



**INVESTORS/
ANALYSTS**
conference call


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Jagran Prakashan

Investors/Analysts Q1FY13 Conference Call

August 1, 2013

Moderator 

Ladies and gentlemen good day and welcome to the Jagran Prakashan Q1 FY14 Results conference call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Sir.

Vikash Mantri 

Good afternoon everybody we at ICICI Securities pleased to host the Q1 FY14 conference call for Jagran Prakashan, from the management we have the CEO, Mr. Sanjay Gupta, with us, the CFO, Mr. R.K. Agarwal, and the Company Secretary, Mr. Amit Jaiswal, also on the call with us. Over to you Sir for initial remarks.

R.K. Agarwal 

Welcome to the conference call of JPL to discuss Q1 results. As you all might have noticed, this time we have endeavored to present data as much in detail as was possible and I am sure that it would answer many of your questions, but at this time I would like to add a few things. The quarterly results were impacted by a forex loss of nearly 13 Crore rupees, but for this loss net profit would have been 10 to 11 Crore rupees higher. The mark-to-market loss has been booked as of June 30 taking dollar rate of Rs.60. I do not expect much of loss to be accounted for in Q2 or in the remaining year. I am pretty optimistic that by the year end you would see some reversal of the losses booked by us in the first quarter. Traditionally for three years what we have seen is first quarter is the quarter in which the maximum mark-to-market loss happens and like last year I am sure we will be reversing a part of it in the fourth quarter. Further, in the first quarter we have been able to reduce our net debt position and net debt has come down by nearly 70 Crores.

So, now coming to the performance of our new acquisition that is Nai Dunia and Mid Day. Nai Dunia has improved its performance in terms of increasing the circulation and also registered a growth in advertisement revenue to the extent of 27%. In spite of increasing circulation on YoY basis by nearly 25%, their losses as compared to Q4 have come down and here let me also clarify that whatever losses they have reported in Q1 should not be construed to be an average

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Mr. Vikash Mantri

Mr. Amit Jaiswal

Mr. Sanjay Gupta

Mr. R.K. Agarwal

quarterly loss for whole of the year. You cannot multiply it by four and then reach a conclusion that it will incur so much loss. In fact, going forward their losses are going to be much less than what they have reported in Q1. Their losses were more or less within the budget and we are pretty sure that we would not exceed for the year the net loss of more than Rs.12 to Rs.13 Crores by the year end.

Mid Day has suffered in the month of May on account of levy of LBT. In fact, everyone from Mumbai would know for at least 7 to 8 days retail markets did not work at all and in fact they were impacted not only by the local market, but they were impacted even by the national market. The national advertisers also were not willing to advertise till the things get settled there, till the market gets opened. Moreover Mid Day in Q1 of the previous year had a pretty decent amount coming from private treaties, which as a matter of policy we have decided to limit. As a result of that they lost revenue of nearly 1.75 to 2 Crores in the first quarter. They would have recorded growth exceeding 11% to 12% if they had not lost the revenue on account of these two reasons. In spite of low growth in advertisement revenue because of these two reasons, they could report operating profit of nearly, I think, Rs.60 to Rs.70 lakhs as against operating loss of nearly Rs.2.5 Crores in the Q1 of previous year. So, they improved their operating performance by all means and we are more than happy with their progress.


With these remarks, I would request the guests to have their questions which we would endeavor to answer to the best of our ability. Thank you very much once again.

Moderator 


Thank you. Ladies and gentlemen, we will now begin with question and answer session. We have the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy 

Sir congrats on very good set of numbers. This quarter if you see all the print media companies are reporting good revival in the advertising growth, so what is the sense you are getting especially TRAI-related impact which will come on TV channels, so how are you seeing overall advertising growth in the balance three quarters?

R.K. Agarwal 

Q2 is not as good as Q1 for all the media companies, but Q3 and Q4 are expected to be as good as Q1 or may be better.

Abneesh Roy 

For Q2, if you can give us some color on why you said there it could be a bit lower?

R.K. Agarwal 

Q2 (as it is) traditionally has not been the best quarter for media companies and for that reason only I am saying that. In addition to that, sentiments are badly affected I would say and this is why to be on conservative side we say that Q2 may record lower growth than what we have witnessed in Q1.

Abneesh Roy 

Two follow ups on this, on the TRAI-related any specific comment and secondly FMCG is now how much percentage of our sales and are you doing some special initiatives for that sector because on TV channels clearly the rates are likely to go up significantly, so FMCG will be impacted, so any kind on special initiative for that sector?



