



“Jagran Prakashan Limited Q1FY16 Earnings Conference Call”

July 28, 2015



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



*Jagran Prakashan Limited
July 28, 2015*

Moderator: Ladies and gentlemen good day and welcome to the Jagran Prakashan Q1FY16 earning conference call hosted by ICICI Securities Limited. As a remainder, 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 that this conference is being recorded. I would now like to hand the conference over to Mr. Vikash Mantri of ICICI Securities. Thank you and over to you sir.

Vikash Mantri: Good afternoon everybody. We at ICICI Securities pleased to host the Q1FY16 conference call for Jagran Prakashan. We have the entire senior management team of Jagran Prakashan as usual with us represented by Mr. Sanjay Gupta – the CEO; Mr. Shailesh Gupta – Director (Marketing) and Mr. RK Agarwal – the CFO of the company. Over to you sir for initial remarks.

RK Agarwal: Friends, welcome to the conference call for Q1FY16 of JPL.

We are pleased to present Q1 results which you all must have seen. Clearly, this is the best ever quarter for the company. The company has recorded the highest ever operating profit at a time when most of the businesses and peers have struggled to even maintain their profits. The company has delivered on all parameters and not only operating profits. Jagran continues to maintain healthy margins at 34% but overall improvement in margins has come from other publication brands. These have posted profit of 6.94 crores as against loss of 7.60 crores in the corresponding quarter of the last year.

As far as quarter-on-quarter comparisons are concerned there is a growth of 13.5% in advertisement revenue on like-to-like basis and 18% growth if we include Radio revenues for 20 days. Similarly, there is an improvement in net profit of over 58% as against 42% on Y-o-Y basis which implies that for those 20 days Radio also made its contribution in the bottom line.

This has been possible due to the company's ability to identify the opportunity even in adverse circumstances. Even focus on improving yield would not have lowered the growth much but we believe in customer friendly policies and did what our customers expected in an economically difficult time. There was a bit of compromise with the yield for volume but it was for incremental growth in profit. We are profit focused and so long as any revenue gives the profit, we do not refuse business. Rigidity in business is a losing proposition and does not build the long-term relationship which we always strive for as this is the key to sustainable growth.

Timely and customer oriented solutions has enabled the company to deliver the highest growth in advertisement revenues amongst the peers. We believe that this gesture of partnership will be appreciated by our advertisers and we will be the biggest beneficiary when

the economy picks up. While talking about growth, it is also pertinent to mention that the entire growth in revenue is clean and does not include any revenue worth mention , from property barter and/or private treaties.

Coming to the balance sheet of the group, the company has managed its debts within the comfortable limits despite significant outflow for acquisition of Radio City. The net debt stands at 44 crores at the quarter end. Post Radio auction which is happening while we are speaking and dividend distribution it will temporarily increase but it shall come back to the current level by the year end given the robust cash generation from print as well as Radio businesses. In digital, the progress continues to be satisfactory and we are approaching towards our end objective as per plan without going overboard. Now, without taking much of your time we request you to proceed with your questions basis analysis of your results for this eventful quarter for the company. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Srinivas Sheshadri from Antique Stock Broking. Please go ahead.

Srinivas Sheshadri: Just had couple of questions. Firstly Mr. Agarwal, if you can throw some light on how are the different markets performing; UP, Bihar, MP and NCR and the other markets and also if you can give some color in terms of the spend from local-national government, those kind of mixes, how they are working in terms of the growth?

RK Agarwal: For us, there was no territory which was cause of worry. Every territory has performed as per expectations. As far as MPCG is concerned, that also has done pretty well for us. In fact, the contribution of MPCG market in Nai Dunia plus Dianik Jagran has resulted in 18% growth year-on-year basis. As far as segments are concerned there also all the segments have done well for us. Of course, government was the largest category for the current quarter. Education has done better than the previous year. Automobile has done good. If there is any sector which has registered a slight degrowth is Real Estate. Everything else is absolutely fine.

Srinivas Sheshadri: Just a follow up on that one. Can you particularly comment on the UP market and how the dynamics are panning out that would be very helpful given that it is your largest market?

Sanjay Gupta: You are asking on the UP market?

Srinivas Sheshadri: Yes sir.

Sanjay Gupta: UP market is doing phenomenally well for us .All my print centers are doing exceptionally good work. We are much ahead of the competition in terms of circulation, leadership and advertising growth.

