



“Jagran Prakashan Limited Q3 FY19 Earnings
Conference Call”

February 04, 2019



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*Jagran Prakashan Limited
February 04, 2019*

Moderator: Good day ladies and gentlemen and a very warm welcome to the Jagran Prakashan Q3 FY19 Earnings Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Sr!

Vikash Mantri: Good afternoon everybody. We at ICICI Securities pleased to host the Q3 FY19 Results Conference Call of Jagran Prakashan. We have with us the senior management represented by Mr. Sanjay Gupta – CEO, Mr. Shailesh Gupta – Director Marketing, Ms. Apurva Purohit – President and Mr. R.K. Agarwal – CFO. Over to you Sir for initial remarks!

R.K. Agarwal: Friends, this is the first conference call of the year 2019. We all wish you very happy new year and welcome to the conference call for the quarter ended 31st December 2018.

The results, press release and presentation have been before you. I draw your special attention to the presentation and the comments of CMD in order to appreciate the performance of Q3. We would also like to share with you the highlights of Q3;

The main concern for past 2.5 years has been the lack of growth in advertisement revenue which seems to be gradually weaning. The degrowth in first half has come down for the period of nine months ended on 31st December, 2018 and it is expected that we will end the year with some growth as against near flattish revenue for the past two financial years. It is pertinent to note that for nine months we have had a growth of nearly 2.5% in a space as against degrowth in a space in the year 2017-18 as well as 2016-17. And degrowth in the space in 2016-17 was mainly attributed to the period from November to March 2017 which is post-demonetization period. This is why in year 2016-17 the degrowth in this space was just 1.2% to 1.25% and in 2017-18 the degrowth went up to 2.5% at already reduced base. In 2018-19 as I mentioned there was a growth in this space of about 2.5% which in fact gives us confidence for the good times ahead. Our confidence also emerges from the recovery of growth from the state government, increase in DAVP rate by 25%, increase in spend by certain discretionary sectors such as lifestyle products and forthcoming elections.

Another positive for the industry is the fall in newsprint prices in the range of 10% to 20%. Q3 was the quarter which had the maximum impact of increase in newsprint prices but going forward we will see lesser and lesser impact as the inventories and outstanding contracts exhaust. We expect near full impact of fall in prices in Q1 of the next fiscal. Since our company has always managed cost under difficult circumstances pickup in advertisement revenue coupled with fall in newsprint prices offer good year ahead with significant improvement in operating metrics of the print business as well. It would also be worth noting

that Nai Duniya performed in particular among the print brands pretty well and it recorded a growth of 27%. It was supported by election. In fact all the newspaper brands except INEXT reported growth in advertisement revenue and INEXT too is expected to start reporting growth from Q4.

As far as other businesses are concerned, radio and digital both continue to deliver strong performance quarter after quarter year after year. For radio, this was the best ever quarter in terms of revenues, operating profits and net profit. The digital is operationally also an outperformer amongst its peers by miles besides the financial numbers which are far better than any comparable peer in terms of revenue growth and reduction of losses. Digital continues to expand its bouquet and strengthen its association with the global Internet giants in mutual interest. Digital's focus on becoming the most preferred online platform for the regional language consumers continues with the group launching Punjabi news portal, punjabi.jagran.com and Gujarati news digital tabloid, gujaratimidday.com. We are also happy to report that our portal vishwas.news launched with an aim to curb fake news and misinformation has been certified by international fact checking network. We are one amongst select 62 prestigious global media companies so certified by the IFSCN.

With this we end our opening remarks and request you to come forward with your questions. Thank you very much.

Moderator: Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Avnish Roy from Edelweiss. Please go ahead.

Avnish Roy: My first question is on the circulation copies, so in any sharp inflation print companies do cut down on the copies and I am able to see in the Q3 numbers quarter on quarter your circulation revenue is also down and your newsprint cost have also not increased so much. They have increased quarter-on-quarter but not alarmingly, so will it be fair to say that from Q1 when newsprint cost will be under control again you will go back on circulation expansion?

R.K. Agarwal: Circulation expansion we will never try to hold the cover price

Sanjay Gupta: Drop in circulation was increase in cover price with the peers, which resulted in a drop in circulation for every one. Now for the year that is ahead of us we are already in planning stage of regaining some of lost circulation. I would not say that we will want to gain all the lost circulation going forward because we fundamentally believe in the concept that reader should pay for content. So, yes we will be competitive in the sense that we will not give free space to competitors in our key markets but will remain mindful. And therefore our growth strategies in circulation would be balanced with focus on all our markets which are essential for advertising.