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I do not think any special initiative is required to attract more FMCG advertising because FMCG as such has never been giving very good rates, so whatever rates we are offering to them they are attractive enough and they will continue to increase their spend on print. Let me also share with you in fact FMCG has started coming back to the print in the past couple of years, having abandoned it almost for four to five years and why they have come back or why they have started publishing more with newspaper company, the reason is the impact and the response, so it is not the price alone which will bring them to us, but it is the effectiveness of the advertisement.

Abneesh Roy 

Sir my last question is on the circulation revenue, there also we have seen very strong growth, what is the number we should build for the full year?

R.K. Agarwal 

You can multiply it by four.

Moderator 

Thank you. The next question is from the line of Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta 

Sir just two questions I had, firstly on the cost control side, quarter obviously had seen very strong margins, if you can just throw some light what exactly is driving it and how comfortable you are about the sustainability of that?

R.K. Agarwal 

If you recall so long as we keep recording growth exceeding 10% in advertisement revenue, you will see this kind of a margin and you will see the improvement in margins going forward, if the growth improves further.

Nitin Mohta 

Secondly on the advertising front, if you could just help us to understand which sectors are doing better driving growth towards the 10% mark that you have talked about?

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R.K. Agarwal 

Let me tell you, none of the sectors has let us down in Q1. In BFSI sector for us banking also has done well and so long as RBI keeps changing their policies and rates and so on and so forth, banking sector will keep doing well for us. However, in other segments of BFSI sector, practically there is nothing which is happening or which is helping us. So this is the only sector which I would say can pick up with the improvement in economy and will further help us. Automobile has done well, especially two wheelers. In education, there was some dip in volume as well as value due to a bit delayed season in Bihar. Entertainment has not done well which I think would pick up from third quarter onwards, so if you ask me especially other segments of the BFSI sector and entertainment, these are the main two which did not help. Rest of the sectors contributed in the growth; all of them, almost.

Nitin Mohta 

The last one on the M&A scenario, given that the economic outlook is not that great, has some of the private print players become more realistic in what their demand was for selling out?

R.K. Agarwal 

This is what we have been seeing for the past one year, but we cannot expect it to continue once the things improve.

Moderator 

Thank you. The next question is from the line of Shrinivas Seshadri from CIMB. Please go ahead.

Shrinivas Seshadri 

The first question is pertaining to the growth in the different markets, Nai Dunia is obviously doing well, though it is obviously in an investment mode and might be growing faster, but just to understand is there any perceptible difference in the market growth itself between some of the larger markets like UP, Bihar, and Madhya Pradesh?

R.K. Agarwal 

All these markets are doing very well for us and in fact NCR and Delhi also are doing well, but Bihar and Jharkhand for us was a bit disappointment in the first quarter, but I am sure now onwards it will also start doing good. Bihar and Jharkhand was top performer last year.

Shrinivas Seshadri 

Any particular reasons Sir?

R.K. Agarwal 

I really do not know and I have not yet been able to really analyze what could be the reason and our team was also not able to in fact attach any specific reason to this, except that their education season was late, except that the real estate probably due to some regulatory issues or whatever it is did not do as well as it used to do.

Shrinivas Seshadri 


Is Madhya Pradesh as a state itself registering a higher growth versus something like UP, do you think the growth potential in both are kind of equal from your perspective right now?



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R.K. Agarwal 

UP is having much much bigger base, so you will always have the base effect impact, but still I do not think UP is growing any less than MP because in UP and Uttarakhand market also we registered a very decent double digit growth in the first quarter.

Shrinivas Seshadri 


The second question is on the event and outdoor business if I look at the growth has come in single digit, so what is the outlook for the full year is it likely to get better through the year?

R.K. Agarwal 

Definitely it is going to be better because what happens is event business has just 15% of annual revenue in the first quarter.

Shrinivas Seshadri 

On a full year basis would you expect the growth?

R.K. Agarwal 

At least two-digit growth, in spite of the fact that now as a matter of policy we have decided not to take up any government contracts having bitten the bullet last year.

Shrinivas Seshadri 

On that business what is the outlook in terms of profitability on a full-year basis?

R.K. Agarwal 

If you see the press release you would clearly see the things are improving and this year in fact will be the year when outdoor and event both should be reporting some EBITDA.

Shrinivas Seshadri 

Sir, if I can just ask a final question on the digital, one has seen a very good growth after quite a few quarters, so is that due to certain initiatives?

