



“Jagran Prakashan
Q1 FY2019 Earnings Conference Call”

August 02, 2018



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Moderator: Ladies and gentlemen, good day and welcome to Jagran Prakashan Q1 FY2019 Results Conference Call hosted by ICICI 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 this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Sir!

Vikash Mantri: Good morning everybody. We at ICICI Securities are pleased to host the Q1 FY2019 Conference Call of Jagran Prakashan. We have the senior management of Jagran Prakashan with us represented by Mr. Sanjay Gupta, CEO, Mr. Shailesh Gupta, Director Marketing, Ms. Apurva Purohit, President and Mr. R.K. Aggarwal, the CFO. Over to you Sir for initial remarks!

R.K. Aggarwal: Friends, we welcome you to the earnings conference call for the quarter ended June 30, 2018. I know flattish results are not the cause of pleasure for anyone; however, I would like to highlight a few positives that give sense of satisfaction and demonstrate the management’s concern about the profitability.

One, degrowth in advertisement revenue for two consecutive quarters has finally stopped and the remaining quarters are looking good.

Two, the Company could maintain its operating as well as net profits. We have not done anything differently from others other than remaining prudent and sticking on to the basics.

Three there was an improvement in per copy realization of around 9% in case of Dainik Jagran and 10% in case of Nai Duniya.

Four, Dainik Jagran continues to report above 33% operating margin, which is more or less same as the margin for Q1 of the last fiscal though there was an impact of 10% on cost of newsprint of increase in newsprint prices.

Five, Nai Duniya posted growth of 25% in local advertisement revenues justifying the relaunch of Bhopal edition in the year 2016-2017.

Six, digital revenues grew by 24%, which is the highest amongst peers..



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Seven, Radio City continued to post growth in revenues as per plan and profits ahead of expectations. Eleven new stations, which had broken even in Q4 of last fiscal contributed positively in operating profit for the current quarter, a year and a half ahead of the time, which was originally envisaged. Growth is going to pickup quarter-after-quarter from here.

In pursuance of the Company's policy to distribute surplus cash to the shareholders the Company completed another buyback of nearly 300 Crores after buyback of similar amount a year ago. The Company is committed to reward the shareholders as hitherto at the back of robust cash generation from the operations year-after-year.

Coming to the larger worry of yours which is regarding the newsprint prices, it is not unjustified, but at the same time no panic is warranted. This has happened in the past as well. We are also aware of your concerns based on industry's performance in the past two years, which get compounded by increase in newsprint prices.

Friends I would like to take you to the post lehman times when we all were probably more worried than ever. The industry suffered, but prudent companies bounced back quickly to give returns and enhance the value for all the stakeholders. So, we remain realistically optimistic.

The industry, which was registering comfortable double digit growth till November 7, 2016, cannot become bad within six quarters. The events in the interim were once in lifetime events and we must not discard the industry for the poor performance caused by these exceptional events. The industry is coming out of the difficult phase and with normal growth returning in second half, the industry will again start reporting better results. However, we certainly agree that this is possible only if the prudence is preferred over aggression. I mean aggression for the sake of unpredictable distant long-term. You would agree that JPL has always adopted prudent approach while conducting the business or allocating the capital and will continue to do so in the interest of its shareholders and other stakeholders.

Accordingly, we will manage the situation in hand including increase in newsprint prices. Even Q1 witnessed impact of 10% on account of increase in newsprint prices. We agree that this impact will increase in remaining quarters, but please also note that the full impact of increase in cover price is yet to come and it will compensate some part of this additional burden. Additionally, higher growth in advertisement revenue will compensate the balance.



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Jagran is also very much part of this industry and despite adverse impact of increase in newsprint prices in Q1, it maintained its profitability and there is no reason for not reporting better profits when expected growth in advertisement revenue comes.

Be rest assured . JPL has been generating cash year-after-year and will continue to do so much more than most of the industries do. We also take pleasure in rewarding our shareholders and improving it year-after-year to the extent possible keeping in view the requirements of the business and growth. We also feel good to remind ourselves that the Company could return cash over Rs.1100 Crores to its shareholders in tax efficient manner in last five years and have always endeavored to consistently enhance the value for them by investing in organic and inorganic growth opportunities.

Friends, we repeat our expectations of 8% growth in advertisement revenue for whole of the year and we are confident that with this kind of growth, it will not be difficult to report double digit growth in profits.

Let me again assure you that none of the Company's business has reached anywhere near its peak. It is just that some of the businesses are going to witness high double digit growth and some of the businesses with high base will witness near double digit growth in the next five years. This also demonstrates that business model which has diversified risk. So remain assured and look at past two years events as one of lifetime events and move forward. Thank you very much. We now request you to start the discussions on the results or any other concern you may have.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir you said 8% growth for the full year in terms of advertisement you expect that to continue again in terms of guidance, so it means almost 10% growth in the balance three quarters and you said most of that is pickups will be in the second half, so is that number looking achievable given the kind of growth Q1 has gained?

R.K. Aggarwal: Yes, it seems pretty much achievable as of now and director marketing can throw some light on it. We had discussions just two days ago and Q2 and Q3 seem to be very, very good quarters.

