



“Jagran Prakashan Limited
Q4 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Jagran Prakashan Limited Q4 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 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 now hand the conference over to Mr. R K Agarwal Group CFO, Jagran Prakashan Limited. Thank you and over to you, Sir!

R.K. Agarwal: Dear friends,

Happy to say that from today lockdown is lifted. Welcome to the conference call for the year ended March 31, 2020, which has been an eventful year on all counts. I am sure you all are taking good care of yourself and your family.

You must have had an opportunity to look at the results and the press releases, including the one on the impact of COVID-19. Friends, we have never been in so uncertain times, in past 5 decades that I have seen. I, therefore, see no merit in trying to predict how the future is going to unfold for all of us. But I know there is a dawn after every night, and that is what will hold good for Indian economy as well.

As group, we were a little ahead of time to sense the pandemic impact, which helped us in timely initiation of actions. These steps were initiated in two directions: one was reducing the requirement of liquidity by reducing the cost; second was augmenting the liquidity further.

As a result, the group now has liquidity of around Rs.800 Crores, including unutilized working capital limit, which is more than enough to meet any contingency. We are also aggressively working on realization of debtors, though the stepped up efforts are not yielding the desired results, especially in case of government. However, I am sure, after lockdown is lifted, the recovery will increase .

As far as cost reduction is concerned, our subsidiaries, MBL and MIL, have already reduced their fixed cost in the range of 20% to 25%, which is a huge, huge saving, especially for MBL because as we all know, they are fixed cost base business model wherein you have nearly 85% cost which is fixed.

JPL has benefited significantly from rationalization of pages per copy, coupled with moderating newsprint prices and improved per copy realization. Of course, JPL is also targeting minimum 10% saving in its fixed cost base of about Rs. 600 Crores. Most of the steps to save fixed costs have already been taken and benefit has started trickling in although the full benefit will get reflected only in the months of June onwards.

Thus, the group has sufficient liquidity to fight this unprecedented crisis and resultant lockdown, which completely dried up revenues for certain businesses, such as outdoor advertising, event management and activation. In case of print and radio, there was drop in advertisement revenue to the extent of 80% during the lockdown.

In the year 2019-2020, I would say maximum de-growth has been contributed by only one quarter that was Q4. We all know economy was slowing down and in fact, it slowed down further and further as the quarters passed by and in Q4, it practically nosedived. So, we were suffering right from January, even before outbreak of pandemic, but then this outbreak really broke the spine and nearly 60% to 65% degrowth of the total growth in advertisement revenue is contributed to Q4 only.

In Q4 and for the whole of the year, there was only one business which reported some growth. That is digital. Growth for the year 2019-2020 was 10% approximately, and for the Q4, it was 30%. Of course, the bases were small, but still, this was the business which reported growth. However, even digital is facing pressure during the lockdown and is not able to maintain momentum of growth. .

Immediately, after the lockdown, circulation of the newspaper dropped to record low level. But shortly thereafter, it started recovering and has already reached between 75% and 80% as on today. Once this lockdown completely goes, there will not be any problem reaching pre-COVID circulation.

From this pandemic , newspaper has emerged as a stronger media player and that is only for one reason -- its credible content and this is what is reflected in the fact that it did not take much of time and the moment restrictions were eased a bit, it started increasing.

With these opening remarks, I request you all to proceed with your questions and have the discussions on the results which have already been circulated. Thank you very much for a patient hearing.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Aachal Shah an individual investor. Please go ahead.

Aachal Shah: Sir, my question is regarding your subsidiary, Music Broadcast. I just wanted to understand what was the thought process behind the acquisition of the Reliance Broadcast? How it would provide anything additional in terms of would there be any new savings and synergies in terms of cost? Or would it just be getting a bigger market share?

R.K. Agarwal: See, the rationale for acquisition of RBNL was duly explained when we signed the agreement. So clearly, the reason was to expand the business, to increase the market share and to reach numero uno position in radio industry, which object continues till now. Unfortunately, Ministry of Information and Broadcasting has not yet approved the proposal and therefore, we could not acquire. According to the definitive agreements, long stop date has already expired. So, in fact, both the parties are under no obligation to go ahead with the transaction but once the MIB approval comes, we'll sit down and see what is the way forward.

Aachal Shah: Understood. Sir, the other question was would getting to #1 position in market share help improve your margins in terms of giving you better pricing? Or would the pricing stay somewhat similar?

Apurva Purohit: I will answer the question. If you look at the market share increase that is likely to happen between the two of us, currently, in the 15 top markets, Radio City has around a 20% market share and the Big FM has around 13%- 14% market share because they are in a certain set of markets. The combined market share itself will make it the #1 player. As a consequence, there is a potential to increase prices. That is one part and the other part also is the rationalization of costs at the back end that can happen and both these put together, obviously, will impact the margins.

Aachal Shah: Thank you. Secondly, in case this acquisition does not work out, are you open to looking at smaller radio company acquisitions? Or would you be giving back the cash to investors? Or what is the plan forward?

R.K. Agarwal: See, as of now, nobody is looking for doing anything extraordinary. Let us maintain the business as it stands today. Let us evaluate whatever is in your hand, when the time comes to move forward. So, there is no room left at the moment for demonstrating any aggression in terms of anything.

