



“Jagran Prakashan Limited Q4FY 2017 Earnings  
Conference Call”

**May 30, 2017**



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**MODERATOR:** **MR. VIKASH MANTRI -- ICICI SECURITIES LIMITED**



*Jagran Prakashan Limited  
May 30, 2017*

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Jagran Prakashan Limited Q4 FY 2017 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mantri from ICICI Securities Limited. Thank you and over to you, Sir!

**Vikash Mantri:** Good afternoon, everybody. We at ICICI Securities please to invite you to the Q4 and FY 2017 Result Conference Call of Jagran Prakashan. We have the top management of Jagran Prakashan with represented by Mr. Sanjay Gupta -- Whole Time Director and CEO; Mr. Shailesh Gupta -- Whole Time Director; Ms. Apurva Purohit - President and Mr. R. K. Agarwal -- Chief Financial Officer.

Over to you, sir for initial remarks.

**R. K. Agarwal:**

Dear friends,

Welcome to the conference call of JPL on Annual Results for the year 2016 - 2017. As we all know, this has been an eventful year; more so for JPL.

This year, there were two significant events in the external environment which deserve some discussions.

Additionally, there were two company specific events which also I would like to share along with their impact on the financials before you. Before we get into discussions on these events which have bearing on results, we would like to highlight two key performance indicators which should be taken note of.

The first is growth in operating profit along with maintaining operating margin and improvement in standalone EPS by nearly 17%, in spite of investments in expanding and scaling up of operations which we continued keeping in view the long-term objectives even though there was pressure on advertisement revenue since 8<sup>th</sup> November .

The second is delivering better growth in Q4 than the annual growth which is exceptional. As we all know, there are peers who have reported de-growth or no growth in their numbers. But for us, Q4 also witnessed growth in advertisement revenue even from print.

Demonetization is first such external event, I referred to earlier. We all know how it has impacted **all and sundry** .

Media entertainment industry which thrives on discretionary spends has got a bit more impacted than any other industry. We hope and trust that the expected medium-term to long-term benefits of this historic event will more than compensate the losses already suffered and being suffered ;albeit now to a lesser extent as the economy has started coming back on track.

Just to share with you, right up to 8th November, the group was moving solidly in the direction of over achieving all the targets. But thereafter, not only did the growth nosedive but we struggled to maintain even last year's revenues right till February.

While we all had expected robust second-half on the back of good monsoon and implementation of the 7<sup>th</sup> pay commission, in reality, the post November period lowered the growth which we had achieved for the first seven months. This also increased the working capital requirements due to slower recovery. Infact, in Q4 alone, Radio business suffered to the extent of nearly Rs. 5 crores of revenue which would have got translated straight away into the bottom-line.

However, we are happy that we could withstand the onslaught and performed better than many of our peers in terms of top-line as well as bottom-line growth. We registered a growth of 14% in EPS on consolidated basis and 17% as I stated earlier on standalone basis through a combination of our ability to quickly adjust to the ground reality which we have been doing in the past and stringent treasury management.

As already stated, the market conditions have started improving and we can expect a better year ahead of us , with 8% to 9% growth in advertisement revenue for print and more than 15% growth in operating profit at group level which will translate into a far higher improvement in EPS.

The second external event was the adoption of IndAS which was not unexpected nor it is unique to us. However, as they said the devil lies in the detail and this is what was experienced while implementing the same.

Not only has the Presentation gone under a dramatic change but all the previous years reported figures have been altered to make them comparable with those for the current year. As far as we are concerned, there were two major adjustments carried out in the last year's number and the total impact of that is the last year's PAT has been increased by nearly Rs. 47 crores to Rs. 48 crores and this is what has shown lower than the real growth in the current year as compared to the previous year.

One of the major alternations is the deferred tax adjustment of nearly Rs. 43 crores which has been shown as an exceptional item. This represents an adjustment which does not relate to any



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debit or credit to profit and loss account but relates to goodwill arising on consolidating the accounts. The goodwill has been recognized as an asset.

The second adjustment is in case of Midday, which has to account for fair value adjustments in the previous year's figures and this is what has increased their profit after tax for 2015-16 nearly by Rs. 4 crores.