Shailesh Gupta: Yes , we have planned how we should go ahead with Q2 and Q3 and we are very, very positive .July is already showing a positive signal, August looks good, September would be a little challenge because September last year was a festivity time and I think Dussehra was on September 30, 2017.So, the September will be little challenged, but we are already working on a strategy how to overcome that, but I am very, very sure Q2 and Q3 will be much better than what Q1 was.

Abneesh Roy: Sir in Q4 you have mentioned BFSI government and real estate were the laggards while FMCG auto and good sectors in terms of advertising has that continued in Q1.

Shailesh Gupta: Could you repeat the question ?

Abneesh Roy: Yes BFSI government real estate did not do well in Q4 and FMCG auto did well, is it the same for Q1?

Shailesh Gupta: BFSI continues to be laggard and auto and FMCG are doing ok.

R.K. Aggarwal: Abneesh your question regarding government spend, in fact in Q1 we saw improvement in government spend in the states of UP as well as MP.

Abneesh Roy: When you say government is coming back this is government ads and even political ads have also started?

R.K. Aggarwal: No,

Abneesh Roy: Political ads in which market?

R.K. Aggarwal: No political ad.

Abneesh Roy: In the coming quarters.

R.K. Aggarwal: MP elections are due and then when you go towards the end of the year those advertisements will start.

Abneesh Roy: In terms of the margin management that is a good achievement from you, so how much has been the pagination dip and the mix change in favour of domestic if you could take us through that?

R.K. Aggarwal: We have not reduced pages at all and we are very clear we will not compromise with the products. Margin management by compromising with the business needs or the product is not something, which Jagran has ever tried and we never try. So, it was done by having strict control over the cost and then what has helped is some drop in circulation because of increase in the cover prices that also reduces the losses but that reduction in circulation is for all the peers in the market where we increased the cover prices therefore it does not make any difference as the market position remains intact. .

Abneesh Roy: Sir this point could you elaborate drop in circulation, which market and how much was the cover price increase?

R.K. Aggarwal: As I mentioned in my opening remarks , there is an improvement of 9% in yield and it was mostly in the state of UP and Uttarakhand.

Abneesh Roy: Bihar competitive intensity has increased significantly right?

R.K. Aggarwal: Yes, we are wanting to increase the cover prices, but we are not able to do that because of competition and we do not expect it to happen also.

Abneesh Roy: Are you losing market share in the advertising there may not be this quarter but long-term?

R.K. Aggarwal: In what way, you will lose the market share? .We have taken the increase in cover prices in UP when all other competitors also have taken ;so whatever fall has happened in our circulation there also the fall has happened. We are not compromising with our market position as I said. There is no question of losing the market share and in Bihar also in no way the competitor has been able to dent our position.

Abneesh Roy: Yes sir my question was more on Bihar only. So the new player has ramped up circulation at least they are claiming to do that, so does it have long-term impact and what is the proactive step you are doing because you are the number two player in Bihar?

R.K. Aggarwal: Very strong number two so Mr. Sanjay Gupta will explain this point of yours.

Sanjay Gupta: Bihar is a very good territory for us . As Mr. Aggarwal said, we are good number two and the new player who is trying to be aggressive over there is booking copies at the discounted

prices. Though it has been our policy of being conservative in responding and will not go overboard with any kind of indulgence into burning newsprint that is for sure but will not compromise with market position. .Currently, there is a lot of duplicity of readership in the market and it is not that the market has grown three times to accommodate another player. Peers start increasing prices in a year or so. We have witnessed that in Haryana, we have witnessed that in Punjab and in Bihar also.

R.K. Aggarwal: And Abneesh it is not necessary that wherever you expand your circulation you will get the revenue also.

Sanjay Gupta: I understand that. Thank you sir. All the best.

Moderator: Thank you sir. We have next question from the line of Sakshata Pise from Crescita Investments. Please go ahead.

Sakshata Pise: I just wanted to know that what will be the capex plan for FY2019?

R.K. Aggarwal: I think it is around 50 to 60 Crores only.

Sakshata Pise: What will be your topline guidance for FY2019?

R.K. Aggarwal: We have talked about advertisement revenue growth of 8% for the whole of the year and circulation revenue should increase by 2- 3% driven by improved per copy realization net of some de-growth in circulation in consequence of increase in cover prices in tandem with the competitors. The topline comprises of many businesses; if you are referring to the print business, it is what I have told you. Our topline includes radio revenues, our topline includes outdoor revenues, which have grown by over 20%, 25% then event business so on and so forth then digital, which has grown by 25%, so what I am referring to is only the print revenues and essentially print revenues.

Sakshata Pise: Overall it will be around 4% to 5%?

R.K. Aggarwal: Why 4% to 5% when my advertisement revenue would grow by 8% and circulation revenue 2%-3% and other businesses are growing at much, much faster pace it should be much higher. I have just shared with you radio revenues are expected to grow in the range of 12% to 15%.

Sakshata Pise: EBITDA margin?



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R.K. Aggarwal: EBITDA margin we have reported 27%, which is more or less same as in the previous year and when that kind of growth in advertisement revenue comes it will definitely improve the margins.

Sakshata Pise: Thank you sir.

Moderator: Thank you. We have next question from the line of Yogesh Kirve from Batlivala & Karani Securities. Please go ahead.

Yogesh Kirve: Sir firstly continuing on the newsprint bit, we understand there was 10% impact in the newsprint price, so are you referring to Y-o-Y increase in the realized cost for us?