Aachal Shah: Thank you.

Moderator: Thank you. The next question is from the line of Himanshu from PGIM. Please go ahead.

Himanshu: Good afternoon. In case of Middyay, we have stated that it is being circulated to 12 Crores people, okay? How much of that is in the markets where there is already a print version of the Middyay happening? You have also stated that distribution of Middyay in PDF form may give it a digital subscription. So, are we having any strategy of putting it to a digital subscription? Because the word may give a confusing notion means, just some ideas and your strategy on Middyay would be from here on. Can you give some thoughts on that?

R.K. Agarwal: See, before Madam starts explaining about it, let me tell you, in fact, probably this is not the forum to discuss the strategy behind it. It is not giving any conclusion message. First of all, Middyay is only Mumbai-centric paper so, going to 12 Crores people in PDF form, right, it has to be across the country rather across the world, right? So, we are maintaining all those data. We are looking for an opportunity, how do we monetize that, right and we have pretty much strategized many of the things. But I do not think this is the forum to discuss about it.

Himanshu: But would Middyay be the first paper where you would like to get into subscription model? Or you think...

R.K. Agarwal: No, no, not that. Madam will explain, but I think there are a few more e-papers, which are already behind the paywall.

Apurva Purohit: There are papers like Indian Express, etc., who have been using the e-paper and putting it behind a paywall. So Hindu Business Line, Indian Express and, of course, a lot of international papers are already, from an e-paper perspective, behind the paywall.

As far as Middyay is concerned, obviously, we were concentrating, pre-COVID, on the physical subscriptions and you are aware that under the group, there is also Gujarati Middyay, Inquilab and Middyay. And Gujarati Middyay and Inquilab are already are net positive at a circulation level basis the price hikes that we have been taking on the cover price for the last 3 years. So that is the physical distribution.

COVID definitely gave us an opportunity to take Middyay online and in a sense, that was a silver lining when the newspaper was not available, especially in Bombay, to take it to a digital format, and we realized that the PDF format is a very attractive format to share it with a large base and that is exactly what's happened.

We are seeing a huge increase in engagement with the brand Middyay, nationally and internationally, through this model. Obviously, we will be looking at opportunities to see how to use this reach from a marketing perspective, from an engagement building perspective and from a monetization perspective.

Himanshu: One question was on digital. You stated in the comments that digital is under pressure, okay? Can you elaborate on that statement? And what led to the initial growth in Q4 and why are you saying, I mean, digital is under pressure?

R.K. Agarwal: During lockdown, I said digital is also facing pressure for generating as much revenue as it was. So, during lockdown, when there is no buyer, every media is facing pressure. If they are also facing pressure, it is because there are no takers, not because there is any problem in digital or there is any problem in any other media platform.

Himanshu: Okay. One last question, you have said that circulation has reached now 80%. But in some of the markets, it would be above 80% also. Where the lockdown has been started getting freed from the beginning of May, how are you seeing on the ad revenue side or the ad, local ad, are you seeing some traction also happening on those parts in the market?

R.K. Agarwal: See, as you would understand, lockdown was total till, May 17, right? Thereafter some relaxations were granted, which were also not easy to be followed in the absence of public transport. So virtually, till May 31, the country has remained more or less under lockdown, maybe Mumbai a little more, maybe Kanpur a little less, but it was more or less same situation. That is one.

Number two, as I mentioned in my opening remarks, newspaper and radio, despite their being a lockdown, are generating revenue to the extent of about 20% to 25% of their pre-COVID normal levels. Third thing is, probably, it would have been much more if there were no rumors i.e newspaper is carrier of corona. So, there were many people who had stopped subscribing or were refusing to accept the delivery. That really hurt newspaper industry and advertisement revenue very, very significantly.

But then , not only so many experts came out in open and clearly said this is nothing but a rumor and also since people at these difficult times were struggling to get the correct information ,they had no other choice but to fall back on newspaper.

Another rumor was newspaper is not circulating. So, as I am telling you, we are already circulating 80% newspaper. Barring for first 5- 6 days of the lockdown, circulation started improving immediately, and it has already reached 80% circulation.

Once lockdown is opening, at least Jagran brands have started getting the inquiries, have started getting some traction and I believe, more than the private sector,, government sector will advertise more in next two- three - four months after they roll out their investment plan, for example, road construction, etc., etc. So probably, those tender advertisements will

increase very, very significantly in these two - three months' time, the time which economy may take to repair itself.

Himanshu: Thank you.

Moderator: Thank you. The next question is from the line of Sneha Jain from SKS Capital. Please go ahead.

Sneha Jain: Thank you for the opportunity. I would like to know what are the current newsprint prices that you are incurring?

R.K. Agarwal: We are spending about between Rs.37,000 and Rs.38,000 per tonne, blended rate,

neha Jain: Rs.37,000, Rs.38,000. Okay. Secondly, Sir, what is the current debt level since you have recently raised an NCD?

R.K. Agarwal: We did issue of Rs.250 Crores.

Sneha Jain: Yes. So, the current debt levels would be at?

R.K. Agarwal: That is what it is. We do not have any other debt.

Sneha Jain: Okay. So that is what we are looking at right now?

