



**INVESTORS/  
ANALYSTS**  
conference call

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Jagran Prakashan

Investors/Analysts Q1FY12 Conference Call

July 29, 2011

Operator 

Ladies and gentlemen, good day and welcome to the Jagran Prakashan Q1 FY12 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touch-tone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you, sir.

Vikash Mantri 

Good morning everybody. We at ICICI Securities are pleased to host the Q1 FY12 Con Call of Jagran Prakashan. We have from the management the CEO, Mr. Sanjay Gupta; the Director Marketing, Sailesh Gupta; and the CFO Mr. R.K. Agarwal with us on the call. Over to you, Mr. Agarwalji for the initial comments.

R.K. Agarwal 

Friends, welcome to the conference call of JPL, and thank you very much for sparing your valuable time.

I know you all will have questions on a muted growth on advertisements revenue. This is why I have requested Mr. Sailesh Gupta to be present on the call. We will discuss it in detail going forward.

To start with, there are a few positives during the quarter and those positives are growth in circulation of all the six brands of the group, launch of Punjabi Jagran in Punjab, expansion of The Inquilab, the largest read Urdu daily of the country by launching 11 editions in U.P and Delhi, all-time higher revenues recorded by the event business, maintaining the revenue from outdoor advertising in spite of sharp decline in the industry, continued good traction in traffic on all digital properties, 27% EBITDA and profit of Rs. 50 crores in spite of muted advertisement revenue growth, new launches coupled with increase in circulation and newsprint prices that demonstrates the flexibility in the company's business model and management's capability to control the cost.

Last but not the least, Crisil was pleased to upgrade our credit rating for long term debt to AA+. Of course, you may view muted

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

advertisement revenue growth as negative but it was primarily because we decided to hold on to our rates. This resulted in loss of volumes in certain categories. We have put in place certain plans to deal with this situation. It will improve the growth in remaining quarters. We are confident that in spite of around 8% growth in the first quarter, we should be doing about 14-15% growth by the year end on year-on-year basis, provided economy does not nosedive.

Coming to the circulation of Dainik Jagran, it increased by 12% on Q-on-Q basis. iNext circulation increased by 24%. City Plus continues to launch new editions and launched four more editions since March 2011. And as I said, we expanded Inquilab and launched Punjabi Jagran both of which happened in the month of May and June.

As far as other businesses are concerned, event division recorded a robust growth of 275%. It was an exceptional quarter for them, which is not likely to be repeated but they would continue to outperform the industry. The quarter was not good for outdoor advertising as a whole which was reported to have registered a negative growth. But Jagran did maintain its turnover and slightly increased its profit on account of improved yield in spite of tough market conditions. Digital business continued to perform incredibly and registered a growth of nearly 42%.

Increase in newsprint prices coupled with shortage of indigenous news print resulting in an increased consumption of imported news print did not help the cause. Because of higher consumption of imported newsprint and increase in newsprint prices which is as expected, average newsprint cost increased by a whopping 22% as compared to Q1 of Financial Year 2011. The total cost increased by 30% but on account of increase in newsprint prices and change in mix of imported and indigenous, the increase is about 22% out of that 30%. In spite of above and highly intensified competitive environment, the company could deliver better results as compared to Q4 of 2011 but it had some decline in profit as compared to Q1.

This performance as compared to Q4 was possible because of strict control over expenses. As far as other expenses are concerned, they increased by less than 5% and salary cost increased by about 13% as compared to Q1. The results were also adversely impacted due to high depreciation which was 20% higher and interest cost which was due to increase in interest rate and higher utilization of working capital limits in consequence of increased level of operations.

Now, coming to MiD Day, we have opted not to consolidate their results as they are in process of migrating to the systems of the company and will take another six months' time. The benefits of synergies between MiD Day Infomedia Limited and company was to the tune of about a crore in terms of cost in the first quarter which is about 30% of their quarterly profit before we took over. However, in terms of revenue it is taking a little longer to start kicking in.

With these opening remarks, I request you to have your queries which we would endeavour to answer to your satisfaction. Thank you very much.

Operator 

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Rohit Dokania from B&K Securities, please go ahead.



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Rohit Dokania 

I wanted to know what was the impact on profitability because of the onetime event business revenue that came in this quarter which you said will not be repeated?

R.K. Agarwal 

The contribution in the bottom line from event business...

Rohit Dokania 

To start from EBITDA side, if you could throw light on the EBITDA figure.

R.K. Agarwal 

About 3½ crores.

Rohit Dokania 

Okay.

R.K. Agarwal 

And this entire 3½ crores is not attributed to one time billing.

Rohit Dokania 

So, what could be the attributed to the onetime billing? Is it possible for you to share that?

