



“Jagran Prakashan’s Q3FY16 Earnings Conference
Call”

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MODERATOR: **MS. SONALI SALGAONKAR – YES SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Jagran Prakashan's Q3FY16 earnings conference call hosted by Yes Securities. As a remainder, all participant lines will be in the listen-only mode. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sonali Salgaonkar of Yes Securities. Thank you and over to you Ma'am.

Sonali Salgaonkar: Good morning everyone. We are Yes Securities are pleased to host the Q3FY16 conference call for Jagran Prakashan Limited. With us we have the management team of Jagran Prakashan represented by Mr. Shailesh Gupta – Director (Marketing), Mr. R.K. Agarwal – CFO and Ms. Apurva Purohit – Whole time Director (Music Broadcast Limited). Let me start by congratulating the management for a wonderful set of results. I now handover the conference to Mr. Agarwal for his opening remarks. Thank you and over to you sir.

R.K. Agarwal: Good morning friends and a very warm welcome to the conference call of Jagran Prakashan. Let us first wish you all a belated Happy New Year as we are interacting for the first time since the year began .

Friends, the numbers have been before you and you may be having queries. We will take them up a bit later. But, let us first talk about what these numbers do not show to appreciate company's performance in right earnest.

First in that order is advertisement revenue growth in all the 3 core businesses namely print, radio and digital. I would request you to view this growth or in other words reported growth keeping in view the following very important facts :

- 1) In Q3 of the previous year, print and radio both benefited from revenue from state assembly elections. If you recall Jharkhand, Haryana and Maharashtra had gone in elections in Q3. While Mid-Day has done very well in growing its advertisement revenue, the loss of political revenue resulted in degrowth of nearly 6.5% for the quarter for them and this is why their good performance went unnoticed from the reported numbers and similarly radio also has suffered. In December 2015 as far as Mid-Day is concerned you would be pleased to note that they have recorded a double digit growth and in January too,, they continue to grow. As we all know, Mid-Day has struggled for growth for long time but now we expect that this momentum will continue.
- 2) this growth has been pulled down also because we have suspended the publication of loss making Cityplus from August 2015 and this brand had an advertisement revenue of about 2.23 crores in Q3FY15.
- 3) Government spend in MP market continues to remain subdued.

- 4) For some of our peers, (this is something important to know), Government revenues have grown and have grown significantly. But for us there was a degrowth of about 10%. If share in Q3FY15 was 22% ,it went down to 16% in this quarter in case of Dainik Jagran. This degrowth is exceptional and we hope and trust that it will get arrested in Q4 and we will again start getting our due share. In fact this loss of ours has benefited some of our peers in this quarter.
- 5) Growth in case of Radio looks a bit lower than the growth reported by a few who are much smaller players. Firstly, it is because of base effect and secondly because we sacrificed significant business as the lower rates were offered by advertisers. Many of these advertisers have come back at increased rate and therefore there is no worry. Further growth has also suffered because of floods in Chennai. Apurva will inform when we deal with your questions but I believe their growth has been pulled down by about 2% because of floods in Chennai in this quarter.
- 6) As far as digital advertisement revenue is concerned, we clarify that it does not include any event led revenue which may be the case in case of some of our peers. However, there is a huge scope for improvement that we recognize in our growth which is currently at 30% if we look at our strength in digital domain. We engaged consultant of international repute to advise us the strategy and based on their recommendations we are working on our plan. Once this plan is rolled out, it will not only help in improving the growth rate but will further strengthen our digital presence.
- 7) As stated earlier advertisement revenue from government has declined by nearly 10% for us. Still we could grow decently because discretionary spend sectors such as consumer durables, real estate to surprise all of you, automobile and retail have done well for us and were also significant contributory in this growth. This gives us the sense that there is an uptick in discretionary spend which is a key positive of this quarter. Another positive for the quarter was the fact that there was an improvement in yield on Y-o-Y as well as on Q-o-Q basis.
- 8) Dainik Jagran continues to record double digit growth in January 2016 as well. So as some have reported that they have recorded good growth in January at the cost of others, at least we are not the ones.

Second important revenue stream for the company is the subscription revenue. Here per copy realization improved on Y-o-Y basis in case of almost all newspapers. But still growth is lower than our own target set in the beginning of the year. More than anything else it is because of strategic decisions not to supply newspaper at a value which allows the dumping of copies and deferral of growth in circulation in those areas where there is delay in pick up in ad spend. I would also like to clarify that the comparison of our circulation growth with the growth reported by our competitors especially our closest competitors is not like-to-like . There are two reasons for that. Number one is; our closest competitor has launched two editions in Bihar in or around Q3. Number two, per copy realization of our competitors was far lower than ours. So there was a scope for them to increase it and come nearer to our per copy realization. Nonetheless this is good for the industry because any further increase by them will

give us headroom to increase cover prices further. In any case, our per copy realization is still higher than that of any other peer.