R.K. Aggarwal: Yes.

Yogesh Kirve: Since our raw material costs have gone up by only 3.3% is roughly safe to assume that there has been 6% to 7% decline in the tonnage the consumption?

R.K. Aggarwal: No, I said that there is an impact of 10% of newsprint price increase.

Yogesh Kirve: So this is over last year or on this year?

R.K. Aggarwal: Y-o-Y. I am talking about price increase is of 10%.

Yogesh Kirve: So realized cost might be a different for us right.

R.K. Aggarwal: Yes, it is different. The quantity has fallen.

Yogesh Kirve: So in this quarter raw material cost has gone up by just 3% so can you give us a little more elaboration on what we could expect in the coming quarters in terms of the Y-o-Y increase considering the price hike and what you are doing in terms of the number of copies and other things?

R.K. Aggarwal: This 3% or 4% whatever you are seeing in Q1 should increase to 12% in the remaining quarters or maybe 13%. In fact it could be around 12% to 13%, but then as I mentioned in my opening remarks that is not causing that much of worry as the reason is the increase in cover prices, which we have already taken that has not played out completely in the first quarter, so that will play out in the remaining quarters --- number one and number two--- with the better growth in advertisement revenue that additional burden will be not as significant.

- Yogesh Kirve:** Yes sure that was helpful. Secondly I appreciate the comments you made about the broad industry growth over the last two years, so just wanted your thoughts on this thing that the recovery in the print advertisement growth has been slightly slower than that in case of television or to some extent radio as well so some brought thoughts on why the growth has been slower.
- R.K. Aggarwal:** I think every platform has different purpose and therefore it has to be seen accordingly. Newspaper is essentially to push the sales and TV is used for reach, so of course there, first the increase would come or the improvement would come.
- Shailesh Gupta:** I would like to add one more point. It is not only about sales it is also about launches. Newspaper is a very big vehicle when any new launch happenst.
- Yogesh Kirve:** Finally just more of a clarification, so ad growth guidance that you refer to 8% this is for the print business right excluding radio?
- R.K. Aggarwal:** Yes of course.
- Yogesh Kirve:** Sure sir. That is all from me. Thanks a lot and all the best.
- Moderator:** Thank you. We have the next question from the line of Amit Kumar from Investec. Please go ahead.
- Amit Kumar:** Just a couple of points this 9% improvement in yield that you mentioned, this is specifically for the UP, Uttaranchal market right?
- R.K. Aggarwal:** No, this is for the Company as a whole, that is for Jagran and 10% yield improvement is there Amit for Nai Duniya.
- Amit Kumar:** Alright. Sir I am looking at a circulation revenue growth of only 2%.
- R.K. Aggarwal:** That is right I have mentioned there is some drop in circulation as a result of increase in the cover prices.
- Amit Kumar:** I appreciate sir. Typically what I am basically trying to understand is that normally every year your organic see a circulation growth of around 2%, 3% we are here talking about the circulation drop of almost 7% go by the math, but that is quite steep and that is almost loss of two, two-and-a-half years of circulation growth past two years essentially, so is it that high?

R.K. Aggarwal: There is always knee jerk reaction so that is what has happened. There is a degrowth of about 4% to 5% not 7% and that is something, which was expected and it has happened for everyone, so it does not make any difference as far as your market position is concerned.

Amit Kumar: My second question was sir with respect to the other brands so Dainik Jagran has still seen a modest growth in terms of revenues when we look at the other brands primarily Nai Duniya and Mid Day we have seen a decline, about 6 Crores revenue decline is explained by Mid Day I presume the rest is on account of Nai Duniya if you can just help us a little bit with how the Nai Duniya advertising has performed because when we look at the commentary of your peer and the number one player Bhaskar in that market they seem to indicate that MP has done fine especially with the elections coming in and government DAVP advertising sort of stepping up, the ad revenue has done fine at their end essentially, was there anything so specific with Nai Duniya ad revenue in this particular quarter?

R.K. Aggarwal: As I mentioned in my opening remarks, Nai Duniya has grown their local revenues by 25%. They have also taken very good increase in their yield, so there was some drop in commercial advertising, but on overall basis they have grown their local revenues by 25%. So Nai Duniya has been one of the star performers for the quarter one. What has pull down their overall growth and they have ultimately ended with the flat revenues is because of lower DAVP advertisements ,where we are also I mean Jagran is also suffering DAVP is not yet giving as much revenue as it had been giving--- number one. Number two-- national has been under pressure for Jagran as well as Nai Duniya, so in fact there was a degrowth for them and there was a degrowth for us also in national revenues.

Amit Kumar: The 1% growth in advertising at a standalone or consolidated company level in print advertising how much of this is on account of yields and how is that yield volumes sort of shaping up?

R.K. Aggarwal: In 1% growth what would you say how much it has contributed by volume or how much it has been contributed by yield.

Amit Kumar: Sir what I am basically trying to understand is that after this IRS data came through sort of talked about the fact that the data was sort of quite positive for Dainik Jagran brand specifically and there was sort of opportunity to take yields up, that very, very clearly has not happened in this particular quarter, so when do you sort of expected to happen and second is it the macro environment, which is not allowing you neither a space to increase yields?

