



**INVESTORS/
ANALYSTS**
conference call

2013
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Jagran Prakashan

Investors/Analysts Conference Call

October 31, 2013

Moderator 

Ladies and gentlemen good day and welcome to the Jagran Prakashan Ltd. Q2 FY14 Earnings conference call hosted by ICICI Securities Ltd. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mantri of ICICI Securities. Thank you and over to you, sir.

Vikash Mantri 

Good afternoon, everybody. We at ICICI Securities are pleased to host the Q2 FY14 conference call for Jagran Prakashan. We have senior management from the company represented by Mr. Sanjay Gupta, the CEO of the company, Mr. Shailesh Gupta, Director Marketing and Mr. R.K. Agarwal, the CFO of the company. Over to you sir for initial remarks and then we can have the Q&A.

Company Representative 

Good afternoon to you all. Welcome to the conference call of JPL. With me is Mr. Amit Jaiswal, Compliance Officer and Company Secretary as well. Salient features for the quarter we are discussing were as follows:

1. Growth in advertisement revenue exceeding 10% was better than expected. The growth was driven by improved yield in case of Dainik Jagran, In case of other publication brands as well, there was an increase in yield, but there was a growth in the space too. The growth in advertisement revenue could have been higher had we had we strategically not sacrificed low rate advertisements and had we not continued to be extra conservative in accepting the barter deals.
2. Growth in circulation revenue was 14.73% in the first half which was driven primarily by the improved yield per copy of Dainik Jagran and other publication brands as well as a steep growth in circulation of Nai Dunia, although circulation of DJ that is Dainik Jagran too registered growth of 4% on Y-on-Y basis despite increased per copy yield.
3. The operating profit grew by more than 25% on consolidated basis. Nai Dunia improved its performance and registered growth in advertisement revenue of 32% on yoy basis and reduced its operating

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losses by 36% as compared to Q1. We expect that Nai Dunia will continue to perform credibly at the back of increased circulation which has increased by over 30% in past one year.

Mid Day too improved its operating profits, Advertisement revenue growth excluding barter, which we have completely stopped, was 5% on year-on-year basis, even though the overall Mumbai market shrunk in size.

4. Dainik Jagran's operating profit was about 33% for the quarter and 35% for the first half year, that is an improvement of 400 basis points from H1 of the last year. Festive season falling in Q3 and assembly elections taking place in couple of the states in our areas of operation as well as ensuing general elections, profits and margins in the second half shall improve.

5. Nai Dunia amongst all publication brands which are in investment phase was no doubt an outstanding performer, but even other publication brands have fared pretty well and reduced the operating losses in Q2. In Q2 cumulatively their operating losses were 6.83% as against 12.05% in Q1 and 12.3% in Q2 of the last year. Consistent improvement in performance of publication brands quarter after quarter is heartening. We expect that all of these brands shall break even at operating level earlier than expected

6. Another outstanding performance has come from digital. It continues to be strong. Our digital advertising grew by 167% albeit on a smaller base. With the improved traffic, we will see more and more traction. We may also point out that our investment in digital for the first half was much lower than what we had budgeted

7. In spite of increased newsprint cost and not so good Q2 from the perspective of advertisement revenue, increased advertisement revenue coupled with cost controls has resulted in robust performance in the quarter.

However, profit before tax continued to be hurt by volatility in the rupee which was of course, not in the hands of anyone. On Year-on-year basis, the impact of exchange fluctuation loss was to the tune of Rs.17.61 crores in the quarter. We expect that we will not suffer further losses in the second half and part of the losses booked in the first half will get reversed. Out of the total loss of Rs.23.10 crores booked in the current year till 30 September 2013, loss of Rs.7.33 crores is the loss actually incurred and remaining amount of Rs.15.77 crores was accounted for on mark-to-market basis.

Further, out of total loss of Rs.23.10 crores booked in the first half, an aggregate amount of Rs.13.52 crores could have been capitalized and PBT could have been improved to that extent following the practices followed by many of the companies. However, following the conservative policy of the company, we have charged it off to profit and loss account.

