



“Jagran Prakashan Limited Q1 FY2020 Earnings
Conference Call”

August 1, 2019



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Moderator: Ladies and gentlemen, good day, and welcome to the Jagran Prakashan Limited Q1 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, 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, CFO, Jagran Prakashan Limited. Thank you and over to you Sir!

R. K. Agarwal: Friends, welcome to the conference call for the quarter ended June 30, 2019. You have all seen the results as well as presentation. Negatives are pretty visible from the results. So, I would not like to comment upon them, and you are welcome to discuss when we proceed with the call.

However, I would like to highlight a few positives which are not apparent from the results or the presentation which has been circulated.

1. yes, there was some degrowth in revenues of around 2-3%, but the group was able to generate Rs. 100 Crores of cash after providing for tax, this cash was partly utilized to reduce the borrowings which were already at low level in line with prudent policy of the group, The group continues to be net cash positive and has added only to the net cash position since March 2019.

2. newsprint prices have fallen in fact a little more than what we expected but the benefit of this you will start seeing somewhat from Q2 only. We have already firmed up prices for imported newsprint at an average of around \$500 for rest of the year. So, we are coming out of high newsprint price era.

3. local advertisement revenues for Dainik Jagran continues to grow and even in State Government spend we see a pickup. Central Government spend and national revenues continue to report degrowth. Despite 30% degrowth in auto sector, and much lower than expected election revenue, local revenue contained degrowth to less than 2%. It became possible due to new initiatives taken by us, these helped increasing advertiser base as well which augurs well for the future.

4. Almost all newspaper brands were successful in improving per copy realization with no impact on market position. Main brand would have improved per copy realization still further but for a competitor who is not increasing cover prices in Bihar even though the market size of Bihar and Jharkhand for Ad revenue continues to be small and not growing as we all expected.

5. Continued prudence helped us to keep increase in operating cost at less than 2%. In fact, if you look at Music Broadcast Limited, there is a reduction in cost. One of such measures taken by JPL

was reduction in unsold newspaper copies, which is likely to sustain and will result in saving of nearly Rs.10 Crores per annum.

6. Digital business continues to perform incredibly registering mid-teen growth in revenues with expanded reach and offerings.

7. Whereas outdoor business maintained the profits, event and activation business is stabilizing with nearly double-digit growth in revenue and operating profits.

8. INext that reported Rs. 6-7 Crores of loss in FY2019 has reported profit of about Rs.1.5 Crores.

9. definitive agreements for acquisition of Big FM have been executed and application for MIB approval has been submitted.

With this, we now open the floor for the discussions.

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 Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir thanks for the opportunity. This is Abneesh here. My first question is it is a tough environment wherein advertising growth for balance part of the year is also quite difficult to predict by I think any company, so my question is first more on the cost items, you have really done a commendable job in the current scenario and controlling all cost item. So, if you could elaborate a bit more to what you already said and is there any more lever which is available in the balance nine months in terms of cost rationalization, if you could discuss that?

R. K. Agarwal: The most important saving Abneesh is going to come from the newsprint price reduction, fixed cost as you have seen is beating even the inflation, right. It is not increasing even at inflation rate, so I do not think there will be much of saving possible in other costs but of course we are keeping an eye over it and you may see some savings but it will be little early before we implement those measures because in any case we do not want to compromise on the future prospects.

Abneesh Roy: And Sir in terms of advertising growth it is a weak market, but radio and print both if you could discuss a bit more on segment wise where there has been more impact, is it auto and BFSI and real estate which has seen a bigger dip?

R. K. Agarwal: . As I mentioned in the opening remarks, auto industry itself has degrown for us to the extent of 30% in one quarter and if that category happened to be the largest category at around 15% -16% of the total revenue, we have lost nearly Rs. 15 Crores to Rs. 16 Crores only in auto industry. That is one. Number two, whenever elections happen, you do not expect much of economic activity and you do not expect much from commercial advertising side, but then that gets compensated by the election revenue. That was also not good, not only for us but for I think rest

of the players, and that is what was the second blow to us. So, if you take only these two in to consideration and then look at degrowth of just less than 2%, it does not look that pessimistic. . So, what I am saying is July is also not good but going forward we are expecting some pick up in government spend as well as in national spend. Auto of course was bad but then education did better and there are many other categories which did better. Real estate what you say is very relevant for radio but for us it has never been that huge category, Of course there is degrowth in that, but I am not mentioning because that has never been more than 2% to 3% of our total revenues, so now it could have gone to maybe 1.5% but then the main blow came from auto industry. Auto and education have been top two categories. One did register growth of 7-8%, another degrew by about 30%. As I mentioned State Government spend from our main state, which is UP, is picking up. So this is what is about the past, About future, Shailesh Gupta, director marketing can throw light on remaining eight months of the year.