The revenues from other publication brands are slightly lower on Y-o-Y basis because of suspension of Cityplus and degrowth in revenues of Mid-Day as we have discussed above, however on Q-o-Q basis there is a growth of 10% which is pretty heartening.

As far as cost is concerned, it includes Rs. 4.5 crores spent on CSR in this quarter and about 2.5 crores being the provision for additional bonus payable due to amendment in bonus act. There is an increase in newsprint cost which is primarily because of increase in circulation and increase in pagination of Dainik Jagran due to festive season. Finance cost is more than double due to investment in radio business but given the robust cash accrual this should get normalized before the end of the Q1 of the next fiscal. Other than this there is nothing exceptional or significant on cost front to be highlighted.

As at 31st December 2015, the net debt for the group was Rs. 275 crores.

With this we end our clarifications and request you to proceed with your questions.

Moderator: Thank you very much sir. We will now begin the question and answer session. Our first question is from the line of Shalini Gupta of Quantum Securities. Please go ahead.

Shalini Gupta: Just a couple of questions. Sir, if you could just discuss what has been the yield in this quarter and you said it has been an increase in yield Y-o-Y and Q-o-Q, so if you could just give comparative figures also?

R.K. Agarwal: Comparative figures in isolation may not help. We can take it offline because there are various categories where the yield has improved very significantly. In some cases, the yield has improved slightly. So very difficult to give you one single figure and comparative figure for the previous period. As simple as that, you can very well imagine if there is a degrowth of 10% in advertisement from government then definitely it has given an increase on overall basis in the yield.

Shalini Gupta: Yes, if you could just discuss for Jagran?

R.K. Agarwal: So what I am saying; there are 10 categories, suppose. In case of 5 categories there is a steep increase. In 5 categories there is some increase or there are 2 categories where there is no increase or in one category there is a decline, it becomes difficult to give it an isolation.

Shalini Gupta: So sir, let us take the case of Dainik Jagran, government revenues will be what percentage of total add revenues for Dainik Jagran?

R.K. Agarwal: That I mentioned. In Q3FY15 it was 22% and this time now it is only 16%.

- Shalini Gupta:** Okay, sir if you can just talk about the realization per copy, you were saying that you were higher than your closest competitor also?
- R.K. Agarwal:** Yes, still we are higher but now the gap is very little. For example for us, for Q3FY15 our per copy realization is Rs. 2.44 for Dainik Jagran.
- Shalini Gupta:** So this is your realization, not the cover price?
- R.K. Agarwal:** No, this is my per copy realization.
- Shalini Gupta:** And this is Q3FY16?
- R.K. Agarwal:** Yes. I am sorry, not FY15, it is FY16, yes.
- Shalini Gupta:** And sir if you could just say if there has been any increase in your realization say Y-o-Y or Q-o-Q?
- R.K. Agarwal:** Yes, there is an increase of about 1% on Y-o-Y in per copy realization because we were already operating at nearly 2.40 at which our closest competitor has just reached.
- Shalini Gupta:** Yes, that is right. They are at 2.48 or something? Sir, what is your view on taking your per copy realization higher or do you want to hold the price or what is your view on this?
- R.K. Agarwal:** It gets governed by market and as I mentioned in my opening remarks, this is very good for the industry that all the players have started increasing the cover prices. If they increase a bit more, it will give us headroom to increase further.
- Shalini Gupta:** Couple of more questions. What is your circulation as of now per day circulation?
- R.K. Agarwal:** All brands put together, I am around 5 million.
- Shalini Gupta:** And sir what was it, say in the, if you can give a corresponding figure in the previous year's corresponding?
- R.K. Agarwal:** Let us talk straight. Our 9 month's increase in circulation is nearly 3.5% for Dainik Jagran. Out of which 1% as I mentioned is on account of the increasing yield and about 2.5% is on account of increase in copies. If you compare it with our closest competitor if they have reported 17%-18% growth in circulation revenue in Q3, it is about 3-4% on year-on-year increase in copies. It is also because they have launched new editions in Bihar in or around Q3 which we have not done, number one. Number two, since they were operating at low cover price or low per copy realization they had a room to increase it and got the benefit of about 13%-14%. So in terms of increase in circulation, so to say in terms of increase in copies sold there is hardly any difference between us and the closest competitor because both of us

probably know that we do not need more than what we are already circulating for current ad.revenue.