We request you to kindly take note of these adjustments while evaluating the current year's performance vis-à-vis the previous year. We also request you to exercise extreme forbearance while evaluating the financials which we admit are not easy to comprehend. We urge you not to hesitate in reaching out to us in case you have any doubt.

After these two-significant external events I come to the group specific events. The first significant one was the IPO of Music Broadcast Limited which received an overwhelming response. On behalf of team Jagran and our Chairman and Managing Director, we extend our heartfelt thanks and assure you that we will live up to your expectations as we have always done in the past. MBL has already announced its results and reported higher than expected profits, despite demonetization and impact of investment in new stations. We are confident that we will continue to do so even in future.

As you know, stock prices not always outcome of company's performance and philosophy and therefore, we need not read too much into MBLs current stock prices. I would like to remind you that, post listing, even JPL's stock prices fell steeply and remained there for some time but since then, JPL has delivered return at a CAGR or more than 15% on its listing price and still continues to reward its shareholders. As we know, not many media entertainment companies have delivered return anywhere near this number. And therefore, we do not have any doubt that MBL will fall short of your expectations in times to come.

The second internal event was the massive restructuring within the group to clearly define ownership structure, to clean up balance sheet and bring in efficiencies. Due to various regulatory permissions required and the involvement of two high courts, this took substantial time, but has now got completed. Incidentally, let me tell you this was also one of the reasons why buyback got delayed. This restructuring also necessitated revision in last year's reported figures as the scheme became effective from 1st January 2016. However, the exercise has resulted in certain significant tax efficiencies over a period of years which would not have been possible otherwise. Additionally, it will also help in presentation of simplified accounts in future.

On operations and financials, we would also like to highlight that Jagran despite the challenges, low growth in revenue and increased intensity in competition continues to maintain its operating margin at nearly 34% on the back of its leadership position which is undisputed and continuous.

Similarly, Radio recorded operating profit of around 34% better than the budgeted margin inspite of investments in the new stations and adverse impact of demonetization.

Having said that, the most remarkable performances this year has come from MIDDAY, INEXT, and our event businesses which have not only expanded and scaled-up operations but have significantly improved their profits.

MIDDAY's profit for the full year was a little lower due to steep increase in circulation, launch of evening edition and the IndAS adjustment which I referred to earlier. But it has recorded a highest ever profit in Q4 along with higher growth of 13% than the industry growth in advertisement revenue .

In fact, MIDDAY ENGLISH, increased its market share by 2% in terms of space in a market where people believe that there is nothing left for the newspapers.

Digital is another high point of the year; the exercise of strengthening the platform was rolled out as per the strategy formulated with a consultant of international repute in the beginning of the year. The group has made investment of about Rs. 16 crores during the year and will continue to do in next four years.

In 2021, we expect to be a major player in news and information category having a significant share in the Digital ad pie and should start making profits. In the current year, Digital revenues grew by over 50% as against 28% growth recorded by the industry.

We would also like to inform you that the company has since completed buyback worth Rs. 300 crores in line with its policy to distribute the surplus cash to its shareholders and the Board has also recommended a dividend payout of Rs. 3 per share for the year 2017 - 2018 on the back of the company's sound liquidity and confidence in continued robust generation of cash from operations.

We also reiterate our dividend policy which is very simple. We would like to distribute as much as surplus cash as possible keeping in view the future funds requirements. So, we do not tie that up by assigning any percentage in relation to the total profits which we generate . What we would like to distribute will all depend on the liquidity available and the requirement of fund for the growth of the business

Thank you very much for your patient hearing and now we request you to initiate discussions.

**Moderator:**

Thank you very much, sir. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. Our first question is from the line of Abneesh Roy of Edelweiss. Please go ahead.

**Abneesh Roy:** My first question is Middy, you have seen a strong recovery, any one-offs in this and how do you see FY 2018 for Middy?

**R. K. Agarwal:** FY 2018 is going to be better but then I will request our President to react to this.

**Apurva Purohit:** Hi, Abneesh. There are no one-offs. It has been a lot of effort that we put in English Middy specifically where we actually did a refurbishment of the brand through the year, the launch of PM Edition which will continue as we go along and of course, Inquilab and Gujarati Middy also are strong papers in their own rights. So, I think all publications are sort of showing revitalized growth primarily because of the strengthening of the brand. In fact, as we go into the future and coming into this year we are also talking about refurbishing both Inquilab and Gujarati Middy.