R.K. Agarwal 

I do not have a figure readily available. We can provide it to you later.

Rohit Dokania 

Could you just give us some figures as to how MiD Day has really performed, particularly on the profitability front because here we have launched 11 editions?

R.K. Agarwal 

Yes, MiD Day Infomedia Ltd. has remained in profit and as reported by them, they have recorded in the first quarter profit to the tune of about 1.75 crores in spite of these new launches, and very good increase in circulation of MiD Day English and MiD Day Gujarati.

Rohit Dokania 

Last quarter we had spoken about a 17 to 18% kind of an ad growth number which was achievable. And this quarter we are highlighting a 14% to 15%. So, could you just highlight as to how the month of July

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has been and do you expect the rest of the 9 months to be really good or how will that turn out?

R.K. Agarwal 

The object was not to succumb to the pressure by certain advertisers and we tried to hold on to our rates, it has ultimately helped us. But what happened instead as a result of that, it took a little longer to close the deals with them. The benefit of that would start flowing in from the second quarter, number 1. Number 2, we have put in place certain plans, effective from coming months which would give us additional revenues to compensate to some extent the loss of revenue in the first quarter.

Rohit Dokania 

Would there be any spillover effects of the education sector advertising in Q1?

R.K. Agarwal 

There will be. This time education is expected to generate revenues even in August, which did not happen earlier.

Operator 

Thank you. The next question is from the line of Anand Gupta from Prudential Singapore. Please go ahead.

Anand Gupta 

Can you talk on the segment-wise revenue at revenue momentum? Which segment is doing better? Is it the local ads that are doing better than national advertisements? And is it real estate that has decelerated? Can you give us some colours to understand?

R.K. Agarwal 

If you recall, 2010-11 was fantastic from national advertising viewpoint. In this quarter, local has come back and that has increased its share from 56% to 58% in the current quarter. Yes, year before last, local has reached a level of 60% and national was 40%. But in the year 2010-11, since national advertising did pretty well, it increased its share for one year from 40% to 44%. But again in this first quarter local contribution is 58%. Now, coming to the sectors specific to loss, in fact, we lost good volume in three, four sectors. That was pharma, that is personal care, and film entertainments and the lifestyle products. These were the four categories where we lost volumes and that was essentially because we decided to hold on to our rates and not to extend the higher discounts. In some cases, we got the success and we were able to close the deal. In some cases, we have put certain plans in place which will be effective in coming months and will give us revenue. Mr. Sailesh Gupta is on the call. He can explain to you a bit more of your question.

Sailesh Gupta 

I want to say that these are the four categories and the other big category is the financial which has not fired. We saw that there was a stress in the market and people were running after the discounts, we tried to hold our rates and thus it has affected our first quarter but we see the fruits coming to us in the rest of the three quarters. And at least we are one of those few newspaper groups who have been able to hold the rates or got an increment on rates right from 30% to 10% which is good for the company. End of the day, all are working on improved yield rate because more the advertising we take, more the pagination goes and the yield only helps there. So, that has been a planned strategy and keeping that in mind, now we have launched a few plans to make



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sure that we now get a good advertising in our newspaper. And these plans are supposed to work better because first quarter, we have already tightened our belt and we have got what we wanted to get. We are very hopeful this quarter and the next quarter, you will see a dramatic change in the whole thing.

Anand Gupta 

Within the sectors, the way you segment them for your own purpose, which are the strongest and which will be the weakest for the industry as a whole and for you?

R.K. Agarwal 

As far as telecom and financial and banking sectors are concerned, definitely they did not fare well and this is what resulted in slowdown in national advertising. This happened for all. As far as education is concerned, it did not grow in the first quarter as we would have wished, partly because the education season got delayed a bit, and partly there was some slowdown in certain pockets. Otherwise, rest of the sectors like automobiles did very well for us.

Anand Gupta 

The internal targets which team has, are they absolute or you also benchmark yourself to the peers, to the factor average?

R.K. Agarwal 

We do benchmark ourselves. And in fact, our peers registered a higher growth and a much higher growth than what we have recorded. We analysed the data and not only we have benchmarked it with reference to our internal targets but with reference to the industry as a whole as well.

Anand Gupta 

Would there be any reason for any divergent performance for Dainik Jagran and that also on the lower side vis-à-vis industry' vis-à-vis sectoral leverage which one sees from lifted stocks data?

R.K. Agarwal 

Among the listed entities, we have not recorded in terms of percentage higher growth. There is one listed entity which recorded in terms of percentage, higher growth than what we have. But that was on lower base. In absolute term, both of us recorded the same amount of growth. In other case, the growth was much higher than what we have recorded and as we explained, in fact it was purely on

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account of holding on to our rates because of which we lost certain volumes.