Shalini Gupta: Sir last time I had met you, you had indicated that there is a lot of buzz around ad spends in your markets, and you had said that probably closer to the end of the year your ad revenues as in the Q4 probably the ad revenue growth will probably be close to 12%-13%-14%?

R.K. Agarwal: No, I did not say 12%-13%-14%. I said for the year we should do well in advertisement revenue growth of 9.5% as far as print is concerned and that we continue to maintain and in order to do that definitely will have to record a growth of about 11%-12% in Q4.

Shalini Gupta: And sir I had a couple of more questions. One is that gross margins are at an all-time high, so what is your outlook on raw material, do you expect it to be stable?

R.K. Agarwal: Let me clarify to you; benefit to us in terms of raw material prices, as we discussed in Q1 was largely passed on to advertisers. So whatever benefit we have had because of lower newsprint prices has accrued to us only in say 1.5 quarter by the end of December and the total amount could be 7-8 crores, but again that got more than compensated or rather offset by increase in pagination which we took in Q3 due to festive season. Thus , we have not gained much because of lower newsprint prices. .

Moderator: Thank you. We will take the next question from the line of Rahul Maheshwari of IDBI Mutual Fund. Please go ahead.

Rahul Maheshwari: First of all can you give the geographical break up of in terms of the leadership contributing on to Dainik Jagran?

R.K. Agarwal: This is something very detailed question. I am not having those data readily available. IRS 2012 Q4 data you connect to me later on, I will supply you. No problem. Those are pretty much in public domain and I think many of the analysts have already published those data. In fact I would request even Sonali to share it with you all.

Rahul Maheshwari: Can you give guidance on your digitaladvertisement for the next FY17 and 18 and to what proportion it would be growing and how it can be taken to the next level?

R.K. Agarwal: I touched upon it while speaking in the beginning. I will pass on this question to Apurva who is looking after digital as well.

Apurva Purohit: As Mr. Agarwal mentioned, we have engaged an international consultant to work with us on a digital strategy. So right now to tell you exactly what will be the expected growth next year is difficult but it will certainly be upwards of 50% from what we are doing now because we are really looking at an expansion across all our current verticals as well as expanding into new sub verticals within the digital play.

- Rahul Maheshwari:** And any other plans for acquisitions or something?
- Apurva Purohit:** Within digital or otherwise?
- Rahul Maheshwari:** In digital.
- Apurva Purohit:** We are not planning. We have got some great properties. You know Jagran Josh is number one education site. We have got news and current affairs. Within that we are looking at expansion also. We have some great brands which have both national and international appeal, whether it is Mid-Day or Gujarati Mid-Day and of course web radio on radio city. We are looking at expanding all of those. So there is a brand expansion plan and there is a vertical expansion within the large news and current affairs .
- Rahul Maheshwari:** Okay, my second question is like regarding your other expenses has been increased by more than 40%. So can you give what has been the cause for such increase and whether it would be maintained at this level or not?
- R.K. Agarwal:** For Q3FY16.
- Rahul Maheshwari:** Yes.
- R.K. Agarwal:** FY16 we are talking on Y-o-Y basis.
- Rahul Maheshwari:** Yes, Y-o-Y basis.
- R.K. Agarwal:** Number one, Radio City was not there last year, so their expenses have got included and that is why you see such a steep increase. Number two, in this quarter, We have CSR expense of about 4.5 crores which is included which was I think only 2 crores in Q3FY15. Number 3 is outdoor and event business had a higher scale resulting in higher expenses than what they were in Q3FY15. These numbers are already given in the footnote to the results.
- Moderator:** Thank you. The next question is from the line of Rajeev Berlia of Edelweiss. Please go ahead.
- Abneesh:** Sir, this is Abneesh here. My question is to Director (Marketing), Mr. Gupta. Sir you mentioned uptake in discretionary consumption and Jan you have also seen double digit growth along with some of the other players. So could you elaborate this a bit more, which segments you are seeing more recovery in the growth numbers?
- Shailesh Gupta:** You mean advertising ?
- Abneesh:** Yes sir because it will flow through from growth in their own trends.
- Shailesh Gupta:** See our growth has come from auto, real estate , white goods etc and this will continue in Q4