**Abneesh Roy:** So, in this 13% growth is Inquilab and Gujarati driving or is it the main edition in Mumbai which is driving?

**Apurva Purohit:** No, 13% is driven mainly by Middy; the 2% volume share increase is also English Middy, I was just trying to give you a perspective of all the three brands put together but this particular growth is only English.

**Abneesh Roy:** But Apurva, that is what I wanted to understand, we have seen English struggle now for many years for most players not for you. But suddenly, why the optimism is there, is it because now most of the issues are resolved for that market and last few years base is favorable, the interest rate cuts, so what is the reason for the come back?

**R. K. Agarwal:** See, Abneesh, this is something which people have always believed. We never believed like that. If you recall, when you were still younger I always maintained English will come back one day or the other. It is not question of English or Hindi, but we believe that if you supply what you know readers want instead of trying to push down their throat what you want this is what will happen, number one. Number two, besides improving the product besides improving our efforts, We have done nothing or we do not see any change in the market conditions. Rather last year, you know markets were bad but Middy was an exception. So, clearly it is credit to the efforts and what we are doing.

**Abneesh Roy:** And this will be mix of ad volumes and price or it is mostly volumes only?

**R. K. Agarwal:** When we have increased market share by 2% it is clearly volume but there could be some increases in prices also which we are not worried too much about as of now. So long as we are improving our margins and we are getting the advertisements, we are happy. .

**Abneesh Roy:** Sir, my last question is 4% print ad growth, if you could take us through your key markets, UP., Bihar, and in UP. with the change of government are you seeing more robust numbers

likely in FY 2018 versus initial and why I am asking this is there is farm loan waiver on one side but then, there are issues for example in the abattoirs and all that. So, both things are happening, so if you could take us through how U. P. growth rate is looking?

**R. K. Agarwal:** Our print growth is not 4% but 5% and in fact this growth has come, you would be surprised to know from those markets where others have not done well. For example, Jharkhand and Bihar have done very well for us. Punjab has done very well for us this year. So, this is something again, which is not in sync with the commentary of a few others, right? But these two markets have done very well for us.

**Abneesh Roy:** How do you see U. P. market you expect that to accelerate?

**R. K. Agarwal:** Yes, U. P. market... clearly Abneesh like U. P., Bihar all these markets where we are pretty strong of course, will be beneficiary of all those developments which new government has started talking about.

**Moderator:** Thank you. We will take the next question from the line of Jai Doshi from Kotak Securities. Please go ahead.

**Jai Doshi:** Just one question on Radio business, when I look at your this quarter's number it shows a 4% growth and I think in the base quarter Radio Mantra was not in the financials. So, is it apple-to-apple comparison and is there an impact of IndAS on Radio revenue growth numbers?

**R. K. Agarwal:** Yes, it is like-to-like because as I mentioned in my opening remarks Radio Mantra has got amalgamated with effect from 1st January 2016. So, fourth quarter numbers of previous year have been recast. So, it is like-to-like comparison.

**Jai Doshi:** Okay. So, like-to-like 4% growth and in terms of...

**R. K. Agarwal:** Yes, you are increasing it by 1% it was 3%.

**Jai Doshi:** Okay. And in terms of profitability there is a sharp increase in other expenses. So, I understand it was largely due to launch of new stations. But how should we think about profitability and growth for Radio business for next year perspective?

**R. K. Agarwal:** In Q4 let me tell you all the costs relating to the new stations have played out. There is no cost which would come additionally in the next year. In fact, in Q3 also some of those costs had played out. But we could launch new stations only around February and March--- most of these stations. Therefore, the revenues have come very little in Q4 from these new stations whereas the full cost has come. So, that way Q4's no is the worst hit number because of the new launches,