R.K. Agarwal: Yes, that is some small, small debts. For example, Midday has some house property debt, I also have some working capital utilization, let us say, another Rs.25 Crores, Rs.30 Crores.

Sneha Jain: Rs.25 Crores to Rs.30 Crores okay. Secondly, I would want to ask that since at around 50-odd prices, you had acquired Music Broadcast as a promoter level. So, are you thinking of acquiring more shares since it's at a very low level at current prices?

R.K. Agarwal: Madam, whatever we could acquire, we did and we have already reached that limit. We are already holding nearly 73.5%. So yes, 1% is available, we can acquire, and we will not mind acquiring that because last year also, we acquired some.

Sneha Jain: Yes. So, you are looking at positively right now?

R.K. Agarwal: Yes. There is no question of looking at any of our businesses negatively, right? If we have to ignore COVID-19, everything is positive.

Sneha Jain: Yes, true. Any pricing levels that you can look at? So, for any price hike or any outlook of the newspaper and the advertising in the future?

Sanjay Gupta: So, I am pretty confident newspapers are here to stay and within a month or at best two months, everything would be normal. Whatever copies we are down in few centers, we would be gaining all those copies back. Reader always want to read a newspaper in the morning, Indian habit is like that. As far as advertising goes, yes, because of the lockdown, it was inevitable that advertising will not be there. It is coming back slowly and Shailesh Gupta is on the call, he can give you some idea . Going forward, I am very sure the festive season that is coming after three months would be a very buoyant season for all the media industry.

Sneha Jain: Yes. Are we looking for any digital push that these times because it might be the necessity of the hour?

Sanjay Gupta: Digital is an inevitable part of any news organization and Jagran has been on digital since 1996. But as you can appreciate, the advertising dollar lost in print is still lot to be made up by the advertising in digital. The way forward over there is subscription, which industry is now actively looking at, and so is Jagran Prakashan Limited looking at active subscriptions now. We have got the technology ready, and we'll be rolling out few of test subscription models in the months to come, and we will take it up from there.

Sneha Jain: Thank you.

Moderator: Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.

V P Rajesh: Thanks for the opportunity. Yes. First of all, I just wanted to complement the management on distributing over Rs.1000 Crores over the last three years between buybacks and dividends. So that is extremely commendable. My first question is regarding the borrowings. As of March 31, 2020, you had roughly Rs.200 Crores of debt. So, are you saying that all that has been repaid? Now in addition, you have borrowed Rs.250 Crores to Rs.300 Crores from the NCD market?

R.K. Agarwal: Absolutely right.

V P Rajesh: Okay and what is the tenure and interest rates on these NCDs?

R.K. Agarwal: Out of Rs.250 crores, Rs.200 Crores is to be paid after three years and Rs.50 Crores is to be paid after fourth year.

- V P Rajesh:** Okay and what is the interest rate on this?
- R.K. Agarwal:** That is in the range of 8.25% to 8.5%.
- V P Rajesh:** Okay. So, my question is that if you are sitting on Rs.550 Crores of cash and cash equivalents, what is the thinking behind borrowing this money because, obviously, it is going to cost us on the interest side?
- R.K. Agarwal:** It will cost us just Rs.1 Crores or so per annum and in these difficult times, if you have to spend even Rs.5 Crores to augment the liquidity, you should not mind. The times are so uncertain. Whole of the world is trying to raise as much capital as possible, whether it is borrowed or it is equity capital.
- V P Rajesh:** My second question is regarding the advertising revenue, there was obviously a decline in this year. Given the impact of COVID in this quarter and the next quarter potentially, do you foresee things getting "normalized" assuming there are no more disruptions like another lockdown, etc., by Q3? Or do you think this will be again substantially down this year as well?
- R.K. Agarwal:** My guess, right, is as good as you can do, ? So, you have to live month by month. You cannot say anything how the future is going to be. So, for the year, no guidance is possible to be given at this juncture. But of course, where our advertisement revenue stood immediately after lockdown and where it stands today, there is a significant improvement. If at that stage, it went down to 10% or say, 5% of the normal revenue, now it is down by 75%, 80%. So even during lockdown, these things have improved.
- V P Rajesh:** Do you foresee a scenario where our EBITDA on a consolidated basis could be, let us say, breakeven or even perhaps negative this year? The reason I am asking the same question is, given the expected decline in the auto sector, the decline in the real estate market, the advertising revenues take a little bit longer to come back. So that is where I am wondering that if the government revenues, the tender advertisement revenues that you were talking about earlier, will they be enough to compensate for a big decline in some of the key sectors that may not be advertising as much as they used to?
- R.K. Agarwal:** Now let me break your question in two parts. My first answer is advertisement revenue during this lockdown has not remained to be the only source of income which will decide the profit or loss of the company. That is one point. So, do not attach much of importance as we had been attaching till last year to advertisement revenue, that if there is no advertisement revenue, there will be loss.

This is partly true, but this is not as true as it used to be till March 31 last year. For the simple reason, industry has done lot of things and larger players have done lot of things to remain afloat even though advertisement revenue is under pressure. For example, cutting the fixed costs, reducing the pages per copy because advertisement is not there, without compromising on the quantum of content which was being supplied to readers, increase in cover price etc. ; number three is newsprint prices have moderated. That also has come very, very handy.