- R.K. Agarwal:** Avnish in a nutshell, next year we will see the full impact of increase in cover prices taken at various stages in the current year which should be more than drop in cover prices if any. As I said, we are very clear, we will not try to push the circulation unnecessarily by dropping the cover price. So, intent will be to maintain the cover price but if we have to drop as you have just mentioned to keep our market position intact in key markets we may do that but that drop is not expected to wipe off the gain because of the full impact of the increase in cover prices taken in the year 2018-19 at various stages. Number two, saving on account of fall in newsprint prices is going to be significant. It is going to be in the range of about 15%. So in any case the saving should not be materially reduced because of increase in circulation.
- Avnish Roy:** My second question is on Bihar market. Now Bihar was the fastest-growing state in terms of GDP last year but when I see competitive scenario we do see the new entrant talking about leadership and all that, huge increase in circulation. So, will your growth in Bihar be higher than the 2% print ad growth or will it be lower and any comment on what would be your strategy in terms of circulation in Bihar when there is very high competitive increase?
- R.K. Agarwal:** We have not been able to take the increase in cover prices in Bihar because of the new entrant. And wherever they have expanded, those are markets where Hindustan and Jagran have been in existence for years and they are not the markets which have contributed significantly in the total advertisement revenue pie.
- Sanjay Gupta:** Bihar potentially is a good market for advertising because it's a state where there is a strong GDP growth, which should translate into higher spend from advertisers. Having said that, we have a realization that the strongest market of Bihar is Patna and the adjoining areas of Patna. So, our strategy as such would revolve around strengthening our position in Patna and also looking into some key districts of Bihar.
- Avnish Roy:** But you will be aggressive as and where required in Bihar?
- Sanjay Gupta:** As I said, Patna is the key market and we will—as I said earlier—that we are not willing to give up our gains in key markets.
- Avnish Roy:** Last smaller follow-up on digital, the revenue fell quarter-on-quarter in digital which was surprising given festive, given print revenue for you has grown on quarter-on-quarter basis also, why should digital fall quarter-on-quarter?
- R.K. Agarwal:** Digital has not fallen. Digital has reported growth of 30% on Y-o-Y basis.
- Avnish Roy:** But education would have impacted print also or no?

- R.K. Agarwal:** No, the print continues to be having the degrowth in the current year in education sector for the first time probably in past decade. But this is something which was on expected line and now it has bottomed out and from next year we should expect growth in education sector as well.
- Moderator:** The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** In opening remarks you talked about been optimistic about the growth outlook going ahead. So, one I could understand the government Ad rates hike that would be clearly positive but on the other aspects of the business, the normal commercial and local advertising. So, what sort of outlook can we build in I mean is there a possibility of seeing high single-digit sort of growth in FY20?
- R.K. Agarwal:** Yogesh in the opening remarks I did not talk about DAVP rate increase alone. That would compensate us for the loss of the space from central government. I also talked about state government spend increasing. I also talked about other factors e.g. commercial advertising also expected to be better. So, it is like everything which is looking up. In fact it needed really a Herculean effort to compensate for the loss of space because of tender going from the print. But due to additional efforts taken by us we could compensate that space in the current year and this was how in the period of nine months we are reporting for the first time in 2.5 years space growth of 2.50%. So, it is all round improvement. It is not only DAVP rate that is yet to come. That will compensate us for that loss of the space. But other things are also doing very well.
- Yogesh Kirve:** Would you be able to talk about in terms of any growth expectations for FY20 considering all this tailwinds?
- R.K. Agarwal:** If we continue to grow this kind of a space only without taking any increase in rate plus whatever increase has been given by the government, our growth should be in the range of about 7% to 8%.
- Yogesh Kirve:** Regarding the tender advertising, what is the percentage of tenders in the government advertising in the nine months of this financial year and is there any room for that to go down?
- R.K. Agarwal:** We did not care to work it out in the sense that it was very negligible but Director Marketing is here to explain; as I understand now railways have again gone back to publishing tenders which is an added advantage.
- Shailesh Gupta:** The railways have just started and now government is asking all the ministries to start using newspaper again and in that process railways already started. So we expect in another month or so most of the ministries will come in.