- R.K. Agarwal:** And more importantly it is retail.
- Shailesh Gupta:** It is more retail and Q4 we are very hopeful that even the ecommerce people will increase their spend .
- Abneesh:** And sir you mentioned this government ad are down and I said this is exceptional, so this is any home market UP and any particular reason and why you expect...?
- R.K. Agarwal:** I would not like to mention any particular market . But yes, the problem is getting addressed.
- Abneesh:** I am sure you are not mentioning the state but was it largely pricing led or...?
- R.K. Agarwal:** No, in case of government there is nothing we can demand anything extra from what is already decided by the government. So in case of government there is never a price war. It is always fixed. I mean if x price is fixed for me, I cannot go beyond it and if x plus price is fixed for competitors, they cannot go beyond it.
- Abneesh:** Sir coming back to Mr. Gupta. Could you elaborate on the competitive positioning. The competitor has launched two more additions in Bihar. So in Bihar and Jharkhand how is the scale up and have you lost any share or any numbers you can discuss, similarly you are ramping up in some of the other states like MP, Chattisgarh. So could you talk about that? Are you gaining share there in terms of advertising revenue big time?
- Shailesh Gupta:** Yes, we are gaining share. We are actually focusing on MP,Chhattisgarh and as far as competition in Bihar, Jharkhand is concerned, we are already there. We are very much present in the market which matters and we are consolidating our position in Bihar and Jharkhand and Bihar and Jharkhand will never be a P1 market in near future . It will always complement other markets we operate from. So we will only put as many copies as required to make sure the advertiser get full returns on the spends he does. And MPCG we are consolidating. We have changed quite a bit of stuff in MPCG making sure that our position gets stronger.
- Abneesh:** One follow up on that. You said you have changed a lot in the MP, Chattisgarh and the market leader clearly is seeing a very noted growth for the past few quarters. So what is your growth there and what have you changed in terms of the content?
- Shailesh Gupta:** We have changed the top management. Our people, we have changed and we are very hopeful that in coming quarters the growth will be much better than what has been and of course in the next year because. So we are very hopeful that 16-17 for MPCG would be a much better year.
- R.K. Agarwal:** Also Abneesh, you should always remember Nai Dunia was extension of Jagran. So all those benefits will go to them also and if somebody is giving us UP, he is giving us MP as well and

you may note that in fact in Bihar and Jharkhand, for the first 9 months our growth is very good double digit.

Abneesh: Ahead of the market sir, in those two states?

R.K. Agarwal: I would not comment on that. But what I can tell you, our growth is very good in Bihar and Jharkhand.

Abneesh: Sir, my next question is on the radio business to Apurva, you have done well on a much larger base and Chennai issue, could you elaborate what happens in Chennai kind of issue? Is it that the last minute inventory does not get filled up or the advertisers have removed ads, what happens there?

Apurva Purohit: there are two things. One is you must remember that revenue for us comes from the Chennai market into our other markets. It is the 4th largest corporate market in that sense and obviously revenue into Chennai from other markets, also the local retail revenue. So while the station did not go off air in fact, we were possibly the only station went off air for less than a day, retail businesses completely shut down. So the retail-to-retail revenue did not happen at all and the corporate business from Chennai into other markets completely stopped for nearly 3 weeks. So there was a reasonable impact on our numbers .

Abneesh: Apurva that is quite useful. Just one follow up here. If I see the other large print player because of advertising hike last year, their volumes suffered big time. So in your case one is, are other radio players also taking rate hike, how much is the rate hike, effective rate hike you planned to take next year. So do you see risk of some volume loss because market may not still be very buoyant although you are doing pretty well in numbers. But any risk of downside to volumes?

Apurva Purohit: Let me not comment on what other print players are doing and how that is impacting volumes. If you see our trends for the last 3 years, we have been consistently taking a rate hike. Now our strategy of rate hike is not necessarily to go out in the markets and shout out and release large press information that is saying that we are taking a rate hike, but on a consistent basis we keep on negotiating, renegotiating with clients to the extent that we pull back advertising of certain clients who are not willing to give us the rate hike. This year the rates grew by 4% in H1 and in Q3 our rate hike has been approximately 12%. At the end of the year, we will have increased our rates by around 7- 8%. Therefore, broadly our revenue increase that will happen will be half out of rate increase and half out of volume increase and just to further elaborate that it does not have impact on our volumes. In fact, in a core market where we take a rate hike, we are already utilizing up to a 110% of our inventory .