So, these three factors put together have really helped saving circulation loss, which we used to incur up till last year, and that required to be compensated by advertisement alone fully. So that is one thing with the industry which has happened and let us hope this change remains there for all the time to come and in that case, newspaper industry business model will become more robust and will not have fluctuating fortunes with the economy. That is one.

Number two, at least for us, real estate particularly, was not even an advertising category ever. For us, FMCGs, automobile, education, you need to focus on these categories to assess how Jagran will perform or how Jagran will report the numbers,

Number three, no amount of guess, as I am mentioning, will help you in these uncertain times. This is what all I talked about in the opening remarks. Currently, number four, we do not expect that we will be negative by the year-end. That is all what I can say at the moment.

V P Rajesh: Thank you so much Mr, Gupta that was very helpful appreciated.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Yes. This is Deepan Shankar here. Sir, one thing I wanted to understand, so even if MIB approves our RBNL deal for Music Broadcast, will there be renegotiation of the deal to reflect current market valuation?

R.K Agarwal: Of course, we will discuss with them and hope there will be renegotiation.

Deepan Shankar: Okay. Thank you, a lot.

Moderator: Thank you. The next question is from the line of Gaurav Agarwal, an individual investor. Please go ahead.

Gaurav Agarwal: Thank you for the opportunity. Glad to hear you after a long time. Sir, let us say, we do not have much handle or anybody cannot guess what will happen to advertising revenue and when the economy will pick up. But what we have something in control is the expenses side. So, you mentioned a bit on what kind of cost reductions that you have been taking at the Jagran Prakashan level. So, if you can talk a bit more on those lines, like on your fixed expenses, on your employee expenses, so that would be helpful, if you can give some idea what kind of cost reduction measures you are implementing and what kind of impact we can see in Q1, Q2?

R.K Agarwal: First of all, let me tell you, Jagran has not asked so far, any one to go. That is one part. Instead, just before outbreak of COVID, we had as it is identified certain excess cost that also we have not implemented on a humanitarian ground. So that is one part.

Number two, we have implemented only those cost cuttings which do not impact the existence of the business. So all cost-cutting have been done through improving efficiencies or through low volume of the business. So, number three, some of these savings which we have done will return with the return of the volume.

Number four, as far as implementation is concerned, Midday and MBL have already implemented all those cost saving measures. So, in Midday, , there is a reduction in fixed cost of 20% to 25% which is resulting in a saving of about Rs.1.25 Crores, per month and in case of Radio City , we have a still larger target in terms of amount, and that will save at least Rs.25 Crores, Rs.30 Crores.

Apurva Purohit: Yes, that is right.

R.K Agarwal: So, this is what is the implementation of those two subsidiary companies. As far as Jagran is concerned, Jagran has already started saving, but as I mentioned earlier, the full savings will get reflected in June and July. But we are pretty confident that we are targeting savings of about Rs.60 Crores per annum and that is what we should be in a position to achieve.

Gaurav Agarwal: So, this Rs. 60 Crores per annum, that includes raw material-related benefit also?

R.K Agarwal: No, no, no. I am talking about fixed cost and semi-variable cost.

Gaurav Agarwal: Sure. Sir, in UP and let's say, in Bihar, there must be a lot of players, which may not be having as good liquidity as you have. So, would we be open to acquire them out or have you heard of any scenario where they are closing their shops because of liquidity-related pressures?

R.K Agarwal: Why talk about UP? Liquidity is something which many in the country do not have. But as of now, this is what is my advice to everyone --- Just maintain the business and do not try to be smarter or do not try to take advantage of the situation. So just maintain the business. When the things improve, then you have a look at it.

Gaurav Agarwal: Great Sir and all the best and thanks for this prime time. Thank you.

Moderator: Thank you. The next question is from the line of Anuj from M3 Investment. Please go ahead.

Anuj: Thank you for this opportunity. You spoke a little bit about improving the contribution from just subscription through pagination and could you just talk a little bit more about cover price increases, if that is possible? Also, some mix in domestic and international inventory, which can help you more rationalize the contribution difference between the cost and subscription?

R.K Agarwal: Currently, the contribution is in the range of about 10% of the cover price and for the time being, let us remain happy with that. Going forward, of course, all of us are trying let us see how does it pan out. But as of now, we should be having contribution in the range of about 10% to 12%.

Anuj: Also, Sir you said most of the circulations will come back to pre-COVID levels, while this is a good news but do you anticipate some change in habits for people who might not want to go back to newspaper post this scenarios over any percentage you think will not come back?

R.K. Agarwal: How much?

Anuj: I am just asking do you believe there might be some percentage of population whom might not want to come back to newspaper given that they have been out of this habit for some time now?

R.K. Agarwal: I will break it into two parts. Number one is, as I already mentioned, 80% of circulation is back. So, there is no question of most of the circulation going off, right? Then as CEO has just explained, we remain very bullish about the future of the newspaper industry, number two. So, we do not see any reason why it will not come back to 100% pre-COVID level. It is altogether different, if it is not making business sense, we ourselves do not decide to push the circulation. We will keep it to a 90% level or 95% level for the current year. That is our plan. If we want, we can easily take it to 100% that is not a problem, number two.