- RK Agarwal:** UP, all of a sudden has changed gears and you see a whole lot of development work happening.
- Srinivas Sheshadri:** Here you are referring to the economic development, is it?
- RK Agarwal:** Yes.
- Srinivas Sheshadri:** Fair enough. The second question is on the outdoor and events business, on a sequential basis there has been a bit on an increase in the revenue. In the previous call, you had mentioned that you were looking to either exit on an overall business level or at an individual property level. Just wanted to get some update on why, what you are doing there and is this number something which is more of a tactical opportunity you capitalized on or has the strategy changes as far as the Outdoor and Events businesses are concerned?
- RK Agarwal:** Mr. Sheshadri, clearly if you recall we mentioned that both the businesses are profit generating businesses. On that front there is no doubt whatsoever. But what we said was, it is challenging the management bandwidth it and at the same time not giving the commensurate results. So that is something which we maintain. There is no doubt about it. It is the Event which has been pretty well in this quarter but if you look at the profitability that remains under challenge. So these businesses pull down our overall probability and after acquisition of Radio City the management has decided to focus on three core businesses and that strategy continues. Those three businesses are Print, Radio, and Digital.
- Moderator:** Thank you. The next question is from the line of Vinod Malviya from Fluorine Tree Advisors. Please go ahead.
- Vinod Malviya:** Can you just provide me how much price hit we have taken for the advertisement during this quarter on a Y-o-Y basis and on a sequential basis from March quarter to this quarter?
- RK Agarwal:** If we start discussing this aspect probably lot of aspects need to be covered and understood before we can comment upon this. Yes, as I mentioned in the opening remarks, we have compromised a bit with the yield looking at the environment but for the larger share in the pie and for incremental growth in profit.
- Vinod Malviya:** What volume growth would have got over year?
- RK Agarwal:** Sorry?
- Vinod Malviya:** What would be the volume growth because of the price decline?
- RK Agarwal:** This would need a bit of detailed discussion because it is a complex matter. If I share one aspect and do not share the other things it will only mislead you.

- Vinod Malviya:** The second question is on the other publication business, we have reported really descent margin this quarter, 9%, but what would be the likely target for the full year, for the entire FY16 in the other publication business?
- RK Agarwal:** They should maintain more or less the same margin for the current year. May be a percent here or maybe a percent there.
- Vinod Malviya:** What would be your share of Real Estate in the entire advertisements?
- RK Agarwal:** It is very miniscule and this is the only sector which has registered some degrowth
- Moderator:** Thank you. The next question is from the line of Avnish Roy from Edelweiss. Please go ahead.
- Avnish Roy:** One question on the MPCG market, you said ad growth is 18% for you?
- RK Agarwal:** That is right. In terms of their contribution to Nai Dunia itself and also to Jagran.
- Avnish Roy:** Will it be fair to say that you are taking share from the leader there?
- RK Agarwal:** Not only leader but from other players as well despite that for some reason MPCG market is passing through probably a more difficult time than any other state.
- Avnish Roy:** Why is that, if you see there has been a stable government for many years, the same government at the center. What is the specific issue in that market?
- RK Agarwal:** They have Indore as the biggest market for themselves and Indore is hugely depending on the Real Estate. If it is not doing well, rest of the sectors also suffers. That is one. Number two, government spend is not there as much as it is in other states and MP is also a market, which depends hugely on government spends.
- Avnish Roy:** This 18% growth if you see the leader claims to have taken a lot of price hike. So is it that we are getting some of their advertiser to your media because of favorable rates or is because your circulation numbers would have ramped up, that is why your growth is higher than the market?
- RK Agarwal:** I would say our offers were more friendly, more helpful to the advertisers in these difficult times and that is why they came to us.
- Avnish Roy:** Coming to Bihar, now we have elections in a few months and you are the number two player there. In that context, political advertising versus government ads, overall basis how do you see Q2 and Q3 will there be a negative impact, will there be a positive impact because we see diversions happening here in different elections, based on number #1 number #2 and based on that specific state. How do you read the scenario? Even Q2, will it be a positive thing for you or negative thing for you?