Shailesh Gupta: So, there is no doubt the market is difficult, but I think in July I would feel we have seen the bottom, and it should only improve from here. So, as you said the market looks difficult, but I believe that auto should start improving sometime from September as couple of launches are due the good part is the talks are on, queries are being floated and deals at national level are under discussions.

Abneesh Roy: Sir one followup here. You said July it seems bottoming out, is this for you or for the industry?

Shailesh Gupta: I know about me but also for the industry, I think for us we are in print and basically larger in radio, so both radio and print, Apurva will through more light on radio but I think we are have almost bottomed out in July. Apurva, over to you!

Abneesh Roy: Yes, if I could put in the question, is it the optimism which you are saying whatever it is, the small optimism, which you saying is, is it because of some revival in monsoon or the festive season which is coming up or the liquidity which could improve, is it based on all these or any other thing....?

R. K. Agarwal: Abneesh what you say is absolutely right. We are attaching our hopes to these factors as well but it is more coming from our performance of Q1 which on the face of it, shows a degrowth, but as I talked about it in the opening remarks and as I am explaining, the good part is local markets are giving the growth. National always have a time lag. Yesterday we were discussing in the board meeting also where directors from agencies also said, none of them are optimistic but at the same time they are not as pessimistic as well and they also expect that auto industry will pick up which was mainly responsible for pulling down the growth for print in Q1. For radio, madam will add, automobile did not do that bad, number one. Number two, if you talk about radio also, then April and May, we were going very well. In fact, we achieved our targets to the extent of 95%-, 96% which means we were growing at the rate of 4% to 5%. But June was total disaster and June for print also was not good. In fact, if June was good, then we would not have reported any degrowth at least.

- Shailesh Gupta:** I mean to put it in a nutshell, if only one category could have fired which is auto, the results would have been very, very different.
- R. K. Agarwal:** So of course, we expect liquidity to improve, we expect monsoon, good monsoon but at the same time we are also backing ourselves up by our own efforts.
- Abneesh Roy:** Okay and Sir last question on the subscription part, subscription revenue and circulation revenue so whenever tough times are there, we do see print companies cutting down on circulation, wherever it is not meaningful from the financial perspective and also on the pagination, so in that context, apart from newsprint anyway the pricing part, on the quantity is there something which industry and you are working on?
- R. K. Agarwal:** We did not do that deliberately, but we took the increase in cover prices wherever we thought it is required, and that impacted circulation a bit that is one part and page levels also as far as we are concerned, we are keeping under check and there also we had some savings. Another important point as I mentioned in my opening remarks is reduction in unsold copies, which used to be around 3% for us, has come down to about 1.5%, that in itself is going to give us additional saving of Rs. 10 Crores per annum.
- Abneesh Roy:** Okay Sir that is all from me. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Thanks for taking my question. Sir one on the digital piece while we used to have incredible growth but at the end of that it is only a 10% Y-o-Y growth at a very small base, so are we doing something differently now because I have always felt at this scale we should be growing at a much, much faster pace and it should also not be something which is impacted by what is happening in the market level because it is a very, very miniscule level of revenue at this moment.
- R. K. Agarwal:** You are absolutely right but I think your observation is seemingly based on expectations, instead of on facts because if you compare the peer growth with our growth, in that context only I said it is incredible, number one. Number two, digital, no one is denying is growing and that is what should be the satisfaction, but if you expect digital revenues to grow, on expected lines or on the lines which were projected say three to four years ago, that is a 20%, 30% or 40%, I think it is a big ask. We always believed that and that is why we never went overboard in investment Let me assure you this is not going to happen so soon and so easily. You may have read a report which has been just released on the numbers of increase in net users and you may have noticed that there is a growth of just 8% last year and less than 8% in the current year as far as net users are concerned. And that is again on a very small base. Newspaper circulation is also growing even now more or less between 6% and 7%.