Number three ---just academically, I am sharing with you. On the habit formation, you may be knowing, there are certain habits which take about 21 consumers days to change and there are certain habits which take nearly two years to change. So, the range is from 21 days to two years. People thought there will be change in habit. Nobody will go to shops after they open. You see in Mumbai only, there is one person on the other in the queue, right? So, I mean, there is no way you can determine how much time one takes to change the habit and I believe newspaper reading habit is something which is hard to die. Otherwise, it would have been dead by now because there are so many enemies of the newspaper in the country. Since the time Jagran went for listing in 2006, everybody has been saying, the newspaper habit, reading habit is going to die very soon and 15 years have gone.

Anuj: I agree. Sir, one more thing is, there might be some of advertisers who have deep pockets and they know that they eventually will have to come back to ads. So, do you see them blocking some long-term inventory at a pretty attractive rates so that it will be beneficial for maybe us also to block our inventory as well as some of these advertisers getting a better rate for some long-term? Are you seeing some kind of movement on these lines?

Shailesh Gupta: The advertising has started coming back, as Mr. Agarwal said earlier. It is coming back slowly, but yes, there will be different ways of getting the advertising sooner than what we think. We will be floating few innovative schemes, we will be strategizing how to get maximum share as you are suggesting, but will it be on discounted rates or what, I do not know at the moment. People are already talking about it.

Anuj: Okay. One last question, Gupta Ji, we have been an organization which has lived almost 80 years, and we might have not seen similar crisis, but do you see any opportunities from this crisis for a company like Jagran? Anything which you think might add up or be an opportunity for us once we are through this crisis?

R.K. Agarwal: It is wrong to say that we have not faced crisis. Of course, nobody has faced crisis like the one which we have in hand. But Jagran has faced many crises and it has come out stronger after every crisis. So that is one. This kind of crisis should help many.

Anuj: All right Sir. Thank you.

Moderator: Thank you. The next question is from the line of Aasim Bharde from IDFC Securities Limited. Please go ahead.

- Aasim Bharde:** Thanks for the opportunity. Sir, firstly, could you tell me how much is the total cash on book right now? You mentioned Rs. 800 Crores, but that was including working capital limit which were unused. So, excluding that, how much cash is available?
- R.K. Agarwal:** It should be about Rs. 600 Crores.
- Aasim Bharde:** Rs. 600 Crores, okay. So, and your total debt is about Rs. 300 Crores, right, Rs. 250 Crores NCD and balance is working capital and other debt?
- R.K. Agarwal:** That is right, Rs. 300 Crores maximum.
- Aasim Bharde:** Okay. Sure. Sir, next question. Right now, how much is your newsprint consumption down versus your pre-COVID level in terms of pages per copy, for example?
- R.K. Agarwal:** That is significantly lower because as I mentioned, there are three factors which are going to reduce the cost of newsprint consumption. Number one is lower newsprint prices. Number two is circulation is down by about 20%. The third one is the number of pages per copy is down very, very significantly.
- Aasim Bharde:** But by significantly, is it more than 50%?
- R.K. Agarwal:** That it is pretty significant.
- Aasim Bharde:** Okay, okay. Sure, sure. Understood. Okay. Sir, I missed part of what was interrupted.
- R.K. Agarwal:** If you look at 2019-2020, right, our advertisement revenue degrowth amounted to Rs.120 Crores, out of which 60% was contributed by Q4. So Rs.120 Crores advertisement revenue loss was fully compensated by saving in the newsprint cost of the equivalent amount. There was saving of newsprint cost also of Rs. 120 Crores. So, you can very well understand.
- Aasim Bharde:** Right. Okay. Can you just talk about your cover price strategy going ahead? Do you foresee stable prices? Or is there any chance to increase or even decrease cover prices?
- R.K. Agarwal:** See, number of pages in our case is very much system controlled. We do not do anything, right? First of all, we have not compromised with the quantum of content being supplied to the reader, right? How the number of pages per copy gets determined, it is based on a formula which is controlled by the system only and it depends on the volume of advertisement. Like, for example, today, in Kanpur, we are selling 22 pages newspaper. So, this could be after at least 3 months. Advertisement occupied nearly 10 pages.

- Aasim Bharde:** Right. Okay. So base case assumption should be at least cover prices should be stable. I mean, falling prices should not be expected, right?
- R.K. Agarwal:** They should remain stable, yes. Again, trying to predict anything about the future is really very difficult.. For example, if the demand from the industry remains as low as it is and global demand also has come down very, very significantly, who knows, you will get another cut in the newsprint prices. One of the important component of newsprint manufacturing cost is the fuel.
- Aasim Bharde:** Okay. Sir, finally just last question, right now, now you are saying that some ads are coming back with some traction on the ground but is there any national players coming back, so right now what would be your ads spends versus national and local?
- Shailesh Gupta:** So, the ratio, I cannot say right now, it's too early to predict any ratio. But national is opening up, which is a good news.
- R.K. Agarwal:** As I mentioned to you, in expectation of lockdown opening up for three, four days, there is a very good traction and hopefully, this is going to improve with the time.
- Aasim Bharde:** Thanks for answering all my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good afternoon Sir and thanks for taking the question. Sir, first question is this reduction, which is planned in opex. That seems to be a very modest target given the kind of headwinds that we are seeing as an industry because even your manpower cost at Rs.400 Crores in FY2020, if we assume a 10% modest cut in the employee base and 10%...
- R.K. Agarwal:** No, no, no. Just hold on. Hold on. Let me correct first of all your understanding because do not look at the consolidated number. I am not talking about 10% saving on the consolidated numbers. I am talking about 10% cost saving in case of a standalone number because as far as subsidiaries are concerned, they have already cut about 20% to 25% cost. This would be a standalone number, right?
- Sarvesh Gupta:** Yes. So Sir, even in the standalone manpower cost, if the consolidated is Rs. 420 Crores, then maybe the stand-alone would be Rs. 350 Crores or something like that?
- R.K. Agarwal:** No. Just look at the stand-alone number. It should not be more than Rs. 300 Crores.