- RK Agarwal:** Again, on an overall basis there could be a little bit positive impact but then in one quarter you can have positive impact and other quarter it gets nullified because elections are spread over two quarters. But on an overall basis if you look at, there could be maybe 1%-2% positive impact.
- Avnish Roy:** My last question is, if you could comment on, so it was a follow up on Bihar DB Corp going into new cities in Bihar and one more on the Radio City full year guidance that you are maintaining 15% growth, Q1 I understand base issue was there and the exceptional cost of 13 crores is it just one time and why we have to provide this post acquisition?
- RK Agarwal:** No, we have not provided for this cost post acquisition. It is factored in the cost of acquisition. We are incorporating the results only for 20 days; that is beginning from 11th of June to 30th June. This cost relates to the earlier period..
- Avnish Roy:** Earlier period means which period?
- RK Agarwal:** That is for the past service period, right up to 10th June when the transaction got concluded.
- Avnish Roy:** No, I am still not clear why we have to give for that?
- RK Agarwal:** I have not provided for. That is what I am saying. It is factored in cost of acquisition. I have deducted that amount of money from the seller and this is adjusted in cost of acquisition. This is not hitting my profit and loss account nor am I bearing that cost.
- Avnish Roy:** Revenue growth 15% full year guidance you expect that to happen...?
- RK Agarwal:** In 20 days, they have done a turnover of 14 crores and that 14 crores has resulted in nearly 40% operating margin for us. That is what is included in the account presented.
- Moderator:** Thank you. The next question is from the line of Sonal Kohli from ENR Advisors. Please go ahead.
- Sonal Kohli:** When you say your recent, you just said that Uttar Pradesh economy is doing well, could you throw light on from when are you seeing this phenomenon what kind of changes are these and are these small changes or are these big changes and would you expect them to continue or is it something structural or this is something led by few projects and how do you see this going forward?
- RK Agarwal:** More details CEO will give, but as a layman what I can tell you, I have been living in Kanpur for such a long time or in UP for such a long time, whatever I am seeing are happening on the ground I never saw in past one decade or so.

- Sanjay Gupta:** Politically if we were to answer that question, Samajwadi Party is gearing up for the Lok Sabha elections which are still about 3.5 years away but they realize their follies in the past and now they are completely on track to give development to UP. Infrastructure, their prestigious highway linking between Agra and Lucknow is on way, land acquisition is on way which has paved way for jump in land prices which does increase the income of farmers in that area plus industry around NCR is doing very well and trading in cities of all the KAVAL towns of UP is doing again very well. There is I would say a sense of positivity
- Sonal Kohli:** What do you expect the benefits have largely come in or this is something which will keep on?
- Sanjay Gupta:** The benefits are here to say. We have given a solid growth of nearly 8% in advertising and UP constitute nearly 45%- 50% of market and actually the growth has come from there. If the economy was not looking up, why would advertiser which is the first to cut their expense budget would have advertised. So, the immediate feel that we get from the national market is that nobody is shying away from UP.
- Moderator:** Thank you. The next question is from the line of Chitrangda Kapoor from Reliance Securities. Please go ahead.
- Chitrangda Kapoor:** I was just trying to understand the gross margin improvement that you have delivered, saw it is fantastic and heartiest congratulation for that. You had mentioned earlier that the newsprint prices decline that you are witnessing which is across the industry you pass it on to the advertisers. Am I correct?
- RK Agarwal:** You are absolutely right.
- Chitrangda Kapoor:** So what was the newsprint price for this quarter, if you can share with us the amount and the tonnage?
- RK Agarwal:** It was nearly 34,000 per ton.
- Chitrangda Kapoor:** Which is on a comparable basis, same quarter last year?
- RK Agarwal:** It was 9% lower.
- Chitrangda Kapoor:** So you are saying the entire 9% benefit...
- RK Agarwal:** Not exactly 9%, what I said was substantial amount of that was passed on to the advertisers. Let me clarify what you want to understand, Our raw material cost or newsprint cost is about 35% of total revenue. 9% of that is not more than 3%. So if my operating margin has improved by 4% clearly it could not have happened only because of newsprint price fall.. You understand my point?

- Chitragda Kapoor:** Right.
- RK Agarwal:** So definitely when I mention that a benefit of that was passed on to the advertiser it was not something I can apportion what benefit I have passed on, what benefit I have not passed on, but the fact of the matter is if we compromised a bit with the yield, we did that because we had that comfort.
- Chitragda Kapoor:** To follow up from what you have just mentioned is, one is again in terms of revenue and one I would talk about your other publication which has done phenomenally well. So first part of the question is, when we are talking about the revenue and you are saying that there is a compromise on the yield and we understand that you are not going to share the quantum of it, but also in UP markets...
- RK Agarwal:** I did not say I do not want to share, the point is it is too complex a matter.
- Chitragda Kapoor:** No problem.
- RK Agarwal:** If you were to be sitting with me I could have explained you and then probably you could have come to the right conclusion that is why I am not sharing.
- Chitragda Kapoor:** I will look forward to that sir. But as of now your closest peer in UP, I would not say closest but your peer in UP has also compromised on yield and has reported about 7% growth in their advertisement primarily through volume. So is that one of the factors why you have compromised on the yield. Is it too cheeky for me to ask you that, it is just because of newsprint price benefit that you have passed on?
- RK Agarwal:** Newsprint price benefit is one reason but as I mentioned in my opening remarks we always believe in long term association with the advertisers because we believe that this is what is the key to our success. So when the times are tough we made innovative offers which were liked by the advertisers and there was lot of hard work which went into it..
- Chitragda Kapoor:** Okay, I would like to understand that much better in detail, but probably I will take that offline. My second part of the question was with regards to your other publications so out of the other publications which include Nai Dunia, I-Next, Mid-Day etc which of these publications have done phenomenally well or for instance in your presentation mention Mid-Day is still a little sluggish. So if you can just throw some light on your other publication performance?
- RK Agarwal:** In terms of revenue, yes Mid-Day was sluggish. Mid-Day had a flat revenue or rather couple of percentage drop in advertisement revenue as compared to the previous year because they had election revenue and as it is, macro markets were not in fact doing as well as non-metro markets. So they were the victims of English markets as other players are, but at the same time