- Apurva Purohit:** So, add to the point that Mr. Agarwal is making ---one is the entire cost playing out, the other was as you know we did the IPO also in this quarter, so there were those indirect expenses also. If you remove the one-time expenses the margin which is showing as 25% will actually be 31%. So, I think going forward which is the question that you asked ---the way to look at it is that 31% is the lowest margin that we will hit because of impact of new stations after that there is only growth. In fact, I would like to again, reiterate the point that Mr. Agarwal made that when we have started talking about this year, we have said that the margins would be around 30% - 32% we have done better than that at 34% and post this year the expectation is that it will only go up.
- R. K. Agarwal:** Another important thing is this is the quarter where we have lost very clearly identifiable Rs. 5 crores of revenue because of demonetization.
- Jai Doshi:** Understood. And would you like to give a broad outlook for each of the businesses from full year perspective next year revenue growth, ad revenue growth expectations like you did last year beginning of the year?
- R. K. Agarwal:** Yes. I will start with the Print, right? As I mentioned in the opening remark itself, We expect e 8% to 9% growth in the advertisement revenue. Digital has grown this year by 52% - 55% and that is what should be the rate of growth for Digital. Outdoor and event which were really turnaround story of the year--- They may not record that kind of steep growth in the top-line which they have done this year because one has grown by about I think 40% and other has grown by another 40%. So, What is left is the Radio that is about 17% to 18%.
- Apurva Purohit:** 2%, better than the industry.
- Moderator:** Thank you. Our next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** I would like to know your thoughts on the expansion of Naidunia especially when Middy has been showing good colors. What is our plan of expansion in Naidunia per se?
- R. K. Agarwal:** About Naidunia,there are a couple of things which I would like to share with you and after that CEO can explain the strategy and what has happened. Number one is, Naidunia after couple of years was able to grow their circulation by about 13%, and also, simultaneously increase their per copy realization by about 3% to 4% which in itself speaks a lot about the strength of that particular brand,.In local market, they registered low single-digit growth in advertisement revenue. Our CEO would explain strategy.
- Sanjay Gupta:** Let me tell you that Naidunia brand is available in Chhattisgarh and Madhya Pradesh and there is no plan to take the brand beyond these states and we currently operate in all the key markets of Chhattisgarh and M. P., so I feel no possibility of starting new print centers in these two



states at least. So, we will be going ahead and consolidating our circulation numbers and increasing them in the key markets of Madhya Pradesh and Chhattisgarh only. And expect a good monetization out of it as the CFO said.

**Ankur Periwal:** Sir, my focus was more from the advertisement growth perspective within the states of Madhya Pradesh and Chhattisgarh.

**R. K. Agarwal:** When you talk about growth, as I mentioned, they have registered like any other newspaper, 5% to 6% from the local market, right? Where they have suffered in this year was contribution from national market which is also improving. So, most important for them was to increase the circulation and they have recorded a growth of 13% in circulation without dropping the cover price which is one of the most important achievement. They improved their per copy utilization by about 3% to 4%.

**Ankur Periwal:** Fair enough, sir. Sir, lastly, what would be our aggregate circulation copies and the realization?

**R. K. Agarwal:** Aggregate circulation copies should be about all brands put together 5.5 million.

**Ankur Periwal:** And what will be our average realization on that, net realization?

**R. K. Agarwal:** In our case we have five - six brands.

**Management:** So, you cannot average them all.

**Ankur Periwal:** For Jagran what will that number be?

**R. K. Agarwal:** Per copy realization, for Jagran for the year, was about Rs. 2.48.

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

**Yogesh Kirve:** Sir, can you help us understand what will be the impact of GST, I understand the Print, Advertising and the News Print is broaden under GST ambit but there could be some set-off so can you talk us through?

**R. K. Agarwal:** Newspaper industry was the only industry that was not paying tax on advertisement revenue, so this is what has been brought under GST regime but at a lower rate of tax of 5%. When you compare it with Service Tax what people were already paying on Radio and TV revenues, we clearly believe that 5% burden which has come we will be able to pass on to the advertisers because they will be able to set it off.