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

- Yogesh Kirve:** Mr. Agarwal, you talked regarding the decline in the government revenues. I noted you talked about some high base effect because of elections. But apart from that what was the other factors which impacted government revenues?
- R.K. Agarwal:** there were other factors too unfortunately which, as I mentioned ,were exceptional which I am not able to spell out. Election was one part, that is okay. But major part was lost because of exceptional reasons.
- Yogesh Kirve:** So we are not talking about it, right?
- R.K. Agarwal:** But be rest assured, it is getting arrested, it will get arrested rather in Q4.
- Yogesh Kirve:** Secondly, regarding the last year we resorted for some practical rates in some of our markets. So what would be our philosophy now, whether we will continue to be accommodative or put it more on ad rate hikes this year?
- R.K. Agarwal:** We have already seen the improvement in yield in Q2 as compared to Q1, in Q3 as compared to Q2. So this is a process which will continue and it will all depend how the economy and how the market are? We are not rigid. We are consumer friendly and that we will remain and that is what has brought us where we are. So we value our customers, we value our consumers and we will do what is a win-win situation for both of us.
- Yogesh Kirve:** Sir considering that the non-government part of the business is picking up. So can we expect more aggressive price at this year compared to last year?
- R.K. Agarwal:** Why not. That we will do and that we did even last year, on that front there is no problem. But the point is on case-to-case basis we evaluate and then we take a call.
- Yogesh Kirve:** And sir lastly just a clarification regarding the bonuses pertaining to the wage board. So is that a recurring impact or?
- R.K. Agarwal:** Payment of bonus and wage board ,these are two different matters. Payment of bonus act has been amended for one and all. It is not amended only for newspaper industry. So everyone in the country has been impacted. So that is something which is a recurring one and of course no body stops you from taking that into consideration while granting the increment and as it happens at least in private sector, everybody works on CTC basis. So either you get your remuneration in form of monthly salary or in form of bonus or in form of anything else, everything gets considered. But this year we have been taken aback because the amendment has happened only now.
- Moderator:** Thank you. Our next question is from the line of Miten Lathia of HDFC Mutual Fund. Please go ahead.

Miten Lathia: Just to clarify one thing you said, government ad revenues, so have declined 10% and the share of government revenue had declined from 22 to 16, is that what you have said?

R.K. Agarwal: That is right.

Miten Lathia: That would be a much steeper decline. That would be almost 25% decline if your share has fallen from because your overall ad numbers have grown.

R.K. Agarwal: I have mentioned about DJ, Dainik Jagran. When I shared that figure with you this is what is worked out. There could be some misunderstanding which I can explain later.

Miten Lathia: Sure sir. But 10% decline is what you sort of...?

R.K. Agarwal: Yes.

Miten Lathia: And is there any sort of one off on the outdoor business in this quarter?

R.K. Agarwal: There is nothing one off.

Miten Lathia: So can we take this as a sort of run rate in terms of both revenue and...?

R.K. Agarwal: As far as outdoor and event businesses are concerned, our strategy which we shared with you all in the beginning of the year continues we want to, you know, exit from these businesses not because they are bad but because they do not get the desired profits and then pull down overall margins. So that strategy call which has been taken, that continues. So we are not too bothered about what is the run rate. We are just trying to figure out how do we exit, so that you know we recover our capital also and I am pretty sure within next 2-3 months we will decide about it.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar of Yes Securities. Please go ahead.

Sonali Salgaonkar: Sir I would just like to check if you would like to give any forward looking statements in terms of where do you expect your revenue, EBITDA margin, etc., to come, both in print as well as in radio over say the next 1 or 2 years?

R.K. Agarwal: I would maintain only one thing, that is from this year. Next year is going to be better. In fact next year is going to be better than this year and year after that is going to be better than next year. We clearly expect 15% growth in advertisement revenue next year over the current year. And another thing which I would like to clarify, from next year you will have lower interest burden, lower depreciation and therefore steeper increase in profit after tax than the increase in operating profits. Also we are likely to benefit from certain one off tax claims next year. So

next year our net profit should see much steeper growth as compared to the growth in operating profit.