Sailesh Gupta 

It was conscientious decision. It will pay the dividends in this quarter.

Anand Gupta 

Sure, your strategies are appreciated.

Operator 

Thank you. The next question is from the line of Siddharth Goenka from JM Financial. Please go ahead.

Siddharth Goenka 

What has been the revenue and margin delivery from MiD Day, and you mentioned that the synergy benefits for this quarter is just one crore. So, I wanted to know by which quarter we will be able to achieve the full synergy benefits from MiD Day?

R.K. Agarwal 

Let me address last question of yours first. As far as cost is concerned, the synergy benefit was to the tune of about a crore or about 30% of their profits when we took over. And for MiD Day, it is too huge an amount per quarter. As far as revenue synergies are concerned, it is taking a little longer to start kicking in. But we are pretty hopeful that it should start happening from current quarter itself.

Siddharth Goenka 

So, basically by this quarter, next quarter we can see the impact of full synergy benefits on our numbers?

R.K. Agarwal 

Not full but definitely quarter by quarter, it would increase. And it would take another nine months or maybe a year when we realize the full benefit. And as far as their revenues are concerned, they recorded more or less flat revenues at 26 crores. And in terms of profit, their profit as they reported was to the tune of about 1.75 crores.

Siddharth Goenka 

Margins will be similar, 14-15%?

R.K. Agarwal 

That is operative margin of about 15% to 16%.

Siddharth Goenka 

In terms of the newsprint consumption, what has been the news print consumption for this quarter and what is the average price?

R.K. Agarwal 

Average cost per kg of newsprint was around 31. And consumption was higher by about 10% in terms of quantity as against increase in circulation by about 12% of Dainik Jagran and 24% of iNet. The saving was made by reducing the wastage and by cutting down unsold and free copies.



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Siddharth Goenka 

How much is the newsprint quantity on absolute basis?

R.K. Agarwal 

I don't have readily available... However, I believe it should be about 28,000 tons or so.

Siddharth Goenka 

What is the CAPEX plan for FY12 and '13 and out of which the CAPEX, how much will be allocated to MiD Day?

R.K. Agarwal 

MiD Day, we do not have to incur anything from our pocket. For JPL, we have a CAPEX plan of about 125 to 130 crore which we are going ahead with.

Siddharth Goenka 

Okay. So this 125 crores will be incurred in FY12 itself this year?

R.K. Agarwal 

Yes.

Siddharth Goenka 

And out of this 125, how much will be MiD Day?

R.K. Agarwal 

MiD Day will be nothing. They wanted one machine which they have already installed with their own resources.

Siddharth Goenka 

What is the circulation presently for Jagran and MiD Day? I mean, if you can give it separately.

R.K. Agarwal 

Jagran circulation is now about 3.3 million copies.

Siddharth Goenka 

This is the average...

R.K. Agarwal 

Average, I am talking about average for the first quarter.

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

Siddharth Goenka   
Okay. And for MiD Day.

R.K. Agarwal   
I do not have figure readily available. I can give you later.

Siddharth Goenka   
No issues.

Operator   
Thank you. The next question is from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia   
Are we now completely mark to market on our newsprint cost?

R.K. Agarwal   
Yes. We are completely mark to market.

Miten Lathia   
So, unless newsprint prices move up further from here, this should be sort of a steady run rate for us?

R.K. Agarwal   
Yes. And I do not think they would move further.

Miten Lathia   
Okay. So, 100 crores a quarter is a reasonable number?

R.K. Agarwal   
This time we had roughly about, 88 to 89 crores. The remaining was ink. It will remain less than 100 crores in spite of increase in the circulation. This will continue to happen in the remaining quarters as well.

Miten Lathia   
So, whatever out blended price...

R.K. Agarwal   
Actually blended price – in the first quarter we consumed imported much more than our norms.

Miten Lathia   
How much more?

R.K. Agarwal   
We consumed imported nearly to the tune of about 33% because there was shortage of indigenous newsprint. Now it has settled.



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Miten Lathia 

If you could get a sense of the advertising environment..., the sense that we would have is that things should slow down going into Q2, Q3, Q4 in spite of your segment, you will still meet 14%, 15% net growth for the full year. So, is there some basic source of confidence?

R.K. Agarwal 

Yes. As we discussed, there were three or four categories where there was issue with regard to the pricing. So, we have put in place certain plans effective from coming months which will resolve the issue on pricing, number one. Number two, in the first quarter, since we decided to hold on to our rates, there were delays in closure of certain deals which have now been closed so those revenues would also start coming in. Education is likely to spill over to August this time which did not happen last year, this is the third reason. Fourth reason is in the fourth quarter, you are going to have U.P. state election which for us are going to be in fact more revenue generating than the general elections.

