



“Jagran Prakashan Q2 FY 2016 Conference Call”

November 2, 2015



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Moderator: Ladies and gentlemen, good day and welcome to Jagran Prakashan Q2 FY 2016 Conference Call hosted by ICICI Securities Limited. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vikash Mantri. Thank you and over to you Sir!

Vikash Mantri: Good morning everybody. We at ICICI Securities are pleased to host the Q2 FY 2016 Conference Call of Jagran Prakashan. We have the senior management of the company with us on the call represented by Mr. Sanjay Gupta the CEO, Mr. Shailesh Gupta, Director Marketing, Mr. R.K. Aggarwal, the CFO and Apurva Purohit, the CEO of the Radio City business. Over to you Sir for initial remarks!

R.K. Aggarwal: Dear Friends, welcome to the conference call of JPL and greetings for the season.

The highlight of the quarter was increase in operating profit by 21% on a standalone basis and 28% on consolidated basis excluding radio. This has been made possible by over 9% growth in advertisement revenue of publication business coupled with improved per copy realization especially in case of Mid-Day.

Last year’s Q2, if you recall, captured major part of Navratri, but this year it has got shifted to Q3. Also, for us there were some additional revenues from Maharashtra elections for Mid-Day and Cityplus was in operation. This year there is no election benefit and operations of Cityplus have been discontinued from this current quarter. Closure of Cityplus has lowered the advertisement revenue growth by nearly 0.75% for the quarter. In spite of this, not only the company recorded high growth but also reported yet another peak in profits and revenues crossing 500 Crores mark for the first time in a quarter.

While discussing the results for Q1, concerns were raised about the company’s strategy of making compromise with the yield in case of a few select advertisers even if the company had registered decent growth in Q1 against degrowth reported by the formidable peer. Apprehensions were also expressed about the company’s ability to improve the yield in future. As explained then as well, it was tactical in nature and did not have any bearing on future. We are now happy to inform that we have been able to improve not only the yield from Q1 but have also generated incremental volumes and revenues for other brands. We



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reiterate our belief in our strategy and we are confident that this will deliver sustainable growth in times to come as well.

On cost front, there was nothing abnormal and it remained more or less flat as compared to Q1 as well as on year-on-year basis . Comparison of consolidated numbers maybe avoided as radio business was not with the company in the previous year. Due to deployment of funds in radio, the treasury income has reduced and finance cost has increased but this is temporary and will normalize in next five to six months.

Coming to Radio City, its performance is well in line with the target set for Q2 as well as H1 both in terms of revenue as well as profits. On year-on-year basis growth in revenue is 8% and on quarter-on-quarter basis it is 17%. Not only this but even operating profit margin improved from Q1 to reach 32%.As far as H1 is concerned, operating profits are higher by nearly 15% and margin is higher by nearly 150 basis points as compared to H1 FY 2015. Thus, Radio City is very much on track to deliver the targeted margin for this fiscal of 33% which shall be nearly 200 basis points higher than last fiscal's margin.

Migration fees for the existing stations and license fees for 11 new stations are more or less same as budgeted in spite of the fact that we all know that the bidding went to irrational levels. As stated at the time of acquisition of Radio City, promoter's radio business under the brand name Radio Mantra is in process of being demerged. The scheme of arrangement has already been approved by the board in its meeting held on October 9, 2015. The integration of the two businesses will bring in synergies and improve the profits significantly.

Digital ad revenue recorded a growth of 65% and continues to occupy a prominent position in the digital space.

There was one more important development in the quarter. It was the relaunch of i-next in the changed format of broadsheet. In order to fortify its leadership position and increase the share in core market, the company has done it. Within one month of relaunch circulation of i-next increased by more than 55% clearly demonstrating remarkable acceptance by the readers. This new format will also provide option to those advertisers who go to the competitors who are offering low rates which Dainik Jagran cannot.

Even after paying dividend and migration fees, the company's balance sheet remains strong given the strong accruals.



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With this I close my opening remarks and request you to proceed with your questions. I am sure you all must have had a look at the results, press release as well as the presentation which we started circulating three four quarters back.