- Yogesh Kirve:** Did I get it right when you said that the government the Ad rate hike will compensate for the loss of tender or I would presume that will be more than compensate and the positive.
- Shailesh Gupta:** No, it will only be compensated in the tender loss. It won't be more than that because tender was a big category for us.
- R.K. Agarwal:** But now since tenders as he's expecting will start coming.
- Yogesh Kirve:** We had taken this approval for the debentures, so do you actually plan to raise the money or that enabling provision?
- R.K. Agarwal:** This is enabling provision.
- Yogesh Kirve:** So we have not raised anything?
- R.K. Agarwal:** We have not yet raised and as mentioned it was just to augment our liquidity, nothing else.
- Moderator:** The next question is from the line of Lalit Dua from Rajasthan Global Securities. Please go ahead.
- Lalit Dua:** As I see from the investor presentation and I am also a longtime shareholder of your company, you have been doing generous buy-backs and have been delivering also lot of surplus cash-back to the shareholders in form of dividends. This time my advice to the management is that in terms of buyback the management should not participate because you are at a much lower threshold percentage of what you can officially hold up to 75%. In your recent group company Music Broadcast you did a market buyback, so in the market buyback the promoters cannot participate at these prices even if at 25%-30% bringing to the prevailing stock market price in terms of buyback I think it makes lot of sense for the management not to participate whether it is a tender or whether it is market buyback. In Music Broadcast you are also at a comfortable promoters ratio far above 70%. So instead of paying a huge premium end doing a buyback at Rs. 195 per share which you had done in the past two cases even if you do a buyback at 130 depending upon what the stock market prices at that moment of time I think the management would be much better off by not participating whether it is a tender offer or it is a market buyback.
- R.K. Agarwal:** Noted.
- Lalit Dua:** Because the prices are too low and when the management participates much of the participation in the tender offer also goes from the management and it does not reduce the floating stock considerably. Given the fact that nowadays the market prices have no relation to the fundamentals of the company because there is almost a deep carnage in these mid-cap and

the small-cap prices because of so many factors which I would not like to deliberate. But the fact remains that the stock market price is going towards almost the same price when the management came out with an IPO long time back, 10-15 years back. So as you have rightly said noted the management....

R.K. Agarwal: Let me correct your view on this--- it is going almost to a level at which company bought the IPO.

Lalit Dua: There has been a stock split but of course even accounting for stock split what I mean to say is that the current price is no way near to the underlying intrinsic value of the company this is what I meant.

R.K. Agarwal: You are absolutely right to that extent. But what my submission is still the prices are nearly 2.25 to 2.5X of that price. I'm not saying that it is a great price but as far as return to the investors is concerned considering that JPL has distributed nearly 1500-1600 crores over a period of 12 years, this price is not that bad either. Unfortunately, your view is good for the peers who are operating at much below the IPO prices.

Moderator: The next question is from the line of Rajesh Aggarwal from Moneyore Investments. Please go ahead.

Rajesh Aggarwal: My question is the price increase which has come for the Advertisement; it is only for the central government?

R.K. Agarwal: Central and state both.

Rajesh Aggarwal: Can you quantify what is the percentage of Ad revenue we get from the central government?

R.K. Agarwal: Central and state both put together or only center?

Rajesh Aggarwal: Both put together.

R.K. Agarwal: Both put together it should be about 20% to 25%, so clearly 25% increase means 5%.

Rajesh Aggarwal: And the newsprint price also has come down. That will start getting affected from first quarter onwards?

R.K. Agarwal: No, it has already started coming down but the full impact will be felt only from Q1 of the next year.

Rajesh Aggarwal: So we can assume that 20% will directly go to the bottom line?

R.K. Agarwal: 20%?

- Rajesh Aggarwal:** 5% increase in that and 10% to 15% reduction in the newsprint?
- R.K. Agarwal:** Yes there will be some increase in the circulation so net-off that could go into the bottom line.
- Rajesh Aggarwal:** How much can be the increase in circulation price?
- R.K. Agarwal:** Maybe 4-5%.
- Rajesh Aggarwal:** What is the cash in hand as for the quarter?
- R.K. Agarwal:** At consolidated level we have about 175 crores.
- Rajesh Aggarwal:** And it?
- R.K. Agarwal:** This is net debt.
- Rajesh Aggarwal:** Any CAPEX plan for next year?
- R.K. Agarwal:** Always there is a maintenance CAPEX of 50 to 60 crores.
- Rajesh Aggarwal:** We don't have any private equity treaty like Times of India with the real estate developers?
- R.K. Agarwal:** Not as of now.
- Rajesh Aggarwal:** We stick to dividend policy, what will be the dividend policy next year?
- R.K. Agarwal:** We have always tried to distribute as much as is possible.
- Rajesh Aggarwal:** Almost 25% of the profit?
- R.K. Agarwal:** Again we have never decided like that whatever is the business need over and above that or whatever is the surplus we would like to distribute.
- Rajesh Aggarwal:** Now Central election coming so there can be a growth in circulation, there can be a double digit growth in the circulation?
- R.K. Agarwal:** In number of copies?
- Rajesh Aggarwal:** Yes number of copies.
- R.K. Agarwal:** So it could be temporarily increasing but on an average as I mentioned in response to the earlier question for whole of the year the total increase could be 4-5%.
- Rajesh Aggarwal:** The printing of tender was banned in all the newspapers?