Miten Lathia 

In your release you have mentioned that Jagran circulation YoY was about 11%.

R.K. Agarwal 

Yes, 12%.

Miten Lathia 

Have we finished our desired level of increase in the Jagran circulation or you think this is an ongoing process?

R.K. Agarwal 

No, increase will continue to happen. This was just 12% increase on quarter to quarter basis but if you compare it with Q4 of 2011, in this quarter the circulation was more or less flat. The reason is summer vacations. Always the first quarter of circulation is under pressure. So, we will continue to increase the circulation and the targeted increase for whole of the year is in the range of 11%- 12%.

Miten Lathia 

That number should be normalized because of price of the newsprint that we pay should be lower than the Q1 and volume will be higher than Q1. So, broadly you will come back to the same number.

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R.K. Agarwal 

I would not say that the prices are going to be lower in Q2. Prices will remain in that range. Definitely, there will be lesser consumption of imported newsprint, so it should slightly reduce in Q2. But I do not see the prices going down very significantly in the remaining quarters. Due to increase in quantity, definitely there will be some increase in newsprint cost and this is why I said, it will remain well below 100 crore but it might increase to some extent because of increase in pagination in remaining quarters, because of increase in circulation.

Operator 

Thank you. The next question is from the line of Vijay from IIFL Capital. Please go ahead.

Vijay 

I have a couple of questions. Now, as we say that we held on to our rates and that is why we lost some business, so just wanted to understand that are the same advertisers coming and asking us for advertising rate which is lower than what we were doing last year or in the last quarter or if you can give some more idea on that?

Sailesh Gupta 

The big advertisers were wanting a reduction in rate because they see the tough market ahead. We did not succumb to that pressure and in fact we wanted to increase our rate. They were also at one point of time ready to give the similar rate what was given last year but we did not. We wanted a minimum inflation rate growth. We had to give them a pressure also by not carrying the advertising but as Mr. Agarwal said earlier we have been able to sort out the case and we have been able to increase the rates rather than reducing or keeping at the same level of rates.

Vijay 

If I compare your commentary with other two guys who reported, they did not talk about larger advertiser coming and asking for a discount. So, why is it that only in our case they are asking for discount?

R.K. Agarwal 

I cannot comment on what others have said but the fact of the matter is if you look at the data point you would see there was not much improvement in their yield.

Vijay 

Our growth was lower than probably that of the industry and peers?

R.K. Agarwal 

So long as you say that it was lower than some of our peers, that is alright but it is not lower than the industry.

Vijay 

Yes. So after they are taking decision and losing volume in Q1, do we expect that our growth should gain more than the peers because we have taken a decision, we have stood on our rates. So, ideally we should be getting more growth than them in the coming quarter. So, would it be a correct assessment?



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R.K. Agarwal 

I cannot comment about their strategy for their growth prospect. But as far as we are concerned, we are pretty hopeful that despite muted growth in the Q1, we should be doing on year-on-year basis in the range of about 14%-15% if the economy does not nose dive.

Vijay 

Okay. The second question is on MiD DAY. We probably give a number of 1.75 crores of profit according to accounting policy of MiD DAY or after implementing our depreciation policy on MiD DAY?

R.K. Agarwal 

As per our policy.

Vijay 

Lastly on circulation. In the last call, you have said that we would probably a 15% increase in circulation on exit-to-exit basis. So, do we still stand?

R.K. Agarwal 

Yes, that is perfectly alright.

Operator 

Thank you. The next question is from the line of Arjun Khanna from Principal Mutual Fund. Please go ahead.

Arjun Khanna 

My first question is in terms of the Justice Majithia Wage Board of our business. Could you shed some light in terms of what price hikes in terms of employee cost we could see if it is notified?

R.K. Agarwal 

One is not able to calculate the impact but if it happens which is unlikely, then many of the smaller news paper companies will have to shut down their operations. For us also, there will be an impact. Amount of this cannot be calculated currently unless and until it gets notified because it involves a detailed exercises and we all believe that it is not going to be implemented. So, we have not tried to work out the impact thereof. On overall basis, broadly speaking, it might impact us by 8 to 9 crores per annum.

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Mr. R.K. Agarwal

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Arjun Khanna 

So, we did see in the first quarter around 39.5 crores. So, that could go up close to 50 crores?

R.K. Agarwal 

No. What I told you was for the whole year.

Arjun Khanna 

Okay.

R.K. Agarwal 

In the quarter, I do not expect that kind of an impact.

Arjun Khanna 

The second part is, you mentioned the smaller news papers may go out of business. If it is such a small impact why would they go out of business?