Thank you for sparing your valuable time. Please proceed.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sonali Salgaonkar from Yes Securities, please go ahead.

Sonali Salgaonkar: Good morning Sir and thank you for taking my questions. My first question is could you please provide us an update as to how are the different markets performing particularly Uttar Pradesh, Madhya Pradesh, Bihar and NCR?

R.K. Aggarwal: For us all the four markets except MPCG which has not been doing good for all ,have fared very well .

Sonali Salgaonkar: Sir any particular trends that you are seeing on the ground in terms of in either of these markets which could really impact our business?

R.K. Aggarwal: There are positive developments and this is why you see Sonali, company reporting one of the highest or rather the highest ever profit and decent growth in revenues.

Sonali Salgaonkar: Sir, my next question is with respect to your advertising, which are the major sector contributing to our advertising and if you could also share the approximate percentage that they are contributing to?

R.K. Aggarwal: This would be a bit detailing but broader picture Director Marketing will share .

Shailesh Gupta: Automobile has been extremely good for us, white good industry is also doing well but can do better . government and FMCG continue to do well..

R.K. Aggarwal: In fact another important thing which has been noticed of late is retail is picking up.

Sonali Salgaonkar: Sir my last question is at this point in time would you like to share any guidance on a consolidated basis in terms of revenue and EBITDA margins over the near term?



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- R.K. Aggarwal:** Whatever we in fact guided in the beginning of the year, there is no problem in achieving that, maybe we will do better.
- Moderator:** The next question is from the line of Shalini Gupta from Quantum Securities, please go ahead.
- Shalini Gupta:** Sir, if you could just give the figure of the newsprint in metric tonnes that was consumed in first half or maybe second quarter?
- Shalini Gupta:** Okay sir, leave FY 2015, if you can just give me the average price that you paid for your newsprint?
- R.K. Aggarwal:** Madam, if you ask me straight away the question I will give you the answer. If you are trying to see how much I have saved on account of newsprint prices, how much my profit has gone up, let me tell you upfront. Clearly, whatever we have saved on account of newsprint prices in first six months, more than that we have consumed in increasing my page level per copy and circulation. You see my raw material consumption is more or less same as it was last year.
- Shalini Gupta:** Sir, the staff costs have gone up by 26% in second quarter?
- R.K. Aggarwal:** Radio City is also included now.
- Shalini Gupta:** Is that going to be a trend for the whole year?
- R.K. Aggarwal:** Trend for the calendar year yes, Radio City is getting included only from Q2, in Q3 also you will see that kind of growth in the employees cost and nobody would mind spending that much employee cost in case you get the 5X in topline.
- Shalini Gupta:** Sir, same would be the reason for other expenses going up?
- R.K. Aggarwal:** Yes, the same reason because whole of Radio City business has got included in the quarter, therefore in the opening remarks itself I requested not to compare the consolidated numbers with the previous year because it may be misleading.
- Shalini Gupta:** Sir what would be your capex plan for FY 2016?



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- R.K. Aggarwal:** It will be the same because we indicated about 60-70 Crores rupees for Jagran that is what continues and for Radio City whatever capex had to happen that was to happen in the form of license fees and migration fees that has also happened already in October .
- Moderator:** The next question is from the line of Amit Kumar from Investec Capital, please go ahead.
- Amit Kumar:** Thank you so much for the opportunity Sir, just a couple of bookkeeping questions to begin with. I am looking at your consolidated Q2 numbers and the other income is essentially a negative figure, I presume this is because of exchange fluctuations; could you just quantify that for me please?
- R.K. Aggarwal:** That is nearly 3.5 Crores.
- Amit Kumar:** That means your other income would be in the region of 3 odd Crores on a recurring basis.
- R.K. Aggarwal:** Yes you are right. I have no other income, everything has got invested in radio and whatever other income will come is blocked in form of FMP and when they will get realized next year /year after next ,you will have plenty of it.
- Amit Kumar:** You also booked an extraordinary of 14.5 Crores, if you could give me some sense on that as well?
- R.K. Aggarwal:** That is the last tranche of treasury shares sale that has resulted in this extraordinary item; from next quarter onwards you will not have this.
- Amit Kumar:** Sir coming to the core business piece of it, I am sorry, I joined a little bit late, I don't know if you have already discussed it in your opening remarks, in terms of the advertising growth of just about 9% on the standalone basis could you please help us with what was the volume gain how much of that advertising gain was on account of volume and how much in terms of value?
- R.K. Aggarwal:** First Amit, I would like to clarify this 9% would have easily been about 10% had we not closed down Cityplus, that has impaired growth by nearly 0.75%. This 10% growth in this quarter you need to break in to various brands. As far as Jagran is concerned, there the growth has come through improvement in yield as well as improvement in space. In case of other brands, their growth was mainly driven by the volumes. So, in this quarter the strategy was quite different from what it was and this is why you see lot of volumes going to other brands like Nai Dunia, i-next etc., where they have lot of ad inventory available. Punjabi



