



**INVESTORS/  
ANALYSTS**  
conference call

**2013**  
30 MAY



Jagran Prakashan

Q4FY12 Results Conference Call

May 30, 2013

Moderator 

Ladies and gentlemen good day and welcome to the Q4 FY13 Earnings Conference Call of Jagran Prakashan, hosted by ICICI Securities Limited. As a reminder for the duration of the conference all participants' line are 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 this conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. R K Agarwal. Thank you and over to you Sir.

R K Agarwal 

Good morning friends. I, our CEO, Mr. Sanjay Gupta, and Mr. Shailesh Gupta welcome you to the conference Call and would like to thank you for sparing your valuable time. Friends, this time, I seek your patience as I am going to consume a little more of your valuable time to explain the results, because I realize this time the results are a bit complicated before we start the question and answer session.

Friends, the results presented show higher net profits in standalone as well as consolidated profit and loss account. Yes, there are a few exceptional benefits/ incomes accounted for, but at the same time, there are a few abnormally high debits accounted for in the profit and loss account as well, which I will discuss a little later. In a very simplistic manner, let me share with you a few figures, which could be of your interest.

The net consolidated operating profit for the last year was Rs.316 Crores as against Rs.320 Crores for the current year if we eliminate additional provision of Rs.25 Crores, which is non-cash item to profit and loss account.

Please also mind that this profit is after accounting for the loss incurred in expanding the circulation of Nai Dunia. If we eliminate even this investment made in Nai Dunia, the operating profit for the current year is Rs.331 Crores, which is 15 Crores higher from the previous year.

As far as quarterly consolidated operating profits are concerned, the company had an operating profit of Rs.73 Crores, again excluding additional provision of Rs.18 Crores but including losses of Nai Dunia of Rs.7 Crores as against operating profit of Rs.65 Crores last year. On like-to-like basis that is excluding losses in Nai Dunia, the operating profit for the current quarter was Rs.80 Crores as against profit of Rs.65 Crores in the previous year.

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JPL standalone generated operating cash before working capital change of Rs.324 Crores as against 311 Crores in spite of investment in Nai Dunia of 11 Crores. If I eliminate even this on like-to-like basis, cash generated from operation was Rs.335 Crores as against 311 Crores.

Incidentally, you may please note that despite increasing circulation by 30%, losses of MPCG editions of Nai Dunia were reduced by over 45% from previous year.

The exceptional benefit/ income, which we have accounted for, is of saving in tax on accumulated losses of print business of Nai Dunia Media Limited, the losses have not been fully absorbed and will result in tax saving even in the financial year 2013-14. Expected rate of tax is likely to be approximately 25% as against average tax rate as applicable currently of 34%.

As against this single benefit, the company had abnormally high additional provisioning for debt of nearly 25 Crores and loss of print business of Nai Dunia of nearly Rs.17 Crores due to expansion in circulation. Print business of Nai Dunia will need investment in current year as well as next year in which it is expected to breakeven in the fourth quarter, I mean, in the year 2014-15 it is expected to breakeven in the fourth quarter, but correspondingly, it will also help in generation of sufficient income and the cash flow to fund its investment requirements. Besides the tax saving in 2013-14, there shall be gain on account of disposal of certain immovable properties, one of which incidentally is already sold and the money should come by November.

We are happy to report that synergy benefits of print business of Nai Dunia with the company's existing business could be realized faster, than what we had originally envisaged. As a result, not only their losses came down drastically in spite of increase in circulation by nearly 30% since the time we took control of the management, but our investment also is not even half of what was originally planned. It became possible due to cost savings, a steep growth in advertisement revenue from national market of nearly 30% and lesser investment required to push the circulation.

Lower than 5% growth in GDP coupled with hard hit sentiments could not have and has not resulted more than 6% to 7% growth in advertisement revenue for the industry. However, the company recorded a growth in double digit partly due to contribution from Nai Dunia, partly due to a steep increase in local revenues for City Plus, I-next and Punjabi Jagran and partly due to a steep increase of nearly 8% in a space for Dainik Jagran. Of course the yield went down significantly but the silver lining is that it gives us a base to command increase in rates in the current year. We have already taken increase in rates in double digit and we are glad to report that it is getting gradually accepted by the advertisers, if not fully but to an extent. Besides bad economy, our other income was lower on the one hand and interest cost was higher on the other hand due to investment of over Rs.200 Crores for acquisition.. Sensing tough times ahead, we initiated certain action plans to control the cost including cost of employee as well as to increase the cover prices in the beginning of the year itself. As a result, there was lower than inflation increase in employees cost as well as other cost, if we exclude the above discussed unusual items of expense. Out of total circulation revenue increase, an amount of Rs.15 Crores approximately was attributed to increase in per copy realization of Dainik Jagran and I-Next. It will also not be out of place to mention that the company had a steep growth in digital advertising and outdoor advertising.

Outdoor advertising registered a steep growth in top-line due to improved occupancy and addition of new properties.



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In case of outdoor business as well the prices were under pressure and therefore they could not deliver the expected profit but improved working capital management and cash profits could, return some capital to the company and at the same time invest in development of more properties from their own sources.

