small presence with just 8 cities and smaller towns, why did we acquire this? And if you see the presence of Radio City, there is hardly any synergy in terms of your presence in the current Print markets and your Radio stations also. Are we now looking beyond our core market? So bulk of the stations of Radio City in Maharashtra and the South where you have absolutely no presence, except maybe MiD DAY in Mumbai. So if you could explain that part?

R.K. Aggarwal: Let me clarify your question in two parts; number one is we do not believe in a strategy which says that you should have Radio and Print in the same area of operation. Fact of the matter is both these mediums while complementing to each other do not provide many of the synergies,.

Part #2 is Radio is fastest growing media as of now and for the next 3-4 years what we expect is it should grow at a CAGR of not less than 18%. So let us look at it like that. Besides,, whatever advantages will flow to the Print or Print will provide to Radio, this is an independent business, allied media business, which is enjoying very good margins, which is a value creator for the stakeholders and is expected to add value for everyone.

#3 is as content creator, you should have as many platform of delivery as possible, Radio is one of them. We have internet, we have Print.and we are providing the contents through several publication brands. Radio is just an additional medium.

In terms of synergy, as I mentioned, both these mediums are complementing to each other, not only Radio is complementing to Print, Radio is complementing to our Activation business also ; Activation business is complementing to Radio and all other media platforms are complementing to each other. In terms of synergy, there are two clear synergies. Even if I believe that Radio and Print have to be in the same areas of operations, Radio City has the presence in Mumbai, Lucknow and Delhi, which put together contribute nearly 27% to 28% revenue in our kitty. #2 is, any which way, Radio City being the strongest in Mumbai, will help MiD DAY get entry into the national advertisers office, and we will be able to through Radio City, increase our share in the total ad pie. Also, it is going to help ina comprehensive offering to our advertisers. Once localadvertisers become major contributors as is the case universally, print brands will help radio in a big way.

So you have to look at it taking into consideration all these three aspects and this is how we have gone for the transaction.

Abneesh Roy: Sir, you mentioned Radio has been one of the fastest growing and Radio does not have too much of synergy anyway with Print, sir, these two factors have been there for the last 7 years, but …?

R.K. Aggarwal: If you recall, we had discussed in the past also, it is only for the past couple of years, Radio industry has stabilized, Radio industry is giving consistently profit, there is not everyone who is earning profit, It is for only past couple of years that Radio industry has come into profit. Fact of the matter is if you look at Radio Mantra alsoit had been suffering losses till financial year '12-13 and all those losses have gone to the account of the promoters. In the same way, whomsoever was owning Radio City, they have taken a loss in their account to the extent of more than Rs.250-300 crores including cost of building the brand. So only then this has come in profit and only when this has been found to be proposition, adding value for the stakeholders, JPL has got into it. This is the stand which we are consistently maintaining, whenever any of you has enquired why we are not into Radio. This was the consistent stand, and this was the consistent position which we have shared with you all.

Abneesh Roy: Two follow ups on this; if I see Radio City's presence, it is extremely concentrated in the West India, of course, you do have Delhi, Lucknow, etc., and the South Cities, so now with Radio being very attractive for you, are you also looking at more acquisitions because since renewal is due, a lot of the smaller players might be looking to exit because…?

R.K. Aggarwal: If Radio Mantra gets also consolidated in Radio City, Radio City has 20 Stations plus 2 tie-up, plus 8 Stations of Radio Mantra, you reach straightaway 30 Stations and then there are plans to go for a few more Stations to strengthen our presence, but as far as acquisition of any other new station is concerned from existing promoters, that is not something which is planned as of now.

Abneesh Roy: Licenses are due for renewal even for Radio City. What is your thought process as to how much will be the investments because that could be fairly high and that is a key concern…?

R.K. Aggarwal: No, as I mentioned, now, there is a lot of clarity on the likely fees which is to be paid and we expect an outgo in the range of about Rs.190-200 crores, That is again one huge benefit coming to us through this transaction, i.e beyond certain limit which we have already decided if there is an outgo, it is not our liability.

Abneesh Roy: Are we going to be aggressive on the next phase, because now you are saying Rs.200 crores on Radio City is current license itself, and of course, I am sure you said it is very attractive, so you will be aggressive on the next phase, at least I am not asking for the amount, because that is a unknown factor even for you, are we going now it's an attractive for you and it is a very large business anyway?