Performance of the first half of the year gives us confidence of delivering a still better result and margins in the second half, even if the overall economic environment remains challenging and cost of newsprint is increasing.

8. We are also glad to inform that the net debt of the group has got reduced from Rs.178 crores as at 31 March 2013 to Rs.82 crores as at 30 September 2013. If we exclude the loan from holding company of Rs.95 crores, then the company has positive cash balance of nearly Rs.13 crores.



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Encouraged by the robust cash flows, the Board was pleased to reward the shareholders by announcing the buyback of 5 million shares at Rs.95 per share which is at premium to the current market value which I believe should be about Rs.85 or so in addition to interim dividend of Rs.1 per share. We are confident that in spite of this additional cash outflow, we will become cash positive by the year-end. As far as our policy of paying dividend is concerned, we strongly believe in distribution of surplus cash amongst the shareholders, and we shall continue to do so. We also like to clarify that in the proposed buyback the promoters shall not participate.

Thank you very much. Now, we request you to have your questions and we will discuss your queries.

Moderator 

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Alankar Garude of Edelweiss.

Abneesh Roy 

This is Abneesh. So my first question is, in the opening remarks you mentioned Barter scheme, and I think in the discussions you had pointed to not giving promotions in the advertising deals in the short period. So my question is, why we are shying away from this, does it lead to getting the ad rates back difficult post that lean period is that the reason, sir?

Company Representative 

Sorry, I did not get your question very clearly, what you mean is whether we should continue Barter or we should not that is what your question is.

Abneesh Roy 

Sir, that's one part. And second is, I think in the lean period we did not offer too many discounts in the ad rates this time. So why we did not, is the reason because post, being a lean period it becomes difficult to get back those ad rates, so how did you manage the lean period short period this time?

Company Representative 

That is right. It was a strategic call not to offer the freebies or not to offer the lower rates. . As far as Barter is concerned, yes we are shy of doing too many Barter transaction especially against the property or

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if it is against the equity, because our experience, whatever little we did in the past has not been a good experience for us, and I believe that is what is the general industry's experience.

Abneesh Roy 

Sir, I actually wanted to get into the reason for not being aggressive in the lean period or so if you could share your strategic thoughts there?

Company Representative 

That is what I am saying, it was a strategic decision not to offer too much discounting. I mean, like we were happy to have a lower growth instead of adding the low rate volume, increasing the pages and suffering more on an account of increasing news print cost.

Abneesh Roy

Sir one follow-up on this advertising growth, if you could share sector wise how you have seen, some of the other players have seen good growth in most of the sectors. So if you could also share sector wise advertising growth, and which have been the laggards and how you are seeing the second half without the political part of the...?

Company Representative 

Yes, that's very interesting question and when I will answer this question you have a few surprises. For us real estate, government, classified, automobile, non-durables, FMCG, all have done pretty well. What has been laggard is the education, which has not fired for us, there are two reasons for that. if you recall, we have been maintaining that education category in these areas might not sustain the kind of growth, which was achieved in say past four/ five years . The reason is clearly that these private colleges, which had a mushroom growth, suffered in quality, and therefore what they were expecting when they opened these colleges, the students who move out of these areas to Pune, Delhi or to other towns will stick on to our areas, but this is something unfortunately which did not happen. And more and more colleges started getting closed. So this is something which was pretty visible, and this is why we were working on other strategies, how to fill that gap. Last year did not support on an economic front, and therefore we could register very low growth. This year also economically there is nothing, which can be cheered about, but still our strategy which we applied since year before last paid, and we could garner revenue from other categories to compensate for education. It was clearly , the top most category even now , but we don't expect growth unless and until the quality of education improves. This year , we also did not offer any special package to the education advertisers and we stuck on to our normal rates . This is was another reason, why it did for us. This is a category where all of us lost good amount of money due to many of the advertisers not able to sustain their operations and therefore we decided not to run after every one .

Abneesh Roy 

So my last question is on Patna.

Company Representative 

One more thing, let me also add, which may again surprise you, even the BFSI sector did very well for us. We registered double-digit growth, in spite of the fact that one of the largest advertisers in that category for us was State Bank of India, which did not do as much as it should have done.