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Jagran all did very well; all these thrived on volume. In case of Jagran, we improve the yield from Q1 and at the same time, were able to get the additional volumes as well.

Amit Kumar: Sir in terms of Dainik Jagran if you could please quantify it for me a little bit whether majority of the gains came from yields or in terms of volume?

R.K. Aggarwal: In case of Jagran I would say this was nearly 50:50. It could be 55 volume, 45 rates. Mostly ,it will be a mix of both.

Amit Kumar: Sir, second point, this point was made by the previous caller also, 3% decline in RM cost at a standalone level how has the newsprint price trended on a year-on-year basis and by what extent consumption of volume essentially has gone up, if you could just quantify that for us please?

R.K. Aggarwal: See in terms of volume there has been an increase of nearly 10 to 11% because number of pages has been increased and also the circulation has gone up. In terms of savings in newsprint price, this was also more or less same at around 10%, so this is how you see raw material consumption for the quarter being more or less same.

Amit Kumar: Sir, just to get this right, if I look at rupee pricing essentially that would have gone down by just about?

R.K. Aggarwal: 10%.

Amit Kumar: What are the early indicators from the festival season, we have already seen in the month of October?

R.K. Aggarwal: Very good, we never expected October to be like that.

Amit Kumar: Is this just a shift of the festival season the Navratras that we see typically?

R.K. Aggarwal: That also could be one reason but we compare Navratra to Deepavali and that is seemingly going to be getting good growth.

Amit Kumar: Sir like-to-like again if you could just quantify for me what kind of growth patterns that you are seeing, is it like double digit and within double digit is it like low teens, high teens?

R.K. Aggarwal: Yes, it should cross double digit. Let us wait till November Deepavali. Amit, you must appreciate six months earlier nobody was able to predict anything . We ourselves were very



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uncertain but now at least with confidence we can say this season , we will see 10% growth and this is why one may say that the things are looking up.

Moderator: The next question is from the line of Vivekanand Subramaniam from Ambit Capital, please go ahead.

Vivekanand S.: Thanks for the call and congrats for a good set of numbers. Just a question on the radio business, we saw 8% growth on this, what would be the fill rate here and what would be the growth driven by, was it volumes or was it pricing and any trends in the larger stations versus the smaller markets, thanks?

Apurva Purohit: 8% growth, basically our overall inventory utilization in Q2 has been around 80-84%,(the blended mix – smaller stations and metro where it was pretty higher than average. We are very happy with this because 8% growth in second quarter essentially comes from 13% increase in rates and 4% degrowth in inventory, so we believe this is very sustainable because that was really our strategy that in Q2 we will take a rate hike.

Vivekanand S.: Any trends divergence between growth rates in large markets and the smaller ones?

Apurva Purohit: Obviously as per our strategy we have been clearly focusing on increasing our ER in the core markets where inventory is already peaking and most of this ER growth has come from there, if you look at inventory utilization from Q1 to Q2 and ER, obviously the core markets would have grown by around 10-12% and the utilization has not grown.

Vivekanand S.: So you have been able to maintain inventory despite the rate increase in core markets?

Apurva Purohit: Slight drop yes, but overall H1 to H1 is zero.

Vivekanand S.: If I may probe a bit further what are the key categories that are driving growth in the radio side and you have seen better growth in the core markets compared to the smaller markets right?