The event business had a huge dip in top-line as we have been discussing for past one year and resulted a loss of nearly 15 Crores. The loss in top-line as reported earlier as well, was an account of loss of government revenue due to our decision of discontinuing a particular contract due to nonpayment by the concerned government. Loss was also an account of provisioning of nearly 14 Crores for this government debt; however, the good thing in case of this business was a steep growth in corporate business of nearly 40% to 45% which augers well for future and will give a stabilized revenue stream. Punjabi Jagran, which was launched only in 2011-12 continues to be under expansion phase and had incurred loss of nearly 10 Crores, which was well within budget.

As far as consolidated profit and loss account is concerned, it has a few exceptional items of income as well as expense and net gain on account of these items is about 48 Crores, which has been partly set off by mid-day losses of nearly 14 Crores. Mid-Day had operating losses of nearly 5 Crores and net loss of Rs.14 Crores, which were again lower than the losses budgeted due to expansion of circulation and expansion of the Inqilab in North.

During the year, the company took control of advertising marketing from 1st October 2012 and complete control of the management from 1st March 2013. Since JPL has taken control of the advertisement marketing operations, there is a decent growth in advertisement revenue even from Mumbai market. Mid-Day Gujarati continues to strengthen its position as number two Gujarati newspaper of Mumbai and the Inqilab continues to be number one Urdu Daily of the country.

The latest IRS survey was more than satisfactory for Dainik Jagran. This survey has reported that. Dainik Jagran has improved its position and for the first time has become number two newspaper of Haryana and number three newspaper of New Delhi while strengthening its position in all of its core markets. Drop in readership in Punjab was for everyone and similarly in spite of drop in readership in Jharkhand, Dainik Jagran continues to be number three newspaper of this state after Prabhat Khabar and Hindustan. After launch of Punjabi Jagran, the existing level of readership is not a worry and as planned and keeping in view the targeted revenue, no further

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investment is being planned . Jharkhand continues to be suffering politically and therefore currently we do not have any plan to invest further even there.

The standalone balance sheet continues to be healthy in spite of increase in net debt from Rs.70 Crores approximately to 290 Crores primarily on account of investment in Nai Dunia .The debt equity ratio of the company; however, remains healthy at 0.53 and going forward it is going to improve further. On consolidated basis, the group reduced long-term borrowings from Rs.476 Crores to Rs.310 and short-term borrowings from Rs.160 Crores to Rs.152 Crores on gross basis and debt equity ratio for the group was 0.66 as against 1.42 in the last year.The last but not the least, the company's return on networth stands at 24% which will improve in due course

Now, coming to the exceptional provisioning made during the year,let me tell you that the company has a very conservative policy for provisioning and that is why this provision of 14 Crores towards the debts due from UP government had to be made. These 14 Crores of the debt relates to the revenue booked in the year 2011-12.As per our policy for making provisions if there is no movement in any debtor account for more than a year, we do recognize provision in the books to be on conservative side

Let me also explain you in connection with this provision that as we have been reporting, we discontinued the operations of certain events after government has stopped paying us from January 2012 as a result of which we lost top-line as well, but it was a conscious call because we could not have kept investing the money. Government in spite of promising several times failed to pay and even now there is an uncertainty with regard to timings when we will receive the payment. But at the same time you may see write back of this provision either in part or in full in coming quarters, but then this is something, which is not known. In addition to this 14 Crores, we also made a provision of nearly Rs.2 Crores for private treaties whereas there was no significant revenue booked in the books of the company on account of private treaty during whole of the year. So out of these 25 Crores, which we have had to provide additionally ,16 Crores these two items only contribute.

Now I request the guests to have your questions, which we will endeavor to answer to the best of our ability.

Moderator 

Thank you very much Sir. We are going to take our first question from the line of Shobhit Khare from Motilal Oswal Securities. Please go ahead.

Shobhit Khare 

Thank you very much for the opportunity. First question is on this provision 14 Crores which you explained. I just wanted to understand a little more on what led to this why basically we could not sort of get the payments? Is there any operational issue there or which was there?

R K Agarwal 

We were not the only ones. There were other two operators. Their payments also have been held up and in fact one of them has moved to the high court and we are also planning to go the high court. So this was not exceptional to us.

Shobhit Khare 

Understood. Sir second is standalone ad growth.



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R K Agarwal 

Let me also explain you here one more thing. As you know, this is a hard learnt lesson . whenever there is a change in the government, problems like this arise. This contract was awarded by the earlier government when new government came they had lot of problems and on the top of it in fact certain CBI enquiries also started against the officers of UP government. So this government decided not to make payment till those officers are cleared or are sent to the jail.

Shobhit Khare 

Understood Sir. Sir second question is on ad revenues standalone basis it looks like it was flat so if you could just take through the markets UP, and Bihar how the growth has been there?