R.K. Aggarwal: Not really, we are not going to be aggressive, we have never been aggressive in any of the respectmadly, but definitely there are a few stations which Apurva, Rahul and our CEO are already working on, So only those stations we will go for.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Sir, appreciate the comments regarding the deal valuation could not be shared during the call, but over what timeframe would that can be disclosed?

R.K. Aggarwal: That is something which is barred by the contractual obligation. I am afraid, this is going to be disclosed never; However, as I told you this is a win-win situation, we are more than happy, fund is more than happy reaching a valuation figure, which is comfortable for both of us, but let me tell you this is fairly discounted to the multiples which leader is enjoying currently and Radio City,Apurva will confirm ,in terms of revenue, in terms of size is second to the leader only, I will let Apurva to react to the statement of mine. Apurva, where do we stand in comparison with ENIL? What I said, we are #2 after ENIL in terms of revenue?.

ApurvaPurohit: In the markets that we operate in(which is a 20 top markets), we are the second largest player in terms of revenue.

Yogesh Kirve: Mr. Agarwal, just a clarification on the valuation is something which is freezed or it would depend upon performance benchmark or renewals …?

R.K. Aggarwal: No, it is freezed already, because they have already given the performance,You might have noticed from the presentation itself, they have already done nearly Rs.27 crores EBITDA in the first six months and they have registered a growth of nearly 28% in their top line.

Yogesh Kirve: A clarification to answer to a previous question that you said beyond certain limit, the license renewal would not be your liability. So, the liability then would shift to seller or any other party?

R.K. Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of RiteshPoladia, Independent Analyst. Please go ahead.

RiteshPoladia: The sales team of Radio City would be integrated with the Mantra or would there be any overlapping?

R.K. Aggarwal: Radio Mantra being a smaller fish cannot have Radio City's team merged into it, it would be other way around, but then it is for Apurva and Rahul, both to decide how do we merge.

RiteshPoladia: The entire top management would remain post the acquisition from the Radio City side?

R.K. Aggarwal: Oh! Yes, she is an asset - one of the best media professionals we would havethought of.

RiteshPoladia: Apurva, how is the future of Radio City post this acquisition?

ApurvaPurohit: As Mr. Agarwal has already explained to you that, we are a leader in the 20 markets that we operate in. As we were planning our future growth with Phase-III coming in, we were planning an expansion in the north. As we have already mentioned, we have a strong presence in Maharashtra and the South, and we were planning to acquire more stations in the North. Now, with Radio City and Radio Mantra together, we will have a large footprint in North, South, and West, which will continue to give us a national status which we currently enjoy. So basically, we have been leader primarily because we operate in 60% of the footprint that an advertiser looks for amongst the audiences and that footprint will continue to be maintained with the Radio Mantra market as well as a few additional markets that we will bid for. So, we see that our leadership position getting maintained and margins getting enhanced with this tie-up.

Moderator: Thank you. The next question is from the line of Hardik Shah from Birla Sun Life. Please go ahead.

Hardik Shah: Is there any debt coming on to the books of Jagran because of this acquisition? And if yes…?

R.K. Aggarwal: We are funding this acquisition entirely from internal accruals and whatever investments we have…

Hardik Shah: Is there any debt in the books of Radio City?

R.K. Aggarwal: There is hardly a debt of Rs.15-20 crores, but net debt position is minus.

Hardik Shah: Secondly, will there any royalty be paid by Radio Mantra for using the Radio City brand?

R.K. Aggarwal: No question of paying any royalty. We have not yet taken a call, whether Radio Mantra will be rebranded or will not be rebranded, but as things stand today, our thought is both should continue as independent brands, because they have the brand recall in their respective areas.

Hardik Shah: As you said that you are looking to also increase the number of Radio Stations, so typically, what is the type of investment that is required say per Radio Station, and how much time does it take to break even?

R.K. Aggarwal: While Jagran's top management with Apurva and Rahul, are working on it, let me tell you, the focus is to strengthen the Jagran areas of operations as well as Radio City areas of operations, and we do not expect much of investment on those new stations which they are deciding on.

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

Srinivas Seshadri: I have a couple of questions; firstly, for Apurva in the 28% growth which has been reported in the first half, wanted to understand, if there was any kind of a material impact of something like elections or one-off or was this a proper business growth, and if yes, then wanted to understand the drivers behind the very sharp acceleration in the growth in the first half of the year?