Apurva Purohit: Actually both sets of markets have grown, one set of market has grown on the back of larger ER hike and the other set has grown on volume increases but both sets of markets have grown.

Vivekanand S.: My question on the key categories driving growth?



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Apurva Purohit: The big three categories for us are consumer durables, government, and e-commerce. In fact, e-commerce has been a huge growth practically 70% over last H1 and between the three categories they contribute close to around 38%.

Moderator: The next question is from the line of John Thompson from NTAsset, please go ahead.

Vikas Sharda: Good afternoon everyone, this is Vikas Sharda here. One question on radio side that this quarter the EBITDA looks slightly soft on a year-on-year basis it is slightly down, though the first half numbers looks okay, any particular free launch or auction related expenses there?

R.K. Aggarwal: Yes Apurva will explain but let me clarify in the beginning itself what is meeting eyes is not in fact the real margins, she will explain how it is.

Apurva Purohit: As Mr. Aggarwal already mentioned in his opening address, our revenue growth has been 8% and operating profit on like to like basis has grown by 18% translating in to a margin increase to 35%. The figures that you see here incorporate 3.5 Crores hit that we have taken in Q2 which is the current disputed license fee which the government has arbitrarily added and made our licensee fee a percentage of the highest entry fee, so that has impacted us in the first half by 3.5 Crores. This is disputed, in fact the entire industry is in litigation, I don't know how the other operators are accounting for it but as you are aware we are very conservative in our accounting policies, so we have taken the entire hit of 3.5 Crores in Q2.

Vikas Sharda: Sorry could you explain that in more detail that is it one time?

Apurva Purohit: No, it is a recurring cost,

Vikas Sharda: What is the government saying?

Apurva Purohit: The government is still maintaining the formula, it still remains 4% or 2.5 whichever is higher To give you an example in Delhi it is 170 Crores which is what Fever paid for the new license, so they have applied 2.5% of 170 Crores which even TRAI had mentioned that should not be used for any formula calculation whether it is for migration or any other calculation but the government has decided unilaterally to make that the applicable fees which all of us are litigating against, so the impact over the full year for us will be approximately 7 Crores of which 3.5 Crores we have already taken and we took the entire hit in Q2 which is why against an actual operating profit of 19.6 we are showing 16.1.

Vikas Sharda: This increased license duty was applicable from Q1 itself.

R.K. Aggarwal: Yes and this is why if you have observed, there was a drop in margin in Q2 from Q1 which is not the fact. As you rightly pointed out, Q2 is accounting for this additional burden for Q1 as well. If we eliminate that then in that case the operating margin shoots up from 29% to 32, 29 is reported, it will increase by 3% on quarter-on-quarter basis as well.

Vikas Sharda: Sir second question on the monetization of the digital traffic, like you mentioned you have 60 million visitors, the thing is that what is the monetization potential of that traffic and what move can be done towards that?

R.K. Aggarwal: Our revenues have grown by 65% in this quarter as well, although these are still not as much as these should be but monetization takes little time, so we have already crossed a run rate of over 5 Crores per quarter which was about 2.5 to 3 Crores rupees per quarter last year and what further steps are required , we are taking In fact , we have already engaged the consultant to advise us on that and thereafter top management will take a call on how to proceed to monetize digital properties still more aggressively.

Moderator: The next question is from the line of Jay Doshi from Kotak Securities, please go ahead.

Jay Doshi: Good afternoon, thanks for the opportunity, sir you mentioned about divergence in the ad outlook or ad environment between UP and MPCG, could you please give some color in terms of is it sort of because of few categories that MPCG is very weak and UP is doing well or is it because of divergence in demand from national or local advertisers, some color would help.

Shailesh Gupta: MP as a market is going little slow ----- the local market. As far as national advertisers are concerned, they are consuming almost the same space what they are consuming in UP but local market being slow is affecting if we compare UP to MP. Local market in UP, Uttaranchal is still doing very strong as compared to MP, so yes there is an impact on the local revenues but not on national front.