R K Agarwal 

I will explain you. See the point is during the opening remarks of mine I always kept excluding Nai Dunia and kept sharing the figures excluding Nai Dunia but like any other company , for us also this was nothing but entering into new territory. If Jagran had to be expanded to any new area, nobody would have excluded that figure and accordingly one would have reported the growth or degrowth whatever it was. So in our case also yes for Jagran brand as such there was flat revenue but including Nai Dunia we registered a growth of nearly 8% in advertisement revenue for 4th quarter as well. Now, in Jagran if you recall ,for five consecutive quarters starting from 1st October 2011 till 30th September 2012 we had been registering one of highest growths in the industry or rather probably highest growth in the industry. It is only in the third quarter of the current fiscal and the fourth quarter when we registered the lower growth. The reason for the third quarter registering lower growth than the previous year was in third quarter also we were confronted with a very high base as in third quarter of the previous year we registered a growth of nearly 15% and this quarter we registered a growth of 7%. In the fourth quarter, there was a growth of nearly 12% last year and it has some election impact also, but this year as compared to that higher base including election impact we could sustain the same level of revenue what we achieved in the fourth quarter last year. If we eliminate the election impact then our growth even in the fourth quarter for Dainik Jagran would have been in the range of about 5% and overall growth would have crossed 10% as against 8%

Shobhit Khare 

Sir 5% exclude in election okay that is quite helpful.

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R K Agarwal 

So there was no quarter for us right from the time, bad time has started last year when we registered any degrowth. I mean two quarters of the last year and four quarters of this year were the toughest time for media industry but there is no quarter when we registered degrowth as we have seen in case of some of our peers.

Shobhit Khare 

Sir, can you share the split of national and local in Nai Dunia?

R K Agarwal 

In fact in Nai Dunia local is much more than 60% and due to our strength in national market even in current year, they registered a growth exceeding 30% in national revenue. National contribution was not more than 27%, 28% in the total revenue and this where bigger opportunity lies.

Shobhit Khare 

Sir 30% national growth appears a little lower than what we had discussed earlier during the year?

R K Agarwal 

30% growth in national revenue I am saying. I am talking about 30% growth in national revenue.

Shobhit Khare 

So earlier we were discussing basically much larger numbers.

R K Agarwal 

Yes you are right first or second quarter we had registered a growth of nearly 40%, 45% as their base was lower, but for the year it is nearly 30%.

Shobhit Khare 

Sir my last question is on dividend payout, if you could just give any sort of comments or guidance?

R K Agarwal 

See clearly our intention to pay any less dividends is not there. In fact, management has been planning for some buyback given the current prices and therefore the dividend was reduced but at the same time I have got the feed back from a few of the investors, from a few of the analysts and the management is quite open to reconsider the whole decision whether we should go for buyback or we should not go for buyback. In any case, board is yet to meet after the amendment in the articles, to take a call whether buyback should be done or additional dividend in form of interim dividend should be given, hopefully as the current quarter is looking or as we are looking at the current year may be that both are possible or may be we give additional dividend and board decides not to have the buyback based on the feedback, which we receive from you all.

Moderator 

Thank you. We are going to take our next question from the line of Siddharth Goenka from JM Financial. Please go ahead.

Siddharth Goenka 

Thanks for the opportunity, Sir I just wanted to understand what the volume is and yield breakup for the growth, which we registered in FY'13?



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R K Agarwal 

The yield stood hit very badly and therefore the deliberate decision was to increase space which was 8% which is the highest in the industry and this is what gives a base to take the increase in rate, which we have already done and as I mentioned in my opening remarks at least these two months have clearly shown that increased rates are getting accepted if not to the full extent but at least to some extent.

Siddharth Goenka 

So if you can, I mean yield time badly so volume growth because if you look at the growth excluding Nai Dunia the growth full year was around 5% YoY so what kind of number if you can like what has been the volume growth for this year FY'13?

R K Agarwal 

As I said, in case of Dainik Jagran there was a growth of nearly 8% in the space.

Siddharth Goenka 

On volumes.

R K Agarwal 

Volumes that is what I am talking.

Siddharth Goenka 

Sir what kind of like this year of course we grew by like 5% and including Nai Dunia the growth was higher but next year any guidance if you can give on the ad growth front?

R K Agarwal 

Director Marketing is here he will give you information.

Shailesh Gupta 

the first two months have been very encouraging and we feel that we should be able to grow around 10% to 11%. Last year, we worked a lot on the space growth here our focus this year is more on the rate increase, the yield increase rather than the space growth.

R K Agarwal 

As it is, let me tell you here government category constitutes nearly 15% of our total revenue and in case of government we have already had 10% to 12% increase because of increases in the circulation, which we have taken

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in the past . So virtually, 2% additional growth if the space from government has not increased, which I think will increase, is guaranteed.

Siddharth Goenka 

Sir just one last question on Nai Dunia, I mean Nai Dunia of course has reduced losses compared to the earlier year, but the advertising growth I believe was just 5%, 6%.

R K Agarwal 

For Nai Dunia.

Siddharth Goenka 

For Nai Dunia because the number what I have for last year was 72 Crores?

R K Agarwal 

Nai Dunia if you look at press release the growth for the year was 12%.

Siddharth Goenka 

This you are telling about advertising revenues.

R K Agarwal 

Yes.

Siddharth Goenka 

Okay so it is 75 Crores for FY'13 right?

R K Agarwal 

Yes.

Siddharth Goenka 

And last year it was like?