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Abneesh Roy 

Sir, my next question is on the key concern, which investors have currently on the Patna market, obviously a new player is entering there, good thing is to start with just a Patna launch. So seeing the Jharkhand experience, how you are seeing the revenue impact and profit impact first and second year, and I think Bihar market overall also as slowed down because of the recent political situation there. So if you could share that part also?

Sanjay Gupta 

Some losses in circulation revenue are bound to happen which we would try to recover else where .

Abneesh Roy 

So Patna will be what part of the overall pie?

Company Representative 

I would respond to that, Patna you are relating it to total revenue or you are relating it to the revenue from Bihar?

Abneesh Roy 

From Bihar?

Company Representative 

And as far as advertisement revenue part is concerned, since still Bihar market is driven by the government revenues, it takes more than a year before a new entrant starts getting revenue from the government. So that would be a breather for everyone who is there.

Moderator 

Our next question is from the line of Vikash Mantri of ICICI Securities.

Vikash Mantri 

Sir, just wanted to understand myself on newsprint thing, how are we placed in terms of per rupee price now and what do you think it will be by the next quarter that we will realize this quarter.

Company Representative 

Yes, in this quarter in Q3 Vikash, clearly our newsprint cost is going to increase by about 5% to 6%.

Vikash Mantri 

Okay, and what was it in rupee terms, sir.

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Company Representative 

It was nearly Rs.33.50 on an average on blended basis, for first half.

Vikash Mantri 

Sir, if I were to say this 5% to 6% increase that we are likely to see by the next quarter, how can we or what is that we can do to mitigate this or this will actually show up in the cost?

Company Representative 

This will not show up because we have analyzed and if you compare the first half newsprint prices with those which were prevailing in the first half of the last year, in fact the increase is more than 10%, but still it is getting reflected so far only to the extent of 5% to 6%. It has been controlled by taking various steps and one of them is keeping a close watch on optimum utilization of newspaper inventory.

Moderator 

Our next question is from Amit Kumar of Kotak Securities.

Amit Kumar 

My first question refers to Mid Day, I think you mentioned that you have not done any Barter deals and that's fine, but there would still be some ad for equity revenue being booked, right, because the barter deals that you have done historically, that would still be there in your...

Company Representative 

You are absolutely right Amit, there is a carry forward, we are not entering into new deals and this is why I said, if I exclude the barter impact like in the first half, we did last year approximately Rs.5 crores and this time we did roughly about Rs.1.5 crores or so. So there is clearly a difference of Rs.3.5 crores and this is why I said, Mid Day if I exclude this impact, registered a growth of nearly 5% to 6%.

Amit Kumar 

My second point was when we look at the data that you have provided on emerging publications what we see is that QoQ increase in operating expenses out there is just only 2%, 3% and actually even newsprint inflation during this period was about 4%, 5%. So would it be correct to say that your operating investments in those emerging brands like Nai Dunia, Mid Day etc, they are moderation so to speak.

Company Representative 

Yes.

Amit Kumar 

And can you just elaborate, I mean what are across those emerging publications, what if at all are your investment plans?

Company Representative 

Out of all the emerging brands, Punjabi Jagran is the newest because it was launched just one-and-a-half year back. There definitely some investments will happen, in Nai Dunia also investment in CAPEX is planned, but as far as the recurring losses are concerned, I do not expect to invest more than Rs.5 crores to Rs.6 crores rupees in remaining six months. These were the two major ones.



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Amit Kumar 

Okay. As far as Mid Day is concerned that is...

Company Representative 

Mid Day is not taking any money from us, as I mentioned at operating level, in the second quarter also they had profit to the tune of about I think Rs.1.70 crores, , and what is best about Mid Day is after new management assumed the control with effect from April 2013, we have been able to bring down the breakeven level to Rs.85 crores of advertisement revenues as against Rs.100 crores that it used to be up till last year,

Amit Kumar 

Okay, and what is the run rate of ad revenue there?

Company Representative 

Ad revenue run rate is for the first half was over Rs.7. crores per month.