- Sarvesh Gupta:** Okay Sir, so going forward, Sir what should be...?
- R. K. Agarwal:** So what I am saying is let us not compare, the Indian players first of all with the international players like Google, etc., etc., which do many other things, apart from content, but we are content company, so we cannot be compared, number one. Number two, where do you see digital spend, increasing the way we all expected say in the year 2015 or 2016 or 2017.
- Sarvesh Gupta:** Sir what should be let us say three-year expectation on growth in terms of digital business?
- R. K. Agarwal:** Digital so long as we grow at the rate of 15% to 20%, we should be always saying we are growing incredibly.
- Sarvesh Gupta:** Okay, now Sir on the newsprint prices, the import duty has come in, so you...?
- R. K. Agarwal:** Still we will save some money. Yes, it is very much unexpected, and our newspaper body is taking up with the government but there are not too many hopes that government would concede to it. Yes, if it had not come, newspaper companies probably would have been able to recover some losses, which they have suffered because of steep newsprint prices in the last couple of years.
- Sarvesh Gupta:** So, Sir this \$500 that you have contracted for this year, so that is 35,000 and then if I add 10% so almost, we will be consuming at Rs.38,000 to Rs. 39,000 cost?
- R. K. Agarwal:** Correct and you have to add a few more expenses, which means 41000-42000 per ton
- Sarvesh Gupta:** So Sir for the full year then you know the raw material cost which was around Rs.650 odd Crores in FY2020 before the newsprint prices increased...?
- R. K. Agarwal:** Will be less.
- Sarvesh Gupta:** Can we reach to that level, Rs.650 Crores?
- R. K. Agarwal:** No. It will be less. It will be less by at least Rs.25 Crores.
- Sarvesh Gupta:** Including the import duty?
- R. K. Agarwal:** Everything put together.
- Sarvesh Gupta:** We will come to a level which is lower than 2017-2018?
- R. K. Agarwal:** No. Rs. 650 crores was the cost in 2019.
- Sarvesh Gupta:** No Sir. Rs. 730 crores was the raw material cost?

- R. K. Agarwal:** Rs. 730 crores of raw material cost include ink also, so let us exclude that, then it is roughly about Rs.650-675 Crores.
- Sarvesh Gupta:** Okay, so we will overall be lower by Rs.30-40 Crores?
- R. K. Agarwal:** Our newsprint is about Rs. 650 crores so there will be saving of Rs.25 Crores from last year that is what I am saying.
- Sarvesh Gupta:** For the full year Sir?
- R. K. Agarwal:** For the full year, you are right.
- Sarvesh Gupta:** Okay and Sir finally now this tax has come on the buyback also which we were regularly participating in, and our one-year lock-in period for the next buyback has also expired I think in late July, this year. So, what is the capital allocation now that you also mentioned that cash has so further increased. So, going forward Sir how are we thinking about dividends and buybacks?
- R. K. Agarwal:** So, we will be straightaway giving dividend.
- Sarvesh Gupta:** Okay, so you will not indulge in buyback because of the tax, which has come in.
- R. K. Agarwal:** See, we can do that. we have to distribute the money to you all, right. While that is in the form of buybacks or it is in the form of dividend, if you ask me off hand, I would say why not buyback that is going to improve the EPS also, so if I have to pay 20% then better do the buyback and pay 20% instead of paying dividend.
- Sarvesh Gupta:** So that kind of return to shareholders will continue irrespective of this new taxation?
- R. K. Agarwal:** But of course subject to availability of cash, which as I mentioned there is no problem, so we should not expect any pressure on distribution of funds.
- Sarvesh Gupta:** Sir what is the net cash position as on June?
- R. K. Agarwal:** Group has about Rs. 300 Crores net cash.
- Sarvesh Gupta:** Okay Sir. Thanks a lot, and I will come back and join in the queue.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead Investments. Please go ahead.
- Sonaal Kohli:** Hello Mr. Agarwal, thank you for this opportunity. Sir my question was that in every slowdown, there is some sort of consolidation and now print media has been broadly not growing for now more than three years for whatever reasons, and next six months also do not look that great, are you seeing lot of newspapers shutting down and in some sense over one, two year perspective, is

there any possibility of better pricing power in your subscription revenues, any structural kind of shift and when you speak to other players, considering the kind of dominance the players have, could we see some broad change in the industry structure through which you could make much more money in circulation if not in advertising?