R.K. Agarwal 

Jagran has really started focusing on digital for the past couple of years and what you have seen in Q1 is the result of those two years' efforts. Digital has done fantastically well. In fact although on a smaller base, advertisement revenue grew by about 250%, now cumulatively we have one of the largest internet properties in the country and this is

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what is doing the trick for us. In fact in the digital, in the first quarter what we have invested is near Rs.5 million that is net of expenses and revenue generated by this and well below our plan; thanks to higher than expected revenue and control over cost.

Shrinivas Seshadri 

Especially the growth on the advertisement is kind of sustainable number?

R.K. Agarwal 

You are talking about digital advertisement revenue. It is going to improve because now digital has started getting benefit of the traffic what they have now.

Moderator 

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

Siddharth Goenka 

Thanks for the opportunity and congratulations on the good set of numbers. Sir my first question is on the growth what we achieved at 15%, how much of it will be from yield and how much from volumes?

R.K. Agarwal 

It is entirely from yield. It is applicable to only Dainik Jagran and inext, but growth in case of Nai Dunia was mix of the two, in case of Mid Day English it was more on account of volume and other brands of Mid Day - mix of the two.

Siddharth Goenka 

What is the strategy behind this yield improvement, what exactly, are we trying to strict to the strategy, just give some sense on that front?

R.K. Agarwal 

None of us could get any incremental revenue on account of yield for two to three years, so there had to be some time when we move on to this and this improvement is not only because we have taken increase in rate, but it has happened because of certain strategic moves as well which have really helped, and one of them was reduction and bundling of the editions.

Siddharth Goenka 

My second question is on the Nai Dunia, when are we expected to turn around at EBITDA levels?

R.K. Agarwal 

As I said in the beginning, we are pretty hopeful that Q4 of the next year should see some operating profit from Nai Dunia.

Siddharth Goenka 

So full year breakeven will only happen probably in FY'16? What is your outlook in Mid Day because we were very positive on the Mid Day front when we had the discussion last quarter?



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R.K. Agarwal 

What we expected in the beginning of the year for Mid Day that is what is happening, we expected as against loss of Rs.13 to Rs.14 Crores last year, break even or giving a Crore rupees profit this year and this is what we maintain.

Siddharth Goenka 

Can you so give us some sense on our payout policy now?

R.K. Agarwal 

Policy remains the same what it has been. In fact, this year as I explained in the beginning of the year, if the dividend has been reduced then the option of buyback is under consideration. In September let the AOA be amended, we will take it to the Board and see how the shareholders have to be rewarded either by way of buyback and if they say no to buyback or by way of additional dividend in the form of interim dividend.

Siddharth Goenka 


Fair point sir. Sir just last thing which is one data point I need, what is the digital revenues for this quarter?

R.K. Agarwal 

Roughly about 4.25 Crores.

Moderator 

Thank you. The next question is from the line of Yogesh Kirwe from Anand Rathi. Please go ahead.

Yogesh Kirwe 

Thanks for the opportunity and congrats on good sets of number. I just wanted to understand how the national advertising and local advertising shaped up during the quarter?

R.K. Agarwal 

Q1 traditionally has always had a share of local higher than national, but this time it has remained the same what it was for the year 2013, that is local contributing nearly 59% to 60% and national contributing 40% to 41%.

Yogesh Kirwe 

So we are around same levels in the first quarter?

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R.K. Agarwal 

That was slight opposite to what we have been seen earlier because in Q1 local always get higher share, but this time why it has happened is a few of our business offices like Delhi, South and Mumbai, all three have done a fantastic job.

Yogesh Kirwe 

My second question regarding the competition, one of our listed peer has alluded to plan of launching in Bihar and they also have an online edition for UP and these are the key markets for Jagran, so what would be our strategy?

R.K. Agarwal 

Jagran has been having online edition in MP for donkey years , so online edition will make any difference, only the time will decide.

Sanjay Gupta 

It already had one for last two years and that has not made any difference to us. What I have heard is that they are now looking to tone it down. The online anyway is not going to really make a difference.

Yogesh Kirwe 

But could that be a prelude to full-fledged launch?

Sanjay Gupta 

No, it is too early to say all these things, I will not read anything into it.

Yogesh Kirwe 


Any comments on the potential entry of Bihar?

Sanjay Gupta 

We are yet to receive any concrete evidence if they are entering Bihar so it is too early to say, but let me tell you that if they enter we are completely prepared.

Yogesh Kirwe 

Advertisement yields have already gone up in first quarter, I wanted to know whether there can be further increase on QoQ basis in the second and third quarters?