Amit Kumar 

Rs.7. crores per month, so just about...

Company Representative 

Yes, this is...

Amit Kumar 

You almost said that level I mean in first half itself you are almost at that level.

Company Representative 

Yes.

Amit Kumar 

My final question pertains to the Bihar market, if you could just breakdown the Bihar market for me in terms of the contribution that you are getting from national advertisers, from local advertisers and from the government, if you could just and first of all, if you could just tell us what is your assessment of the overall size of the market, and if you could help us break that down into these three particular categories?

Company Representative 

My assessment is Bihar market should be anywhere in the range of Rs.300to Rs.350 crores. And out of that, I believe minimum 50% of

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revenue should be coming from government that is Rs.175 crores. And balance Rs.175 crores could be about, national 50 and 50 local.

Amit Kumar 

Sir, how are you really seeing these three separate categories actually growing because the indication is that the Bihar government is also sort of diversifying their advertising budget, especially adding local TV channels also into the mix.

Company Representative 

Not really I tell you, Bihar has been at least for us, I do not know about our competitors, very bad. I do not know what has happened, I think it is because of some political issues that the Bihar market for the current year has really, really given a tough time to all of us. Up till last year, it was a star performer . But in this year, Bihar market has been a drag on our revenue I would say, on our growth

Amit Kumar 

Sir, could you just elaborate on what happened, was this because of national and local advertising, was this government, what is it...

Company Representative 

Government spends also have gone down very drastically.

Amit Kumar 

And what is the reason for that?

Company Representative 

I think government is not just doing the advertisement as much as they were, We lost one deal with them of about Rs.7 crores which we had for past 3 years; this was a yearly deal with them that went away. They did not renew that deal having done it for three years.it has not gone to anyone

Amit Kumar 

Okay, and how is the commercial side of advertising, the national and local advertisers, how are they doing?

Company Representative 

I would not say that they have de-grown as such, but the kind of growth what we saw in past 4, 5 years, definitely it was not there, I don't know what has happened to them, probably Bihar was hit most by the overall economic environment than UP.

Moderator 

Our next question is come from Srinivas Seshadri of CIMB.

Srinivas Seshadri 

Firstly, on the ad revenue side I have a couple of questions, first question is, can you kind of throw some light on the growth rates of the different key markets that you have during this quarter or the first half? And secondly, when you mentioned that the outlook is better in the second half. Can you give some quantification like what is the range of growth in the ad revenue you are expecting?



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Company Representative 

Definitely, I mean like, in the first half we registered a growth of 11%, in the second half we should do minimum 12%.

Srinivas Seshadri 

Minimum 12%?

Company Representative 

Yes.

Srinivas Seshadri 

And you have given some indication of MP and Bihar, if you can just throw light on, especially UP, Uttarakhand and maybe some of the other...?

Company Representative 

What I would say is UP, Uttarakhand are doing reasonably well.

Srinivas Seshadri 

Okay, you would say more or less inline with the company average?

Company Representative 

Yes.

Srinivas Seshadri 

So is it more or less inline with the company average?

Company Representative 

No, I would not like to comment on the growth percentage.

Srinivas Seshadri 

And sir, particularly on MP, given that there is state election and you registered a healthy growth rate there, which you mentioned is about 30%. Is that election a very significant contributory or would you say this is more of a market share gain for us?

Company Representative 

Market share gain and growth in the market itself. Because first half I don't think captured any benefit from the ensuing election or it would be very insignificant, maybe that it might have added 1% growth or 2% growth.

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Srinivas Seshadri 

And sir, given that earlier, the indication was that, you were expecting Nai Dunia to breakeven like towards the end of Fiscal Year '15?

Company Representative 

You're right...

Srinivas Seshadri 

Sir that was earlier guidance I believe...

Company Representative 

You're absolutely right.

Srinivas Seshadri 

So right now, given the encouraging performance or any kind of a revision in those timelines?

Company Representative 

Let us keep the finger crossed, let me hope that given the encouraging performance, we continue to perform like that, and instead of at the year-end of '14- '15 we may breakeven in the first half of the next year.