Sarvesh Gupta:

Okay. So sir, even with Rs. 275 Crores, if we assume a 10% salary cut, 10%...

R.K. Agarwal:

Rs. 325 Crores is the cost, reduction in employee cost is the easiest thing to do, right? As I mentioned, we had already identified certain areas where the efficiency can be brought in, the expense can be reduced. But we did not do it on humanitarian ground till lockdown was not lifted. Now it has been lifted, it will be implemented. So that saving plus saving in other costs. What you need to look at is we have taken those steps which many may not have even thought off even before COVID, for example, consolidating operations of these few units, printing centers; for example, merging the route for the distribution of newspaper, etc. So, I mean saying that 10% is not enough is something not fair because you have to look at the company's reach also. It is not one of those companies where you have large no of employees drawing hefty salary So Jagran has never been that kind of a company. Jagran has been operating economically, right? Therefore, whatever saving is possible today, I indicated to you . If we are targeting 10% and we are saving 10%, I will be more than happy. The company first of all, it is not print company alone. It has digital. Now out of Rs. 330 Crores, nearly Rs. 32 Crores is spent on digital salaries. Outdoor and events, right? There you have a different structure. The kind of salaries we pay in digital we don't pay in print. So, we have not only print business. We have print business. We have event and outdoor business. We have digital business.

Sarvesh Gupta:

Understood, Sir. Just on the print business, sir, what will be your fixed cost just on the print business?

R.K. Agarwal:

Out of this Rs. 600 Crores, print has fixed cost of not more than Rs. 45 Crores per month, which is about Rs. 550Crores.

Sarvesh Gupta:

Understood, Sir. Finally, Sir, on the newspaper cost, I think, we more or less locking our prices one year in advance, we get all the newspaper?

R.K. Agarwal:

That is right. That is right. We have enough inventory and if there is at all any price fluctuation, we will not benefit or we will not lose.

Sarvesh Gupta:

So, the current inventory is being priced at Rs. 37,000, Rs. 38,000. Is that right?

R.K. Agarwal:

That is right. Current inventory when I say Rs. 37,000, Rs. 38,000 that is what is the price for the future quantities also to be received. I do not have everything in inventories.

Sarvesh Gupta:

Understood Sir and what is the prices currently, are they similar to the inventory prices?

R.K. Agarwal:

Similar.

- Sarvesh Gupta:** Okay and all the best.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.
- Sonaal Kohli:** Thank you for the opportunity. I have a couple of questions. Sir, you mentioned about that Rs. 60 Crores is more of a standalone number. Can you tell us once you implement all these changes, which you envisaged over the say next one or two quarters, what would be quarterly cost savings at the consolidated level and do you believe this will be permanent and here to stay? Or once the economy recovers, you would have to reverse some of these cost savings?
- R.K. Agarwal:** I clarified that earlier also. if the total group would save in the range of about Rs.100 Crores towards fixed cost, right, then in that case, I believe at least 50% of the saving will stay and 50% saving will return, only when we start doing the advertising billing of maybe Rs.3 Crores per day.
- Sonaal Kohli:** Okay. And sir, what is the consolidated savings on a quarterly run rate basis once you implement all the changes, which you were referring to?
- R.K. Agarwal:** As I have already said subsidiaries have already implemented. JPL is in the process of implementation. And in JPL also at least 50% of the targeted savings has already been achieved.
- Sonaal Kohli:** I am not sure Rs. 60 Crore is standalone or a consolidated number, so what is the total consolidated?
- R.K. Agarwal:** My dear Rs. 60 Crore I mentioned on standalone basis that is what I have been repeatedly clarifying.
- Sonaal Kohli:** Sir, what is the consolidated number?
- R.K. Agarwal:** Rs. 100 Crore.
- Sonaal Kohli:** Okay. Sir, in terms of competitive intensity and last few years some of the players are entering into new territories. Do you see competitive intensity reducing significantly in years to come because of what has happened now? Many other industries, which have not grown, have continued to take price increases over a period of time after the key players decide on a strategy. Can we expect something like this in print also considering the

inflation in paper prices over the very long cycle, not last 1 or 2 years, but when I see very long cycle has been not that high?

R.K. Agarwal: Please summarize your question, I did not get that?