R.K. Agarwal 

I do not think you can increase your rates every now and then. Whatever efforts have been made in the first quarter, those efforts will continue, and those efforts might improve the yield further in the coming quarters, but as far as absolute increase in absolute rate is concerned that is not going to happen.

Yogesh Kirwe 

Could volumes contribute meaningfully in the coming quarter?

R.K. Agarwal 

You are talking about contribution of volume in the growth, of course in Q3 we expect that to happen and that even in Q2 you might see some jump in volumes.



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Thank you. The next question is from the line of Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah 


Can I just know the standalone revenue growth excluding Nai Dunia?

R.K. Agarwal 

If we get into that probably it will take a lot of time, we can discuss it offline. But the point is how it will help I do not know.

Himanshu Shah 

Nai Dunia has registered 27% growth we have mentioned, so I am just looking at..

R.K. Agarwal 

That growth has contributed in over all growth nearly 1.5% and this is what is the case in case of all those who have entered into new territories in the past one year. Be it Bhaskar, be it anyone. Whoever has entered new territories since last year, everybody will have some benefit, so we are no exception.

Himanshu Shah 

Second thing is Bennett Coleman is also looking to enter into UP market, so any thoughts or any color on the competitive intensity in print business basically, I think so they are entering regional markets.

R.K. Agarwal 

In fact Times was there in Lucknow for so many years and then it got closed and now what is going to be the competitive intensity that is something which CEO will explain.

Sanjay Gupta 

Let me tell you, a state has to be seen in its totality. If a launch happens in one or two or three cities, I am not very sure whether it is a very good idea. For the moment, we have indications that Times strategy is to launch only in Lucknow, but now I am sure that it will not make any material difference to our revenue scenario. With the kind of scheme that they have come up of Rs.50 to Rs.55 for five months, they will be able to get the copy to the reader and lot of duplicacy, triplicacy will happen, but I am very sure that the brand that we have and huge loyalty factor that we have, we are likely to be unaffected. Having said that, we always take competition in the right spirit and honesty, and we

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do check on our loopholes or whatever we can do. We think we are operating on prime level, but we have taken corrective measures or you can say improvement in our Lucknow edition and we are all ready to face whatever little competition they can give.

R.K. Agarwal 


Let me also tell you we are selling in Lucknow city nearly 1.5 lakh copies, #2 which is again nearly 20-year-old player there, is selling about 60% to 65% of our circulation and #3 Amarujala is there for nearly a decade and they are also selling nearly 55%-60% of our circulation, so the entry of fourth player is not going to make too much of difference that is what Sanjay ji has also said.

Himanshu Shah 

Sir just taking forward that question, basically most of the regional markets we are seeing entry of new player be it Bengal, be it Bihar there is potential talk of Jharkhand, probably AP, UP, so what are we exactly seeing in the regional market, is it something more like market getting explored leading to a possibility of some more players setting, because on one hand we are talking of consolidation in regional, on another hand there is entry of new players which is taking place?

Himanshu Shah 


DB probably in Bihar, they have already entered in Jharkhand, BCCL is also going into other regional markets?

R.K. Agarwal 

See all these regional markets are still very much under penetrated. If you look at the total leadership of the newspaper in the country, the penetration is nearly 30% to 35%. In all these markets what you have mentioned, the penetration is not even 20%.

Sanjay Gupta 

Any big media company will always look regional as there is a growth, nobody can deny that we are growing and other companies also are growing from regional factors, so media companies which have not had regional presence like Bennett Coleman will enter, and they are eyeing this area because of stagnation in English. They have the money, they have the capital, On an immediate basis I am not seeing any threat because market like UP where total sales could be 50 lakh odd copies of all players put together, so it is a massive market and that too under penetrated, so there will always be an opportunity for players having deep pockets or large capital base. Your question is that when will it stop, I cannot comment on that, nobody can comment on that if somebody has the capital and wants to launch a new paper, he is free

R.K. Agarwal 

Moreover you are talking about consolidation, yes consolidation is the need of the hour and that is happening and that will happen. What will happen ultimately big players will keep on entering into new territories and maybe smaller players getting marginalized.

Moderator 

Thank you. The next question is from the line of Kailash Gandhi from Wallfort Financial. Please go ahead.



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Kailash Gandhi 

Sir, I just wanted to understand the impact of election on the print media, on the revenue front as well as the yield front?