ApurvaPurohit: If you see over the last 3 to 4 years, we have been growing at a CAGR of around 14 to 15%. Last year was a slightly subdued growth of 8%. So, this year if you see our growth is really a mix of the inventory utilization going up in our smaller markets and ER growth in our bigger markets, this is a factor of two things – one is that over a period of time, the Radio market is maturing and we have also over 2 years been leader in two of the most critical markets of Radio which is Mumbai and Bengaluru.Over the last 200 weeks, we have been the #1 player in RAM, that leadership has helped us translateit into ER growth over these markets. So to answer your question, the sharp increase primarily has come through an ER growth in our bigger markets where we are a leader and have been a leader for the last 200 weeks and inventory utilization going up through a focus network selling strategy in our smaller markets.

R.K. Aggarwal: Let me add towhat Apurva is saying.In fact, this is something which we also analyzed during due diligencei.e what contributed to this kind of a steep growth, So not only I am confirming what Apurva is saying, but I am also addressing your question which could be in your mind that is the election revenue, There was no benefit as such accruing to Radio City on account of election, because whatever additional revenue came in, that was more than set off by the loss on account of revenue from government due to implementation of election code during those times. Am I right, Apurva?

ApurvaPurohit: Absolutely, in fact, government has been a big spender on Radio over the last many years, they see it as a primary source of reaching out to the common man, and over this particular year, in fact, government has not spent because of election code operating in different points in time in different states. So really, whatever, the election gave had completely got set off by the lack of spending on the part of the government.

Srinivas Seshadri: Secondly, a question for Mr. Agarwal, sir, you did mention that it is value-accretive. Should I read into that at a EPS level there will be not much of an impact of the acquisition from one or two year perspective, that is also including the cost which you would have to incur for the migration?

R.K. Aggarwal: Let me answer to your question in two parts again; #1 is it is going to be ROC and EPS-accretive, there is no doubt about it, but always bear in mind, this is an independent business to be carried in a subsidiary of Jagran and should be valued as such, in fact, what JPL shareholders should get is, the sum total of the valuation of JPL and valuation of Radio City as an independent business. You cannot work out the valuation based on these two merged businesses.

Srinivas Seshadri: So, what you are saying indirectly is that at a consolidated level, the transaction will be EPS-accretive?

R.K. Aggarwal: That will be, because clearly, it is very simple thing to understand, we are not having any plans to increase our equity.

Srinivas Seshadri: When you are holding this company at a subsidiary level, does the FII or the foreign ownership cap of 20% apply to Jagran?

R.K. Aggarwal: In view of Press Note-II, there is no such requirement.

Srinivas Seshadri: So JagranPrakashan will be subject to the foreign ownership limits of …?

R.K. Aggarwal: That is 26%.

Srinivas Seshadri: Listed company level?

R.K. Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of Vikas Mantri from ICICI Securities. Please go ahead.

Vikas Mantri: Just understanding the Radio City business from Apurva more, can you help us with across Stations or bunch a few Stations in the A towns, and give us the yields and the capacity utilization level, also the metric for capacity utilization based on how many minutes you are calculating?

ApurvaPurohit: The way that we look at our set of Stations is to look at the larger A-plus-cities which is essentially Mumbai, Delhi, Bengaluru, then the A-cities which are Ahmedabad, Pune and Nagpur and then Chennai and the rest of the cities, if you look at our smaller cities, Hyderabad downwards, our inventory utilization is around 50-60% on an average, in bigger cities, the utilization is approximately 80% and it goes up to 90-95% and the base I am using here is 12 minutes per hour , though the operating standard for the industry currently is around 15 minutes. And if you see the growth over the past 3 years .It has been an ER growth for us as well as for the lead players in the bigger markets of Mumbai, Delhi, Bengaluru, Lucknow, Ahmedabad and Pune, and inventory utilization steadily going up from 30 to 40% to 50% in the smaller markets.

Vikas Mantri: Apurva, just of the leader, the leader has been operating at capacity utilization levels around (+90%) for their network, 110% odd for the top towns and maybe 60-70% for the smaller towns on calculation of 16 minutes.

ApurvaPurohit: Are you saying that they are operating at 18-19 minutes?

Vikas Mantri: Yes, for some of the top Stations.

ApurvaPurohit: I would say that if you take a base of 16 minutes, I think the average for the top 2-3 players is 80-90%, because it is only during the festival times that minutes cross above 18 minutes to 20 minutes to 25 minutes.