- Yogesh Kirve:** Right. Sir, in regarding on the input you were paying the VAT or Service Tax which you were not able to offset earlier. So, can you tellus what was that amount?
- R. K. Agarwal:** Frankly, you know I did not bother to work it out, right? And that is significant amount but for me this exercise was meaningless because we are confident to pass it on .What can I assure you we have businesses where we have a positive impact on the bottom-line.
- Yogesh Kirve:** Sure. Sir, my second question is regarding what would be our strategy in terms of the circulation, and terms of the number of copies that we would like to increase in FY 2018 or beyond where are the pockets do we see the opportunity to increase penetration or number of copies?
- R. K. Agarwal:** See, this year we have increased our circulation by nearly 9% to 10% all the brands put together, Which is nearly 500,000 copies, It will all depend on the competitive intensity, we would not like to compromise with our market positioning and grow circulation, right? So, from these figures you can also understand that at least in India we do not worry about increasing circulation, right? So, there are brands as I mentioned Naidunia increased its circulation by 13% in one year and that too without reducing the cover price rather taking an increase of 3% to 4% in per copy realization. There is another brand Inext which increased its circulation by over 20% in one year. Their advertisement revenue growth was nearly 50%, Jagran also grew its circulation by 4% to 5%. So, it will be need based, it will depend on the markets and this is what we will do, so for the next year also there is going to be about 5% to 6% growth on overall basis.
- Yogesh Kirve:** Right, sir. Just clarification on one thing, sir, did we say that the number of copies went up by about 9% to 10% in this year?
- R. K. Agarwal:** Yes, that is what I am saying.
- Yogesh Kirve:** Right. But if your circulation revenues are up only 6%, so is that because of mix change or something?
- R. K. Agarwal:** Mix change because Naidunia per copy realization is say Rs. 1.90 paisa. Jagran's per copy realization is Rs. 2.48 paisa - Rs. 2.49 paisa. So, Jagran circulation growth was lesser than the growth in other brands. And Inext is just less than Rs. 1 per copy realization.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** Sir, actually, just a quick follow-up on what the previous caller also asked. For this particular quarter, you had a 4% growth in circulation revenue. If you can help us with what was the increase in circulation and pricing inflation?

**R. K. Agarwal:** Amit in Q4, I do not think there was improvement in per copy realization of any brand, right? It was on account of volume. When I say no improvement in per copy realization, I am talking about as compared to remaining nine months not Y-on-Y basis. On Y-on-Y basis of course there was some.

**Amit Kumar:** So, would it possible to quantify that?

**R. K. Agarwal:** I do not have figure readily available, I can share later.

**Amit Kumar:** All right. Not a problem, sir. Just a quick one on the advertising side, how did the sort of key sectors performing, which were the sectors which were sort of growing faster than the company growth of 5% and which were the ones which were drag especially on the local side education, real estate and on the government bid if you can help us understand that?

**Shailesh Gupta:** Well, the sector which are growing are FMCG and Automobiles, and Education Sector just started. Normally the time for Education is from June end which goes on to July-August. So, you must have seen the results have just come out a couple of days back. So, the Education will go up from now. And Government has been a little slow but the Government should also pick-up from now.

**Amit Kumar:** All right. Real Estate how is that doing and how do you see the impact of this RERA the new regulation which is coming?

**Shailesh Gupta:** It is not doing very well. Real Estate is not doing very well. So, it will take some time to be recovered. RERA will be I think implemented from 1st of July. So, it will take its toll little bit, yes.

**R. K. Agarwal:** And Amit, Real Estate is not very significant in our total pie.

**Amit Kumar:** All right. Sir, just quick one. We are sitting on sitting on almost 30<sup>th</sup> May, so May is just about getting over. How are April and May sort of shaping up? Because I presume that by this impact the impact of demonetization, it might be there a little but it will be very-very minimal, so how are we looking at April, May? The general expectation in the market was that once the new budgets sort come through you will sort of see a recovery, have we sort of seen that compared to the growth trend in the March quarter, I mean are we seeing a better trend in April and May?

**R. K. Agarwal:** I will just share with you certain facts in the past five months and would like to leave it for you to judge and then I will give my view as well. January-February was nightmare for us. Hardly there was any growth. Rather we were struggling to maintain the revenues. March was very good. Come April, April, Commercial Advertising was very good for us but Government did not do at all as probably U. P. was in the process of settling down,; he did not spend much

money on advertisement. So, April was flattish. May again is showing very good growth. So, what I would say good part is the commercial advertising picked-up from March and it continues to be doing well. But because of government it has been topsy-turvy which as Shailesh Ji has mentioned will improve.