- Moderator:** Thank you. The next question is from the line of Amit Kumar of Investec. Please go ahead.
- Amit Kumar:** Just a book keeping question to begin with. What was the newsprint price decline for this particular quarter on a Y-o-Y basis?
- R.K. Agarwal:** Amit, for this quarter I think decline 5%-5.5%.
- Amit Kumar:** Sir, my next question just to follow up on this outdoor and events piece, we feel fairly sharp revenue uptake in this particular quarter. Could also be because of utilization, just surprising even the cost base in outdoor and events business is actually picked up quite a bit. In view of this strategy call that we have taken to sort of exit the business, the increase in cost structure, I could not understand because that means that outdoor and event both of these are essentially variable cost of business because you take outdoor properties on lease and events of course. That is a recurring cost. The cost base has actually gone up. It does not completely align with your strategy of exiting those two businesses.
- R.K. Agarwal:** Amit, at the end of the day operating margin you cannot get more than 8%-10%. So probably that does not justify the diversion of management bandwidth.
- Amit Kumar:** No sir. I complete appreciate that point. You have explained a strategy in a fair bit of detail in your previous call. So what I am basically saying is that, just to sort of reiterate the question of the previous caller, was there any sort of a one off event that you did in this particular quarter which...?
- R.K. Agarwal:** I did not. There was nothing one off. It is just a good festive time which has resulted in this kind of a growth in revenues.
- Amit Kumar:** My third question was with respect to FM Radio. Just wanted to get some color. The phase-III stations that you have won, when do you expect to start getting operational?
- Apurva Purohit:** As you are aware, all the radio stations that we have won, we will get the tower and CTI facilities from the government. As we speak, government has already started civil construction in some places and we estimate that we will start getting them starting next year between April and September.
- Amit Kumar:** Then just a question to head marketing, any sort of trends because typically education sort of starts coming through in this particular quarter and we have seen relative weakness in education over the last few years. So any sort of trend in education advertising, any sort of early trends in education advertising that you can highlight?

- R.K. Agarwal:** Amit as far as the print is concerned, this year education did not have a degrowth. So if you recall, we discussed also, after these mushroom growth institutions perish ,the sector will get stabilized, so yes in MPCG there was a problem but at least in UP, Bihar, more so in UP, the things were stabilized. So we expect a growth in education sector next year.
- Amit Kumar:** Sir that is the sense which I just wanted to get that, do the early trend sort of indicate that we will see a double digit growth in education advertising also next year?
- R.K. Agarwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Priyank Singhal of HDFC Life. Please go ahead.
- Priyank Singhal:** Mr. Agarwal, I had a few questions. You mentioned 15% ad growth outlook for FY17, that is at the company level right? Not excluding the government business? I am trying to just clarify?
- R.K. Agarwal:** It is all including. I am including everything. It is the consolidated advertisement revenue which includes radio as well.
- Priyank Singhal:** So 15% and would it be possible to separately mention about the print business, how the ad growth outlook looks like in FY17?
- R.K. Agarwal:** Print should grow by about 12%-13%.
- Priyank Singhal:** Including government?
- R.K. Agarwal:** Correct.
- Priyank Singhal:** Which essentially means that government was a purely temporary problem?
- R.K. Agarwal:** That is what I mentioned. In Q4 itself it is going to get arrested or rather it is already partly arrested.
- Priyank Singhal:** And this government issue is not in all the markets of Jagran, only may be couple of markets might be?
- R.K. Agarwal:** Yes.
- Priyank Singhal:** Secondly Mr. Agarwal on the debt side, you mentioned 275 crores net debt which essentially given on a strong cash flow by September-October we should again come back into the?
- R.K. Agarwal:** I am expecting it to happen by June end.

- Priyank Singhal:** In terms of do we have any SMPs, etc., because of which other income is running low what is the outlook for other income next year, are there any FMPs?
- R.K. Agarwal:** Our income is going to be too huge but Priyank, we are unfortunately getting confronted with IND-AS which will not let me account for, or which will not let anyone account for accumulated income on FMPs in the next year.
- Priyank Singhal:** I did not understand. Could you clarify please if you do not mind?
- R.K. Agarwal:** IND-AS is getting applicable from 1st April. So that IND-AS says that you cannot account for accumulated income for the past years in one year. You have to allocate it over period of past years. So I will have to after declaring these results recast, 2015-16 numbers for the purpose of comparison and those numbers would include income of 2.5 years which accrued on FMPs and next year would show income of only 3-4 months. But fact of the matter is in first quarter itself if this IND-AS was not there, we would have shown our income of nearly 35 to 40 crores.
- Priyank Singhal:** But are we now provisionally showing it in FY16 therefore or we cannot show it right now also?
- R.K. Agarwal:** We cannot show it right now. That is the most unfortunate. This benefit will never go to the company. Like for example HT has lot of FMPs, I understand. They have lot of cash, they have lot of FMPs. So whatever income accrues to them that we will have to get divided over period of time and in those years also which have also gone by.
- Priyank Singhal:** But what is the cumulative amount that we have in F&Ps which are maturing next year?
- R.K. Agarwal:** I will get 40 crores income, so you can very well imagine we are going to have about 150 crores by June itself.
- Priyank Singhal:** For next year what would be our tax rate, would be get any benefit on account of merger of Radio Mantra?
- R.K. Agarwal:** I would get that.
- Priyank Singhal:** So would it be possible?
- R.K. Agarwal:** That is the tax benefit which Radio City will get, not Jagran will get. Jagran will get some of the tax benefits.
- Priyank Singhal:** What is the likely tax rate for FY16-17?
- R.K. Agarwal:** I don't think; on consolidated basis it should be more than 27%-28%.