Vikas Mantri: What will be yield for a full network per se?

ApurvaPurohit: You mean the effective rate across the network?

Vikas Mantri: Yes.

ApurvaPurohit: IfI bunch up It would be around 3500.

Vikas Mantri: This is against 9,000 odd for the leader?

ApurvaPurohit: I think it is around 7,500 for the leader but also, remember that the leader you may be talking around ENIL, they are operating in 32 markets, we are operating in a comparative sense only in 15 markets, because Maharashtra network is a single property, right, so we are operating in half of their marketsize..

Vikas Mantri: No, for the leader, at least they give us quarter-on-quarter ER, so 9,500 as the actual number?

ApurvaPurohit: I agree, 9,500 is the correct figure, but it is for 32 markets. I am talking about my 3,700.

Vikas Mantri: Rest of the 12 would not matter because if you look at the key towns you have a very similar footprint, so if you both have Delhi, Mumbai, Bengaluru, Chennai, and also Ahmedabad, I think your home, so the rest was…

ApurvaPurohit: But market leader has, another 17 markets which I do not have, foreach market even if you add Rs.150-200, it takes it up to another Rs.2,000, right?

Vikas Mantri: Coming on to the auction mechanism and we talked about it saying that Rs.200 crores, now if I go by the calculation suggested by TRAI which is still recommend in nature, the average bid of our 20 Stations is Rs.136 crores, and the maximum bid is Rs.191 crores, and if I were to increase the average bid which is the minimum suggested by 1.5, it comes to Rs.203 crores as our minimum payout and this will be subject to increase by whatever the category circle CS and auction price increase. So just to understand, we are likely to spend much more than the Rs.200 crores in terms of auction renewals?

ApurvaPurohit: If you look at the TRAI formula,it is fair both to the industry and to the government, and actually the TRAI formula says that the migration fees will depend on increase in three markets – Lucknow, Kanpur and Hyderabad and in those markets, there are

6 frequencies, of which only 3 frequencies have currently got picked up, so there are 3 frequencies available. We do not expect too many people to bid for the balance 3, as a result that increase in those markets is not likely to be, we are actually estimating only between 0 to 7% increase in those markets, and that ratio is going to determine the migration fees.

Vikas Mantri: In case of Y-circles, where both Mumbai and Delhi will also fall very clearly, because there are very limited one or two frequencies available in these markets and likely the economics of owning a second frequency is so much more better because you do not have to duplicate your cost, those prices determine will become the actual price for migration as well. So is it not Mumbai, Delhi going to see a huge inflation?

ApurvaPurohit: That actuallyis not right.It is an average of that particular category, it is an average of the Z-category, which I said is Lucknow, Kanpur, and Hyderabad which will determine the increase in Mumbai and Delhi also.

Vikas Mantri: No, other than the first two criterias which is 1.5x in the Z-category cities actual Phase-III auction obtain in the city?

ApurvaPurohit: It is the lowest of the two.

Moderator: Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah: I have two questions; first question is, with respect to what kind of return you expect ROC or return on investment in maybe say 2- 3 years' time, I understand that due to confidentiality you cannot talk about the deal valuation, but you can talk about some target ROC-ROE number, that would be really helpful?

R.K. Aggarwal: We are clearly targeting ROC of not less than 16-17% in next 3- 4-years' time.

Bijal Shah: That will be gradually improving from there?

R.K. Aggarwal: Definitely yes.

Bijal Shah: Secondly, you said that beyond maybe around Rs.1.9 billion to Rs.2 billion if the renewal license fee increases, then you will not have that liability. Could I understand this mechanism for that that is some amount of purchase price going to escrow account, who will be paying it exactly?

R.K. Aggarwal: I am extremely sorry I am constrained on this point, I will not be able to elaborate much on that due to confidentiality, but I can assure you, if it exceeds beyond agreed amount, definitely we will have cover.

Bijal Shah: Only thing I fail to understand is that if there is a fund and the money gets distributed?

R.K. Aggarwal: All these have been duly taken care of because Khetan& Companywas our legal due diligence auditor, and we have worked out between ourselves and we have got 100% comfort that on that issue there will not be any problem.

Bijal Shah: One small follow up on that we know that Phase-IIIhave been delayed for enormous amount of time. If there is further delay, maybe let us say that if it gets delayed by 2 years, then the same legal protection which we have now will last for 2 years, for what timeframe it does last?