R.K. Agarwal 

There are various reasons why I say that. But it might not be proper for me to discuss it.

Arjun Khanna 

I will probably take it off line some other time. You did mention that out of the increase of close to 31% Y-o-Y, 22% was increased in prices of news print and 8% was increased in the volume of news print purchased. Is my understanding correct?

R.K. Agarwal 

You are right.

Arjun Khanna 

You mentioned DJ volumes are up 12%, i-Next is up 24%. So, have you reduced pagination?

R.K. Agarwal 

Yes, because there were lower volumes of advertisements, there was a reduction in page level, there was saving in wastage. There was saving in unsold and free copies.

Arjun Khanna 

Given a liberal advertising environment which you are predicting in the quarters going ahead, we could see disproportionate increase in volumes of these things going forward? Would it be a fair reading?

R.K. Agarwal 

I do not suggest liberal advertising environment but definitely it is going to be far better for us.

Arjun Khanna 

Sure.

R.K. Agarwal 

And if the advertisement volumes increase, definitely page levels would also increase. The quantity of consumption would go up not only because of increase in page levels but also because of



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increase in circulation.

Arjun Khanna 

My last question is, you did mention the number of sectors that were weak. You mentioned finances, lifestyle products, film, pharma and personal care. In terms of pricing in advertising yield, are they substantially different from the retail or local advertiser?

R.K. Agarwal 

Correct.

Arjun Khanna 

I would assume this is superior or higher?

R.K. Agarwal 

They are lower. A local advertising always gives you a better reading.

Operator 

Thank you. The next question is from the line of Amit Kumar from Kotak. Please go ahead.

Amit Kumar 

See if you are looking at a 14%, 15% sort of advertising growth for the full year, then essentially that translates for the remaining three quarters around 17%, 18% sort of growth in advertising for the remaining three quarters. So, suddenly we have quite better deals, especially the three national categories that you mentioned, Telecom seems to be under some sort of restructuring, financials does not seem too much traction on that side and automobiles if that has been good probably post this sort of rate hikes, we do not know how that environment is going to turn out for the remaining three quarters. So, 18% isn't that too much of an improvement to expect?

R.K. Agarwal 

That is what should happen because what we lost in the first quarter, based on that only we expect this kind of a growth and if, economy does not nose dive, that is very much achievable and on that Mr. Sailesh Gupta can add further.

Sailesh Gupta 

This quarter would be much better than the quarter which had just passed by. We have implemented few things. It should give us quite a robust growth this quarter and the next quarter being Diwali. If

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really the economy does not do bad , I don't see much of a reason why we should be having a problem in giving a good growth.

Amit Kumar 

My second question pertains to the employee cost. The increase has been just about 13% on a Y-o-Y basis and only 9% on a Q-on-Q basis despite that fact that we have increased our circulation investment as well we as launched Punjabi Jagran at least in the standalone entity. That does seem to be on the lower side really. Any comment on that?

R.K. Agarwal 

No, this time also, the increments which were given to the employees were in the range of about 12%. As far as new launches are concerned, we did not recruit too many people. We are in fact also in the process of rationalizing our strength which over a period of time we feel is high.

Amit Kumar 

Finally just one data point, on a Q-o-Q basis what would have been the newsprint price increase or if you would give the newsprint price for the last quarter (Q4)?

R.K. Agarwal 

That was about 9%.

Operator 

Thank you. The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah 

Firstly, on the advertising side, just wanted to know if I want to do a like-to-like which is sort of not including the new additions that you've opened in the last nine months, what would the advertising growth be in that case?

R.K. Agarwal 

We did not open any new edition as such in the last nine months. Punjabi Jagran was done only in the month of June. Punjabi Jagran did not contribute much. It would take some time before our revenue starts picking up.

Nihar Shah 

My second question is related to Punjabi Jagran. (a) of the market size or the market potential that you see in Punjab and (b) just a competitive sort of dynamics and when do you expect to sort of break-even and what kind of revenue do you foresee maybe two or three years down the line?

Sanjay Gupta 

First of all, let me enlighten you about Punjab. About 55% of people over there speak and read Punjabi. So, it is a very robust market and two big players command circulation of exceeding 12 lakhs copies over there, that is Ajit and Jagbani. And just being a Hindi player was a policy which was hitting us. So, we decided that we will have a Punjabi newspaper. It took time for us to launch it. Now the market size was about 60 to 70 crores for Jagbani and Ajit.

Nihar Shah 

Punjabi language.



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Sanjay Gupta 

Yes, in the Punjabi language. And now going forward, it is increasing by about 10 to 15% per annum. And we expect to break-even in about three to four years' time.