what they could have done they have done the best and they have reported nearly 5.5 crores of operating profits.

Chitragda Kapoor: How did that come along? Where have we done the...?

RK Agarwal: They have been improving their per copy realisation and which is what has helped them report this profit while maintaining the control over increase in cost.

Chitragda Kapoor: So there is a circulation price increase that has happened. So could you quantify sir how much is the cover price increase that we have taken on a blended basis and if it is possible to share?

RK Agarwal: We have not taken any increase in cover price as such. Earlier what was happening there was subsidized subscription scheme. You are in Mumbai, you know well, people are supplying newspaper say at Rs. 200 subscription or something of that sort for 6 months or 7 months or 8 months whatever it is, the Mid-Day has been consciously discontinuing the copies wherever the scheme i.e period of booking was getting over. So as a result of that what has happened is they have saved the cost of distribution of newspaper. They have also been able to improve per copy realization without increasing the cover price.

Chitragda Kapoor: So what is the per copy realization which is there currently sir?

RK Agarwal: That has increased significantly, I do not have figure readily available but that has gone up very significantly at least by a rupee.

Chitragda Kapoor: I will again take that offline, no problem.

RK Agarwal: It has increased by about a rupee.

Chitragda Kapoor: My second question is with regards to your Radio business, it is very exciting. I believe this for 20 days they have delivered about a 40% operating margin. Am I correct on that?

RK Agarwal: Yes.

Chitragda Kapoor: So is that sustainable margin?

RK Agarwal: No, 40% is not sustainable. What we expect them to deliver is nearly 32%-33% margin for the year. But still there will be an improvement from the previous year.

Chitragda Kapoor: So previous year, for the full year what was it...?

RK Agarwal: 30%.

- Chitragda Kapoor:** And we see an improvement, okay. My final question is more on a macroeconomic basis. The monsoon has actually not picked up towards the later part of the session and is that going to have an impact on the macroeconomic revival, do you see it on ground on the advertisement front? Is that happening?
- RK Agarwal:** Not really, First, let me share with you a newspaper report which clearly says that this year kharif cultivation in India has increased significantly, number one. So monsoon not picking up in the later part is something which is not completely true, In this part of the country monsoon is doing okay, not bad if not good, number one. Number two, if 60%-70% people are residing in rural areas, out of that not more than 25%-30% are depending on the agricultural economy. That is again something which a survey has recently pointed out. While talking about the impact of monsoon, this was clearly discussed in that survey and what they say, I also agree with because I myself have been observing that no longer, now rural population is so much dependent on Agriculture as they used to be. For the simple reason that even if they are staying there, some of their family members are working in town and the money keeps getting remitted so long as urban economy is doing well. Then you have other employments available to them, besides the agriculture. So yes, it can impact but I do not see any significant impact.
- Moderator:** Thank you. The next question is from the line of Rohit Dokania from IDFC. Please go ahead.
- Rohit Dokania:** Just 2-3 questions from my side. One is if I look at your standalone entity, there the sequential increase in raw material cost is almost 9% whereas I believe there would have been almost a flattish kind of a trend in terms of newsprint price. So, is the pagination gone up significantly on a sequential basis?
- RK Agarwal:** Pagination has gone up.
- Rohit Dokania:** Can you quantify that if possible?
- RK Agarwal:** More or less same.
- Rohit Dokania:** So Q4 and Q1 pagination, sorry I did not understand.
- RK Agarwal:** The pagination has increased by about 8%-9%.
- Rohit Dokania:** I was just looking at the Radio City margin for the first quarter is reported around 31% whereas for the 20 days, that we have consolidated is about 37 odd percent so what is leading to this difference?
- RK Agarwal:** In case of broadcasting, in case of telecasting if revenue is not evenly distributed, the margins will change like that because all other costs are fixed.
- Rohit Dokania:** So you have done better revenue collection essentially over the past.