- Shailesh Gupta:** Well it is not about the numbers or any doubts on Jagran's number. It is basically the market that has been really shy and if the market has no revenues or no advertising how much can you increase on yield and even if you do what will you do after increasing the yields if there is no space coming, so it has to be played in a very balanced way-- a little bit of yield, little bit of space From July onward.. the things have improved. So now advertisers are ready to talk to us to see what they can do and what we can do together, so you will see the impact coming in Q2 and Q3.
- R.K. Aggarwal:** And Amit here let me again explain you what Mr. Shailesh Gupta has explained is more true about the national market, in case of local markets Jagran has been able to take increase in rates, because as I mentioned national was as it is, not doing that well.
- Amit Kumar:** And what will be the quantum of this rate hike sir?
- Shailesh Gupta:** 5% to 6% in local markets we have been able to take not across all the markets but in some of the markets we have been able to take that kind of increase.
- Amit Kumar:** Understood. Thank you. That is it from my side.
- Moderator:** Thank you. We have next question from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Sir in the short-term, of course the election will drive the earnings for us in terms of advertisement revenue. Sir if you take a medium-term view say two to three years, Sir how do you see our business growth coming from, basically within the radio versus digital, digital is still not making money for us and is a small pie and radio does have a better growth rate vis-à-vis separate media. So the question is which one do you think will drive the growth and if you can quantify that, that will be great or else directionally how do you see that?
- R.K. Aggarwal:** I will request President to react to your comments about digital and radio first.
- Apurva Purohit:** So obviously if you want to know the quantum of growth in the medium-term I expect radio to grow at around 12% to 14% with far steeper growth in profits for companies like Radio City. . Digital is still a smaller pie not only for us but for the entire industry in our genre ; however, the growth rate from digital given the base as well as the fact that it is the fastest growing media piece will be far higher, so we do expect digital to grow at around 20%- 25% year-on-year in the medium term at least for us.



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R.K. Aggarwal: Let me also react to your comment that digital is already making us lose money. Yes, but probably Jagran's digital will be the first digital business to report some profit at operating level in Q4.

Amish Kanani: My supporting question was that only sir, that how are we planning to monetize a digital property.

R.K. Aggarwal: I will just share with you the figures. In Q1 of the last year we had a loss of about 4 Crores and in Q4 we had a loss of 7 Crores and in Q1 of this year we have a loss of just 80 lakhs.

Amish Kanani: Yes trend is improving sir. So sir my question was are we in a medium-term are we looking at pricing our content or advertising will continue to drive and the growth in digital through advertising will be the key earning driver, are we reaching a stage in the medium-term whereby we will be able to price our content?

R.K. Aggarwal: We have started doing both already.

Amish Kanani: Coming to the second part of buyback and dividend we have been very, very pro-minority in terms of buyback from the business perspective if you can just explain your philosophy about how much how are we using our cash and investments over say last three to five years we have done quite well is there a policy of this much will be buyback and this much will be dividend?

R.K. Aggarwal: Not really whatever is the most tax efficient manner that is what we would do, that is one part. Number two part is dividend distribution has been essentially done for that set of investors who are not able to invest if the Company has not been a dividend declaring Company.

Amish Kanani: I did not get this sir.

R.K. Aggarwal: There are few investors, institutional investors for example insurance companies, as I understand, they are not able to invest in those companies, which have not been dividend declaring companies, so that is why the total amount was divided into two parts.

Amish Kanani: So sir the question was is there a ratio that we maintain as an overall payout ratio?

R.K. Aggarwal: No not really. We decide basis what kind of cash our business plan needs. Besides that whatever is the surplus that we would like to distribute and that is what we have been doing.

- Amish Kanani:** That will continue right sir?
- R.K. Aggarwal:** Yes.
- Amish Kanani:** How are we seeing some acquisition opportunity vis-à-vis this buyback because of course buyback is good, but if we get some good acquisition we might be using that for that?
- R.K. Aggarwal:** Yes very good question you have raised because I have heard no questions around this thing . As the group's balance sheet is completely unleveraged with the net worth of nearly 1500 Crores and annual cash generation of nearly 550 Crores -clean cash, even if you get an opportunity for 1000 Crores .the group can always try if it is making business sense; why do we unnecessarily burden the balance sheet with the capital only. We come from old school of thought—capital is always more expensive. Let us try to leverage it to the extent we can afford, but we never go over board . We have never crossed our debt equity ratio beyond 0.5 even while making 3 acquisitions being most in no by any media house in past 8 years. While we remain conservative, but then being extra conservative should not deprive you of your dues.
- Amish Kanani:** Are we seeing any interesting acquisition opportunity in the pipeline in next say 12 months or 18 months?
- R.K. Aggarwal:** I will request CEO to respond.
- Sanjay Gupta:** Currently, there is no lucrative opportunity in the pipeline, but we keep signing NDAs and evaluating
- Amish Kanani:** Is there any space that looking interesting at this point in time sir my last question from this?
- Sanjay Gupta:** All media spaces are interesting for us not that we only focus print . So we would be looking at digital, we would be looking at radio, we would be looking at print also, but as and when a good opportunity comes there is no doubt that we would want to go for it.
- Amish Kanani:** All the best sir and thanks a lot.
- Moderator:** Thank you. We have next question from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: The first question is the spot price of newsprint is about \$750, \$800 is what we understand about 35%, 40% more and even rupee has depreciated, given that your guidance of about 12%, 13% increase in raw material cost over the next three quarters even if I assume maybe 5% reduction in consumption you are suggesting about 17%, 18% Y-o-Y increase for the rest of the nine months in newsprint price average price cost for you is that understanding correct?