Operator 

Thank you. The next question is from the line of Pratish Khrishnan from Bank of America Merrill Lynch. Please go ahead.

Pratish Khrishnan 

Is it fair to assume that the advertisers are asking for a price cut? You have finally not offered any cuts to them?

R.K. Agarwal 

No. We offered. But we were expected to offer still more.

Sanjay Gupta 

The discounts level, they are wanting to increase further.

Pratish Khrishnan 

What was the broad range of levels that the advertisers are working on in terms of discount?

Sanjay Gupta 

Well, it is depending on industry to industry and even client to client and it will not be prudent to indicate because the rates are very confidential.

Pratish Khrishnan 

In terms of a 14 to 15% kind of growth, so this now would be largely a volume-driven kind of growth?

Sanjay Gupta 

It'll be a combination of both, volume plus value.

Pratish Khrishnan 

Finally in terms of the cash loans, what is the cash loan in the books today?

R.K. Agarwal 

Net Cash (excluding long term debt) is at a level of about 250 crores.

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Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

Operator 

Thank you. The next question is from the line of Ritesh Doshi from First Global. Please go ahead.

Ritesh Doshi 

I just wanted to know, when was the last time we increased our targets?

R.K. Agarwal 

April 2011.

Ritesh Doshi 

And what was the quantum?

R.K. Agarwal 

That was around 15% on an overall basis because we have so many editions. It is very difficult to detail the increases which we have taken.

Sanjay Gupta 

More than 1,000 combination of rates. So it could be 15%, somewhere. It could be 20% somewhere. It could be 5% also.

Ritesh Doshi 

So, in the range of 5% to 20%, is that the right way?

Sanjay Gupta 

No, I would say about 12% to 15% on an average.

Ritesh Doshi 

We have also declined in EBITDA margins in the current quarter. So, the margins are around 27% as of now. So, can we believe this will be the run rate going forward in the next three quarters?

R.K. Agarwal 

Margins are going to definitely improve. And as we said in the beginning of the year, we expect to have around 28 to 29% margin, and I believe this is what is going to be very easily achievable in case we do a growth of 14 to 15% in advertisements on year-on-year basis. And this should be possible if the economy does not nose dive.

Operator 

Thank you. The next question is from the line of Mohan Lal from Elara Capital. Please go ahead.

Mohan Lal 

I just wanted to know about this 22% increase in other expenditure. Why there is a 15 crores increase on a Y-o-Y basis? And what is the driver here and this has been going up only since the digital media have performed and SMS are putting in 50% plus increase, so is it linked to that?

R.K. Agarwal 

You are absolutely right because other expenses include the direct expenses, relating to other non-print businesses like event business which registered a growth of 275%. That caused such a sharp increase in other expenses. Otherwise if you exclude those elements which are reported in the



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results also, then in that case, the increase is nearly 5% on year-on-year basis.

Mohan Lal 

Going forward this 84 crores level – since you are saying that ‘out-of-home’ will have an exceptional quarter.

R.K. Agarwal 

I said ‘event’ not ‘out of’. Out-of-home industry had worst of the quarters. Our Jagran Engage was able to maintain. Although the overall industry dipped by about 20% to 25% Jagran Engage was able to maintain its turnover and increase its profits also marginally.

Mohan Lal 

For the rest of the three quarters, how does it look. Other expenditure levels? 84 crores is what normally.

R.K. Agarwal 

I am not worried about other expenditure at all. If I do more of other businesses, then these expenses would go up. And in case I do not do, then these expenses would come down. In fact, what one should be interested in is the other expenditure in real sense which increased by 4% to 5% and that is what would remain a trend going forward.

Mohan Lal 

What is the circulation in Bihar right now? And FY12 ending what could it be?

R.K. Agarwal 

Again circulation numbers etc, we can discuss offline.

Mohan Lal 

In domestic newsprint, there has been a shortage. So, can you tell us what is the reason behind that?

R.K. Agarwal 

Shortage of waste papers which is used for recycling.

Operator 

Thank you. The next question is from the line of Alankar Garude from Edelweiss. Please go ahead.

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

Alankar Garude 

My question is on expansion and diversification plans. Competitors are entering into states like Maharashtra, what are your plans in the states as well as diversification?

R.K. Agarwal 

As far as expansion is concerned, we already have a lot of scope to expand in our existing areas. That is something which we are already doing. We have plans to launch a couple of more editions during the current year but the call will be taken after seeing how the second quarter has gone in terms of advertisement revenue. And if that goes well, then we might launch a couple of edition, maybe fourth quarter.

Alankar Garude 

Okay, any diversification plans?