R K Agarwal 

Last year when we acquired this business that time we had a figure of 63- 64 Crores .When we went into data we found it to be 67 Crores as against 67 Crores this year we have 75

Siddharth Goenka 

What plans we have like you mentioned that we are probably achieving breakeven in the fourth quarter of FY'15. So what kind of circulation increase are we expecting over the next two years?

R K Agarwal 

We are targeting to become a strong number two by 2014-15. Even this year, in spite of the increase in circulation whatever we are planning, we are expecting Nai Dunia to reduce its losses. This year they have reported at operating level of around I think Rs.10 to Rs.11 Crores loss, which should go down in spite of increase in circulation at least by 3 Crores.

Siddharth Goenka 

Okay, thank you so much Sir, I will come back if I have more queries.



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Moderator 

Thank you. We are going to take our next question from the line of Abneesh Roy from Edelweiss Securities. Please go ahead.

Abneesh Roy 

Sir thanks for the opportunity. My first question is to the Director Marketing. On the two legacies non-print business of outdoors and event if you could tell us what is the long-term strategy. My first question is to the Director Marketing, Sir if you see in the events and outdoor business my question is what is the long-term strategy because most other media companies are either not there or they have kind of exited and we are seeing the numbers also pretty volatile and this year specially if you see events has been very volatile and the industry that is very different from your core print business it is very unorganized and then you have this problem of government revenues. So any long-term strategy to may be exit these lines of business? Shailesh Gupta: a) events and outdoor are not dealigned from the main advertisement b) I would like to say as far as events are concerned, yes we have learned a lesson by doing the government business but our focus from last year has been only on the private clients and there we have shown a huge growth and our top-line has increased by approximately 45% and this year also our focus will remain only on the private clients. Government we are not at all focusing as far as outdoor is concerned, we are optimizing outdoor as much as possible and our focus right now is basically South and precisely in South, Bangalore and UP and other areas of ours.

R K Agarwal 

Outdoor did not need any investment from us for past three years and unfortunately both these business immediately after commencement had two bad cycles — one was post lehman and another was 2012-13. Even then if you look at outdoors performance they improved occupancy by 5% in spite of tough market conditions, which hit outdoor most. Not only that they are in cash profits. They are also in net profits; yes it is not commensurate with the efforts and with the capital, which I agree with. This year that is 2012-13 they not only returned capital to the company to the extent of 5 Crores but also at the same time they created several other properties from their own sources as I mentioned in my opening remarks. So outdoor now is stabilized for a couple of years. It is just matter of time when they start generating the return, commensurate with the efforts and with the capital invested and unlike others we have not invested too heavily in outdoor Total investment of ours has been in the range of about 55 Crores over a period of years which has got reduced to 50 Crores this year because they returned a capital of 5 Crores and they had at operating level of about 3 Crores profit.

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As far as event is concerned, this is the first time when event had profits right from the very first year. In fact this is an activity where we have not invested much. The total investment in the business should not be more than 20 to 25 Crores and they had been contributing good profits ; good profits definitely not at par with the print business which you can never expect but they had been contributing Rs.2 to Rs.3 Crores profit without extracting anything in terms of management width from the top-management. Last year if you recall they contributed 8 Crores profit but this year not only that got reversed but they incurred additional 7 Crores loss because of this provisioning of that 14 Crores, which is unforeseen, which could not have been imagined.

Abneesh Roy 

No Sir I understand this my question is more from a fundamental perspective if you see event business the competition is largely Mom & Pop shops whose cost structure will always be far lower than yours. I am not debating on private versus government only I am saying how will you ever match the cost structure of these unorganized players?

R K Agarwal 

I mean they are not there to do the activities for Red Bull. They are not there to do the activities for Nokia. They are not there to do the activities for HUL and this below the line is something, which supplements the print and in times to come in fact this is going to be supporting the print So in fact as far as below the line activity is concerned, that is very much, we feel, part of any media company and particularly print.

Abneesh Roy 

Sir my last question is on the Mid-Day, Nai Dunia and Inqilab these print forays either through organic, inorganic we are expanding in terms of circulation and taking up marketing and advertising directly. So I wanted to understand in terms of numbers as an overall entity these three put together how are you seeing the revenue growth and may be the EBITDA numbers so that we can do the modeling? My last question is on the three print forays we have done in the past two years Mid-Day, Nai Dunia and Inqilab. If you could tell us how you are seeing the revenue growth and EBITDA line item for each of these businesses in FY'14?

R K Agarwal 

In FY'14 Mid-Day will have an operating profit of nearly 7 Crores.

Abneesh Roy 

Sir versus this year?

R K Agarwal 

This year there was a loss of about 2.5 Crores or 3 Crores, this was in spite of increasing the circulation of Mid-Day English, Mid-Day Gujarati and launching Inqilab in North. The operating losses were much less than what we had budgeted. As far as Nai Dunia is concerned they had an operating loss of nearly 11 Crores in spite of increasing the circulation by nearly 30% from the time when we took over till 31st March. And we had originally envisaged of an investment of nearly 30 Crores at net level.

Abneesh Roy 


Investment or loss?

R K Agarwal 

Loss in print business that was where you invest.



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Abneesh Roy 

Sure. No my question remains unanswered I asked on the revenue front also? Sir I asked on the revenue growth you are looking at?