Sonaal Kohli: So Sir, with every crisis, sometimes the competitive intensity in the industry changes in terms of people trying to enter into each other's territory or being aggressive about pricing. So do we see, firstly, any changes like this happening in the industry? Secondly, we have seen across industries even when they have not grown...?

R.K. Agarwal: Please let me answer your first question. As you may have read the comment of the Chairman in the press release, one of the best thing which has happened is, now publishers are coming closer, and they are working in collaboration in order to address these inefficiencies existing in the industry, which is a very good sign, and I do not have any reason to believe that trend would not continue ;so competition, healthy competition is fine and I mean the competition to cut the prices or spend on unnecessary promotional expenses, should not be seen now as much as we used to see, post normalization of these conditions. That is what is the expectation.

Sonaal Kohli: Sir, over a period of time, do you suspect that there could be some change in behavior in terms of price increases, more on a more regular basis as compared to maybe last 5, 10 years?

R.K. Agarwal: We wish that, and Jagran has always been a leader in that. Last year itself, our per copy realization improved by about 12% to 13%.

Sonaal Kohli: Do you think so there is further scope over a period of time to do this kind of increase?

R.K. Agarwal: As I am saying if you are collaborating and if you are trying to make your business model more robust, which is not dependent on the strength in the economy, I think every one of us would love to have that kind of a business model, especially after facing this COVID-19 situation. I believe common sense says that every one of us has learned the lesson hard way and we should not try to forget.

Sonaal Kohli: Sir, my next question was between local and national advertisers over next few quarters, whenever normalcy returns, which would you think would come back more and why so? Do you suspect that auto and real estate will advertise more than what they used to do in the past or less than what they used to do in the past because or it can go both ways?

R.K. Agarwal: Number one, national, local, these divisions are created in the industry for the sake of monitoring and convenience, right? In fact, both the advertisers, whether at local level or national level, will advertise when there is a need and when the need will arise? When there is a potential to buy so both will come in case demand is seen. In case demand is not seen, none of them will come. That is number one. Demand for the goods to be advertised, services to be advertised, right? While lockdown, digital also had a pressure. Every media had a pressure because when there was no demand, what is the point in advertising. You understood my point? There is one category, which I am pretty sure will advertise more. That is now government. Because when government is going ahead with its investing in infrastructure, they have to give tender advertisement. They have to give advertisements I mean similar type of advertisements. So, this has what has been our experience in these 2 months and especially in past 10- 15 days. Government has stepped up its expenditure, which was not happening earlier. This year, probably, we should benefit from more government advertisement as well, especially during the time when demand is in process of picking up.

Sonaal Kohli: Sir. Lastly, in the past, we have done EBITDA of Rs.500 Crores. Do you see a possibility of we reaching back to that level in 2, 3 years? Or do you think those were golden times and that period is never going to return?

R.K. Agarwal: I do not have any reason to believe why we will not reach there. If revenue level of 2020 cannot be achieved in next two years and if whatever we are saving on account of fixed cost, that is also not going to sustain and if the newsprint prices skyrocket despite lower demand for the newsprint, then in that case, of course, we will not reach. But then those are too negative expectations. That is about the print and how about radio? Radio, even in these tough times, has generated good cash of about Rs. 50 Crores in 19-20 also

Sonaal Kohli: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Pavan Nahar, an individual investor. Please go ahead.

Pavan Nahar: Thank you. Parts of my question have been answered. This is relating to the comment Chairperson made in the press release talking about coordination between the competitors. So, as I have understood thus far, one is on pagination. Second is not cutting prices, right now. Can you please just elaborate a little more what do you mean by this competition beginning to coordinate for better future?

- R.K. Agarwal:** See, it is question of avoiding the wastages if there was any in the system. For example, collaboration in terms of having the newspaper printed from the competitor. Competitors, print out is lower and the existing player can accommodate them, collaboration can happen or is happening even with the distribution of the newspaper. For example, there is a far-flung area where I am also sending vehicle to deliver the newspaper . He is also sending his vehicle to deliver the newspaper. Whereas one vehicle only can accommodate, there collaboration is happening. As you rightly say on the paper pricing the collaboration is happening. On page level the collaboration is happening. So, I mean the industry which was not collaborating, till very, very recently, these two- three months have resulted this kind of a collaboration..
- Pavan Nahar:** So, no more areas possible what could be done? Can you please elaborate?
- R.K. Agarwal:** Why no more areas? This is what I am saying. Let us not go into those details. Let us wait for, future and let us see how the collaboration evolves,
- Pavan Nahar:** Just if I may add on this line. You may choose not to answer. Is there any possibility of new syndication happening between the different newspapers? So, somebody I mean, basically content...
- R.K. Agarwal:** Our editor and CEO will answer .
- Sanjay Gupta:** Can you repeat your question, please?
- Pavan Nahar:** Sir, I was just asking, in line with this coordination effort that has begun. There is, in general, some amount of syndication which happens wherein content is sourced from 1 entity to another, right? You basically will place it where you need to place it. So, are those areas also being explored?
- Sanjay Gupta:** No, I do not think so collaboration of that level is being thought of in the industry. Each newspaper has its own school of journalism and there is a uniqueness to that, and that unique proposition is what distinguishes one masthead to the other. So currently, there has been no discussion of the nature where collaboration in content between mastheads, is being thought of. We all take content from PTI. That is 1 common source, ANI, PTI. That is the only common source that is there. And apart from that, the uniqueness of content has to be maintained to probably give an edge to the other. If that is lost, then everybody would be the same. That is not the endeavor.
- Moderator:** Thank you. The next question is from the line of Achal Shah, an individual investor. Please go ahead.

