



“Jagran Prakashan Limited
Q3 FY2020 Earnings Conference Call”

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MANAGEMENT:

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Moderator:

Ladies and gentlemen, good day, and welcome to the Jagran Prakashan Limited Q3 FY2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. R K Agarwal Group CFO, Jagran Prakashan Limited. Thank you, and over to you, sir.

R.K. Agarwal:

Ladies and gentlemen, we welcome you to the first conference call of the calendar year 2020. While wishing you all very Happy New Year, I am sure you all have had an opportunity to look at the reported numbers, press release and presentation.

After nearly 3 years with the exception of Q4 FY2019 which had a benefit of revenue from pre-election government spend, Q3 FY2020 has witnessed a healthy growth in operating and net profits, but growth at top line still remains elusive. This has been possible due to a combination of the factors, as you may have noticed from the circulated documents.

What may not have been noticed from the results is the company’s circulation strategy, which was adopted in the challenging environment, and clearly, this is what was the winner.

As you know, readership and not the circulation matters for commercial advertising. because we are in an era where every newspaper sold does not necessarily translate into readership as it is pushed to the readers either at no price or the price which is equal to scrap value. Therefore, our call was not to waste money on such circulation, especially during these difficult times. Focus was on taking increase in cover prices, rather, even if it causes some loss of circulation so long as such loss does not adversely impact market position of our brand.

We are happy to highlight that Indian readers, especially those who are relevant for advertisers, are not as price sensitive as is commonly believed and if the publishers do not commoditize the newspapers, readers are willing to pay for the quality content. This is why as IRS survey shows, readership has grown in all relevant SECs, namely SECs A1, A, B and C, despite higher cover prices across India.

MID-DAY brands are yet another example where hike in cover prices and its relatively higher price did not push away its readers. In fact, all its brands had growth in readership as per latest IRS survey. You will be happy to note that now 3 of its 4 brands are profitable from subscription revenue alone, which reassures our belief that the readers are willing to pay for the content they desire, or in other words, quality content.

Even in case of ad revenue, we could contain de-growth because of solution-oriented approach and innovations. While national market and government shied away from spending as much as we would have wished, we went hard in the local markets to compensate for that loss to the extent possible, adding new advertisers.

As far as cost is concerned, it was not saved merely by deferring or cutting cost for the time being. Many of these savings accrued as a result of improving efficiency and strengthening control. Therefore, many of these savings are sustainable in nature.

Having said that, there is no doubt, without growth in revenues, sustainable growth in profit is not possible. But businesses, especially those which depend on discretionary spend, cannot perform independent of overall economy. Media entertainment industry is also a victim of these headwinds, but more important is to use this phase to strengthen our business models, which will deliver high returns in good times. This is what has been our endeavor and we have been trying to do, and we are confident that some of these steps already taken or being taken by us will augur well when the economy returns to normal growth path.

Lastly, we again assure you that returning the surplus cash to the shareholders and shareholder-friendly policies for all of our group companies will always remain priority of the management.

We now open the floor for discussions. Thank you once again.

Moderator: Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Vaibhav Barjatya from HNI Investment.

Vaibhav Barjatya: Can you please explain the decline that we witnessed in central government advertising both on Q-on-Q and year-on-year basis. Just the percentage numbers would be useful.

R.K. Agarwal: Government continues to be low. There is no further degrowth, but there is no growth either.

Vaibhav Barjatya: Okay. So, you are talking about Q-on-Q or year-on-year?

- R.K. Agarwal:** Both.
- Vaibhav Barjatya:** Both. Okay. But I think...
- R.K. Agarwal:** As I said, there is no further degrowth in Q3 as compared to Q2, but it has not given any growth. So degrowth pattern continues on Y-o-Y basis in Q3.
- Vaibhav Barjatya:** Okay, got it.
- R.K. Agarwal:** See, where the biggest loss came from is the national market and then government, which was compensated, as I said in my opening remarks, by the local revenues. This was about the print ad. But as far as the radio ad is concerned, where they lost maximum, it was the government.
- Vaibhav Barjatya:** Right, and the state government advertising has witnessed some good growth? Or it is still stagnated...
- R.K. Agarwal:** Of course, for state government, there is good growth and is compensating a bit of the loss from central government. But on an overall basis, there is degrowth from the government category.
- Vaibhav Barjatya:** Okay got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Sorry for persisting with this government ad contribution. So, for the sake of clarity, so the overall print ad revenues had declined by 10% Y-on-Y. So, could you just break out in terms of what was the trend in the overall government advertising, State plus national on a Y-o-Y basis and what was Y-o-Y sort of growth or decline in the non-government revenues?
- R.K. Agarwal:** First of all, 10% degrowth, which you are referring to, is only in Q3, right? And as you may have seen, Q3 has been the worst for all, right? But still our degrowth is less than others. Out of this 10%, in fact, I-Next registered growth, very good growth. Punjabi had de-growth but its contribution is negligible in overall de-growth. Jagran had degrowth of about 6% to 7% only. But overall print de-growth has gone up to 10% because of Naidunia and MID-DAY. Naidunia de-growth was primarily because they had a very high base. Last year, they benefited from MP election, etc. In case of MID-DAY, overall Mumbai print market has shrunk even if MID-DAY has gained some share there. So, this is what is the

total breakup of 10% in Q3. But if you look at nine months, it is less than 6%. So out of this 10%, which you are talking about, major contribution is from national advertisers, and that is the story even for nine months. Number two category is government.