R.K. Aggarwal: Correct.

Jay Doshi: So I just want to know little bit more what is the tenure of newsprint contracts that you usually enter, which gives you visibility of one year or beyond one year?

R.K. Aggarwal: I will come to that.

Jay Doshi: 40% increase in spot price and 18%, 19% at which you are able to manage your cost?

RK Aggarwal: I do not know how do you say 40%, For this current fiscal, we already have signed the contract for imported newsprint and the prices at which we have signed the contract they are far less than what you are quoting, that is one. Number two-- domestic newsprint prices cannot be firmed up for whole of the year so whenever the prices would increase that is what we would have to accept. This 12%- 13% what I said was not for nine months . It is was for whole of the year. You have seen in first quarter there is an impact of only 1% or 2%/ So, in the nine months it could be 15% -16%so that for whole of the year it is 12%, 13%

Jay Doshi: And newsprint size at least international prices gone up after you, so would you able to sign the contracts and locking at a lower rate than what is prevailing today?

R.K. Aggarwal: Yes.

Jay Doshi: Understood, so if unless there is reduction in newsprint price in the next six to nine months the next year contracts if we were to sort of sign maybe six months down the line?

R.K. Aggarwal: We are clear expecting the newsprint prices to fall and to come down to a level where newsprint manufacturing becomes unviable is something, which is a hypothetical thinking and we never work on that premises. We should expect at least some inflation in news print prices as well, and even in the past whenever we were making our annual plans we were always accounting for some increase in newsprint prices and if I save that then that is bonus.

Jay Doshi: Second question is on radio I am just want to clarify if I heard it correctly, this is for Apurva. Madam did you just mention that your medium-term sort of expectation for radio business is about 12% to 14% growth from advertising standpoint in that range or did I hear it incorrectly?

Apurva Purohit: No that is right I am making two points on the radio growth one is that if you look at the immediate future we are looking at around 12% to 15% growth and immediate future means the current year.

Jay Doshi: So generally the expectation for radio business is maybe a year, year-and-a-half although was little about 15% on a medium to long-term basis, so has there been a change there or you think it is just a near-term, which is weak and you still expect at some point of time?

Apurva Purohit: I maintain that for the industry we have been talking about above 15% growth rate including all the new stations launched. .

Jay Doshi: That is it from my side. Thank you so much.

Moderator: Thank you. We have next question from the line of Nilesh Doshi from Prosperous Investments Limited. Please go ahead.

Nilesh Doshi: Sir we have a certain intangible assets on our balance sheet and this concern is it not advisable to write off goodwill and other intangible assets in a gradually manner to improve the return on assets and reflect the true picture of our assets?

R.K. Aggarwal: Yes there are two parts. There are certain intangible assets, which we are already amortizing every year. These intangible assets are relating to radio business.

Nilesh Doshi: Sir good will amount is around 300 something...?

R.K. Aggarwal: No, just let me complete. So there are two intangible assets appearing in our balance sheet, one is relating to radio business and that we are amortizing and that is the more significant amount. Good will is approximately I think about Rs. 300 Crores. So what is the point in writing it off .To improve the return on capital you cannot do something which is not correct, You will see we are already improving return on capital, we are already improving return on assets by all means which are permissible. Good will write off we can do only when we really believe that our business is dead.

Nilesh Doshi: As per conservative accounting policy...?

R.K. Aggarwal: No it is not conservative it is wrong accounting my dear you cannot. Good will has to be impaired not written off and impairment means your value of business is going down .Every year we need to get it tested for its impairment earlier by PWC now by Deloitte.We cannot do whatever we wish.

Nilesh Doshi: Sir my next question is, sir what is the long-term future of print media business, in concern to the growing digital media and other media.

R.K. Aggarwal: We have already spoken about it in the opening remarks where we have assured that one need not draw any conclusions from the performance of past two years or rather one and a half years because till 7 th November 2016, print industry was recording very comfortable double digit growth. So in one and a half years nothing has changed; number one. Number two, I request you to refer to analyst reports as well as FICCI E&Y report besides a still more credible report that is of CRISIL where they have projected or they have seen how the print industry is going to behave in next five years. So what they say is they are expecting a CAGR growth of 8-9% in advertisement revenue from 2018 to 2023.

Moderator: Thank you. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir what is the guidance for the margins overall this year in the print business.

R.K. Aggarwal: You are talking about operating margins. Currently , for Q1, we have reported 27% margin which is same as for the previous year and it will improve only from now, once the advertisement revenue growth comes.

Sarvesh Gupta: The net of the impact of the newsprint cost you...

R.K. Aggarwal: As I mentioned in my opening remarks, we expect with that kind of growth in advertisement revenue, the growth of minimum 10% in profits for whole of the year.

Sarvesh Gupta: Understood Sir and secondly Sir on our radio business just from a strategy question is it possible or have you thought about the possibility of distributing the shares of Radio City directly to the shareholders of Jagran other than keeping a holding structure?