R. K. Agarwal:

Mr. Kohli what you say is absolutely right, we are still working on taking more increases in the cover prices and this is the way moving forward. As far as the closure of newspaper is concerned, we have not heard of any company which has decided to close down, because everyone knows, this has been a temporary phase. I agree we have not grown for past three years and calling it a temporary phase sounds optimism, but still we can't forget that those three years were marred by life changing events which are not expected to be repeated again in our lives. So, people are still hopeful that we will come out of this bad phase, and we will do well, but what you said, Jagran has always been a great advocate of taking increase in cover prices. Even last year Jagran worked hard with the competitors to convenience them and take the increase in cover prices, wherever it was possible but still as I mentioned in my opening remarks, Bihar is a big market where it could not happen because of one of the competitors. So, the key message to all of us is we should become little more prudent as far as cover pricing is concerned and especially in those markets where the market size for advertisement is not justifying that kind of circulation. At least there we should not mind taking increase in cover prices. In Bihar, if the circulation growth over past three to four years has happened, at a CAGR of 10% or maybe even more because of new launches, because incumbents increasing the circulation, market size has not grown that much. So, we have to remain mindful now, at least of this fact that circulation and the market size for ad have to be commensurate. So, we will keep trying and will keep hoping that the good sense prevails, and others also join in this endeavor of taking the increase in cover prices.

Sonaal Kohli:

Sir two more questions, firstly considering the liquidity is tightening for many owners of companies in principles and you are seeing really negative news on the side of people who have been levered in various forms, considering this kind of situation and many newspapers may not be that profitable, do you see that people maybe more willing to sell in this downturn and do you see yourself as an acquirer in some new markets or in existing markets to take advantage of the current situation of liquidity as well as some of the entrepreneurs may be more willing to sell currently than perhaps three to four years back, so are you in market and would that be a possibility for a growth driver for you. Secondly while you did mention about the yearly newsprint, considering whatever duties are today, and whatever the global markets newsprint prices are today let say there were to reflect in Q4 or Q1 numbers next year, what is the recurring newsprint cost you would incur because while you are giving a yearly revenue, these things hit you with a lag. So Q1 obviously did not have the full impact of lower newsprint prices as well as no impact of the duties so if you can give a sense on recurring normal quarter whether it is Q3, Q4 or Q1 of next year, how would your newsprint prices in that normal quarter would be rather than on a yearly basis?

R. K. Agarwal:

Yes. Q2 of the current year, will also not have much of the impact of lower newsprint prices, Q3 and Q4 will have complete impact, and going forward also, whatever quantity we have already

committed that is good enough for us to continue at these prices till say June or July next year. So from now until the end of one year, the average cost of news print which we will account for in Q3 should remain more or less same in Q3, Q4 and Q1 of the next year.

Sonaal Kohli: So, let us say Sir if I was to take your second half of your cost, so when you give a total of Rs. 650 Crores if I heard the number correctly as your total newsprint cost for 2020?

R. K. Agarwal: 2019.

Sonaal Kohli: Sorry you are saying Rs.25 Crores saving on that Rs. 650 Crores or Rs. 675 Crores?

R. K. Agarwal: Right.

Sonaal Kohli: So, let us say whether that number of Rs. 650 or Rs. 675 Crores, whatever the real was, if you could give a breakup in terms of first half versus second half it will give us the right context that will be?

R. K. Agarwal: I will try to do that. Yes, Mr. Kohli, I mean for the first quarter, we have newsprint cost of about Rs.155 Crores, in Q2 I expected it to be about Rs. 147-148 Crores, in Q3 I expect to be in the range of about Rs. 140 Crores and in Q4 also I am expecting it to be about Rs. 140 Crores.

Sonaal Kohli: And this includes the import duty impact or whatever you...?

R. K. Agarwal: Everything.

Sonaal Kohli: I understood Sir. And secondly Sir on the strategy of the acquisitions, and possibility...?

R. K. Agarwal: Mr. Kohli, there are three sizes of the company, number one is very small, number two medium and no three, like us, I do not think it makes sense to go for the small company, as far as medium size companies are concerned, I have my doubts, whether there will be any seller, the time is tough, there could be fall in their profits but if they are struggling with the borrowing or the debt, I have my own doubts. Mr. Sanjay Gupta can add to the point which I have just made.

Sonaal Kohli: Sir there are tightening liquidity conditions as we all are aware about and many entrepreneurs including some of the media entrepreneurs would have diversified interest and some of their businesses would be bleeding. In light of the liquidity conditions, do you expect any deals, which could conclude to buy some of these entrepreneurs who may be going through this kind of situation considering you have cash and cash could be very useful in these bad times to get some opportunities which were not be available in the past?