R.K. Agarwal 

Diversification, we already have enough on our platter. In fact, our outdoor event business, digital business, all are just four to five years old and are getting now traction. So, for us it is more important to consolidate and ensure long-term sustainable growth in the range of about 15 to 20% and improve margins there.

Operator 

Thank you. The next question is from the line of Ankit Keida from Centrum Broking. Please go ahead.

Ankit Keida 

Did we have any start up cost for the Punjabi edition launch during the quarter?

R.K. Agarwal 

Yes, this quarter included a charge of about 2 crores to Profit and Loss account on account of that.

Ankit Keida 

It has already been booked in?

R.K. Agarwal 

Yes.

Ankit Keida 

Are the editions for the Punjabi language, covered in all the cities?

Sanjay Gupta 

We have covered the entire Punjab.

Ankit Keida 

Okay. What will be the circulation currently for that?

Sanjay Gupta 

We are doing about 1.35 lakh copies at the moment. Our target is 1.5 lakhs for the year end.



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Ankit Keida 

Could you just also share the circulation figures for the Inquilab, how they have increased with the new editions?

R.K. Agarwal 

Again the circulation number, we can discuss offline.

Ankit Keida 

Not an issue.

Operator 

Thank you. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.

Rohit Dokania 

Do we have a radio phase-3 plan in place or will that be undertaken by the Promoter Group entity where Blackstone is putting in money or we do not have a radio plan at all?

R.K. Agarwal 

First of all, we are not in radio business at all. It is the promoter company which is in radio business. And the company in which Blackstone has put in money, that is not Radio Company and that company is not having radio business. That company is just an investing company which has investment only in listed entity. And it will remain like that. So, it is just a holding company of the listed entity. Whatever media business we have to carry on, it is very clear that it will be carried on by the listed entity only, not by any other entity. On radio we have our own views and we do not have any plan whatsoever as of now to go and bid in phase-3.

Rohit Dokania 

That is helpful. Looking at the trend of readership of Jagran in U.P. that has been showing some sort of a slight decline. When that decline going to reverse and is this decline led by the fact that probably we could have underinvested in the market over the past two to three years?

R.K. Agarwal 

I will answer it in parts. Number one, the decline in readership is very, very negligible. Number two, as a matter of strategy for past five years, we focused purely on urban market. Whatever increases in circulation happened, they happened in urban market. In fact, we

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

cut down at certain places circulation in upcountry market. So, whatever loss has happened has happened in upcountry markets only. In fact, our readership in urban markets has improved and has been improving. Number three, as far as overall increase in readership is concerned, you will see that happening after a couple of more quarters because we have started investing in increasing circulations even in upcountry market for past six to seven months. IRS survey, whichever figures come has the fieldwork of a year which has gone by.

Rohit Dokania 

So, why did we actually go ahead and cut the circulation in the upcountry market and now we are reversing that strategy?

R.K. Agarwal 

No, we are not reversing in fact, we did not do a mistake at that stage when we decided to focus on urban market. Upcountry markets, as you know, contribute very little in the total ad pie even now. Wherever we are seeing now the potential, we are increasing the circulation. It is not on ad hoc basis, it is very much planned. We have indentified each and every location even in upcountry market where we need to increase the circulation. We have more than 250 or 300 districts but we have not decided to increase the circulation in all those districts. Depending on the potential, we will take call and increase the circulation.

Operator 

Thank you. The next question is a followup from the line of Akash Chattopadhyay from IIFL Capital. Please go ahead.

Akash Chattopadhyay 

If we incrementally see, advertising outlook is deteriorating and that is what we learned from almost everywhere. Just wanted to understand that how much of 14-15% growth which we are talking about, what revenues from U.P. election which we are building in and that is giving us 14% to 15%?

R.K. Agarwal 

We are detailing too much. I listed out four reasons and each component of the growth is very difficult to quantify at this stage. But we have our own workings done and accordingly we are expecting that.

Akash Chattopadhyay 

Second thing is still I am unable to reconcile raw material cost. If you can just give one number that how was the average pagination in 1Q?

R.K. Agarwal 

I need to give you at least six figures before you are able to tally it to last percentage point.

Akash Chattopadhyay 

Even it is not last percentage point, I think number which I am getting is bit different. , I will take it offline.



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Operator 

Thank you. The next question is from the line of Ashish Uppanlawar from Spark Capital. Please go ahead.

Ashish Uppanlawar 

I wanted to understand these advertisers would ask us for discount. What would the proportion of total advertising revenues that would come to us from them approximately?

R.K. Agarwal 

People who are asking discounts. I will have to calculate. 20% to 25% maybe.

Ashish Uppanlawar 

Okay. And do we see this trickling down to other advertisers given the fact?