R.K. Aggarwal: Currently this is not part of thinking process.

Sarvesh Gupta: No, so is there any regulatory reason why Jagran needs to be promoter of Radio City?



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- R.K. Aggarwal:** Where we stand today it is not possible, the reason is if Jagran distributes the share then Jagran's promoter will get reduced to 42% shareholding which is not permissible under law.
- Sarvesh Gupta:** So you need to have the more 50% ?
- R.K. Aggarwal:** That is right.
- Sarvesh Gupta:** Understood Sir and Sir on your buyback again when we announce the buyback I think the share price was not that expensive. So the other cost, the way of doing this buyback was to buy our own share through open market rather than having a tender offer process. So what was the thought process behind choosing tender offer over open market?
- R.K. Aggarwal:** That is the problem. I were to know stock market will be so unkind to JPL then probably I would have taken that offer to the shareholders, because it was done when the price was 175.
- Sarvesh Gupta:** So hypothetically sir in the coming years when we will consider this if the share...?
- R.K. Aggarwal:** Hypothetically we cannot say . I mean you have seen Radio City decided to go for buyback through open market.
- Sarvesh Gupta:** No Sir what I was asking is that let us say because we will be generating this cash every quarter.
- R.K. Aggarwal:** There are lot of legal complications relating to that . We can take up that point some other time because we have so much cash generation fine ;we can use the cash to make the market and to absorb those small sales that is all understood, but the point is when this buyback happened that time the prices were 175 when we took that proposal to the shareholders which we did sometimes in the month of March or April.
- Sarvesh Gupta:** Understood Sir. Thank you Sir, all my questions are answered.
- Moderator:** Thank you. We have next question from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Pavneet Singh:** Yes I would like to know how many stations in Karnataka do we have in radio?
- Apurva Purohit:** Just one in Bangalore.

Pavneet Singh: And what was the contribution of political ads in Bangalore station to the total revenue of Radio City for this quarter?

Apurva Purohit: Nothing very, very miniscule.

Pavneet Singh: I ask this question particularly because if you want to gauge the quantum of political ads used in the upcoming general elections and recently state elections happened in Bangalore and there are no – almost negligible political ads Bangalore which forms a sizable component of Jagran of Radio City as it is like the leader in Karnataka region the Bangalore rating we have the highest in terms of the other competition. So that means particularly we are eyeing nothing in terms of political ads in the election and running up to the elections.

Apurva Purohit: So, I would like to make two points here, one is that state elections and general elections are very, very different and I do not think there is any comparison. It really depends on the intensity of the political issues going on in the state, how much money each of the parties have etc. So I would not draw any conclusions from any state elections onto the general elections that is point one. I think this and the second point is that of course when the general elections happen there is an upswing that happens which is reasonably large. At that point, the government advertising to a certain extent neutralizes a bit. So we have to look at it in that context a) let us not compare state elections and general elections they are vastly and b) we must always keep in mind that there is political advertising which happens as an upswing and government elections, government spending prior to general elections which is reasonably high but govt spending otherwise on ad. gets muted that neutralizes upswing a bit

Pavneet Singh: And with respect to the acquisition we made in Kolkata, how near are we from the permission from MIB?

Apurva Purohit: So the papers are lying with MIB it is anybody's guess as to how quickly they will clear it we do expect it to happen in within the next two months.

Pavneet Singh: Okay, thank you.

Moderator: Thank you. We have next question from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Just one question I wanted to reconfirm you mentioned that increase in the newsprint prices on year-on-year basis what was that number?

- R.K. Aggarwal:** Sorry.
- Kashyap Jhaveri:** you mentioned about the newsprint prices increase on Y-on-Y basis, what was that number percentage number?
- R.K. Aggarwal:** 10%.
- Kashyap Jhaveri:** On year-on-year basis and Q1 over Q4 would be?
- R.K. Aggarwal:** Q4 I think there it was slightly less.
- Kashyap Jhaveri:** And on per tonne basis what is the price today?
- R.K. Aggarwal:** Leave it there. We are not allowed to share these prices because we have signed the contract at lower prices than lot many others have signed.
- Kashyap Jhaveri:** Okay thank you very much Sir.
- Moderator:** Thank you. We have next question from the line of Alok Ramachandran from Future Generali. Please go ahead.
- Alok Ramachandran:** Basically this question is again on the newsprint prices so on the newsprint prices just wanted to know how long have you contracted this low prices for the newsprint?
- R.K. Aggarwal:** For whole of the year.
- Alok Ramachandran:** For whole of this financial year?
- R.K. Aggarwal:** Yes imported I am talking about.
- Alok Ramachandran:** Oh! That for the imported and the domestic one?
- R.K. Aggarwal:** Domestic we cannot -----that is maximum for a month or two or maybe quarter.
- Alok Ramachandran:** Can you give me the volume breakup for in terms of how much quantum in percentage basis?
- R.K. Aggarwal:** 25% imported, 75% Indian.