Sanjay Gupta: As you know our subsidiary company is already going ahead with such proposal in radio space and that is also media, as far as the parent company is concerned, we will have to weigh the pros and cons of the cash that is left with us and a proposal if it comes across, that is what I can say at

this point and whether any proposal is coming or not that depends on other entrepreneur news, at the moment, we do not have any such proposal.

Sonaal Kohli:

Sir my last question, regarding July you said, July is very bad but you think it has bottomed, considering the worst month happened recently so it is just based on because it was bad, because when the cycle starts we tend to have a tendency to say this was worst, like everybody would have thought September was worst last year, so in that sense is there any analysis like the base of last July, last year was much higher than what it normally should be and the next two months were relatively weak, so there is some mathematical, some analytical analysis?

R. K. Agarwal:

Very fair. On radio, I would request Madam Apurva to speak

Apurva Purohit:

I think it is a very fair question and only hindsight will prove whether this is bottoming out of July and then upswing happened or did not happen or it is continuing trend, so I don't think that there are any clear answers, anybody even the best of economist have right now, Mr. Kohli, having said that what give us some ray of hope clearly is that June was bad and I think July was as bad as June, but August, September two things are happening, one is the several proposals have been sought by our clients and we all know the August, September is the beginning in a sense of the pre-festive season, there are several proposals that are being offered by us to our clients who are seeking the same, second thing is we believe government advertising in fits and spurts have already started at a state government level, central government also, we believe it is a matter of weeks before central government opens out its purse strings as far as advertising is concerned, so I think those are the two reasons that we believe that August, September should be better than June July. However, I think only time will tell.

R. K. Agarwal:

Mr. Kohli, why we hope government will start spending because budget has just got concluded, they have to start spending sooner than later and the moment their spend starts, especially on infrastructure, clearly the media is also one of the beneficiaries.

Apurva Purohit:

Just to add to Mr. Agarwal, there was one more point that I wanted to make so these are the things we are seeing in the external environment; however, it is not that internally we are just sitting and letting these headwinds trouble us to that extent. So there are lot of things that all of us have put in place in each of our businesses, so for example there is a heightened creative integration process that we have started with our clients far more proactive pitches that have gone out, far more local touch points created as far as local advertising is concerned with Mr. Agarwal already pointed out that is where we are seeing a stability and a minor growth coming in advertising spends, a lot of new business deals being sourced. So, I think five to six internal activities also have been put in place which should cover 2%-3% of the bottoming out that happened in June, July.

R. K. Agarwal:

Mr. Kohli just to add again, as I mentioned, these are initiatives, these are the internal things, these are efforts, which have helped us grow our advertisers base so these tough times get you something which otherwise you do not do, so these tough times we have used to become in fact

little more innovative and that is why in spite of recording 30% degrowth in automobile industry, and not having much of political revenues, we could contain our degrowth just within 2%, So all those efforts if have had impact to the extent of r say 60% in Q1, they would have increasing impact as the time passes. Number two is these initiatives are what. These initiatives are adjusting yourself to the current economic environment wherein you become little more solution providing then just carrying the advertisement that is number. Number two for example in print, there are two, three deals which we have been able to sign only now, after three to four months at national market level. So, these deals also will start rolling out from may be August, if not from August, September for sure, and even Mr. Gupta will clarify, I think I mean like all those things which you have signed, will start happening from August itself.

Shailesh Gupta: Yes. y. So they will start firing I think from Q2 that is what we are hoping, Q2, Q3 and Q4 should look much better than what Q1 is, and that is what I can tell, but that really helps.

Sonaal Kohli: Let me rephrase so that it is easy for everyone to also understand and this seems to be the biggest question in everyone's mind. Let us say there was no political impact net of government, political cum government revenue spending, what would he have grown in terms of your advertising in the quarter, which has gone by, so that we know adjusted for that if it normalizes and other thing would not change?

R. K. Agarwal: Mr. Kohli I understood your point, and from that angle only, I was clarifying, in the opening remark only I said, if the election had not happened, we would all have continued in normal course, and , only from government I would have got at least Rs.10 to Rs.12 Crores more, which means, instead of 2% degrowth or 1.9% degrowth I would have reported growth of 3%-4%.

Sonaal Kohli: The delta is 5%.

R. K. Agarwal: Sorry.

Sonaal Kohli: The delta of government is 5%, is that what you are saying?