Achal Shah: Sir, just one last question regarding Music Broadcast. Are you seeing a growth in or pickup in the revenues in advertising coming back in Q1? As compared to Q4, was it a little bit of a difficult quarter?

Apurva Purohit: So see, Q4, actually, if you look at it, it was really March that really tanked because of the lockdown starting and client canceling deals. Because the lockdown continued to be implemented in most of Q1, it is only a few markets that started getting opened out middle of Q1. Q1 actually will be far worse than Q4 was.

Achal Shah: Understood. Do you have any idea or estimation? I understand it's difficult. But if you have any clue as to when you expect it to come back to normal or a certain semblance of normal?

Apurva Purohit: Yes. As I say, in this situation, nobody is able to answer this question. Nobody can predict what is going to happen. Nobody can see what the outlook will be. Having said that, what we see as the government itself has recognized the fact that the lockdown cannot keep on getting implemented without humungous economic backlash and has started opening it out. Certainly, we are seeing that Q2 is going to be better than Q1 and Q3 is going to be better than Q2. So, we are certainly seeing that April, May was really the worst phase. So, I think that is one part. The second part is we will see certain industries and certain categories open now. Hopefully, as Mr. Agarwal said, government has begun to advertise. Whether it is tenders or whether it is state government advertising on radio, we are seeing that bit open now. We are seeing local markets; the smaller advertisers open now. Once the supply chains are back in order, I see no reason why national clients should not come back at full force, especially given the fact that in this particular period across both the engagement with media has gone up many fold. So, whether it is radio, whether it is television, whether it is digital, nearly 30% upswing of engagement and increase in reach has happened. So that reach some way or the other the advertisers will like to benefit from.

Achal Shah: Understood. Last question, are you seeing any companies, maybe smaller players, due to the high fixed cost business dying out and you being able to gain their market share? Or you are not seeing anybody having any liquidity concerns as of now?

Apurva Purohit: Again, across industries, people who are in a poor liquidity position are going to find this very, very hard to survive. That is a fact. As far as radio is concerned, there are very few individual players. Most of them are either large radio networks or attached to some print major. So in that sense, I do not see that there are any individual players who will go under, except maybe one in Bangalore and one in Delhi who may find this difficult because they are individual stand-alone players.

- Achal Shah:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Sneha Jain from SKS Capital. Please go ahead.
- Sneha Jain:** Just I had a follow-up question. Since we have enough liquidity, are we looking at any buyback right now? Any prospects?
- R.K. Agarwal:** I just augmented the liquidity, and you want me to again spend. No, not at the moment, let us wait for some time and in fact, as you may have seen, Jagran has already distributed more than Rs. 1,000 Crores over a period of three years. So Jagran is not one shying away from distributing ever in the past because it has solid confidence in its business model. So, we will. We will. Of course, we will. I do not deny but that will all depend on what call Board is taking. But then the point is I cannot have heart to recommend to any one to distribute
- Sneha Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of V P Rajesh from Banyan Capital. Please go ahead.
- V P Rajesh:** A couple of housekeeping questions. What was the capex in current year and what is the plan for fiscal year 2021?
- R.K. Agarwal:** That was another which I forgot to mention. We did a very, very insignificant capex in the year 2019-2020 and we do not have plans to invest very heavily in capex in the current year also. Whatever is the bare minimum, that is what we would require, and we would do.
- V P Rajesh:** . Could we assume that it could be Rs. 20 Crores for this year? Or do you think it is also on the higher side?
- R.K. Agarwal:** Yes, Rs. 25 Crore to Rs. 30 Crore maximum.
- V P Rajesh:** My other question was on the tax. This year, on the P&L, we are showing a very small amount of Rs. 5 Crores on the tax, whereas in the cash flow it is roughly around Rs. 82 Crores. So, if you can just explain that?
- R.K. Agarwal:** Yes. In cash flow, you show the tax whatever is paid in the financial year and in profit and loss, you show what is the tax for the current year, right? That is the difference. So, for the current year, tax is whatever we have shown, the Rs. 5 Crores or Rs. 6 Crores, whatever it

is. But as far as total payment in the current year, that is 2019-2020 is concerned, there whatever has shown in the cash flow that was true.

V P Rajesh: So, I am just trying to understand. Like in the current year, in fiscal year 2021, what is the reasonable assumption for the tax rate because obviously, Rs. 5 Crores and Rs. 82 Crores are very different figures. I am just trying to say what is it, is it 25% for us? Or is it higher or lower? If you can just give some guidance on the tax outflow in the current year?

R.K. Agarwal: 25%.

V P Rajesh: Thank you. That is all I have.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.

Sonaal Kohli: Thank you and my question has been answered.

R.K. Agarwal: Thank you all. Stay safe and stay happy.

Moderator: Thank you. Ladies and gentlemen, on behalf of Jagran Prakashan, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.