- R.K. Agarwal:** I would not say banned, they were coming off and on but they were not coming regularly because government had directed to all the ministries because they have all the online bidding process so there was no need for them to publish it in the newspaper.
- Rajesh Aggarwal:** So now it will come in the print?
- R.K. Agarwal:** That is what the Director Marketing has just mentioned, railways have already taken decision to start printing and rest of the ministries are also....
- Rajesh Aggarwal:** It will be for all the ministries then?
- R.K. Agarwal:** Yes, it seems. .
- Moderator:** The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** In terms of the EBITDA margin do you feel that it has bottomed out in this quarter?
- R.K. Agarwal:** Yes it has bottomed out.
- VP Rajesh:** And fighting there was a question about the dividend policy, so should we expect that in spite of the buyback you did last year they're going to be continued to be a percentage of the net profits being given out as dividend or there is some rethink on that front?
- R.K. Agarwal:** Rajesh, Jagran has always kept the dividend policy or money distribution policy very-very flexible. It all depends on business needs and then whatever is the surplus Jagran has always tried to distribute which is reflected from the fact that in past one decade Jagran distributed more than 1500 crores amongst the shareholders.
- VP Rajesh:** My question was more specific to this financial year.
- R.K. Agarwal:** This financial year also. As I mentioned there is no percentage as such decided. If we can distribute 90% of the cash we will distribute 90% of that cash.
- Moderator:** The next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.
- Gaurav Agarwal:** You said that next year now that newsprint prices are comfortable you will try to increase your circulation volume and you have taken certain price hikes also last year. So, is it fair to assume that circulation volume can grow by 6%-7% in FY20?
- R.K. Agarwal:** We mentioned it in response to our earlier question. We expect to grow it by 4% to 54%.
- Gaurav Agarwal:** Raw material, how are you seeing Q4 of this year, will it be at par with what we reported this quarter or how is it?

- R.K. Agarwal:** Q4 it should be less and going forward it is going to be less and less only as the impact of the fall in newsprint prices starts trickling down.
- Gaurav Agarwal:** Any particular target, what kind of degrowth can happen on the raw material side because you are increasing your volumes also and then there will be...?
- R.K. Agarwal:** if you are increasing circulation by about 4% to 5% the newsprint prices are expected to fall between 10% to 20% so easily you can assume 10% to 11% fall in newsprint cost. Of course if the space on account of increased advertisements increases to that extent the newsprint cost will go up further but then it will get more than compensated, maybe 3-4 times compensated by the advertisement.
- Gaurav Agarwal:** So that's a very favorable case for us, that is true. How are you seeing your employee and other expenses, will they grow like what has been the rates...?
- R.K. Agarwal:** For Jagran it is very easy to answer because if you look at the trend for past 10 years; so you would not see it increasing on overall basis more than 7% to 8%.
- Gaurav Agarwal:** Since in FY20 you have got this benefit on the DAVP rate and you will get around 5% kind of Delta only because of the government..?
- R.K. Agarwal:** Not 5% because part of it will come in the Q4 for full next year 5 divided by 4X3 that is 3.75.
- Gaurav Agarwal:** But the overall guidance to give around 6%-7% for FY20 in terms of advertisement.
- R.K. Agarwal:** Yes.
- Gaurav Agarwal:** We are the only expecting 3%-4% kind of growth on a low base on the commercial as well as national, local advertising, is that the fair assumption today?
- R.K. Agarwal:** Once bitten twice shy because two years you have had flattish revenue so we will not have heart to guide you for higher growth. We would do only after first quarter.
- Gaurav Agarwal:** Whether it was the conservative guidance given or....
- R.K. Agarwal:** Of course it is conservative guidance because 3.75% is coming from your DAVP rate increase , we have seen in Q3 there is a space growth in nine months of about 2.5% ; so if this continues plus if there is going to be improvement on overall macro scenario, 7% to 8% growth is not very high expectation but at the same time not too conservative as well because 2 months of election will keep commercial advertising low.