R.K. Aggarwal: No, it is going to last till it happens.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: If I understand right, you probably are not targeting a dual or triple frequency in the top 8 to 10 cities of Radio City. So, in that case, can Apurva throw some light as to what could be the growth of these existing towns without an incremental frequencybecause just like it happens in TV, the more frequency, the more inventory comes in, obviously, the incumbents get impacted in terms of growth, so will growth not be impacted in these areas if we do not go and target a dual or triple frequencies?

R.K. Aggarwal: Before Apurva reacts to that, let me clarify, she has already clarified that she is still not working on inventory utilization beyond 50-60% even in the larger towns in comparison with the inventory utilization by others. When she says 90-95% utilization in top towns, she is taking a base of 12 minutes per hour. Now, Apurva will proceed to answer your question of how important this multiple frequency is for growth.

ApurvaPurohit: As compared to Phase-II when there was a huge expansion that happened in all the big cities, if you look at the cities we are talking about, where we are looking at ER growth, which is Bengaluru, Mumbai, Delhi, Ahmedabad and Pune, actually in Phase-III, there is just one frequency getting added on, except for Mumbai which has two, all the other cities just have one more frequency getting added on. One more frequency coming in is not going to really change the inventory availability in the markets that player is going to be the 7th or 8th player in that particular market, so, he is not going to change the dynamics of the market. So we believe that already in these markets we are in a steady state, we and the other top 3-4 players are all in a steady state, and these markets are really going to see an ER growth happening, it indeed has happened over the last 3 years, around 6-8% growth, all of us have shown in ER in these markets and we believe with the economic situation improving, that is only going to become better. So future trends in these markets is going to be based on ER growth, balance markets is going to reach a volume increase till we see it hit around 75%-80% inventory utilization and we see that play out in more mature markets also and then ER increases start playing out there.

Rohit Dokania: Apurva, just to carry on that, agreed on this point that there is only one incremental or at max two incremental frequencies coming in now, what happens when the channel spacing goes to 400 kilohertz, because then there would be a slew of at least 5-7 more frequency available in most of these larger markets as well, and if we then donot invest in incremental frequencies then we can always get fragmented?

ApurvaPurohit: Yes the answer to that question is that when we are talking about not bidding for additional frequencies we are talking about Phase-III.Phase-IV where you are talking about 400 MHz is still a fairly long way off.

Rohit Dokania: I would believe that the government would want to take a holistic view before even Phase-III and might go ahead with 400 Khz.Would you also think that?

ApurvaPurohit: My opinion on this is that that is unlikely to happen because the 400 MHz is something that has been talked about for the last year or so and there has been a strong recommendation from BESIL lwho are the people who will do all the technical infrastructure there, but they will not be able to pull off a 400 MHz change very quickly, and I think the government is reasonably clear that Phase-III should be allowed to happen as it is and post that anything will start happening on Phase-IV which is when one anticipates either more frequency is being made available through some other route or through the 400 MHz route But, it is not visible in near future

Rohit Dokania: Apurva, just wanted to know at what number of hours do we calculate this 12 minutes inventory because I believe the leader calculates 13 minutes for 17 hours a day, so is yours also 12 minutes for 17 hours or 12 minutes for 24 hours?

ApurvaPurohit: We look at 6 'o clock in the morning till 12 in the night.

Rohit Dokania: So it is the same basically?

ApurvaPurohit: Yes.

Moderator: Thank you. The next question is from the line of Kuntal Shah from SageOne Investments. Please go ahead.

Kuntal Shah: Sir, you will be disclosing the acquisition price at least in your balance sheet?

R.K. Aggarwal: Of course to the extent it is required it would be done.

Kuntal Shah: No, reason why most of the investors are concerned is because everybody knows the licenses of the past as well as the future are up for renewal and fresh bidding, so basically we have purchased into the team with obviously limitation on the cap, and plus promoters have their own businesses which can merge or demerge or some corporate restructuring can happen, so some clarity on the acquisition price is bound to occur if not now later on, so why not now?

R.K. Aggarwal: I will tell you very clearly, I fully understand the concerns of the investors and analysts how do we evaluate this acquisition?As I mentioned this transaction is very fairly discounted to the multiples which the leader is enjoying, and when I say 'fairly discounted'these are current multiples, the transaction is discounted to the extent of 40% to 45% inspite of the fact that this asset is clearly #2 to the leader in the markets which matter for the Radio industry.