- RK Agarwal:** Not revenue collection, revenue booking.
- Rohit Dokania:** Okay and one last question from my side in terms of the increase in other expense on the print side which is excluding raw material and employ, what kind of trend would we see for the full year because Q1 if I look at...
- RK Agarwal:** Increase is exceptional, the reason is that other expenses include 4 odd crores which relate to acquisition of Radio City and in this quarter there was about a crore rupee spent on CSR activity also. So these 5 crores were extraordinary items included in these expenses.
- Moderator:** Thank you. The next question is from the line of Lakshmi Narayanan from Catamaran. Please go ahead.
- Lakshmi Narayanan:** I have 2-3 questions. First is, I think I missed out the earlier part when you mentioned on Radio, just wanted to understand how much additional investment we need to put in for Radio for this financial year. Second question is on the circulation revenue increase, how much has come from cover price increase for the core Jagran brand and what kind of price increase is possible for the core brand and the last question is on the web traffic which you had actually mentioned, several million users, just wanted to understand where these users are coming from, is it metro or is it coming from UP, these are my three questions?
- R.K Agarwal:** In terms of investment in Radio City for the current year it should be in the range of about 275 odd crores out of that I do not think JPL will need to invest any significant amount for the simple reason that Radio City already has Rs. 200 crores raised from bond for meeting this liability and they also have nearly Rs. 50 crores as their cash and bank balance and by the time this payout will happen, may be that they add another 5-7-8 crores, so Jagran may not need to invest more than 15-20 crores or may be 25 crores at the most
- Lakshmi Narayanan:** What is the outlook for investment for a slightly longer tenure like 2-3 years, you have anything in mind in terms of...?
- RK Agarwal:** I do not think there is anything in Radio as it is, you do not need to make any significant investment.
- Lakshmi Narayanan:** Second is on the circulation revenue increase and how much has come from cover price and how much we can actually...?
- RK Agarwal:** Jagran has been taking increase in cover prices for quite some time. Last year also our circulation revenue grew by more than 10%-11% in which major contribution was of improved per copy realization, . So this year whatever increases we have taken last year are coming for the full year I. We have not increased any cover price in the current year. Out of increase in

circulation revenue of 6.5%-7% which you are seeing in case of core brand, circulation increase is about 3% and rest is on account of improved per copy realization.

Lakshmi Narayanan: The third question is on the web traffic, where is it...?

RK Agarwal: from every where in the country .

Moderator: Thank you. The next question is from the line of Shobhit Khare from Edelweiss Securities. Please go ahead.

Shobhit Khare: Couple of questions, first is if you could just tell us what is the break up in terms of circulation revenue growth, why that number is so low despite the price increases that we have taken? Second, if I could get a break up?

RK Agarwal: Actually, I will get confused if you list out all the questions. Let me answer one by one. If you have seen JPL's circulation revenue growth in last year as well as year before last or as ever, Jagran has always recorded highest growth in circulation revenue. You may be knowing that Jagran is probably the costliest newspaper being sold in India. So it cannot go on increasing in double digits all the time. Last year, it increased by more than double digit. Year before last also it increased by similar percentage, so it cannot go on happening like that. Circulation revenue has improved by 3%-3.5% on account of increase in per copy realization and 3% due to increase in the volume We are more than happy with that growth. So for circulation revenue, if you look at peers and start comparing Jagran's growth in circulation revenue probably there will be a misleading picture. For the simple reason that they had already been low priced newspaper and only recently they have also acknowledged the philosophy of Jagran and they have started increasing the cover prices only recently. So of course, their circulation revenue will grow faster than ours.

Shobhit Khare: Second question is on the advertising, I joined the call late, so if you had mentioned this I am sorry for this, but if you could just help us with what has been the volume growth versus yield for this quarter and what is your outlook for the year, like what kind of growth and what kind of volume uptick you see during the year?

RK Agarwal: For the prospect, Director – Marketing will explain. But as for as break up into volume and yield, what I stated earlier was it is a bit complex matter. if I mention one aspect and do not discuss in detail then it will be misleading, so it is not a simple question to be answered. That said, we compromised a bit with the yield but for volume and for incremental growth in profit.

Shobhit Khare: Sure sir, if I could get some outlook on both the aspects of ad revenue?

RK Agarwal: Outlook, Director of Marketing will explain. They want to know the outlook for remaining 8-9 months.