Jay Doshi: Understood if you were to compare this versus maybe a year ago or six months back has sort of MP deteriorated, has UP as a market started doing much better?

R.K. Aggarwal: MP has deteriorated. One more thing, MP is more dependent on government revenue than UP, maybe there is a difference of 8-9% but then there is and in MP government spend is very subdued. Having said that even Nai Dunia has reported a growth of 10% in first half.

Jay Doshi: For yourself for Jagran Prakashan the growth is almost similar between MP and UP markets almost comparatively?



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- R.K. Aggarwal:** Overall growth which I talked about is 9.1% plus 0.75 that is giving you about 10% which is including Nai Dunia . Thus, we definitely have done better than that in jagran .
- Jay Doshi:** Whatever would be the contribution of internet e-commerce as a category to print ad expense for you now and how do you see based on your engagement or interactions with let us say Flipkart, Amazon or Myntra how do you see FY 2017, what kind of spends, do you think that spends would move from maybe English print to regional print more in FY 2017 or I don't know, if you could share some thoughts on it?
- Shailesh Gupta:** The thing is that yes it will improve because they have just started with the local market, with the language press, things will improve but at the same point of time we have to keep in mind when they are consuming so much we have to be very careful on the rates also, so we are interacting with Amazon, we are interacting with Flipkart and Snapdeal and other companies and the only thing which I can say is that things will only get better from now.
- Jay Doshi:** If you could share what is the percentage of their contribution to your print?
- R.K. Aggarwal:** That is not very significant.
- Shailesh Gupta:** Whatever comes now will only boost up my revenues further.
- Jay Doshi:** Would you know what it would be for English print as of today?
- Shailesh Gupta:** We cannot say but it will be quite large.
- Jay Doshi:** Would it be in double digit?
- R.K. Aggarwal:** No, not double digit, much less
- Moderator:** The next question is from the line of Ashish Urganlawar from Elara Capital, please go ahead.
- Ashish U.:** Just wanted to know on the radio thing that you mentioned about the license fee, I could not figure out what is wrong with that, 2.5% of highest bidder or 4% of gross revenue that is the formula isn't it?
- Apurva Purohit:** That is right.
- Ashish U.:** What are we contesting here, what is wrong that we are contesting?

Apurva Purohit: We are contesting the fact that if it has to be taken 2.5% it cannot be taken of the highest bidder because the highest bidder in this particular auction has been a factor of scarcity, in fact that was the whole contention we had when we were even calculating a migration formula and TRAI had very clearly articulated that, that one frequency for example which comes in Delhi or two frequencies that come in Bombay cannot be used as a base to calculate anything because that bid has been done in a situation of scarcity, so if the government applies 2.5 of that single highest bid and takes that as the benchmark we believe that is not correct and unfair.

Ashish U.: So the qualitative aspect is the contention, not the formula application or something?

Apurva Purohit: See 4% or 2.5% has been the formula even in phase two, the issue was that the new frequencies were not coming in a situation of scarcity and in fact those were the frequencies people migrated at, here the whole contention has been that for no calculation whether migrations formula or license fee you can use a benchmark of that one frequency.

Ashish U.: Extraordinary number that has come?

Apurva Purohit: Okay.

Ashish U.: Secondly on the print side Sir you mentioned that the festive season is looking pretty good and for the past two, three quarters at least we are seeing high single digit kind of number that you are delivering on advertising growth, so is it that you are seeing something that is changing on the ground plus your qualitative comments that retail probably local retail is also kind of trending up, so it is actually against what we are witnessing on the macro levels, so just wanted your thoughts on this, can this be taken as a trend we can expect going forward?

R.K. Aggarwal: Yes you can take it as trend. For sure ,things are looking positive and what we are saying is about our areas of operation, we cannot comment upon what is happening in other areas but as far as our area is concerned whether it is Bihar or UP or it is NCR all are doing well at the ground level . You see lot of development happening at the ground level in UP.

Ashish U.: So it is a result of better economic activity or sentiment that you are seeing in UP or Bihar or is it something pre-election, elections are quite sometime away but some build up to that is it that way because both these states Bihar and UP you have mentioned kind of getting in to gear for that and Bihar already is there basically?