Kuntal Shah: But sir since your investment in subsidiary at some point of time in near future going to come up in balance sheet, why not disclose now, it is under the confidentiality clause or something which is a cause of concern?

R.K. Aggarwal: When we say it is going to be reflected in the balance sheet, let me tell you whatever we are investing we are investing part of the money in form of equity, part of the money in form of loan, which is going to replace the loans of the seller.So in terms of equity investment whatever we are investing, it would not be more than I believe 50% of what we are investing in the form of equity.

Kuntal Shah: So what you are saying is half debt, half equity is what your contribution to the underlying, but sir both would come up in your consolidated numbers, I am still not getting the question, it is just the matter of timing, your confidentiality clause….?

R.K. Aggarwal: It is matter of timing, but what do I do with the confidentiality agreement, as I have already indicated to you this transaction is fairly discounted and also I have told you the current multiples what the leader is enjoying as of now, the transaction is having a discounting of not less than 40-45% in terms of those multiples.

Kuntal Shah: So what are your comments on both the brands are going to continue as a standalone entity or you will then ….?

R.K. Aggarwal: First of all, let me clarify to you, as far as Radio Mantra is concerned, board has mandated the top management to explore the possibility, how quickly we can merge that business into this business in order to complete our bouquet in the North India.Pricing when you are talking about that is going to be done at fair valuation, I am not expecting there any significant amount being given to the promoters and as it is all these things will get decided when the promoters are prepared to consolidate their Radio business into Radio City.First of all, let us deal with that situation and thereafter I can assure you thateveryone of you will be satisfied with the kind of valuation which is attached to Radio Mantra. You have precedence in the industry, like DB merged the Radio business of promoters into the listed entity, HT did the same, so here you will have precedence and you will not be disappointed, be sure about it, the company is not going to give even one penny extra to the promoters and it is Rs.21-22 crores business, so it is not going to be at a disparity from what is the reasonable valuation for such radio player..

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

Ritwik Rai: Sir, I just had this question, there is a confidentiality clause so far as this acquisition is concerned, but now there is a couple of investments lined up in terms of the renewals of this entity and then the Mantra purchase and the renewals over there and then the new stations.So I suppose because these are very significant investments, you must have some idea on the outside at the maximum, how much would you end up spending on Radio over the next let us say 2-years or so?

R.K. Aggarwal: That is something which is very difficult to be mentioned when we do not know the valuation of Radio Mantra, but as it is, let me tell youthat about Rs.200 crores we are going to spend on renewal,and in the new stations, it should not be much, and I think it will be well below Rs.100 crores and for Radio Mantra I am not seeing any significant cash outgo on merger .

Ritwik Rai: Rs.50-60 crores I would think?

R.K. Aggarwal: I cannot say, may be less, may be more, but definitely what you are expecting it could be somewhere around that only, that is what my sense is.

Ritwik Rai: Rs.700 to Rs.1000 crores is what one could end up?

R.K. Aggarwal: I donot know, how do you come to Rs.700 crores?

Ritwik Rai: That is why I am asking because it is a very significant investment, so I am wondering what happens with your Print businesses and what are they left with especially considering that you already committed that dividend stay as they are?

R.K. Aggarwal: So let me clarify to you here, as I said I am making this payment for acquisition out of my internal accruals, when I am saying internal accruals which have already happened which are lying in my pocket and investments, right, so that is one part of it.Nowfor remainingRs.300 croreswe have multiple options which we are exploring, right.So as far as investment in print business is concerned that is absolutely protected.Your balance sheet as of now is debt-free balance sheet as against net worth of Rs.1000-1200crores, we have zero-debt in balance sheet, net debt I am talking about. So how is it going to impact when you are having operating profit to the tune of about Rs.450-460 crores.,Y have already met the acquisition price and if you are expecting to invest another Rs.250-odd-crores or Rs.275 crores whatever it is say it is less than Rs.300 crores, what we are investing is just 75% of your 2014-'15 accruals.

Ritwik Rai: That and the dividends and all put together I am just thinking that considering that your rivals are sitting with a fair amount of cash and more prepared perhaps for a price war than you are after this acquisition?

R.K. Aggarwal: Which price war you are talking about?

Ritwik Rai: I am not talking about the price war.Something of that kind either on cover price or otherwise, and considering the market in UP and market in MP, if readership data persist like this, which could require significant investments, I am wondering how you have taken such a larger call on Radio?