R K Agarwal 

Revenue growth of Nai Dunia was 12%, Mid-Day advertisement revenue grew from October to March by more than 7% from Mumbai market but on overall basis it was more or less flat.

Abneesh Roy 

Next year are you sharing the numbers for this revenue growth?

R K Agarwal 

Revenue growth for Mid-Day should be what we have planned is nearly 18% to 20% and this kind of growth what we have been seeing since the time we have taken over the marketing seems achievable, very easily achievable. when I say 18% to 20% the major contribution would come from Mid-Day Gujarati, Inqilab and the Mid-Day English is also expected to register a growth somewhere around 9% to 10%.

Abneesh Roy 

And Sir Nai Dunia growth?

R K Agarwal 

Nai Dunia growth should be roughly 25%, because this year as I said at national level we could grow the revenue by nearly 30% and that was even after the fact that we could get control of the company completely only from June or July 2012.

Abneesh Roy 

Thank you.

Moderator 

Thank you. We are going to take our next question from the line of Mr. Amit Kumar from Kotak Institutional Equities. Please go ahead.

Amit Kumar 

Thank you so much for the opportunity. My first question to the management overall what is the plan for further organic growth on investments and anything specific on radio?

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R K Agarwal 

Amit radio for the time being is not part of the plan.

Amit Kumar 

Sir but if you do not essentially participate in phase 3 licenses and given the fact that other players clearly have plans so would you miss out in this opportunity completely in the future also?

R K Agarwal 

Amit JPL as such so far has not been very bullish on radio and the investment envisaged (we did some working) is over 100 crores.

Amit Kumar 

Sir my last question was that would you not sort of miss out on the opportunity completely if you are not there in phase 2, phase 3 also if you are not there would not that be too late in terms of building the brand in radio and that possibly has allowed you to?

R K Agarwal 

Amit too much is on our platter right now; let us put them on right track and you never miss out opportunities and you may get it in form of acquiring whenever you have that inclination.

Amit Kumar 

My second question specifically on Mid-Day to the CEO. Sir how do we and to Director Marketing as well how do we anticipate a 20% kind of growth in Mid-Day given the fact that the Bombay advertising market itself continues to struggle? Have we seen the overall macro-environment for English print continues to be difficult would have we seen some sort of a change in that recently?

R K Agarwal 

Yes, my Director Marketing will answer that. Let me give you the breakup of total revenue and how do we see it growing. Mid-Day has done revenue I believe in the current year of 88 Crores and what we are planning is about Rs.100 Crores revenue Rs.100, Out of that Rs.12 Crores growth, what we are planning is at least 60% is going to come only from Mid-Day Gujarati and at least 15% is going to come from Inqilab North So, roughly about 75% to 80% growth is taken care of by these two brands. Now what remains is that 20% growth revenue growth to be achieved by Mid-Day Englishs or growth in the range of about 8% to 10%, which is not difficult because this is what we have been doing in fact in past six- seven months. May is definitely an exception because you know May is a month in which retail had a problem in Mumbai because of some tax imposed locally.

Amit Kumar 

Broad sense of the Bombay advertising market, are we seeing some sort of an uptake out there?

R K Agarwal 

That is what Mr. Shailesh will tell you about.

Shailesh Gupta 

You have to understand one thing that Mid-Day already is sitting on a very, very small base and this base is of local advertisers mostly; about 75%- 80% would be local advertisers. National advertising has always been a struggle for Mid-Day and that is where we are working. With new look product, the acceptability by the readers, the advertising agencies and advertisers about Mid-Day is increasing and as I said the CEO,



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who has been put in place is basically from the marketing background and he is one of the best in Mumbai, and I am sure with his experience and his contacts the national advertising, which is right now pretty dry in Mid-Day will start looking up and once the national advertisement starts looking up there is nothing to stop the growth of Mid-Day and that is why we are very, very sure that 18% to 20% growth is very much achievable.

R K Agarwal 

Amit let me also tell you the gentlemen who is heading now Mid-Day as CEO he is the one who got a very good growth from Mumbai market last year in fact it was south and it was a couple of other business offices, which did not perform as per expectation, but Mumbai was bang on even last year for us.

Amit Kumar 

Sort, of an ancillary question coming on Mid-Day. Over a period of time we have obviously seen expenditure go up as the company has invested more in circulation but actually over the last couple of years the increase in raw material cost seems to be still just about 12 Crores. It is really the overhead expenses and in fact when we had acquired the brand, we had taken a huge amount of one time write off if I remember correctly in fiscal 11 so from that base of 37 Crores overhead expenses have actually shot up to 48 Crores in this particular year, over the last two years. There has been a very large impact. In fact this is probably a bit of a surprise to me that in Mid-Day operations your overhead expenses are actually even higher than the raw material cost, which is something that you do not see generally so can you just give us a very broad sense of what is happening here?