- Shailesh Gupta:** The outlook for the market is not very bullish, but there are ways and means of going around it. All the businesses are at a very tender position right now and we need to act as per their requirement which we are doing and as far as Jagran's outlook is concerned we are very positive that we will be doing some good job this quarter also and after this quarter it is festive season..
- RK Agarwal:** What Mr. Gupta was explaining was in general, the economic environment is not supporting the growth but as we did in first quarter we are confident that we will repeat our performance in remaining quarters as well.
- Shobhit Khare:** My final question is on Radio City, you mentioned 275 crores around investment. So this is for migration or this also includes any...?
- RK Agarwal:** New stations as well.
- Moderator:** Thank you. The next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** My question is for Director – Marketing. See we gather from advertisers that some of the deals that you sort of offered them in the last quarter were very attractive especially jacket adds and front page ads, and full page ads. Now what is your assessment? By offering attractive prices, are you able to attract more advertising towards print medium or you gained market share or ad volume share in customers to whom you offered this?
- Shailesh Gupta:** The thing is that yes, we did give attractive pricing but it was not to one and all. It was very selectively given to those people who could consume volume because they wanted to advertise and the market scenario was not allowing them to spend that kind of money. So it was just an invitation offer which was given very innovatively and tailor made. Everybody had different offers as per their requirement. The whole idea was to make them spend and in bargaining of their spends, we will get the market share also. So what we did was, it was not a deal which was given in open market, it was very selective to a very selective clients and the whole idea was to increase the revenues for Jagran, otherwise the revenues would have been compromised somewhere.
- RK Agarwal:** That is what I mentioned in the opening remarks as well . It cannot be put so simply that we compromised only with the rates. As Director – Marketing mentioned, there was a lot of innovation which went into making an offer to a particular advertiser. What you saw was just apparent thing, but there were more things which went into it and whatever offers we made that was in order to have the incremental growth in profit. No way, we compromised with the profit.

Jai Doshi: Second is, given the success to your offer or strategy, are you planning to extent this to broader set of advertisers or right now you would probably continue with the select ones?

Shailesh Gupta: We are not even continuing that. See there are different strokes for different folks, right?

Jai Doshi: Right.

Shailesh Gupta: people for whom jacket is important, it will be jacket, people for whom a 100cc is important ,it will be 100cc . So it is not that we are going to continue with the same strategy what we did in Q1. There is a huge change in strategy for Q2 and there will be a different strategy for Q3. There will always be something in offering for the advertisers to excite them and to make them use our paper and experience.

Jai Doshi: Do you think that if a similar strategy sort of, does this strategy help increase print ad pie was the question that I was trying to understand?

RK Agarwal: Let me answer that question to you. If you look at the total pie and if you look at the growth registered by the peers or the degrowth registered by the peers, of course the print pie has not increased and not only print pie but probably other platforms also have not been able to expand their pie much in Q1 because economy was not doing well. Take example of Radio which is still not as matured as print is, but even in that case what we have seen is growth of 3%-4% Radio City is definitely an exception by miles which recorded a growth of 10%. So it is very premature or rather probably it is not a very important point to discuss at a point in time when the economy is not supporting the ad spend. So any conclusion drawn on the basis of whatever we did in Q1 and generalize it for the remaining quarters or for future years probably may not be right.

Jai Doshi: Lastly, do you anticipate your competition in the key markets to respond to your offers, is it a similar offer and if that happens then at a net level do you think that advertisers may sort of get a better bargain or you think that people...?

RK Agarwal: Actually only point you are considering in your question is cutting the price. It was not only cutting the price, it was sense of long term association which through innovative offers we have been able to offer. You cannot simply cut the price and get the things. If that was to be the case anybody could have cut the price, why one should need any innovative effort, why one should have needed any effort for sale? Fact of the matter is, I do not know whom you are considering as competitor.

Moderator: Thank you. We have the next question from the line of Amit Kumar from Investor Capital. Please go ahead.

- Amit Kumar:** Actually just continuing from the previous point just wanted to understand two things, in terms of two categories, FMCG and E-commerce, how have they performed for the entire network and specifically in terms of E-commerce what will be its share in your overall advertising pie now?
- RK Agarwal:** You are talking about E-commerce and which other sector?
- Amit Kumar:** FMCG, consumers.
- RK Agarwal:** FMCG is almost every year increasing its pie in our total kitty. There is no doubt about it. E-commerce has not done much so far but Director – Marketing will tell you probably we are about to crack a few deals, Flipkart has been carried....
- Shailesh Gupta:** E-commerce always again want volumes and those volumes have to come at a right price, so we are still negotiating, we are still deriving a strategy how to cater them, and our dependency in Q1 on E-commerce has been very minimal but going ahead of course that is one category which we cannot avoid or overlook. So we will be doing needful to bring them on board
- Amit Kumar:** Just to extend this point and I think the previous caller was also trying to press up on this that the kind of pricing discounts, etc., which are there, there is a broader strategy around that. It is not just that you cut the price, wholesale for whole advertisers essentially. So is there a broader logic or is there a broader strategy?
- RK Agarwal:** There is a broader strategy as I mentioned.
- Amit Kumar:** If I may, what kind of...?
- RK Agarwal:** I will tell you, I will answer that question. As I mentioned in the opening remarks itself, the broader policy is to swim with the direction of the tide and not to try to reverse the direction of the tide itself. Otherwise what will happen, it will be an accident. If you can afford, why not you become business like and accept whatever advertisers feel comfortable in spending with you. We do not refuse any business just because we have to be rigid if it is making business sense. They are most welcome and if we have to command the rate then we have to show them the value. That is what we have been successfully doing.
- Amit Kumar:** Actually my point was with respect to, I know something specific. So like E-commerce which are the categories when you look at the broader advertising market in India which are I mean FMCG...?
- RK Agarwal:** Every sector has given a growth except the Real Estate. Automobile, Education, FMCG, Retail, , name any sector, every sector has done well for us.