R.K. Aggarwal: No, let me answer your question in two parts again; number one is if we like anybody to burn the cash from the pocket without bothering about what is getting generated from the business, probably no media owner will ever be able to survive, because you have many industrialists who can pump in any kind of money and for that eventuality you can never prepare yourself. If any media player is out to burn from their pocket and recklessly without bothering what is getting generated from the business probably you will be never be able to do anything in your life, number one.Number two, I am really surprised on your worry for the simple reason that if the company which is generating more than Rs.450 crores EBITDA, is committing just 50% of that for investment, how is it worrying, and especially when there is no debt in the balance sheet.

Ritwik Rai: You are committing totally more than that?

R.K. Aggarwal: How am I committing?This is what I am unable to understand, because as I said this acquisition has been met already out of whatever money I already have in pocket.

Ritwik Rai: Yes but after that there are still more investments lined up, right?

R.K. Aggarwal: That is what I am saying. Amount of Rs.250 crores is less than 50% of next year's EBITDA, number one.Number two, this business which is getting acquired is already generating more than Rs.60-70 crores cash per annum, that is an additional thing which is coming to your pocket.And then when you are having no debt, even considering that you get confronted with an irrational approach like what you are discussing in that case nobody stops you from raising Rs.200-300-400 crores debt.

Ritwik Rai: Essentially the Print business you are confident that it stays in the same track?The growth options can be explored in the same manner?

R.K. Aggarwal: Yes, you are right absolutely, if we were to participate in Phase-II when we were not that matured in Print business we were not generating that kind of cash, yes, it could have been a cause of worry at that point in time if we had to bear those losses which seller has borne in case of Radio City to build it or promoters have borne in case of Radio Mantra, then definitely probably we could not have come to a stage where we can take a call on investing 50% of my next year's accruals.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, in the competing markets, for example,Mumbai, Bengaluru, how pricing is different for the market leader and Radio City? Why I am asking this is Radio City you have mentioned is a leader and markets shares obviously have been volatile so how we are different in terms of pricing?

ApurvaPurohit: Typically we try to sell all our Stations together as a network, and as you are aware 70% of our advertisers are national advertisers, I think there are only two relevant national brands in the country today in the Radio industry at a national level .So, as already mentioned earlier on what our national pricing is when we sell all our 15 markets together. If you are talking especially about Mumbai and Bangalore, where we are at leadershipposition, our pricing isaround 5% to 7% higher than ENIL in those cities; however,at the national basis ENIL in the same set of market they would have around 15%premium over us.

Abneesh Roy: Mr. Agarwal, sir, if you see the market leader in Radio is getting much better valuations as you yourselves said versus what you have acquired Radio City.So in the longer term are you looking at demerger and separate listing for your Radio business?

R.K. Aggarwal: Abneesh,as it is going to stay as an independent company as a subsidiary of Jagran and why not, definitely this is something which is very much in our mind, unlocking of any asset is always welcome.

Abneesh Roy: And, sir, Blackstone had invested in the holding company.What is the status of that?So now in the last few years you have become very aggressive in the acquisition space, and if you see they also invested a few years back.So should we tie both these things together?

R.K. Aggarwal: I donot think when Blackstone invested our thought of acquiring two businesses after their investment, was there yes,MiD-DAYat that stage was under discussion and was to happen, but other two that is NaiDuniaand Radio City were never under consideration at that stage, and were never thought of neither by Blackstone nor by us.

Moderator: Thank you. The next question is from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah: During the call you mentioned that this transaction would be an EPS-accretive at a consolidated level.So are you suggesting that transaction will be EPS-accretive from year 1 itself?

R.K. Aggarwal: Oh!yes, because we donot intend to add any capital.

Bijal Shah: No, but there will be some loss of other income also?

R.K. Aggarwal: Even then.

Moderator: Thank you. Next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Just two quick questions; one was till the time the NIA for the new auctions which is Phase-III is not out, what was the hurry for us to go ahead and consummate this transaction, we could have waited for the NIA for the new auction to come out so that there is more clarity?

R.K. Aggarwal: Absolutely right, definitely we would have wished that provided the asset was available then.

Rohit Dokania: So you believe there were others suitors as well for the asset?

R.K. Aggarwal: Correct.

Rohit Dokania: This definitely appears to be a huge transaction in terms of the outlay that we are doing.The fact that we are getting into Radio with such huge investment, is it to say that we could not have done such a huge investment in the regionalprint sector in India and that is why we are going to Radio?