R K Agarwal 

You are right. In fact, last year's other expenses include nearly Rs.15 to Rs.16 Crores spent on promotion and publicity because in Mumbai still if you see the other dailies they are having the promotional schemes wherein they are offering the newspaper at very low subscription prices. So this was the reason why they have been having the increase in other overheads for past two years. Definitely there was a scope for more efficiency. This is why in fact the company took control of the company Mid-Day and you would see this year either nominal increase in those expenses or may be no increase in certain expenses, but here let me also point out whether you take example of Mid-Day or Nai Dunia in both these cases employee cost is nearly 24% to 25% of their turnover, which is pretty high and there you cannot bring it down to a normal level of 12% to 13% unless and until you increase your revenue not that unless and until you bring it down to 12% - 13% only then they will report profits, but to bring it down towards a normal

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level of 12% to 13%, which is the average for the industry you need to increase the turnover only.

Amit Kumar 

Sir in terms of overheads what kind of discounting are you following in Mid-Day in Bombay, what kind of schemes that thereon offer?

Shailesh Gupta 

There are no offers offered for Mid-Day. Time-to-time we keep doing that but discounting would be depending on the size of the campaign what campaign we are getting; it can vary from 10% to up to 40%.

Amit Kumar 

I am not sure I follow on this.

R K Agarwal 

You are talking about circulation or you are talking about advertisement?

Amit Kumar 

On both sides really, what kind of promotional activities are there in terms of advertising and in terms of discounting on cover prices?

R K Agarwal 

Cover prices discounting is pretty significant. Let me tell you in fact the annual subscription what they offered is I think was 300- 350 per annum then it went up to 500 and I think we are currently again having around the same figure so the discounting is pretty steep, which is the case in case of HT as well as DNA.

Amit Kumar 

In terms of advertising?

R K Agarwal 

Advertising what he said it depends on campaign- it varies from 20% to 40%.

Sanjay Gupta 

Also the good part is that we have been also able to increase our yield rate in Mid-Day, yield rate for last year was approximately 300 and right now, which we are working on a yield rate of about 350.

Amit Kumar 

Thank you so much from my side.

Moderator 

Thank you. We are going to take our next question from the line of Srinivas Choudhary from CIMB. Please go ahead.

Srinivas Choudhary 

My first question is pertaining to the outlook in terms of the circulation increase? So the first question is with respect to the outlook in terms of what are the circulations increases planned at a group level how much percentage growth can happen on the circulation front?



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R K Agarwal 

See for Dainik Jagran we have planned an increase of nearly 4% and that is something, which is unavoidable because couple of percentage increase happens even if we do not do anything. For Mid-Day the circulation increase has not been planned very significantly and in fact there will be less than 2% to 3% increase in case of Mid-Day, Mid-Day Gujarati and Inqilab all put together. In case of Nai Dunia yes there will be a significant increase even this year but even thereafter we are likely to reduce our operating losses.

Srinivas Choudhary 

Secondly what is the outlook in terms of the newsprint cost any visibility you have at least for the first half of the year how it is trending?

R K Agarwal 

We do not see too much action on that front. Yes dollar will be a spoil sport but at the same time since we do consume very little of imported we will be the least affected number one. Number two - domestic newsprint prices may slightly increase but we do not expect more than 3% to 4% impact on YoY basis.

Srinivas Choudhary 

That is helpful, and Sir the second question is obviously given that we are exiting FY'14 on a somewhat kind of weak growth number and we are forecasting around 10% growth for the next year, would you say that this would be more of a back ended growth in the second half or are you already seeing somewhere close to a double digit growth?

R K Agarwal 

We see growth right from the first quarter.

Srinivas Choudhary 

So this is driven by the rate increase?

R K Agarwal 

By yield essentially.

Srinivas Choudhary 

Sir the final question is with regard to the surplus assets, which you talked about earlier so what kind of profits are you expecting on that? Sir I was actually asking about the surplus asset sale, which you talked about earlier so what kind of realization we could have in FY'14?

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R K Agarwal 

We have already signed one contract for 38 Crores and we have already received nearly 20% of the total contract value so far So, we should receive the balance as per the contract by November.

Srinivas Choudhary 

Sir that would be mostly profits or is there a significant loss?

R K Agarwal 

That will be mostly profit.

Srinivas Choudhary 

And are you looking at more such opportunities?

R K Agarwal 

There are few more surplus assets, we are working on it, let us see.

Srinivas Choudhary 

Thank you Sir.

Moderator 

Thank you. We are going to take our next question from the line of Bijal Shah from IIFL. Please go ahead.

Bijal Shah 

Thanks for the opportunity. My first question is on Nai Dunia can you tell me the exit circulation of Nai Dunia in 4Q of FY'13 and what would the exit circulation of Nai Dunia in 4Q FY'14 that is 4Q of the coming year?

R K Agarwal 

See exit circulation for 2012-13 was 520000 copies.

Bijal Shah 

What we plan to take it to?

R K Agarwal 

That is going to be increased significantly let us not ask the number.

Bijal Shah 

I mean ultimately say that your target is to go up to a strong second position?

R K Agarwal 

As I said by 2015 we should be a strong number two.

Bijal Shah 

So what kind of circulation you would require by then?

R K Agarwal 

This is the same question, which you have asked earlier please pardon us for that.



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Bijal Shah 

Sir just one request if you can give on a quarterly basis Mid-Day's some key number as well as Nai Dunia that would really help us?

R K Agarwal 

We will try to consolidate right from the first quarter this year The systems etc., everything have been put in place now we are in position to do that and if it is not from the first quarter ; from second quarter for sure.