- Priyank Singhal:** It should not be more than 27-28? Compared to full tax rate this year?
- R.K. Agarwal:** Correct.
- Priyank Singhal:** And last question on the depreciation you mentioned depreciation would be lower next year, what is the reason for that?
- R.K. Agarwal:** Because we have written down method .
- Moderator:** Thank you. The next question is from the line of Ashish Uppanlawar of Elara Capital.
- Ashish Uppanlawar:** Just wanted to understand, you said 13%-14% kind of growth in ad revenues in print business, so where is this confidence coming, I mean hitting low teens as far as ad revenue is concerned. Just wanted to understand what we are missing as far as...?
- R.K. Agarwal:** I will just explain to you. If you have heard the opening commentary, we had a 9% growth in print despite all those factors, if you make adjustment for each and every factor which I listed out which were 7 or 8 in number, probably our growth for Q3 may be 16%-17% and on much larger base . So the reason why we are feeling confident is because January is also getting good growth, because there is uptick in ad spend by discretionary spend factors which is a growth driver for media entertainment industry and in our case, in our areas of operations development is happening.
- Ashish Uppanlawar:** Sir secondly, are the benefits from newsprint prices kind of over now in the next quarter, how do you see that going?
- R.K. Agarwal:** Not much of benefit has accrued to us because of lower newsprint prices in this year. Yes, newsprint prices had started falling from Q3FY15. So going forward on year-on-year basis, the difference will go smaller and smaller.
- Ashish Uppanlawar:** But sir you said 5.5% decline in newsprint prices Y-o-Y for this quarter?
- R.K. Agarwal:** That is what I said but in Q4 it could be 4%. Next year it could be 3% because prices had started falling from Q3FY15, right?
- Ashish Uppanlawar:** Sure. But that much still seems to be remaining?
- R.K. Agarwal:** But in Q2 there will not be any.
- Moderator:** Thank you. The next question is from the line of Chitragda Kapoor from Samiksha Capital. Please go ahead.

- Chitragda Kapoor:** Sir I need some clarification on the circulation pace, sorry I am coming back to where we started from. You mentioned that the circulation increased by about 3.5% out of which 1% was increase in yield and 2.5% was increase in copy, is that correct?
- R.K. Agarwal:** Yes.
- Chitragda Kapoor:** This is for DJ or is it the consolidated print?
- R.K. Agarwal:** DJ.
- Chitragda Kapoor:** Sir, if I can look at the DJ numbers specifically then your DJ has increased its revenue by 9% and you are saying about 3.5% is the growth in the circulation space?
- R.K. Agarwal:** Yes.
- Chitragda Kapoor:** Sir, on the consolidated basis when I look at the circulation number, the circulation has for consolidated is 2%?
- R.K. Agarwal:** in case of Mid-Day we had been explaining that we cut down subsidized scheme which was allowing dumping of copies. So there was a degrowth in circulation of revenue in case of Mid-Day.
- Chitragda Kapoor:** Primarily because of circulation volumes, in Mumbai?
- R.K. Agarwal:** yes
- Chitragda Kapoor:** Is this the reason because since you are saying that, because of the arrest of the newsprint there is not too much of a benefit that you are seeing in a gross margin front but at the same time pagination has increased and your circulation volume has decreased from Mid-Day. So is this one of the reasons why your gross margins are uptake too much?
- R.K. Agarwal:** I am not able to understand.
- Chitragda Kapoor:** And the cover price is just 1%?
- R.K. Agarwal:** Instead of saying that if you had concluded, since I improved per copy realization in case of Mid-Day, since I improved per copy realization in case of DJ, since I improved per copy realization in case of Punjabi Jagran, my margins have improved, I would have said yes. There is some benefit due to drop in unproductive circulation which was getting sold at negative per copy realization which is Mid-Day and that we started doing from last year and the effect is continuing.