- Gaurav Agarwal:** For FY20 are there in the categories which have disappointed you really bad but now since your initial interaction with those clients you're hoping but you are not giving this out to the analyst?
- R.K. Agarwal:** The Director Marketing will tell you but BFSI was a disappointment because it had registered a very steep degrowth in this year. Media entertainment also did not do very well this year and as I mentioned education also reported degrowth but now it seems to have bottomed out, so it should give growth now next year. But rest Director Marketing will tell you.
- Shailesh Gupta:** What he has said is correct and even the FMCG has been on the shy side, so I hope things will improve from next year from April onwards. This January is looking alright so we feel that February and March should also, it's on the path of recovery but we at the same time have to keep that in mind that elections will be falling sometime in April. So once the elections start the commercial advertising slows down a little bit.
- Moderator:** The next question is from the line of Rohit Dokania from IDFC Securities. Please go ahead.
- Rohit Dokania:** Can you talk about the average newsprint price at consol level for this quarter?
- R.K. Agarwal:** For December?
- Rohit Dokania:** Yes December quarter.
- R.K. Agarwal:** December I think it was 47-48.
- Rohit Dokania:** And what would this be for the first nine months, if you have it handy?
- R.K. Agarwal:** Nearly 45.
- Rohit Dokania:** And on this Rs. 45 is it fair to assume that there could be a fall of 15% odd for the next year?
- R.K. Agarwal:** Yes 15% on an average.
- Rohit Dokania:** If you can throw some light on the fact that obviously investment prices would be soft, Ad growth also we are expecting some decent growth coming back so what kind of margins should one be looking at as far as FY20 is concerned, any rough sense or the range would also help?
- R.K. Agarwal:** It should improve ideally at least by 400 to 500 basis points.
- Moderator:** The next question is from the line of Abneesh Rai from Ace Capital. Please go ahead.

- Abneesh Rai:** As you said the revenues are flat from compared to last year, can you comment something about the Ad volume and Ad prices in the different markets you have?
- R.K. Agarwal:** That's a very detailed question. I mean answering that off hand may not be possible about different markets. But on overall basis as I mentioned there has been increase in this space after two years by about 2.5% period of nine months. of course, since revenue growth is not that much so there was a pressure on yield. There is no doubt about it but more important was to recover the lost space and grow the space, rate factor comes later.
- Abneesh Rai:** Two questions on newsprint side, so you said that the falling prices will start impacting after the inventories and the ordering quantities will get exhausted.
- R.K. Agarwal:** Yes. There will be some impact in Q4.
- Abneesh Rai:** So what is the current inventory level you are holding?
- R.K. Agarwal:** You should expect the full impact in Q1 only.
- Abneesh Rai:** What would be your consumption for the nine months?
- R.K. Agarwal:** The quantity?
- Abneesh Rai:** Yes roughly the quantity and...
- R.K. Agarwal:** About 125,000 to 1,30,000 tonnes.
- Abneesh Rai:** And compared to last year it might have degrown—is it fair to assume—by 7%-8%?
- R.K. Agarwal:** Yes.
- Abneesh Rai:** Can you comment something about the mix of domestic and imported in the newsprint?
- R.K. Agarwal:** We consume imported in the range of about 25% to 30%. But only this breakup what is indigenous, what is imported will not help you because there are no indigenous qualities which are as good as imported. So if you consider that also as imported then we consumed nearly around 75% to 80% of the imported.
- Moderator:** The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** On this slide #15 of your deck, you have shown that the raw material to sales went up to 39% in the first nine months of the current financial year. So I was just trying to correlate to what you were saying earlier that newsprint prices are coming down, so for fiscal year 20 do you think it will be back to the fiscal year 18 levels of 36%?