Bijal Shah 

That would be really helpful. Thank you very much and all the best.

Thank you. We are going to take our next question from the line of Gaurav Jain from Alta Vista Capitals. Please go ahead?

Gaurav Jain 

Thanks a lot. Despite the total of the losses from Punjabi Jagran, Mid-Day and Nai Dunia they are almost close to 40 Crores this year. So how do you look at the losses from say emerging editions since we were to call these emerging editions in the long-term like would you always have a certain level of losses, because you will keep expanding into newer business areas or the intention is to turn these businesses into profit sustainably?

Sanjay Gupta 

Your voice is echoing we could not get your question completely.

Gaurav Jain 

What I was asking is that if I were to add up the losses from Punjabi Jagran, Mid-Day and Nai Dunia the total loss is close to 42 Crores in FY'13.

R K Agarwal 

Including depreciation and interest.

Gaurav Jain 

Yes everything. So what is the philosophy with this sort of an emerging business loss over the long-run that as these businesses scale up you will get into newer territories, newer geographies so that you will always run a 35 – 40 Crores loss.

R K Agarwal 

No definitely not. This year itself these losses are budgeted to drop down from 42 Crores to roughly about 16 to 18 Crores and we are expecting loss only from Nai Dunia because we are taking a steep increase in circulation

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and in Jagran Punjabi also the losses will come down due to increase in revenues because for Punjabi Jagran it is the second full year.

Gaurav Jain 

Sir basically after suppose FY'15 comes and these three business become stable what does the philosophy become that you want to run the business as is or you want to then expand into newer geographies and acquire more loss making operations?

R K Agarwal 

I will request my CEO to respond to that.

Sanjay Gupta 

I can only say that no company ever stops its growth. So whenever we turnaround our new ventures so the company will keep on looking for other profitable acquisitions. That has been said policy but having said that we will always take into consideration that the investor confidence is always kept on the forefront.

Gaurav Jain 

Sir just a follow up on the investor confidence part, if you see the performance of your company over the last few years as well as you peers we have seen that everybody has invested but there has not been any profit growth so it is almost like a profitless growth that everybody have been facing, so is that a strategy valid in the first place of keep expanding revenues but keep losing money in costs so that the profit can move?

Sanjay Gupta 

If anybody does a Greenfield project or acquires the loss making entity, it will take its time to turnaround and it cannot be done on a overnight basis and having after turned them around it gives the confidence to the company to go ahead and do more, yes, turning around an existing loss making entity is a cheaper and strategically far superior an option in terms of gestation time etc.

R K Agarwal 

Let me add here, please look at Nai Dunia's losses, which have been cut down by more than 40% to 45% in one single year even after increasing the circulation by nearly 30%. What else could be turned around because if we were to add new editions ourselves in MP and Chhattisgarh probably we could not have had returns over next ten years on our capital, yes in case of Mid-Day there has been slight delay in taking action but since the structure was in place it could not have been demolished overnight.

Gaurav Jain 

I guess that ensure that investors struggle with when they analyze your company or your peers? What I am saying is that investor struggle because of the high volatility in EBITDA margin that you and they peers exhibit. Would it makes sense to target the EBITDA margin and say that when EBITDA margins are going above that I will invest and if they are falling below like this year they are falling quite below then you will pullback all investments?

R K Agarwal 

Definitely yes that is what CEO has just explained. In fact definitely I cannot expect these companies Mid-Day or Nai Dunia contributing 30% EBITDA margin over next one year or two years or Mid-Day to that extent in next two to three years but definitely they would be making contribution in the EBITDA . As far as Nai Dunia is concerned, as I said in Q4 of 2014 itself they should be contributing in operating profit and as



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far as Mid-Day is concerned they are expected to contribute roughly about Rs.7-8 Crores even this year at operating level.

Gaurav Jain 

What is the target EBITDA margin that you have in mind further consolidated accounts?

R K Agarwal 

Mid-Day we will be happy in case we are able to have our operating margin in the range of about 20% to 25% and in case of Nai Dunia it has to achieve the same margins what Jagran is doing.

Gaurav Jain 

Can you share your capex plans for next year?

R K Agarwal 

Capex is not much next year as well; it is roughly about Rs.70 Crores including every brand and essentially out of that about 22- 23 Crores would go to Nai Dunia and that would be met out of the surplus asset which has been sold.

Gaurav Jain 

Okay and one that question on the advertising revenue growth guidance of 10% for next year so is there any benefit from elections built into that?

R K Agarwal 

That is something, which will be additional .

Gaurav Jain 

Thanks a lot.

Moderator 

Thank you. We are going to take our next question from the line of Ajay Vora from Enam Asset Management Company. Please go ahead.

Ajay Vora 

Sir I just wanted a sense on where do we see our debt equity ratio and secondly if we are planning this buyback, what is the general philosophy as in are we happy with having a particular debt level and then continue doing buyback or what is it just wanted your thoughts on that?

R K Agarwal 

See our debt equity ratio for the year 12-13 in spite of investing Rs.200

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Crores in Nai Dunia is about 0.53 and at consolidated level it was 0.66 as against over 1.4 last year. So we have cut down our debt level. we are comfortable in having a debt level of nearly 0.5.