- Sanjay Gupta:** If you see Bihar and UP, UP was considered as a prime market but was not getting its due share , so of late even national advertisers have realized and there is a certain amount of economic boost happening in UP due to the local government performing adequately well and that has kind of led to a growth in UP and national advertiser has also started paying due attention to it. As far as Bihar is concerned it is still going under the election process and if there is a stable government that comes in, there is no doubt that Bihar will be one of the states that will grow fast from a very low base
- Ashish U.:** That leads us to the point that probably 8-9% kind of a number is a sustainable number for the next year.
- R.K. Aggarwal:** Why not, if it continues only at 8-9% level probably it is not good, it should increase.
- Moderator:** The next question is from the line of Rahul Bhangadia from Lucky Investment Managers, please go ahead.
- Rahul B.:** Thank you for taking my question Sir. Just one small data point, if you could help me, I am not sure if you have given that before but what is the digital ad revenue for the quarter?
- R.K. Aggarwal:** 5 Crores. It could be 10-15 lakh here and there.
- Moderator:** The next question is from the line of Sonaal Kohli from E&R Advisors, please go ahead.
- Sonaal Kohli:** Hello Sir, congratulations on good results, I have couple of queries, firstly are there any initiatives to unlock value out of radio business or out of the properties we plan to do and also in terms of creating awareness amongst investors overseas about our company, can we expect over the next six months to twelve months on these three fronts?
- R.K. Aggarwal:** Sorry, I did not understand your question.
- Sonaal Kohli:** Sir, firstly are there any initiatives to unlock value out of radio business in terms of you are aware of the valuations of the other entity which is listed in the stock market, secondly I understand we have some valuable properties, are there initiatives to unlock value out of these land parcels which we have and what would be the worth of these land parcels and in terms of any initiatives in terms of IR activities to tell about the company to overseas investors, I don't think the company has taken any road trips over last few years?
- R.K. Aggarwal:** We will evaluate what you have suggested and accordingly we will do the needful.

Sonaal Kohli: On the radio business and the properties which we have and what would be the value of these properties which we have? In terms of the radio business is there any plans over next one year or so to unlock its value by listing it separately. We have lot of land parcels, what would be the value of these land parcels/properties and is there any plan?

R.K. Aggarwal: As far as land parcels are concerned we are always looking for disposal of spare pieces of land parcel provided the right price is available in the market, there is no desperation because business is generating enough cash and fulfilling its need but then we also realize that these are unproductive assets and we should sell it ASAP but not at a price which is not right, so we are always looking for that opportunity and even now we have identified couple of properties for which we are looking for suitable buyers. That effort is always ongoing, on that front there is no problem. As far as listing of radio entity is concerned, we have just acquired. Let us stabilize the business and then we will see but definitely the possibility is not ruled out and it will all depend how quickly we can set up the new stations and when they start operating and so on and so forth, so this is not currently in the mind but possibility does not stand ruled out.

Sonaal Kohli: Sir, what is the outlook for newsprint prices for you over the next two, three quarters?

R.K. Aggarwal: They will remain stable.

Sonaal Kohli: Because resolute results showed that the prices have further fallen.

R.K. Aggarwal: Sorry.

Sonaal Kohli: The Resolute which is a newsprint company results showed that their newsprint prices have further fallen internationally.

R.K. Aggarwal: See newsprint prices are very much dependent on demand and supply that is one thing but another thing is their cost of production which has fuel as very important element. Since fuel prices are already subdued it will all depend on the outlook of fuel prices and we don't think that anybody has an outlook for oil prices going up significantly and this is why I am also believing that newsprint prices will remain stable. On demand supply front as it is there is nothing great for the suppliers and as far as cost front is concerned that is going to remain what it is and even if it increases it increases very insignificantly.

Sonaal Kohli: Sir actually my question was based on the current international newsprint prices you expect to get certain incremental benefits going forward because of the contracts which you have entered in, that was my question?