- R.K. Agarwal:** You are absolutely right.
- VP Rajesh:** Just thinking about your capital allocation it seems the debt has gone up from the September quarter to the current quarter.
- R.K. Agarwal:** Yes you are right. It was obvious. We distributed dividends also in these 3 months so the capital blocked in working capital was released. It has gone up a bit but then again the cash has started increasing from Jan. In our case you should be a bit liberal about it because if you look at the group debt level, it is 173 crores cash in hand. Net debt is zero and in fact we have 173 crores of cash in our hand as against net worth of nearly 2000 crores.
- VP Rajesh:** So actually my question was thinking about with this financial situation isn't it better for us to do another buyback rather than doing a dividend just because...
- R.K. Agarwal:** I never said we will distribute dividend or we will do buyback. Let the time come then we will take a call because in any case you can't do buyback or you can't do anything before August or September.
- VP Rajesh:** And that you will decide after the Q4 earnings call by then we would know what you are thinking in terms of dividend policy, right?
- R.K. Agarwal:** We will give some dividend. That is what board has always decided. One year we skipped the dividend but the thinking was that we should continue giving dividend every year, either we do buyback we don't do buyback we give some dividend as well. We should remain dividend paying company so that is for sure, some dividend will be given. But at what rate, when, all these things we will decide when the time comes.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** One question on the Ad revenue growth guidance that you were talking about 7%-8%, so just on account of since you said government business is 20% and we got 25% hike so that itself is 5% odd.
- R.K. Agarwal:** 3.75% because it has come in from Q4.
- Sarvesh Gupta:** And because we also have some tender business which is now coming....
- R.K. Agarwal:** So, government should be contributing growth to the extent of about 4%-4.5%, no doubt about that.
- Sarvesh Gupta:** So 4%-4.5% and then for the other part of the business 75% of our other business if I take even a 7% which is the regular growth, long-term growth that we are getting and since last 2 years

have been flattish so even if we consider 7% on 75% that is additional 5% so 5+4 is actually 9 rather than 7, so where is the disconnect in this?

R.K. Agarwal: There is no disconnect in that. There is only one disconnect that Director Marketing mentioned, once the elections kick in at that time commercial advertising dips. So, if you divide 7 by 12, it comes the 0.6 or 1.2% for two months, so, if you reduce that 8% by 1.2% it comes around 7% or so. Again this is something mathematically. Since you worked out, I also worked out mathematically with you but in the reality what will happen may not be so mathematical..

Sarvesh Gupta: Just to understand other point which one of the previous callers was mentioning. So, you are saying that the RM2 sales ratio for FY20 should be similar to FY18?

R.K. Agarwal: Right.

Moderator: The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Over the last 3 years how has the split of your 75% to 80% non-government Ads been between local and national Advertising? How much has each grown?

Shailesh Gupta: About 55-45,

Nagraj Chandrasekar: And 55 is local?

Shailesh Gupta: Yes.

Nagraj Chandrasekar: Why I ask is because if we switch to the English print Ad trends and what is happening there with the increase of smart phone penetration in some of your key areas, we could have a scenario of that repeating over the next 5-10 years or so with local Ads being more relevant for print in the longer-term. Just wanted to understand if you have a scenario where it is sort of takes place over that 5-10 year period, what would your response be? Would you cut circulation and be able to maintain a certain advertising revenue with local going up, Ad rates going up with large circulation cuts, what sort of would be your response to this sort of scenario?

R.K. Agarwal: Let me respond to your question; local-national all fine. But why the national will also advertise or why the local advertises? The reason is there is a sale at the ground or local level So national going away completely and local continuing advertising I think it is a very impractical situation. If sales are not happening at the local level neither local will advertise nor national will advertise. Number two, there is no sign as of now that national will stop advertising, so very difficult to tell you what will happen then.

Nagraj Chandrasekar: But clearly you are somewhat preparing for this sort of worst-case scenario by your digital arm and growth you are saying there...

R.K. Agarwal: This is what I'm submitting, either you say if print does not get advertisement after 6-7 years or 10 years then what will you do. But if you tell me if national does not give and local will give then what will you do; that is something which is very big disconnect between you and me. So, either you say that advertisement is not coming to the print at all then what will you do? That is altogether different thing irrespective of whatever I may do with the digital. Digital cannot compensate for the loss what print will have. Globally it has never happened, so it cannot happen in my case also. I cannot do anything which is so exceptional that reverse the global trend. So, we have very strong digital, we have very strong print, we have very strong radio, we have reasonably strong outdoor. So, we do not believe that any of these platforms is going to become irreverent in foreseeable future.

Nagraj Chandrasekar: And following up on digital what is the scope to get people to pay for digital content? Are you seeing any pay-walls coming up in the vernacular space and you expect them to emerge for you in the next 4-5 years?