- Yogesh Kirve:** In government also, it is central government mostly.
- R.K. Agarwal:** Central government. So that is number two category, and third, local has grown for us.
- Yogesh Kirve:** Sir, in terms of this government, I mean central plus state government, so has it done better than minus 10% or worse than minus 10%?
- R.K. Agarwal:** No. when overall degrowth is 10%, and I am saying the first category is national, so both of them put together have degrown for less than 5%.
- Yogesh Kirve:** Right. Okay. That is helpful. Sir, secondly, regarding newsprint costs, how should we look at them? Whether the third quarter, the costs that we are seeing, whether that should be a base cost going ahead as well? Or there could be further decline?
- R.K. Agarwal:** No, in Q4 also, there will be some gain.
- Yogesh Kirve:** Okay, okay, and in terms of the spot prices, they stabilized or they continue to fall as well?
- R.K. Agarwal:** Prices?
- Yogesh Kirve:** Yes, the spot prices in the market.
- R.K. Agarwal:** Prices are stabilized.
- Yogesh Kirve:** Okay. So, is it fair to assume that there will be some more gains in the fourth quarter and then it should remain for at least couple of quarters?
- R.K. Agarwal:** Yes.
- Yogesh Kirve:** Right, and sir, in terms of the situation on ground, one month has passed since the quarter has started, so any early signs regarding market stabilizing or the things continue to be challenging in fourth quarter as well so far?
- R.K. Agarwal:** Mr. Shailesh Gupta will explain that.

- Shailesh Gupta:** Well, January is a little struggling month. But the thing is, we are hoping that after budget, it should pick up because we are expecting some good budget. But if you compare January to last January, we are not better
- R.K. Agarwal:** Actually, problem for everyone is last year Q4 had election benefit, as I mentioned in my opening remarks. So here, we are confronted with a high base. That is the thing.
- Yogesh Kirve:** Sure. That is all from me. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Srinivas Seshadri from Mirabilis. Please go ahead.
- Srinivas Seshadri:** Secondly, sir, just some specific comments on the newsprint costs, which you mentioned that you expect still some downside in the next quarter for you financially. Could you kind of tell what kind of average newsprint cost was there this quarter? And where do you see for the current quarter?
- R.K. Agarwal:** See, from here, we do not expect very huge gains because about 90% gain gets accounted for in Q3-- price gain. So, I believe, nearly about 500 to 750 per ton benefit will accrue in Q4 additionally.
- Srinivas Seshadri:** Okay. Okay, and what is the base of the cost, Sir, this time on a per ton basis?
- R.K. Agarwal:** I think, it was about 38-39.
- Srinivas Seshadri:** 38. Okay, okay. Sir, one more question on the Radio City. Now that you mentioned that there is no visibility on the approval, and also, like, since we signed the transaction with RBNL or rather we entered into the agreement, the radio industry revenues itself is down by 15% to 20%. The economics of the business appears to have, at least from a near-term or a medium-term basis, seems to have been lower than what we would have anticipated at the time of signing of the agreement. So, in the case that if you get the approval by March, what would be the basis of concluding the transaction in terms of commercials? Would there be any, because I remember that at that point of time, we are looking at the FY 2019 as the basis on which the commercials would be finalized because they were provisional numbers. But since financial year 2020 itself has been so different than what you would have expected, what is the basis on which you would conclude the transaction in that case?
- R.K. Agarwal:** **Mr**Seshadri very interesting question you asked, and I am reminded of what I just read in one of the articles written by none other than Mr. Prashant Jain. what he said in his article is if one year a company does not do well, basis DCF method, which is the most robust

method of valuation is one year's shortfall which does not change value drastically. Having said that, of course, at that stage, we will have a relook at the valuation, and let me assure you, Jagran has always been prudent and fair, and Jagran will remain so.

Srinivas Seshadri: Yes Sir.

R.K. Agarwal: So be rest assured, Jagran will remain prudent and will remain fair as it has been always.

Srinivas Seshadri: Okay. So, by that...

Apurva Purohit: Mr. Seshadri Mr. Agarwal has answered very, very clearly that one year shortfall in the longer period of a license period is actually very marginal.

Coming specifically to the business of big fm, the de-growth is broadly similar for every one in the industry. However, like Radio City, they could not compensate de-growth from cost savings. We believe that the same would have played out had the approval and the deal happened already. So, there is one big advantage still that exists in that particular business is that it is doing the revenues that the rest of the industry is doing. So, I think that is also something we should keep in mind when we have these discussions.