- R.K. Aggarwal:** I would not like to hazard a guess there because at least, this is something which we are not expecting, if that happens, fine.
- Moderator:** The next question is from the line of Miten Lathia from HDFC Mutual Fund, please go ahead.
- Miten Lathia:** Good afternoon, thanks for the opportunity, you mentioned that e-commerce as a category had grown 70% year-on-year for radio, in that case what would its contribution to radio revenues have become now?
- Apurva Purohit:** It is around 13%.
- Miten Lathia:** Could you sort of give a net debt number as on September 30, 2015?
- R.K. Aggarwal:** Net debt is 104 Crores for the group.
- Moderator:** The next question is from the line of Amit Kumar from Investec Capital, please go ahead.
- Amit Kumar:** Thanks again, just a quick one on this 3.5 Crores disputed amount, has not there already been a judgment in this regard?
- Apurva Purohit:** No because this issue came up only as late as end September.
- Amit Kumar:** I am not saying Q2 but in the last one month has not there been some directions from either TDSAT?
- Apurva Purohit:** That is not with this respect. The direction from TDSAT is in fact not with respect to the 2.5%, it is with respect to the formula they have used for calculating the migration which is also disputed, basically what they have done is they were supposed to take an average of a certain set of cities and they knocked off the zero increases.
- Amit Kumar:** My second question pertains to long-term view in terms of ad growth, just 10 minutes back there was a previous discussion in terms of long-term growth of 8, 9, 10%, that seems to be achievable, now I just wanted to get a sense on what will be our ad strategy in the long run and I think there was also another point which I think Director Marketing made about the fact that while e-commerce companies are quite well in terms of volumes we need to be a little bit careful in terms of rates also, I just wanted to understand what is the issue here, what is the kind of conversation that are happening with e-commerce, what is this issue on rates on this side and in the long run this kind of an 8 to 10 percent growth, how do you see

this being driven in terms of yields in terms of volumes and in terms of categories driving it?

Shailesh Gupta: As far as e-com is concerned we are having discussions. The e infrastructure in our part of the country is still not set up, so as and when they are setting up the infrastructure they are going to advertise or they have started advertising and when they talk about volume , they have special rates like any other client but those special rates have to be very carefully driven so that the desired return is also achieved . I think largely e-commerce clients will play or should play a good role in our growth also because our territories are still very virgin as far as they are concerned.

Amit Kumar: My second point about the long-term growth and how do you see the ad strategy sort of shaping up, what kind of yield increases in the long run?

Shailesh Gupta: See, it will be very balanced, it will be balanced, I cannot say that it will only be yield increase but we will have to work on yield and volume, you cannot have a growth only with volume or you cannot have growth only with yield, it has to be balanced .

R.K. Aggarwal: Amit in our case please remember one thing, yield is function of , two things, number one is increase in rates and number two, monetizing the ad inventory available in some editions, so if you increase the space in your up country editions automatically for that particular edition your yield improves.

Amit Kumar: Sir if I am allowed just one small followup I remember our discussions on this about two, three years back where Jagran specifically in the core UP belt and few smaller markets in Bihar, you had identified some 30-40 sub editions.

R.K. Aggarwal: That is right, you are absolutely right, they are really doing very well for us.

Amit Kumar: Could you just tell us in the last two years Jagran would have grown in the region of 10-12% on a consolidated basis, those kind of sub editions and the local advertising in those specific sub editions, how have they tended to perform?

R.K. Aggarwal: In fact they are helping very much in that direction. In fact in addition to those 25-30 editions what we talked about the number crossed 50 now and they are doing well, in fact they are also helping in this entire growth and when the chips are down they help still more.

Moderator: The next question is from the line of Rohit Dokania from IDFC Securities, please go ahead.