Apurva Purohit: As you are aware, subscription or getting people to pay for content anywhere in the world including India is very difficult. So, clearly there will be a challenge in trying to monetize digital through the subscription route, so the primary source of revenue for digital also will be advertising and as page views and more importantly engagement of the readers with digital platforms increase, the advertising revenues will go up. Having said that, we also believe that in the medium term - 5 to 7 years from now people will pay for good content, people will pay for genuine content, people will pay for credible content and as a consequence of that we are already preparing some of our niche content to be monetizable through the subscription route. Just to give you an example, while all of us believe that in traditional print, publications cannot make money out of subscription. We have in our own stable papers like Inquilab and Gujarati Mid-day both of which are making money, on subscription. And we believe this kind of a model, because we give very specialized and niche content, this kind of model is monetizable through subscription even on digital. So, for example, something like Inquilab, or Gujarati Mid-day or even a part of some unique content of Jagran, we are looking at opportunities starting this year, how to make that a paid content.

Moderator: The next question is from the line of Dipesh Kashyap from Equirus Securities. Please go ahead.

Dipesh Kashyap: Can you please quantify the volume decline that you have seen in your circulation revenue decline of 2%?

R.K. Agarwal: I don't have off-hand information.

- Dipesh Kashyap:** The pricing that you told was around 15% in the Jagran and other papers, so will that volume growth will be like around 18%-20%?
- R.K. Agarwal:** In one quarter?
- Dipesh Kashyap:** Yes, in this quarter?
- R.K. Agarwal:** No, definitely. I never said drop of 15%-20%. I don't think if it happens to anyone, one can survive.
- Dipesh Kashyap:** Are there any inorganic opportunities that you are considering given that you have taken up approval for raising 300 crores?
- R.K. Agarwal:** This was an enabling provision only.
- Dipesh Kashyap:** Can you please quantify the one of the other incomes that you have for this quarter?
- R.K. Agarwal:** There is nothing one-off.
- Dipesh Kashyap:** So, there are sale of some goods that you are based on the...?
- R.K. Agarwal:** Other income is mark to market gains . In fact, there was loss because of yields shooting up . This quarter, it was recovered, so this is how it has gone up.
- Moderator:** The next question is from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Pavneet Singh:** My question is regarding this recent TRAI order of selling to the DTH companies, for having a very specific bouquet or ala carte rates for their channels. In this scenario of confusion, does the radio see any opportunity of getting that from the market share of TV, particularly? Second question is, what is the difference between the weighted average DAVP price in radio currently with the commercial rates?
- Apurva Purohit:** As far as radio's DAVP rate is concerned, it's around 15% to 20% lower than the commercial rate. But as I keep on repeating, DAVP Ads we scheduled on a Run of Day Part basis. And therefore, through the day, we are able to use up the inventory that would not get sold otherwise. So, in that sense, it works for us to have both DAVP advertising as well as commercial advertising. As far as the TRAI order is concerned, the media industry, the advertising industry seems to believe that once the order is implemented in its full process, television reach may go down to the extent of 30% to 35%. And when television reach goes down to such a dramatic level, obviously the beneficiaries will be all other media. Having said that, how exactly this TRAI order plays out, what is the implication because one is the order and one is the whole implementation of that order. Once we actually see it roll out and see the

implication on reach, will we be able to say it with far more surety, whether how much it benefits.

Pavneet Singh: Would they be cutting their Ad ex for print or radio for promotion of their programs and packages or would they be like equally keen to boost their visibility while their reach is going down?

Apurva Purohit: We must understand that when an advertiser looks at running a media plan for increasing his brand visibility or engagement, he is looking at a 360 kind of media plan. So, he is looking at television, he is looking at print, he is looking at some support coming from radio outdoor and he is also looking at digital. So, each of the media has the role to play. That's how he would ideally use it. So, when he sees entire plan and he sees that from one medium his reach is going down, because that is the first and foremost need television fulfills, he will definitely try to compensate for that reach. Now, again, we all know there are costs per thousand implications because he has to also try and get efficient reach, so media which can give him reach which is as efficient as television. He will start looking for those models.

Pavneet Singh: My last question is about radio. As per your vision, now we have almost close to 40% of idle inventory available. So, where would you see the significance burst of advertisements coming on the radio in a couple of years, or maybe 3 years' time, since you have a sizable inventory available for testing?