R. K. Agarwal: Yes.

Sonaal Kohli: Sir lastly considering you yourself said that June was worst and July has been bad, even if these numbers improved compared to June and July, your Q1 base has two good months, so in not it fair to assume that Q2 would be at least as bad as Q1 in spite of these improvements you are talking about in terms of growth rate?

R. K. Agarwal: Sorry. I mean if you are talking July, for radio July is worse than June. For us, July is as bad as June.

Sonaal Kohli: So, does not that mean that the Q2 Y-o-Y number even if the government revenue adjusts if it is in the no growth or zero percent growth?

- R. K. Agarwal:** I got your point. June number last year for print was pretty high; July was not as high as June numbers was, so even though July is worse than June or July for print was as bad as June, the quantum of degrowth is less than what we had in June in absolute terms, so supposing in June we had a degrowth of about say Rs. 10 Crores to 12 Crores in July we had degrowth of Rs. 5 Crores that is what I meant. So it does not necessarily mean that if July is as bad for print as June, the quarter will show zero percent growth or similar degrowth of -2%.
- Sonaal Kohli:** Understood Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Gaurav Agrawal from E&R Advisors. Please go ahead. As there is no response from the current participant, we moved to the next question from the line of Vikas Vardhan from Value Research. Please go ahead.
- Vikas Vardhan:** Thanks for the opportunity. My question is regarding the receivables on the company, which has risen sharply in the last three years, so can you reflect some reason why this was happened?
- R. K. Agarwal:** Your voice was lost. Can you please speak a little loudly?
- Vikas Vardhan:** My question is regarding the receivables of the company. I have seen the trend like it has risen sharply in the last three years, so can you reflect some light as to what has happened?
- R. K. Agarwal:** Clearly, no growth in revenues.
- Vikas Vardhan:** Okay so the payment is struck from the advertisers.
- R. K. Agarwal:** Little bit. Government is very bad pay master.
- Vikas Vardhan:** Okay, the major contribution is from the government.
- R. K. Agarwal:** Yes of course.
- Vikas Vardhan:** So, it is expected to come down in the near future?
- R. K. Agarwal:** We cannot say anything. Yes, there were certain inefficiencies on our part also, which we are addressing. So, it may slightly improve but it all depends on government's action.
- Vikas Vardhan:** The provisions which we have created for the debtors?
- R. K. Agarwal:** Again, you will be very surprised to know that is again mainly for government debts because we have a policy that if we do not recover the amount within certain time, we provide for. It is not necessary that it is bad, but if we do not recover it for certain period of time, we provide for it and as it is now under Ind-As, you have to account for expected credit loss, which means if there is a delay in recovery, we provide for.

- Vikas Vardhan:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.
- Deepesh Kashyap:** Few bookkeeping questions, can you just quantify the impact of Ind-As 116 on your other expenses, depreciation and interest expense in standalone numbers please?
- R. K. Agarwal:** I think the note has been given to the account, you can refer; that would be better.
- Deepesh Kashyap:** I think you have just mentioned the assets and liabilities, but you have not mentioned the impact on how much margin improvement we saw because of that?
- R. K. Agarwal:** I believe other expenses are lower because of that by about Rs. 3-4 Crores.
- Deepesh Kashyap:** I will take it offline. Sir what is your imported or domestic newsprint mix?
- R. K. Agarwal:** It has been pretty high in the Q1 that is also correcting in Q2, in Q1 there was nearly 48%-49% imported and balance is domestic.
- Deepesh Kashyap:** But on a normal basis it is around 70 is domestic, 30 is imported, is that right Sir?
- R. K. Agarwal:** Yes. But now certain good quality of Indian newsprint is costlier than imported, that is why we thought let us go for import.
- Deepesh Kashyap:** Sir to one of the previous questions you mentioned the newsprint cost for the next four quarters, I just wanted to understand like how much circulation growth are you building in those numbers?
- R. K. Agarwal:** Very negligible.
- Deepesh Kashyap:** Sir this is newsprint cost right plus there will be some cost also right around Rs. 15 Crores or 20 Crores?
- R. K. Agarwal:** Yes. You are right. I am sorry. That imported consumption was not as high as 48%, it was 42% only.
- Deepesh Kashyap:** 42%. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Prateek Rathi an individual investor. Please go ahead.
- Prateek Rathi:** All my questions are answered. Thank you.

- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir thanks for followup. Just one question on the clarification you gave, so the expected number you mentioned is around Rs. 165 Crores in Q1, Rs. 147 Crores in Q2 and Rs. 140 Crores each in Q3 and Q4 so if I add that adds up to Rs. 582 Crores, and you said last year it was around Rs. 660 Crores so that is a reduction of 70 Crores?
- R. K. Agarwal:** What figure I have told you for FY20-- that is including custom duty. So, you are right, there will be savings in the current year to the tune of about Rs. 4050 Crores not Rs. 25 Crores what I mentioned earlier. You are absolutely right. Yes. Thank you very much. I gave the wrong figure. It is going to be more than Rs. 25 Crores. Because in the first quarter, there is no saving because last year first quarter had a very low prices of the newsprint, so that is somewhat confused me but there is going to be saving of at least Rs.40-Rs.50 Crores.
- Sarvesh Gupta:** The other one is on your interest cost is around Rs. 9 Crores so any guidance on the full year?
- R. K. Agarwal:** Interest cost is higher especially because in last year Q2, Q3, there was distribution of dividend and buyback so borrowings increased and they will take time to come down, so interest will go down and down only.
- Sarvesh Gupta:** Okay Sir. Thank you, Sir.
- R. K. Agarwal:** And this year it has impact of Ind-As 116 also.
- Sarvesh Gupta:** Understood Sir.
- All the best for the coming quarters.
- Moderator:** Thank you. The next question is a followup from the line of Sonaal Kohli from Bowhead Investment. Please go ahead.
- Sonaal Kohli:** Thank you again for this opportunity. Sir the auto sector has been going through a slowdown for sometime now, Sir just wanted to get the context of the slowdown which has impacted you in Q1 versus some of the prior quarters considering it is your largest advertising contributor, so was there a degrowth for you even in Q4 and Q3 in the automobile sector or was it still a growth and if a degrowth how steep was it?
- R. K. Agarwal:** Q4 there was no degrowth, there was some growth only.
- Sonaal Kohli:** It is a very, very sharp sudden de-growth in QoQ.
- R. K. Agarwal:** Very sharp. June quarter un sitting in the last quarter of the last year, nobody expected at least in our industry that there is going to be degrowth of this kind. And in case of radio, there is in fact

increase in the consumption in terms of volumes. But for the print, it really nosedived. For us, degrowth was still sharper because we had a very good revenue from auto in the last year.

Sonaal Kohli: Sir when you say auto, do you include the dealers of autos who advertise with you, or it was only the national?

R. K. Agarwal: No, everything.

Sanjay Gupta: The national go slow, dealers will obviously go slow because they only complement each other when they advertise.

Sonaal Kohli: But your 15% number of total revenues was a combined contribution of both local and national automobile revenues and this 30% degrowth number was also a combination of both local and national?

R. K. Agarwal: Both. When I was talking about sustaining growth in the local markets of course auto was degrowing there also.

Sonaal Kohli: Sir two more questions, firstly what is your experienced with automobile industry over the last 10 to 15 years, we had a similar cycle in 2012-2013 and then we had a cycle in 2009, so three cycles in last 10 years. Is it that auto industry normally reacts very steeply when they see demand disrupting and in the subsequent quarters when they have better execution, they come back?

R. K. Agarwal: We never saw this kind of problem in auto sector.

Shailesh Gupta: I think why this problem has come because government of India had asked them to change the configuration of the engines of BS-IV to BS-VI, This is also the reason as people are waiting but they will need to put a thrust to clear the stocks and that is the reason why I am so confident that during the festive time, they will have to push sale of old stocks.

R. K. Agarwal: This is what is the indication given even by the large agencies also. Mr. Kohli as you see there are so many things which have happened all together right, number is increase in insurance tariff, number two point what Mr. Shailesh has just told you, number three liquidity problem, so everything happened together besides the macro environment.

Sonaal Kohli: Sir when you talk about future advertising revenues visibility, typically what kind of visibility do you have in terms of for next two weeks or one month, do you typically have 40%, do you have typically 80% visibility over next two weeks or one month revenues? Secondly, are there any leading indicators, mathematical indicators, you track rather than just a discussion like number of enquires, deal wins, some more broad analysis? Thirdly you said July had a lower base but is that also true for August or September or last year or the base of August and September last year where higher just to get a context of what lie head for growth?