**Amit Kumar:**

Sir, just one small point on your government bit, I remember last year we had this new notification by DAVP where they gave a little bit of ad rate hike, especially some bit of premium in specific pages and they also specified very clearly that you know only those companies which have proper circulation and EDC, RNI, certified numbers. So, the expectation was some of the bigger brands will actually benefit. So, what has happened, I mean last two quarters again the expectation of very good sort of growth coming in from the Government. I understand the U. P. a bit but U. P. is still just one part of your revenue, there is national DAVP, national government and a lot of government departments also which advertise and then there is of course, the entire bunch of states, M. P., Bihar, Chandigarh, Punjab, Haryana, all of those bits and pieces. We have not sort of seen the benefit of that change in DAVP guideline sort of filtering through in terms of growth. Could you sort of just give us a bit of color from there essentially? And leaving U. P. aside from the picture the broader sort of DAVP environment why has not it panned out the way that we expected?

**R. K. Agarwal:**

Yes. As I mentioned Bihar has done very well for us, right? It is at the back of Government revenues only. DAVP when you talk about Central has not done that bad. If they have not done good, they have not done bad either, right? So, U. P. in our case is an important pie, right? So, if that does not grow or it de-grow then it hurts, that is number two, okay? So, number three, whatever you said is true but all take time before it gets translated into reality. DAVP has given guidelines and all those checks and balances which are being put to screen the wrong and right circulation will help but it will take some time.

**Moderator:**

Thank you. Our next question is from the line of Jai Gandhi of Motilal Oswal Securities. Please go ahead.

**Jai Gandhi:**

Most of my questions have been answered. Just a couple of them, what would have been the Print ad growth, if I were to remove the impact of the Elections?

**R. K. Agarwal:**

Ex-Elections then I should have considered the revenues which would have come from government as well and in that case again, I would say the growth would have been same.

**Jai Gandhi:**

Growth have been same?

**R. K. Agarwal:**

Yes.

- Jai Gandhi:** Right. And sir, in fact, could I have a split of the Print and Radio CAPEX in probably 4Q FY 2017 and what would you guide for in FY 2018?
- R. K. Agarwal:** We do not have too much of CAPEX for the year 2017 - 2018 as well. As far as Radio is concerned, there is no CAPEX, except the maintenance CAPEX. They have incurred all the CAPEX whatever was required to be done to set up those 11 stations. So, that is about Radio. And in case of Print it could be Rs. 60 crores - Rs. 70 crores which is what is now annual CAPEX of ours.
- Jai Gandhi:** Right. All right. And sir, what would be your news print outlook for FY 2018?
- R. K. Agarwal:** We do not expect any major increases in the prices.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from E&R Advisors. Please go ahead.
- Sonaal Kohli:** Sir, my first question is how do you see the impact of GST on your advertisement revenue growth? Do you see that in the near future because of this there may be some hesitancy on the part of consumer companies to advertise? And secondly, when you look at your growth rates going forward what is your expectation would recovery be more back ended in the second-half or would you expect it to see it spread out throughout the year or if not this quarter may be from the next quarter?
- R. K. Agarwal:** As I mentioned, I do not see any reason why it cannot be passed on to the advertisers who will be eligible to claim set off.
- Sonaal Kohli:** Sir, apologies, what I meant to ask was would you see consumer company's being hesitant to advertise considering the disruption in supply chain which may be possible in some of the goods?
- R. K. Agarwal:** I do not think. I mean do you really expect disruption in the supply chain because of implementation of GST. If that disruption is going to be faced, first of all it could be short living for a month or so and if long term disruption is going to be caused then we are practically talking about the entire economy and then it is not only the consumer companies, etc., So, I do not expect any disruption which is affecting you for more than three weeks to four weeks. And in case, it happens, then really it is very difficult for us to predict because we have never assumed that.
- Sonaal Kohli:** Sure, sir. I understood. What about sir the growth will it be more back ended, will it happen from Q2 you expect it to be spread out throughout the year for your company as a whole?
- R. K. Agarwal:** Yes, we expect second-half to be better it is going to be back-ended growth because all said and done, yes demonetization impact is decreasing day-by-day but is not yet over.