Apurva Purohit: I think we need to separate out this blended average of 40% in inventory into two types. One is the, older stations which are in the larger market, more mature markets where radio has been there for some time. The other part is, of course, the new stations which many of us, whether it is us or any of our peers have launched, in cities which had a limited number of radio stations. Mostly if you see the inventory, that is available, it is available in the newer cities. 40% free inventory is largely in the new cities. In the old cities, it's approximately only around 20% inventory available. We believe that that 40% inventory start getting filled up as the advertisers in each city take to the medium of FM and start seeing its efficacy. So, 40% is already filling up at a fast pace, and for example in a new station in the last 2 years itself, We moved up to around 50% of inventory fill. So, that will take its due course. We believe in a couple of years it will reach as high, 60%-70%. Out of the balance inventory that is even in a mature market that is left, that's a lot of inventory, which is, for example, on weekends or certain slots like 6 AM. in the morning because we calculated from 6 to 12. So 6 AM in the morning, which we believe will never be filled up to the extent of 100%. Lastly, new categories keep entering and trying to use radio, for example, whether it is TELECOM three years ago or E-com couple of years ago, new categories keep on coming. Finally, the mix of local and national advertising on radio is changing with increasing local advertisers using radio and we believe that is yet another point that you made about, where will more burst of inventory come from. We believe, local advertisers, first-time advertisers who are looking at efficient options, is where the growth will come for to fill this type of inventory.

Pavneet Singh: What kind of yield improvement have we seen in past like 7-8 quarters in this new Phase 2 allocations?

Apurva Purohit: In the new cities we have not taken a yield increase at all because we are still operating at 30%-40%-50% inventory utilization over the last two years. Going forward, once we hit a 60% consumption, we will start taking around 6% to 7% rate hike. So typically, the way it operates is if the economy is a bit muted, we get around 6% rate hike, if the economy is better, we get between the 9% to 10% rate hike.

Pavneet Singh: But that should be able to compensate for the volume increase you normally see for the commercial rates otherwise?

Apurva Purohit: On radio?

Pavneet Singh: On the radio, particularly.

Apurva Purohit: So, it's a medium which is used far more tactically as compared to print. Commercial advertising doesn't get impacted. Commercial advertising continues through the elections etc. What happens is the trade-off really is between government spends and elections spends. So, because of the election, the code of conduct, government spending goes down and election spending then starts. But the net off effect is always positive when elections are there.

Moderator: We will take the last question from the line of Pratik Barsagade from Edelweiss. Please go ahead.

Pratik Barsagade: My question is for Apurva Ma'am. I just wanted to understand one thing, what will be different in the industrial landscape in the next 4 to 5 years. When you see that people will start paying for content because there has been a challenge and it has been seen globally also that it is very difficult to get people paying on the digital platform, especially for print, in terms of news platforms.

Apurva Purohit: There is an evolution of every medium. So, when digital came up, digital, also as a medium itself chased reach. So, whether we look at the social media platform or we look at any publisher platform, everybody has only chased reach and in the effort to give reach to our advertisers, all of us have increased, page views, etc. But as this has happened, one of the things that the consumer also took to digital very well because he was getting easy accessibility to all kinds of news 24X7, all kinds of information, all kinds of entertainment, 24X7. But that's over the last 6-7 years. And at that stage, it was like easy accessibility was from the social media platforms and from the publishers, the need that we were fulfilling that we will give you easy accessibility. Today what is happening and if you see global trends also, whether you see, Wall Street Journal, whether you see New Yorker, whether you see a New York Times, all of them are being able to charge for content. Indeed, on an average, they are

able to get around \$37 a month as subscriptions for the content. \$37 a month is the large amount. Why this has happened? This change happened primarily because as the digital native got more mature, he started also looking for more credible content for more analytical content and this whole fake news concept also started building up. We believe this is the trend that will play out in the next 5-10 years also and thus we believe that subscription will become a reasonable paying model for publishers or anybody who has unique and good content to give.

Pratik Barsagade:

The names which you mention if you look at the subscription for these kinds of newspapers also, it is a very select set of audience which actually reads these papers and they are largely corporate. In India, if you look at it, regional and traditional print, players have actually been not able to crack down such kind of an audience. So, you think it would be a challenge?

Apurva Purohit:

I don't know whether you heard my earlier answer, when we were talking about subscription a while ago, I said exactly this. I have said that it's the niche publication, who will be able to charge for subscription. . As far as Jagran is concerned or let's say, even on audio radio city is concerned there it will not be an entire platform which will be able to deliver subscription because ultimately, that's the platform where we are giving reach to our advertisers. It will be only certain sections. For example, one of the things that we are discussing for a going forward strategy for the next 2-3 years is can we look at some of the top 10 articles a day which are more analysis led, which nobody else can give. Can we give those articles as paid and not the entire platform? So, I think finally, a blended mix will evolve at certain verticals or certain publications which are niche in nature can go behind a pay wall completely.

Moderator:

That was the last question in queue. I now hand over the conference over to the management for their closing comments.

R.K. Agarwal:

Thank you friends for sparing your valuable time and attending the conference call. Thank you once again.

Moderator:

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