R. K. Agarwal: To support our expectation mathematically Mr. Kohli, we do not have any number. The fact is that. What we are saying, we are saying on the basis of conversations and on the basis of deals executed. And those conversations have increased in intensity. That is one part. Number two part while we expect August and September to be better as Apurva mentioned, it is because it is beginning of the festive season, it should have beginning of central government spend, that is something which is very-very important for us because that is about 20% to 25% category for all print, we cannot wish that away. The state government as she mentioned has started spending. So out of 20%-25% there is a sign state spend which could be about 15% has started spending. Now balance which central government contributes, should start because they have committed huge amount of investment. Once they start investing of course there will be advertisements for these infrastructure investments. So, there will be advertisement for acquisition of land, there will be advertisement for tender and so on so forth. Whereas we do not have numbers to back up our expectation mathematically, but of course these are not hunches also. We have some numbers. We have realistic expectations and of course there could be some optimistic thinking also, it is mix of the three.

Sonaal Kohli: Got it Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shailendra Mundra an individual investor. Please go ahead.

Shailendra Mundra: Thank you for the opportunity. One question and one comment. I wanted to know about the outdoor business. It seems from the margin profile that most of the properties are lease, am I correct in assuming that? And if yes, what are the plans and are going forward, is it possible to acquire some of the properties at this time where there is liquidity crisis and if they are available at attractive prices to improve the margin profile?

Apurva Purohit: You are absolutely right that all our properties are leased properties. It is a mix of leases that we take and tenders that we apply for specifically wherever there are government properties for example the metro, etc., so 50:50 would be the leased and tender process. We do not intent to acquire anything. We are quite happy following this lease model because obviously from a capex perspective apart from that the lease and tenders that we get, we get for a long-term basis, anything between 5 years and 10 years, so that is the model we are very happy to continue. Of course, our investments are always there in upgrading these facilities. So, we want to convert some facility from just a plain vanilla outdoor site into a digital site or wherever we need to when we take for example the metro tenders where we need to put up panels etc. That is where we invest our capex. The margin has moved from negative and it has struggled to around 2%-3% for a bit and currently we are at a 7% margin and we hope that between 7% and 10% where this margin will settle at. Because it is currently a mix as I said of vanilla outdoor site plus metros, it will remain at 10%, the only opportunity to better this margin, only comes when you start converting these sites to digital sites. For the next couple of years given the larger scenario, this is not our intension, but however after that if we see the macro improve certainly one by one we

will be investing and converting the sites to digital sites where at which stage the margin can go up to around 15%-18%.

Shailendra Mundra: Okay I think if you can achieve 10% margin that will be great and if you can convert them into digital and achieve even 18% over a longer, then it will be a great business.

R. K. Agarwal: Let me clarify to you this year our target is to achieve 10% margin, and we are very much in that direction. May be if that if we slip, we will slip very narrowly.

Shailendra Mundra: Sir another question is essentially acquiring most of the properties on lease so during the tenure of the lease do you have fixed payments and can you improve your revenues overtime due to inflation or something so that you have overtime increased your margin. Is that a scenario we can expect?

Apurva Purohit: We have a fixed payment model everywhere and clearly the opportunity to improve is in two ways one is to increase the price of the hoardings and the other is to ensure that hoardings go full throughout the period, right, so we work on both these models.

Shailendra Mundra: That was my question, and I wanted to give a suggestion looking at business profile, of the group, I am recommending that you consider changing the name of the company from Jagran Prakashan which is a steeped in history and probably the origin of the business to something like Jagran Media Group or something like that which indicates or which conveys multiple verticals and multiple growth opportunities for the company. So that is a suggestion which would probably give right signal to all stakeholders of the company. Thank you very much.

Moderator: Thank you. The next question is from the line Gaurav Agarwal from E&R Advisors. Please go ahead.

Gaurav Agarwal: Sir just one clarification this is on the guidance, which you had given on the newsprint cost, so are you building in any increase in the circulation volumes as well?

R. K. Agarwal: Very negligible.

Gaurav Agarwal: So, it is 1.5 lakh tons of newsprint which we will consume, and that is what we have built in while giving out this number?

R. K. Agarwal: Yes.

Gaurav Agarwal: Thank you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to Mr. Agarwal for his closing comments. Over to you Sir!



Jagran Prakashan Limited
August 1, 2019

R. K. Agarwal:

Thank you friends for sparing your valuable time. We hope that you will continue to have confidence in the management and the business. Good times are not far off and we will start seeing growth sooner than later.

Moderator:

Thank you very much members of the management. Ladies and gentlemen on behalf of Jagran Prakashan Limited that concludes this conference call. Thank you for joining us and you may disconnect your lines.