R.K. Aggarwal: Print we already have done so much; we have acquired two powerful brands in the past and we are present across the country, so not that this business is having potential to grow faster, this business is giving a return which is matching with my mother brand operating profit.So this is another opportunity and nobody stops us from going to expand the Print whenever there is an opportunity.

Moderator: Thank you. Next question is from the line of Amit Kumar from Espirito Santo. Please go ahead.

Amit Kumar: I just had one question that across the Radio City the 20 Stations, what is the ratio between local and national advertising?And if Apurva can also highlight any specific differences between the Metro Tier-I markets versus smaller markets that is also going to be useful?

ApurvaPurohit: At anational level it is around 70% of our advertisers are national advertisers and 30% regional, and of the 70% the big categories that advertise with us are auto, real estate, retail, FMCG,and telecom.

Amit Kumar: Apurva, the second part of my question was that this 70-30 split that you have at the network level, is it different for metro markets versus smaller markets?

ApurvaPurohit: No, if you look at the advertising that is going into each of the markets it is broadly the same; 70-30; however, if you take a small market and see wherein let us say a smaller market it would be around 50-50, so 50% let us say Coimbatore would come from the retail and 50% from national, at the Mumbai, Delhi, and Bengaluru level it will be 70-75% and the balance is for local.

Amit Kumar: The industry has always been talking about that local advertisers give you better ER, so radio industry in general would want to target and makes sense also, local players FM Radio has probably a very good affinity with the local population, but it still seems to be within that 60-40, 70-30 sort of region for the last couple of years.So what do we need to really do to actually drive more local advertising in Radio?

ApurvaPurohit: Actually it is a myth that historically local advertisers had higher ER, I think over the last 3 to 4-years ERs of national advertisers and local advertisers is broadly similar; just a very-very miniscule difference in advertisers. Of course, we would have liked to increase local advertisers also, because we believe especially with smaller markets, inventory utilization will get filled up with larger percentage of local advertisers coming in. Having said that I think there is a strong merit in having national advertisers also because they are the ones who will buy network at one-go, they are the ones who have larger spends, and as we start looking at fairly larger networks together to get there, they are the clients with big ticket size not only to invest directly into our STP advertising, but also in terms of buying sponsorships and properties.So there is a great merit in ensuring that national advertisers continue to have a strong role to play in our revenue.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

YogeshKirve: Just wanted to ask, so the Radio City operations seem to be quite profitable and also taking into account that you are being provided protection on the renewal fee front, so why would this transaction carry a 40-45% discount, typically such transaction includes control premium, so here we are talking about discount, so just any thoughts on that?

R.K. Aggarwal: As I mentioned in the opening remarks fund has to exit afterall, fund cannot remain in a business infinitely.

YogeshKirve: When you talk about discount, this is at the enterprise level or the equity level?

R.K. Aggarwal: We are talking about EV.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for their closing comments.

R.K. Aggarwal: Thank you,Gentlemen.The company expects as usual the support from you all.Let me reiterate as follows – #1, the Print remains to be our core business and there will not be any compromise made on that front. #2, Radio Mantra belongs to the promoter, but I can assure you not even a penny will be given extra.Whatever is the reasonable valuation basis that only the takeover if agreed by the promoters will be done. #3, yes, we have committed to a huge amount of investment, but at the same time we have not gone overboard, we have multiple options to fund the renewal fees and also the fees payable for new Stations. There is no reason for worry whatsoever.We have still some idle assets which we are working on to liquidate, but for funding the renewal fees, for funding the fees payable for new stations, etc., we are not depending on liquidation of those assets, that is something which is a process which has been going on for a couple of years and which is going on even now. The company as of now has very little net debt even post this acquisition and still has capacity to fund those fees through the borrowing. Under no circumstance, our net debt is going to exceed say 0.5 to 0.6 of our net worth, and given the strong and robust accruals from Print business as well as business being acquired, I am pretty sure by 2016 again we will come back to a position of less than 0.25 of net debt inspite of paying the dividend, which we are not going to compromise with under any circumstances because the liquidity of the company is sound, good and permits, and the management continues with the philosophy of not holding back the cash which belongs to the stakeholders. With these remarks, once again, I thank you all and assure the best of our efforts to make this new business a grand success.

Moderator: Thank you very much members of the management. Ladies and Gentlemen, with this we conclude the conference call.Thank you for joining us and you may now disconnect your lines.