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- Rohit Dokania:** Hi, good afternoon, just two quick questions, one is till what time line do we don't have to pay any tax at Radio City?
- R.K. Aggarwal:** For this year we will not pay any tax.
- Rohit Dokania:** Next year will it be full tax rate in FY 2017?
- R.K. Aggarwal:** It will be less; it will not be full tax, it maybe about 27-28%.
- Rohit Dokania:** Can you talk about the net debt after all the payouts related to radio?
- R.K. Aggarwal:** On September 30, 2015 our net debts were 104 and now as on today it might have gone up to roughly about 150-160 but again by November 15 it will again come back to 110 level or so.
- Moderator:** The next question is from the line of Shalini Gupta from Quantum Securities, please go ahead.
- Shalini Gupta:** Sir I just wanted some kind of update or your outlook on the outdoor business because for the first six months it has declined by about 4 or 5%, so going forward also is that not a focus area or how do you think it is going to grow?
- R.K. Aggarwal:** Madam, if you recall the management has already clarified about six months back that we are looking to exit from outdoor and event businesses, number one, at the same time let me also clarify we don't believe that these businesses are not profitable. While there is degrowth in the topline that is because certain government contracts got over and we never went for them again, these businesses are profitable but why we wanted or why we want to exit from these businesses reasons are two. Number one is that these businesses cannot match the profitability of our core businesses that is print and radio. Number two is, since they are not able to match the margins of these two businesses, we should not use our management bandwidth for those businesses, so only for these two reasons we want to exit from these businesses.
- Moderator:** The next question is from the line of Vignesh Subramaniam from Karvy Stockbroking, please go ahead.
- Vignesh S.:** Hi sir, thanks for the opportunity. Sir just wanted to understand like how is the competition especially in UP market?



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R.K. Aggarwal: Nothing new as far as competition is concerned, we are operating in such large area that every now and then something or the other keeps happening like Dainik Bhaskar launched its edition in Bhagalpur, Muzaffarpur, so there the competitive intensity increased, so this is how it keeps happening in one pocket or the other and we keep dealing, this is not something which is usual for us and part of the life.

Vignesh S.: Because why I asked this was competitor HMVL they said it is like they are growing fast in UP and it is like.

R.K. Aggarwal: Which competition tells you that, if you can name then I can tell?

Vignesh S.: HMVL.

R.K. Aggarwal: If you have the figures of their circulation growth for the past two/ three years, you would see probably how much they have grown .

Vignesh S.: Just wanted to understand like is there any impact because of them like market share shift or something?

R.K. Aggarwal: UP is such a huge state, there are three strong players, Jagran, Hindustan, Amar Ujala, all are doing well and will do well because it is such a huge state.

Moderator: The next question is from the line of Sonaal Kohli from E&R Advisors, please go ahead.

Sonaal Kohli: Sir do we see any impact of change due to list of two scenarios in Bihar, change in the government and the current government remains and the fact that new government will take some time to take decisions, do you think our revenue from Bihar will be severely impacted in Q3 in either of the two cases?

Shailesh Gupta: Can you repeat the question again please?

Sonaal Kohli: Sir, the question has two parts, firstly about the last one month I guess there will be total inaction at the government level in Bihar because of the elections and various norms governing the code of conduct and secondly that should have some impact on your revenue in Q3, and secondly if there is change in government in Bihar would the impact be more severe or less severe, my question is more pertaining from Q3-Q4 perspective rather than a long-term perspective?



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R.K. Aggarwal: if we lose some revenue we will get some revenue through political advertisement which we have not got in Q2 that is one part and number two, how would it politically impact, that is CEO who would clarify.

Sanjay Gupta: Let me tell you that Dainik Jagran which is a prominent/ dominant player of Bihar at this stage, we are a politically neutral newspaper in any case, so I don't foresee any reason whosoever makes the government why we will get any differential treatment I.e either less revenue or more revenue. A new government takes its time to start advertising, and therefore there will be a small impact,.

R.K. Aggarwal: What will come to our help is this festivity that will compensate a bit the shortfall in government revenue post new government has been formed and also the political advertisement which will happen, these two will compensate that shortfall to a great extent but still if there is some shortfall remaining, you have other states to compensate for that, no worries.

Sonaal Kohli: Sir is it possible for you to comment kind of growth in advertisement you have seen for like-to-like period between?

R.K. Aggarwal: I mentioned from the very first day of Navratra till Deepavali, we expect minimum 10% growth.

Moderator: Ladies and gentlemen that was the last question. I would now like to hand the floor over to the management for closing comments.

R.K. Aggarwal: Thank you friends and seasons greetings once again, very happy Deepavali to all of you. Thank you so much.

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