- Alok Ramachandran:** And how have the Indian prices moved or have they moved in tandem to imported prices the newsprint prices or is there a lag out there that you have seen?
- R.K. Aggarwal:** If we exclude the dollar appreciation part then they have moved in tandem, otherwise it has moved at lesser pace.
- Alok Ramachandran:** Okay third is kind of similar so alright. Since I... and are the Indian newsprint prices also dollar denominated context?
- R.K. Aggarwal:** Hello, what did you say?
- Alok Ramachandran:** Are the Indian newsprints contract are they dollar denominated contracts?
- R.K. Aggarwal:** Dollar denominated, you are talking about the imported newsprint only know?
- Alok Ramachandran:** No in domestic contract, are they dollar denominated?
- R.K. Aggarwal:** No, domestic why will they be dollar denominated.
- Alok Ramachandran:** And Sir and in terms of ad growth any particular number that you are looking to end up this year with.
- R.K. Aggarwal:** We said we are expecting to grow by 8% for whole of the year print advertisement.
- Alok Ramachandran:** And regarding the buyback any particular reason why did the promoters participate in the buyback since they were at 60% prior to the buyback and they could have excluded from this buyback as well and they are also part of the board as well?
- R.K. Aggarwal:** Sorry.
- Alok Ramachandran:** Any particular reason why the promoters participated in the buyback?
- R.K. Aggarwal:** In Jagran's buyback?
- Alok Ramachandran:** Yes and since they are part of the board and they were still lower than 75% promoter limit that is there as per mandate so they could have kind of standout of the buyback and kind of allowed institutional investors to participate. Is there a particular reason why they have participated?

R.K. Aggarwal: Out of the Rs. 300 Crores, they have got only 150 odd Crores .If they were not to participate in the buyback there was no other way they could have participated in distribution. Balance has gone to investors only, .

Alok Ramachandran: Alright Sir. Thank you.

Moderator: Thank you. We have next question from the line of Neeta Khilnani from Batlivala & Karani Securities. Please go ahead.

Neeta Khilnani: Our other expenses for the quarter has reduced marginally. So if you could just comment on the same and also how do we look at this head in the next three quarters?

R.K. Aggarwal: we have reported 27% margin in Q1 and this is going to be improving quarter-after-quarter.

Neeta Khilnani: No Sir what I was asking was the other expenses have sort of reduced marginally in the Q1 so which cost heads are have we...?

R.K. Aggarwal: These are the promotion publicity expenses and the reduction is also on account of GST input credit which was not available in Q1 of the last year, in this quarter it was available.

Neeta Khilnani: So this the input credit from Q1 it would be available for the next three quarters as well right so the increase in Y-on-Y terms should be about 2%, 3%.

R.K. Aggarwal: No, not 2%, 3% because from July input credit started. So this will increase to maybe 5% but not beyond it.

Neeta Khilnani: Okay, understood Sir and secondly why have the depreciation fallen Y-on-Y that is Q-on-Q.

R.K. Aggarwal: That is where you would see JPL doing far better as the time goes because we are the only ones in the industry who follow a conservative depreciation policy which has written down value method. So if we have additions to the fixed assets which is less than the depreciation , in that case our depreciation will fall year-after-year. **Neeta Khilnani:** So the Rs. 50 Crores, Rs. 60 Crores of capex how do we see this number being stable at 30 Crores for the next three quarters as well.

R.K. Aggarwal: Depreciation you are talking about?

Neeta Khilnani: Yes.

- R.K. Aggarwal:** Yes.
- Neeta Khilnani:** Okay Sir, thank you.
- Moderator:** Thank you. We have next question from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** I just wanted to understand more on the newsprint prices because you have seen many cycles I just wanted to understand this time what are the structural reasons behind increasing newsprint prices and when do you see them coming back to normal?
- R.K. Aggarwal:** First of all we do not believe these prices are abnormal. The prices which were prevailing about two years ago or a year ago were uneconomical prices for newsprint manufacturers. Because of exceptional reasons I and if somebody decides to sell newsprint at a loss only then the prices can fall. We have neither built our business model on the assumption that newsprint prices would fall The reasons why they have increased are --- prices of every commodity have increased, fuel is very important cost for them that has increased, then China has closed down certain facilities in order to be pollution compliant then after long, long time there was an increase in demand by 2%, and certain facilities in US probably also were closed down because the prices were uneconomical,. So we should always be mindful of the fact that no one can thrive on somebody's unviability.
- Vaibhav Badjatya:** Yes that is true I understand your point that in terms on the supplier side how much time it generally takes for the newsprint glades to expand their capacity or launch a new plant, just want to say understanding as to where the supply side can be at to this news prices, how much time it can take?
- R.K. Aggarwal:** A year to two.
- Vaibhav Badjatya:** so I am saying that how much time generally it take for the newsprint players to launch a new plant or to expand capacity because with ...?.
- R.K. Aggarwal:** No there is no requirement of expanding the capacity, capacity is already in existence In India, there was a shortage created because one of the biggest plant which is situated at Nepa got closed down because they are doing some renovation in order to be in position to start manufacturing better quality of newsprint .so that is true about India but globally our newsprint capacity is not less then what is required.