Amit Kumar: No sir, my point was that just like in case of E-commerce where the share of E-commerce in the overall advertising pie has grown quite considerably in the last 2 years but may not be as much in case of print or specifically in case of Jagran, so which other categories that you identified which you can then convert to sort of long term like you said, the whole idea is to have long term association for that.

RK Agarwal: All the categories for us are the long term categories. E-commerce is an additional one ;so it should give me additional revenue. None of the categories has been doing bad for us which category I should name as not doing well. Whatever has not been doing well that I have stated that is the Real Estate and that does not in any case have significant contribution in the total basket. Now when you are talking about categories, you will be surprised to know for everyone classified is something which is facing the imminent death at the hands of the internet, but for us classified has grown by more than 11%-12% in this quarter. Name any category, everywhere we have done better than...others ..and for us no category is dying for print.

Amit Kumar: Now coming to the other publications I just wanted to understand in terms of circulation what has been the growth in the circulation for Nai Duniya and for Mid-Day on a year-on-year basis?

RK Agarwal: These are specific numbers which we can take offline and as far as Mid-Day is concerned as I said, Mid-Day had subsidized subscription scheme which they discontinued, so if you are talking about increase in paid circulation it has increased by nearly 12%-13% on year-on-year basis.

Amit Kumar: I am sorry. You do not give Mid-Day papers free, right. All the circulation would in that sense be paid circulation, you are saying that the scheme circulation would have come down but the normal cover price circulation would have gone up?

RK Agarwal: Because Mid-Day was selling as any other English newspaper besides Times of India at Bombay at negative per copy realization, which is what we discontinued for past one year. So that negative realization copies were getting dumped, were not being read, were going waste, all those have been cut down and on the basis of paid circulation on year-on-year basis, there is an increase of more than 12%-13%.

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

Yogesh Kirve: I understand that post the acquisition of Radio City we now almost have a pan India footprint but our presence in the Radio and print is quite complementary and non-overlapping, so my question is acquisition of Radio City has it opened options in the long term for print media to

expand into the newer categories perhaps not a full-fledged one but in terms of the online editions or the expansion of some of the smaller brands like Mid-Day?

RK Agarwal: We have various possibilities which can be explored. But the rationale as we explained when we were acquiring this beautiful asset were as follows; 1) As you rightly said it is complementary 2) On standalone basis it is a money generating media business which is very much our DNA. 3) It will allow us to have deeper inroads in the larger advertiser base.

Yogesh Kirve: Do we have any target from 1 or 2 years perspective in terms of expanding our bouquet in individual markets?

RK Agarwal: Which bouquet?

Yogesh Kirve: Perhaps offering on the print sort of a business in Southern and Western part of the....

RK Agarwal: We have made one of the largest acquisitions in media industry and our focus is currently to make it more and more successful and all those possibilities can be explored anytime.

Moderator: Thank you. The next question is from the line of Srinivas Sheshadri from Antique Stock Broking. Please go ahead.

Srinivas Sheshadri: I wanted to get your sense on Mid-Day visibility in terms of advertising growth for the rest of the year. Have you seen any signs of pickup or things are still sluggish? The second question is on surplus Real Estate or property assets which you said initially you might look at given the leverage which has built up. So can you give some update on whether anything was booked during the quarter or are there certain transactions which are going on which might result in some cash being raised on that front?

RK Agarwal: Mr. Sheshadri let me clarify as far as leverage is concerned, we have net debt of just 44 crores as of 30th June at Group level, and therefore we are pretty comfortable as far as our leveraging is concerned. So on that front there is no doubt but at the same time we are pretty much mindful of the fact that all unproductive assets should be realized and for 2 years we have been working in that direction. In the Q1 also one of the properties was sold and we have booked a gain of Rs.4-5 crores. That exercise is continuing one whether leverage is there or not there. I mean, that is not the problem but the point is to unlock the value of the locked capital.

Srinivas Sheshadri: Can you elaborate on the plans in terms of how it is progressing and how much potential is there in terms of...?