- Sonaal Kohli:** And secondly, perhaps it also benefits from the low base of the second-half of previous year?
- R. K. Agarwal:** Yes.
- Moderator:** Thank you. Our next question is from the line of Aruna Bharati of Pari Washington. Please go ahead.
- Aruna Bharati:** I just have a book keeping question actually. On your standalone balance sheet what is the total debt you have?
- R. K. Agarwal:** On standalone balance sheet I have now very little, I have only Rs. 150 crores out of which Rs. 75 crores is classified as other financial liabilities because it is payable within one year from the balance sheet date; so it will get paid in December that is the bond of Rs. 75 crores.
- Aruna Bharati:** Okay. And the total debt is about Rs. 150 odd crores, right?
- R. K. Agarwal:** Yes.
- Aruna Bharati:** Okay. And what is the tax rate for the next couple of years?
- R. K. Agarwal:** The book tax rate will be 33% - 34% now in the regime of deferred tax. But if you talk about the tax which will go from our pocket that will be not more than 28% to 29%.
- Moderator:** Thank you. Our next question is from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Pavneet Singh:** My question is regarding DAVP, is the color advertisement is also a part of DAVP and whether the rate card for State Government and Central Government different?
- R. K. Agarwal:** No, it is the same.
- Pavneet Singh:** Is the color advertisement the full-page ad the half page ad?
- Shailesh Gupta:** That is in square centimeter you get a rate and you multiply that.
- Pavneet Singh:** No. But the rate chart for the government are they like subsidize or they are same as the other commercial advertisements?
- Shailesh Gupta:** No, they are subsidized.
- Pavneet Singh:** Okay. To what extent like what is the proportion, what is the difference? Yes, if you could give some example as to like what is the difference of the price you are charging for Commercial Advertising?

- R. K. Agarwal:** It will be in the range of about 30%.
- Pavneet Singh:** 30% lesser for Government or 30% on the....
- R. K. Agarwal:** Yes, lesser. Who will give more?
- Pavneet Singh:** Okay. And the do you charge like there was a DAVP policy and it says that for the highly circulated newspapers like Jagran and other biggies they get higher rate incrementally per 1,000 copies over and above 800 rates.
- R. K. Agarwal:** Absolutely, yes.
- Pavneet Singh:** And so, similar this prices are also relevant to Colored Ad you are referring to, right?
- R. K. Agarwal:** Colored Ad and Black and White both are different.
- Shailesh Gupta:** Color has the premium on it.
- Pavneet Singh:** It is a premium on it.
- R. K. Agarwal:** Yes.
- Moderator:** Thank you. Our next question is from the line of Rohit Dokania of IDFC Securities. Please go ahead.
- Rohit Dokania:** Could you talk about the news print price absolute for FY 2017 and the tonnage that we consumed in FY 2017?
- R. K. Agarwal:** Tonnage should be about 1,60,000 tonnes and the average price was about 34,000 blended.
- Rohit Dokania:** Sure and this is consolidated, right?
- R. K. Agarwal:** Yes.
- Rohit Dokania:** Okay, sure. And sir, also can you give us the numbers of full year revenue for Midday and Naidunia in this particular fiscal, all revenues inclusive act, circulation plus others?
- R. K. Agarwal:** See, if you look at the Press Release you will see, there it is quarterly.
- Rohit Dokania:** No, this is quarterly, sir.
- R. K. Agarwal:** Yes, it is quarterly. Rohit, I am not having it readily..

- Rohit Dokania:** And sir, can you talk about the profitability on Naidunia going forward how does that look like from here on?
- R. K. Agarwal:** Rohit, as I mentioned in spite of 13% increase in circulation, they have not incurred any loss, and there was flat advertisement revenue. Even if they had grown by 5% there would have been profit to the tune of about Rs. 5 crores - Rs. 6 crores at operating level, okay? So, of course, first step was to increase the circulation. Last year if you recall, we deferred the expansion of circulation because the market condition was not conducive. This year therefore, despite demonetization we continued to expand the circulation keep in view future. So, hopefully, 2017 - 2018 should be better from revenue growth perspective and Naidunia should start reporting some profit from the year 2017 - 2018 itself.
- Rohit Dokania:** Okay, Sure, sir. That is very helpful. Just one last question. Could you talk about the net debt consolidated level?
- R. K. Agarwal:** It is negative.
- Rohit Dokania:** To what extent?
- R. K. Agarwal:** To what extent? It is upward of Rs. 500 crores. But then out of that Rs. 300 crores we have distributed in April.
- Moderator:** Thank you. Our next question is a follow-up from the line of Sonaal Kohli from E&R Advisors. Please go ahead.
- Sonaal Kohli:** Two questions and apologies if you have already answered this because I joined in late. Firstly, sir, would you expect your EBITDA growth to be higher than your revenue growth for your Print business this year? And secondly, would you expect your broad range of EBITDA growth to be somewhere 10% to 15% or are you likely to expect it to be much higher lower than the range I am talking about?
- R. K. Agarwal:** See, this year also our Print revenue growth was lesser than the EBITDA growth. And this is something which is going to happen every year and this has been happening for some years now, right? This is why you see now, even with the kind of 5% growth in Advertisement revenue in the Print, you saw a growth of nearly 16% to 17% in EPS, right? So, now the Print business has come to a level where if you cross 10% growth you can expect surprise movement in EPS.
- Sonaal Kohli:** Sure, sir. Sir, my question was more pertaining to the EBITDA because the EPS has interest, the other income depreciation. So, would you expect your EBITDA growth will be much higher why you are firstly expecting a 10% kind of growth in your Print business in this year