- Vaibhav Badjatya:** So basically you mean to say as of now there is capacities available and they can easily ramp up the production?
- R.K. Aggarwal:** Yes.
- Vaibhav Badjatya:** And you do not see the situation of excess supply coming up soon to the newsprint market?
- R.K. Aggarwal:** It happens in cycle as it happens in case of any agricultural produce. if you notice one year sugar prices will shoot up, next year they will go down in the same way prices of some agriculture produce will shoot up in one year, next year it will go down because looking at lucrative prices producers start producing more which put pressure back on prices. As a result ,prices may go down again. So this cycle goes on but what I am trying to say is whatever prices are existing today we do not expect at least in next six, nine months that they would fall.
- Vaibhav Badjatya:** Okay I think I got it Sir. Thank you. That is it from my side.
- Moderator:** Thank you. We have next question from the line of Gaurav Agarwal from E&R Advisors Private Limited. Please go ahead.
- Gaurav Agarwal:** Sir based on my interaction with Mr. R.K. Agarwal I was of the understanding that raw material prices will go up by 14%, 15% in this quarter while the actual numbers are much better, they were up only 3%, so just wanted to clarify where I got the understanding wrong?
- R.K. Aggarwal:** . I did not say that time also that it will be in one quarter only what I said was that is what is going to be impact for whole of the year and that is what I mentioned a few minutes ago also. That is on account of increase in newsprint prices then if there is saving of newsprint for one reason or the other, so overall cost may not increase by 15%, 16% or 17%.
- Gaurav Agarwal:** But Sir full year was not that we were expecting 20%, 22% kind of increase for full year FY2019.
- R.K. Aggarwal:** That has – in this quarter also we had price impact of 10% but you see the newsprint cost increasing nearly by 2% to 3%, so if it is 20% . the impact would be around 15% or maybe less than that.
- Gaurav Agarwal:** That is because your volume is going down, is it your volume has gone down by 4%, 5% so...?

- R.K. Aggarwal:** Volume has gone down but will not keep on going down.
- Gaurav Agarwal:** So what you are saying is for full year it is 15%...?
- R.K. Aggarwal:** less than that if I expect rightly .
- Gaurav Agarwal:** So this is just one clarification hypothetically if your circulation in volume were to stay where they were in FY2018 then your raw material prices would have gone up by 20% is that understanding correct?
- R.K. Aggarwal:** Whole of the year.
- Gaurav Agarwal:** So it is just because our volumes have fallen by 5%, 6% then that is why you are saying 13%, 14% kind of increase in this, okay?
- R.K. Aggarwal:** Yes.
- Gaurav Agarwal:** Got it, thank you.
- Moderator:** Thank you. We have next question from the line of V.P. Rajesh from Banyan Capital. Please go ahead.
- V.P. Rajesh:** A question on the radio business. Given that HT media is combining its stations with Next Mediaworks, I am curious what is your view on the pricing both in the short-term as well as in the medium term.
- Apurva Purohit:** So it is that HT Media has always priced itself at the average of the market or slightly lower end of the market. On the other hand if you look at Radio One which is an English player it is priced itself at the premium end of the market though it is a niche player. So of course everybody will come out with their own strategy but as of now one assumes that they will operate as they have been operating.
- V.P. Rajesh:** So you do not expect any pricing pressure in your key markets because of this merger?
- Apurva Purohit:** No not at all, I mean they have been operating as two entities just because they get consolidated I do not see any change in their own pricing strategy or any impact on us. Having said that I also want to tell you that for the past several years Radio City has always operated at the premium end of the market and that is where we will continue to play regardless of whatever happens otherwise.

- V.P. Rajesh:** Okay and That is helpful and then the second question is I am just trying to understand how you guys are thinking about the buyback in case of music broadcast you are doing an open market purchases and in case of Jagran you did a tender process, so if you can elaborate a little bit as to what we should expect going forward as to how you will do these buybacks that will be very helpful?
- R.K. Aggarwal:** Hello.
- V.P. Rajesh:** Yes I am here I was waiting for your answer.
- R.K. Aggarwal:** What?
- V.P. Rajesh:** Let me repeat my question. In case of music broadcast you are doing an open market purchases as far as the buyback is concerned whereas in case of Jagran you did it via the tender process. So my question is why go through two different routes in case of buyback and if you can just elaborate your thinking on the buyback front and what we should expect going forward?
- R.K. Aggarwal:** In case of Radio City, the buyback offer through market means promoters cannot participate and through tender process, promoters can participate. If buyback was not exempted from dividend distribution tax then we would have distributed the dividend not the buyback of the same amount.
- V.P. Rajesh:** I see okay. That is helpful thank you.
- Moderator:** Thank you sir. We have a last question from the line of Abhishek from Vibrant Securities. Please go ahead.
- Abhishek:** Sir my question is can you comment on the advertisement revenue breakup both on the print side as well as the radio business side that which are the sectors which are the top contributors and wherein we are seeing the growth and which sectors are subdued?
- R.K. Aggarwal:** Hello.
- Abhishek:** Did you got my question. Sir I am repeating my question can you comment on the...?
- Apurva Purohit:** No I am here I will answer on the radio piece--- the categories that have grown for us specifically in Q1 have been real estate, electrical, electronics and appliances, the e-



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commerce because of the sales they had and these have grown upwards of 20% and the categories which were muted were FMCG and government and media.

- Abhishek:** From the print side we are seeing subdued growth in the real estate side, correct?
- R.K. Aggarwal:** Yes and real estate for Jagran was never very big anyways and it has done well for us.
- Abhishek:** Yes that is it Sir. Thank you.
- Moderator:** Thank you sir. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you Sir.
- R.K. Aggarwal:** Thank you very much for attending the call and sparing your valuable time.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.