- Chitragda Kapoor:** Sir in the Punjabi Jagran have we taken any market share, I mean we mention NPCG, but have we taken market share for the Punjabi Jagran also at the cost of one of the competitors who is not performing very well there?
- R.K. Agarwal:** Punjabi Jagran is doing very well for us.
- Chitragda Kapoor:** Sir is there any market share...?
- R.K. Agarwal:** It is supplements Jagran, and both put together are keeping us happy, Punjab is not as bad as others may be feeling.
- Chitragda Kapoor:** Another clarification sir was when you said the net copy realization is about 2.4 this is again for DJ?
- R.K. Agarwal:** No, mine is 2.44, not 2.4.
- Chitragda Kapoor:** Yes, 2.44. So that is primarily for DJ consolidated or is it for Bihar Jharkhand DJ?
- R.K. Agarwal:** I am talking about DJ as a whole.
- Chitragda Kapoor:** That is why I was clarifying.
- R.K. Agarwal:** There is no need. You can take it for granted. I was talking about DJ.
- Chitragda Kapoor:** My second question is about the radio. Ma'am, the radio inventory when you were saying you are doing the utilization of about 100-110% and you have dropped some advertisers worth 1 crore in December quarter, so our peers say that there is something called a night inventory which is a 10 pm and 6 am slot, so are we utilizing that also, or that is still to be opened for us?
- Apurva Purohit:** No, so we utilize inventory right up till 12 O'clock in the night but 12 to 6 is really dead inventory. So I do not think anybody utilizes that. Whenever we talk about utilization we are talking about it on an 18-hour perspective, 12hours 18 minutes.
- Moderator:** Thank you. Our next question is from the line of Sonaal Kohli of E&R Adviors. Please go ahead.
- Sonaal Kohli:** I have two questions, firstly sir how was your newsprint price movement in Q2, Q3 and now, or isbroadly similar in nature in terms of INR?
- R.K. Agarwal:** See, in terms of INR the prices have remained more or less static in Q2 and Q3. There is no further fall in Q3. In fact, whatever difference is arisen, that has arisen because of appreciation in dollar value. So newsprint prices have remained constant in Q2 and Q3.

- Sonaal Kohli:** Sir I meant what would you have gained had you recognized this on an accrued basis?
- R.K. Agarwal:** In the current year?
- Sonaal Kohli:** Yes, a broad estimate of how much kind of income would you have made?
- R.K. Agarwal:** 9 crores.
- Sonaal Kohli:** Not the reported number, had you recognized them on an accrual basis?
- R.K. Agarwal:** Accrual basis, then in that case I would have accounted for maybe you know 30 crores instead of 9 crores.
- Sonaal Kohli:** And sir in terms of your depreciation guidance for next year, if you can help us with that. What kind of broad depreciation can we expect for a company as a whole?
- R.K. Agarwal:** See, radio depreciation will remain same because they have a straight line method for amortizing the license fees which is the major depreciation part. As for print, there you can expect more or less same depreciation rather 5% less.
- Sonaal Kohli:** And you would expect the same in the following year as well?
- R.K. Agarwal:** I am talking about the following year, 2016-17.
- Sonaal Kohli:** I am referring to sir, even the year after that?
- R.K. Agarwal:** 17-18, that will depend on CAPEX, that much I have not given thought to. .
- Moderator:** Thank you. Our next question is from the line of Ankit Kedia of Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir just one question. When can we expect the consolidation of Radio Mantra to be completed?
- R.K. Agarwal:** Ankit, unfortunately we are waiting for response from SEBI. As soon as it comes, we will have to file this scheme with Allahabad High Court as well as Bombay High Court. So I do not know. Allahabad Court is pretty fast but Bombay High Court takes lot of time because the first amalgamation is scheme which was very simple that is amalgamation of SUVI into JPL that has not yet been heard at Bombay High Court. We filed it in December, January is already gone. So ideally speaking I think it would take 6 months' time from now but then as we all know appointed date is 1st January 2016. So whenever it happens, we will be consolidating result only from 1st January.

Ankit Kedia: And sir your guidance of 15% ad growth for next year, it is on like-to-like basis, right? So when we add Radio Mantra and new stations of radio, the growth could be better?

R.K. Agarwal: Radio Mantra you exclude. But new stations you have to include in 15 % growth.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference back to the management for closing comments. Over to you sir.

R.K. Agarwal: Thank you very much to all for sparing your valuable time

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