R.K. Agarwal 

Definitely not.

Ashish Uppanlawar 

Is a slowdown in the industrial sector?

R.K. Agarwal 

We don't expect that to happen because whatever deals had to happen have already been closed.

Ashish Uppanlawar 

On local advertising I just wanted to understand how strong is it because we are investing in upcountry now. So, is local advertising that strong that it won't go the national way as far as the states' levels are concerned?

Sanjay Gupta 

It will not. You have to understand this also that nationally we sell one combined rate. And in local, the same space, we resell. So, our yield rate locally if we break and sell is much higher than what we sell as combined. So, that will more or less take care of if there is not too much of a slowdown.

Ashish Uppanlawar 

My question was more on the fact that whether there is any consumption slowdown in your parts?

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

R.K. Agarwal 

I will take you back to 2008-09 which was the worst year for the industry and Jagran still recorded a double digit growth. Thanks to the local advertising.

Ashish Urganlawar 

Correct.

R.K. Agarwal 

The fact of the matter is these areas have never benefited so much from the economy boom. So, they never get hit so much whenever there is an economic slowdown.

Ashish Urganlawar 

On the 7.7% in the advertising growth that you have delivered this quarter, was volume on a decline in the hindsight?

R.K. Agarwal 

See, the volume did not decline and volume did not increase.

Sanjay Gupta 

It's YoY.

Ashish Urganlawar 

So, that means just about 7%, 8% yield growth that we have been able to get.

R.K. Agarwal 

Not exactly that. There was some marginal increase in the volume and the yield improvement could be in the range of about 5%.

Ashish Urganlawar 

In case of MiD Day how are you looking at the revenue traction because you've said that it's been flat on revenues this quarter.

R.K. Agarwal 

It has been flat, and going forward we would see improvement in their revenues also, with synergistic benefit going to them from current quarter onwards.

Ashish Urganlawar 

Okay, excluding the synergies, how is it? because you have been increasing circulation, readership.

R.K. Agarwal 

There is always a timelag between increasing the circulation and revenue coming.

Ashish Urganlawar 

Okay.

R.K. Agarwal 

Increase in circulation started only from September or October last year and that the major increase has happened only in the current year, so it would take a little time.



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Ashish Uppanlawar 

Okay, but any guidance as you gave in case of overall Jagran, the entity for MiD Day, can you guide any number as far as top line growth that you foresee on EBITDA basis?

R.K. Agarwal 

In case of MiD Day, I expect the top line to grow by about 8% to 10%.

Ashish Uppanlawar 

And this is for FY12.

Operator 

Thank you. Ladies and gentlemen, we will take one last question from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal 

Just wanted to understand on the upcountry market, the time that we did not really concentrate on them, did our competitors actually benefit and has anyone taken good position in those areas?

R.K. Agarwal 

Not really, but yes, by having the circulation in upcountry market, where you have higher readership per copy, they have shown good growth in readership.

Avinash Agarwal 

Okay, and sir by entering these areas which?

R.K. Agarwal 

Let me clarify to you. We are not trying to enter into any new district or something of that sort. We were already there. But yes, the focus was not on those markets in same degree Focus was selective. Wherever we saw the potential, we were focusing, but not that we were not present there.

Avinash Agarwal 

Okay, so we are expanding our presence into those areas.

Sanjay Gupta 

Even to that extent, let me add over here, that in U.P. In nearly all the districts we still lead the competition way ahead. And they are way behind us still, So there is nothing alarming It is just that for future

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Mr. Sanjay Gupta

Mr. Shailesh Gupta

Mr. R.K. Agarwal

Mr. Vikash Mantri

growth we are now targeting these districts.

R.K. Agarwal 

Correct.

Avinash Agarwal 

Okay, and sir with gains made in these markets, can we expect higher advertising from the local guys who would be more attracted or would it be the national advertisers?

R.K. Agarwal 

In fact, since the time we have started focusing on all selected districts, local advertising from those districts has picked up like anything.

Avinash Agarwal 

Okay, and just one clarification, in Bihar have we reduced our cover price yet?

R.K. Agarwal 

No, we have not reduced the cover price. If I'm not mistaken, perhaps we have increased cover price on one day or something of that sort. Mr. Sanjay Gupta can explain.

Sanjay Gupta 

Only in last year, we dropped cover price strategically. Over there, we have increased it back in one district.

Operator 

Thank you, ladies and gentlemen that is the last question. I would now like to hand the floor back to the management for closing comments. Please go ahead, sir.

R.K. Agarwal 

Thank you very much for your time.

Operator 

Ladies and gentlemen on behalf of ICICI Securities Limited, that concludes this conference call. Thank you for joining us and you may disconnect your lines.

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