R.K. Agarwal 

There are two types of revenues in today's context, one is the revenue which gets generated during election period and there as you know the election commission has been very stringent and they have already fixed the limits for each candidate. As compared to the older days, the revenue during that period of time is not getting generated as much as you used to generate then Further, since the time code is implemented you start losing government revenue, so if you are talking about election revenue only for that period net impact is not material, but what new thing has started for past couple of elections, elections it is something like corporate branding which they do prior to going into election. This is where the money comes and this is where money will come. So it is pre-election spending, (government is spending not only on advertisement, but on other things also) which will help the consumption and thus media.

Kailash Gandhi 

So you mean to say whether it is national election or a local election impact is similar, is it like that?

Sanjay Gupta 

In national elections, the national parties have larger pockets and budgets, and if a party spends, election commission has no objection, once a candidate spends then the election commission has a problem, so if the country goes in election then Congress, BJP or big regional parties are likely to spend huge amounts of money that is the indication, so let us wait for the country's election to come.

Moderator 

Thank you. The next question is from the line of Ritvik Rai from Kotak Securities. Please go ahead.

Ritvik Rai 

I just wanted some numbers on your circulation revenue growth, if you could break that up into realization and volumes?

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Mr. Sanjay Gupta


Mr. R.K. Agarwal

R.K. Agarwal 

The circulation growth happened largely in case of Nai Dunia, Mid Day Gujarati, and in case of other brands there was growth of nearly 2 to 3%, rest has come only from improvement in per copy realization

Ritvik Rai 

In case of Nai Dunia has your realization been stagnant?

R.K. Agarwal 

In order to increase the circulation, we have not reduced our per copy realization, which is the strength of brand.

Ritvik Rai 


What is the total newsprint assumption and average price for this quarter?

R.K. Agarwal 

Average price for this quarter was higher by about couple of percentages as compared to Q4.

Ritvik Rai 

What kind of expectation do you have for the full year for newsprint prices?

R.K. Agarwal 

Almost 3 to 4%.

Ritvik Rai 


Overall circulation growth, what number should we work with?

R.K. Agarwal 

For Jagran 3% to 4% and for Nai Dunia it is something larger.

Ritvik Rai 


Just one last thing, in case of Nai Dunia do you see if big step up coming on account of political or government advertising or something of that kind?

R.K. Agarwal 

Yes, we expect.

Ritvik Rai 

Have you see at this quarter?

R.K. Agarwal 

Not yet.

Ritvik Rai 


Overall sir, you are going through which categories did rather well, you did not name government advertising in that, while other companies have been saying that government advertising has helped them quite a bit in this quarter, I think it is different in your case or did you just forget to mention it?



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R.K. Agarwal 

Government advertising was higher as compared to the previous year, there is no doubt about it, but in our case, it was due to improved rates.

Moderator 

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

Mohan Lal 


Thanks for the opportunity. I just wanted to understand this from a survey point of view that now we know that the broadcasting sector is almost all set to take a price hike as high as 20 to 25%. Is there a thought in your mind that because you are also leader in many markets, you should use this opportunity to also probably take a 10% to 15% rate hike for the national advertisers?

Sanjay Gupta 

Our rate hike has already happened and we are not going to take any rate hike in national market.

Mohan Lal 

Before this rate hike there is certain parity between the rates in the print and on the television side?

R.K. Agarwal 

Let us not compare the rate charged by the print industry and rate charged by the TV industry, you cannot compare like with unlike.

Mohan Lal 

I am not comparing that, what I wanted to know is that generally thought of scenario is that with the rate hike on the broadcasting there may be shift of some advertisers to newsprint.

R.K. Agarwal 

There could be some shift, but as I mentioned in the beginning, impact of the media ultimately is going to be finally the deciding factor. Yes, there will be some positive impact, there is no doubt about it, but this is not going to be the only reason in the minds of the advertisers. If you are talking about the national advertisers who in any way have deep pockets to spend on advertisement, it does not make any difference for

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them to increase their budget by 10% to 15% if they get return on their investment, so definitely in the marginal cases the benefit will flow to print industry. Otherwise it will be the merit or the demerit of the media which will matter, It will be just an added advantage to the print and nothing else.

Mohan Lal 


My second question was that you said in the last quarter that Nai Dunia saw 25% growth from the national advertisers so what was the number in this quarter on that front?

R.K. Agarwal 

In this quarter, it was slightly lower.

Moderator 

Thank you. I would now like to hand the floor back to management for closing comments. Please go ahead Sir.

R.K. Agarwal 

Thank you very much to you all for sparing your valuable time.

Moderator 

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

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