RK Agarwal: Again, we are not desperate sellers and for our properties we are trying to find out the best price and in case we get that we will dispose. Like we got one good customer for one of our properties and we disposed of. So we are not desperate seller but at the same time we are

working in that direction and we will work in that direction . Currently, economy is not supporting realization of best price.

Srinivas Sheshadri: May be some comments on Mid-Day outlook for the rest of the year?

RK Agarwal: Director – Marketing will tell.

Shailesh Gupta: So there is lot of price correction which is happening on Mid-Day and even on the advertising revenue that work has been going on from last one year. That is why you see a little sluggish growth on revenue front as far as Mid-Day is concerned. But this year we are very hopeful that we will be doing much better. So I think that period is coming to an end . people have started using and thinking of using Mid-Day with the new rates

Srinivas Sheshadri: When do you see the translation happening, would it be in the second half of the year or more immediately?

Shailesh Gupta: I would say it has already started happening but it is happening in bits and pieces but as we come closer to the festive season I think it will be even better.

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

Avnish Roy: My question is on the real estate slowdown in your market and this is to the Director – Marketing, in your region the Real Estate was doing well, I understand it is a small contribution to advertising but still you expect this problem to be prolonged in terms of advertising and the comeback of the sector itself?

Shailesh Gupta: Comeback will happen but it will take some time and for us real estate was never a category which any way has contributed too much of the topline or bottom line. So we were always very clear on what we want to carry and what we do not want to carry and as a policy we were really not looking into a barter system with real estate companies, but there has to be a different strategy which we are already planning for real estate people So how it can be done, how we can help them, we are working on it and we are hopeful that we will be able to crack them soon.

Avnish Roy: Classified you said 11%-12% growth. For the first page ad and the color ads I understand you can do some innovative solutions, in classified how you have managed 11%-12% growth?

RK Agarwal: One second, I think there is a misunderstanding. Can you come again Mr. Roy?

Avnish Roy: No, my question is in classified if you can explain how 11%-12% growth has happened for you if that is correct because internet is taking away lot of classifieds.

- RK Agarwal:** Avnish, if you recall I always maintained that classified is not a very huge category for us, even for English press in India it has never been a huge category unlike US or any other European countries. Having said that I also always said in our areas classified is not yet fully developed. So in our area the growth was very much possible. How we have got this kind of a growth, it was primarily because we increased our classified rates sometimes in the middle of the last year and we increased that very significantly because the management decided not to carry the advertisements which are a bit off our editorial policy. In the process, they went away but the revenue from genuine advertisers increased
- Avnish Roy:** My next question is on the government ads, we have seen the recent ruling that only the Prime Minister's photo can be used but on the other hands in UP we are seeing Radio ads being done and in Delhi if you see they are doing TV ads without the photo of the Chief Minister they are using his voice, etc. So what this is telling is potentially print ads could shift to TV and Radio, so what is your take on this, how serious is the problem?
- RK Agarwal:** Photograph or no photograph, like today also we carried nearly 6 pages of UP Government advertisement.
- Avnish Roy:** Lastly Inquilab, any numbers you can share, how it is doing in terms of circulation revenue?
- RK Agarwal:** In fact Inquilab now, North Inquilab also, we have taken significant increase in cover prices, we are going to increase it further. Now in Bombay as it is, we are making money out of circulation. In North also we more or less now have started making money out of circulation..
- Avnish Roy:** Is it the number one player there?
- RK Agarwal:** Inquilab is number one, right from the day it was born in Bombay.
- Avnish Roy:** No, in UP?
- RK Agarwal:** In UP, I cannot say, could be now it has become because Sahara is getting closed down.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investor Capital. Please go ahead.
- Amit Kumar:** Just a quick clarification. I actually saw that in this FM Phase III, FM Radio auction, the other top players like Fever FM, Mirchi and Red FM, all of these guys have, the earnest money they have deposited allows them to bid for as high as 250-300 crores in terms of new stations while for the Radio City the number is reasonably small. I do not remember exactly but around 60 crores or so. Is there a differential strategy here, what are you trying to do, I just wanted to understand.



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RK Agarwal: In fact Amit, as I mentioned our strategy is to strengthen Radio City for print area and has significant presence in Jagran footprint area and as per that strategy whatever we require that is available well within that amount. So I do not know what they are doing, probably they must be going for multiple frequencies, etc., which we are not interested in nor our strategy...is.

Moderator: Thank you. Ladies and gentlemen that was the last question due to time constraint. We would now like to hand over the floor back to the management for closing comments. Over to you sir.

RK Agarwal: Thank you very much for sparing your valuable time.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes this conference call. Thank you for joining us. You may now disconnect the lines.