R.K. Agarwal: Mr. Seshadri, let me highlight a couple of points here very, very clearly. What Radio City has done, that is something which must be noticed by all and sundry that is reducing the breakeven level by cutting the fixed cost base. That does not happen in fixed cost base business model so easily, so that whenever growth returns they will be growing margins much faster than anybody else. Number two, again, prudence of Radio City is reflecting in the fact that it did not go for exorbitant priced multiple frequencies. that is also keeping our fixed cost base under check. Imagine what would have happened in these times if Radio City had invested Rs.600 Crores- Rs.700 Crores like many others in multiple frequencies. It has geographically expanded reach which will hold it in a good stead always in times to come.

Srinivas Seshadri: Fair enough Sir. I will probably discuss specifics separately.

Moderator: Thank you. The next question is from the line of Kushal Juneja from KJ Investment. Please go ahead.

Kushal Juneja: I just wanted to understand some of the categories in national, which have contributed to our ad revenue decline.

Shailesh Gupta: So, the largest category has been automobile which has declined

- Kushal Juneja:** Yes, and apart from auto, are there also...
- Shailesh Gupta:** Auto has been one. FMCG has been the second one, and white goods have been the third.
- Kushal Juneja:** Okay, and have you witnessed this degrowth across categories? Or are there also a few categories, which have witnessed growth?
- Shailesh Gupta:** A few categories have shown growth but are of not much of consequence. But mostly what we have done to control our degrowth is the local advertising, the new advertisers. We have been able to tap quite a few new advertisers.
- Kushal Juneja:** Okay I understood Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Pavneet Singh Keer from Skyline Equity Managers. Please go ahead.
- Pavneet Singh Keer:** Yes. If I may ask, what is the current headcount?
- R.K. Agarwal:** Current headcount?
- Pavneet Singh Keer:** Yes.
- R.K. Agarwal:** I think this is a little sensitive information.
- Pavneet Singh Keer:** The question I asked is because we have seen that despite having like virtually no growth, in fact, the degrowth over the advertising revenues and the growth of revenues being stable for the past almost like three years, and we see no austerity measures being taken as far as employee benefit expense is concerned. It has seen a rise of almost 8% to 10% year-on-year. So, like, could you kindly elaborate as to what kind of austerity measures are you going to take in times to come, seeing that the economical environment is not like that conducive, which supports such a rise in the compensation when there is almost like no growth in the business model?
- R.K. Agarwal:** I am a little surprised by how you can analyze that cost savings are not reflected, because this is what I discussed in the beginning itself. Jagran has always been prudent in controlling the cost, and Jagran has done that even in the current year.
- Pavneet Singh Keer:** My specific question only pertains to the employee benefit expense. No other cost I am questioning.

- R.K. Agarwal:** I do not know whether you are seeing Radio City accounts or not. If you see, there is a steep reduction in employees benefit cost. Number one...
- Pavneet Singh Keer:** Sir, it is only Radio City that only comprises 15% of the total expense of the employee compensation as far as radio is concerned, no?
- R.K. Agarwal:** I am breaking it into parts then I am explaining you. Number one, In Radio City there is a significant saving in the employees benefit. In the same way, MIL has saved a lot of money. In Jagran, there is a growth of about 5% to 6%, right, in the salary for the nine months, For the quarter the employee benefit cost is flat. So there is 5% to 6% growth in employee's salary, which has taken place this year which can not be avoided till we reduce strength. Maybe next year, there is no growth in employee's salary or a still lower growth in employee's salary because we have already started working on rationalizing these costs.
- Pavneet Singh Keer:** Thanks for the information.
- Moderator:** Thank you. The next question is from the line of Vaibhav Barjatya from HNI investment. Please go ahead.
- Vaibhav Barjatya:** Thanks for providing the follow-up. For the month of January, until now we have witnessed good growth in some pockets and degrowth in some pockets, like central government advertising. Is there any change that you have witnessed in January vis-à-vis January of last year or it is still on the same line, that is the central government contracting, state government growing national contracting and other businesses doing just fine?
- R.K. Agarwal:** There is nothing which is favorable in January. The trends continued. If we maintain the revenues of the Q4 of the last year, that in itself would be good in the sense that last year, Q4 had the benefit of election revenues and had a growth of 9%, which was the highest in nearly 12 to 13 quarters.
- Nonetheless, as far as media entertainment industry is concerned, the growth will come with a lag. When the overall economy improves, it will come with a lag. So most important thing to do during such times is to become lean and thin, and that is what we are doing. When the growth normalizes, we will grow faster than the industry.
- Vaibhav Badjatya:** Okay. Thank you.
- Moderator:** That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.



Jagran Prakashan Limited
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R.K. Agarwal:

Thank you, friends. Wishing you once again, very Happy New Year.

Shailesh Gupta:

Thank you, everyone.

Moderator:

Thank you very much. On behalf of Jagran Prakashan Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.