and therefore, would you expect EBITDA growth to be much higher, could it even be 15% - 20%?

**R. K. Agarwal:** I am expecting at a group level EBITDA growth of not less than 15% to 16% which was this year 7 to 8%.

**Sonaal Kohli:** And sir, what kind of depreciation rate, are you likely to have this year, what kind of depreciation would you clock this year?

**R. K. Agarwal:** There will be slightly less depreciation this year because now out of this depreciation which you see at group level significant portion is coming from Radio business where it has a straight line that is the total depreciable amount divided by the 15-years-period, right? So, nearly, out of that 30% comes from the Radio business and 70% comes from the Print business, right? That 70% portion will slightly go down but that 30% will remain same. So, supposing the total depreciation is Rs. 127 crores -Rs. 128 crores, next year it would be about Rs. 4 crores - Rs. 5 crores less.

**Moderator:** Thank you. Our next question is from the line of Jai Doshi of Kotak Securities. Please go ahead.

**Jai Doshi:** I just wanted to understand what are the merits and demerits of rebranding newspaper? Let us say Naidunia you are operating as Naidunia as a brand but if you were to hypothetically consider rebranding it to Dainik Jagran, what are the pros and cons, costs involved versus risk, opportunities? We have seen rebranding in television channels but I have never seen that in newspaper, so just curious to know.

**R. K. Agarwal:** President will respond to this question.

**Apurva Purohit:** So, e, I think rebranding exercises should never be taken lightly whatever is the industry. I think we should look at it as equity a brand has gained over these past several years of existence especially media when I talk about whether it is Radio, whether I talk about Print, there is a certain habit, there is a certain consistency and that is what we want when we build listener or reader engagement that every morning he opens the paper, or he switches on the channel and it must be exactly the same, that is what the industry builds on and that is how it flourishes. So, rebranding exercises should not be done lightly. And therefore, let us talk about Naidunia, I think, if it is there for 30 years, 40 years, 50 years as a brand and any tweaking should be ceded very-very sensitively that is the first point I would like to make. Having said that, there are opportunities to associate a brand with let us say the mother brand. For example, Inext has its own equity amongst the youth urban, urbane kind of audience in U. P. However, there is a Jagran Umbrella brand that adds credibility and respect to it. So, one has to contextualize a brand in light of the family it belongs to and somewhere having the mother brand associated with it helps it. Moving now to the third example, for example, recently we

rebranded Radio Mantra as Radio City. Now, there the whole risk benefit equation that you are talking about----- the risk was that Mantra does have a seven years - eight year old equity at the same time Radio City has a national presence and both for advertisers and listeners it has a bigger equity. Therefore, rebranding Radio Mantra to Radio City would result may be in short-term loss in the recall but over a long period add to recall because the marketing input that you would put in would then get synergized across the country. So, the two summary points I am making, one rebranding has to be done very judiciously and sensitively and not just to create excitement or buzz which seems to be a tendency of many media brand. And the second thing, that it has to be seen in the light of the overall impact it will deliver depending on the family it belongs to.

**Moderator:** Thank you. I now hand conference back to the management for closing comments. Over to you, sir!

**R. K. Agarwal:** Thank you, friends once again for sparing your valuable time and giving a patient hearing. That is all from our side. Thank you once again.

**Shailesh Gupta:** Thank you, everyone.

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