Ajay Vora 

So what is the current gross debt I think it is around 300 Crores?

R K Agarwal 

At consolidated level it is roughly about 472 Crores and net debt is 290.

Ajay Vora 

That is fine, so is this the peak gross debt and are we going to reduce this further over next two years?

R K Agarwal 

It is going to come down because as I said I am happy with not more than 0.5.

Ajay Vora 

So how much can it comes down to over next two years?

R K Agarwal 

No, even in the next year even though we do the buyback, . We have just amended the articles and as I mentioned in response to one of the questions, we will have the feedback from you all in case the consensus is not to go for buyback we will not go for buyback we will get the additional dividend.

Ajay Vora 

But what debt level can be reduced. I am just trying to understand next year what can be the gross debt level?

R K Agarwal 

I am comfortable with 0.5 debt equity ratio; so debt would not be allowed to go up even though we do the buyback if next six months go as expected, we should be generating not less than 175 Crores or Rs.180 Crores in first six months

Ajay Vora 

So how much can that yield?

R K Agarwal 

That as I mentioned is going to be 38 Crores.

Ajay Vora 

Thank you very much Sir.

Moderator 

Thank you. We are going to take our next question from the line of Rohit Dokania from Batlivala & Karani Securities. Please go ahead.

Rohit Dokania 

Good afternoon and thank you for the opportunity, just two questions may be could you please share the circulation of all brands the exact circulation you shared for Nai Dunia but if you could?



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R K Agarwal 

The exact number of copies being sold? it may not be appropriate to share. As I mentioned exit figure in case of Nai Dunia was 520000 copies and in case of Jagran if you are interested to know the exit figure it was over 3.5 million.

Rohit Dokania 

The other question was it has been more than three years since Blackstone came in at the promoter level entity and I believe that exit should be closer to five years or thereabout so I think they should start probably looking out for an exit in the next year, year and a half?

R K Agarwal 

No they have not yet spent three years; they have spend just one and a half year.

Rohit Dokania 

But I think they came in at in the fourth quarter FY'10 if I am not wrong right Sir so it should have been more than three years right?

R K Agarwal 

They came in 11-12.

Rohit Dokania 

Okay so you are talking after the approvals and all that basically?

R K Agarwal 

When only I receive the money from then the clock starts and in any case I do not have any such indication from Blackstone that they want to exit.

Rohit Dokania 

Sir no, my only question was will that exit let us say the promoter level entity will have any impact at the listed entity level?

R K Agarwal 

No definitely not, there will not be any.

Rohit Dokania 

Thanks a lot and wish you all the best.

Moderator 

Thank you. We are going to take our next question from the line of Amit Kumar from Kotak Institutional Equities. Please go ahead.

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Amit Kumar 

Sir, I think in response to one of the question you sort of noted that some sort of basic EBITDA margin recovery before you sort of look at further investments as well so what is the sort of steady state EBITDA margin that Jagran would look at, at a consolidated level all operations put together what is the steady state kind of EBITDA margin that Jagran would look at?

R K Agarwal 

My CMD is more than unhappy in case he sees anything less than 30%.

Amit Kumar 

But 30% is not going to be possible on a consolidate operations at all right, because some of the ancillary brands that you have Mid-Day for example or even the non-print outdoor and events business they will never get to that kind of level?

R K Agarwal 

Not that in case my Director Marketing gets us growth exceeding 10% so you can have that. In case he gives the growth exceeding 10% I am not saying 15% or 20% but 10% to 11% you will see in spite of all these expansions and so on so you will see in 2014-15 operating margins of about 30%

Amit Kumar 

That seems a bit of an aggressive target really?

R K Agarwal 

Not exactly because if you look at my cost structure as far as JPL standalone is concerned there was growth in total cost by less than 6% so that is something, which is in our control and if you look at the current year's margin at consolidated level, these are also around 21%, 22% I believe so taking it to 30% in case we achieve 10% growth I am talking about DJ alone should not be difficult. .

Amit Kumar 

I will probably take this offline probably look at the calculation offline. Thanks.

Moderator 

Thank you. We are going to take our last question from the line of Miten Lathia from HDFC Mutual Fund. Please go ahead.

Miten Lathia 

Sir, I am not sure if you covered this but did you speak about Mid-Day circulation?

R K Agarwal 

Miten, I have not given the numbers but what I mentioned about for a strategic reason you would agree that number may not be shared at this stage . what I mentioned was Mid-Day Gujarati has become a strong number 2 , Inqilab continues to be number one and Mid-Day English also has increased the circulation significantly in the last year.

Miten Lathia 

Nothing about the next couple of years.



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R K Agarwal 

No we do not plan to increase the Mid-Day circulation further significantly 1% or so increase will keep happening.

Miten Lathia 

Thank you very much for that. Thank you.

Moderator 

Thank you. I would now like to hand over the call to Mr. Vikash Mantri for closing comments. Thank you.

Vikash Mantri 

Thank you everybody for being in the call and sorry for the inconvenience call due to a few disconnects. Thank you everybody.

R K Agarwal 

Thank you Vikash. Thank you participants.

Moderator 

Thank you. On behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.

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