Srinivas Seshadri 

And sir, just a final clarification on the numbers, you have given the number of Forex loss which is around Rs.10 crore on a consolidated basis is that...?

Company Representative 

Forex loss in the first half was Rs.23 crores.

Srinivas Seshadri 

Yes sir, I was referring to the second quarter. So sir, is it all coming in the non-operating income or also some part of it is in the other lines, like either news print cost...

Company Representative 

Yes, some part of it.

Srinivas Seshadri 

So can you just clarify like how it is broken down...?

Company Representative 

See, in the operating line, the impact of that may not be more than couple of crores, rest is all out of the operating lines.

Srinivas Seshadri 

Rest is in the non-operating lines?

Company Representative 

Yes.



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Srinivas Seshadri 

Okay, this is couple of crores for the first half?

Company Representative 

Yes.

Moderator 

Thank you. Our next question is from Mohan Lal of Elara Capital.

Mohan Lal 

Sir, first of all congratulations on improving profitability of the emerging edition, and my question is on the other income if I exclude the Forex loss impact, from roughly about Rs.10 crores run rate to, it is now about Rs.4 crore in Q2? So why is this? It was a same trend in last year also, between Q1 and Q2 FY13?

Company Representative 

Now, what happens is we do lot of yearly FMP which is tax efficient, where we enjoy two indexation benefits. So always the maturity happens in the first quarter when entire income for the year is booked.

Mohan Lal 

And the impact of the Forex losses on other income is, as per the ending rate of Q2?

Company Representative 

Yes, mark-to-market.

Mohan Lal 

So hopefully in Q3 and Q4?

Company Representative 

Yes, you can have reversal of that. Let us hope that we continue to remain in that range of 60, 61 and even if it is 62, you will have reversal of not less than Rs.4 to Rs.5 crores.

Mohan Lal 

And lastly sir, if you can tell us, what is the contribution of Bihar in your top-line both in ad and circulation?

Company Representative 

Total contribution I can tell you, but I would not like to give the breakup. The total contribution in the top-line of Bihar could be in the range of

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about I would say 12% to 13% in the quarter.

Moderator 

Our next question is from Rohit Dokania of B&K Securities.

Rohit Dokania 

Just two, three quick questions, could you please breakup your ad revenue into how much was lead by yield and how much was by volumes?

Company Representative 

For us.

Rohit Dokania 

Yes.

Company Representative 

For Dainik Jagran?

Rohit Dokania 

Sure.

Company Representative 

Let me talk Dainik Jagran separately and other brands separately. As far as Jagran is concerned, the entire growth has come from yield improvement. There is no contribution of space; rather we sacrificed some space for getting the better rates. And if we were not to do that, maybe that, in the second quarter we could have registered maybe couple of percentage better growth and probably strategically it would not have augured well for future

Rohit Dokania 

Sure okay. And how would this?

Company Representative 

As far as other brands are concerned, I had inventory available. Therefore we worked on both, we improved the yield, we increased the space, especially in case of Nai Dunia, where the growth could be divided in the ratio of 2:1.

Rohit Dokania 

So just a follow-up on this, I mean given the current economic environment, what is helping us to drive this yield growth?

Company Representative 

The yield growth is being driven by the fact that for two years, advertiser really did not give any notable increase in the rates. So how long you can go on working on the rates, which were prevailing two years back, Since then, even if you had inflation of 7-8% for past two years, we should have got incremental rate of not less than 15% to 20%. to remain at par with what we had two years back.



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Rohit Dokania 

Also could you please throw some light on the operating losses of Nai Dunia for this quarter and the first half?

Company Representative 

Operating losses in the first half, don't you think we are getting too specific, as I mentioned our operating losses for the second quarter have gone down by nearly 36% as compared to Q1.

Rohit Dokania 

Okay, moving forward could you at least give the average news print price for FY13 which is last fiscal for us?

Company Representative 

I think average for the last year was around 31.50, as against that in the first half we had Rs.33.50 blended price.

Rohit Dokania 

And sir, where you see this for the full year FY14?

Company Representative 

For the full year FY14? Should be, Rs.34.25/Rs.34.50.

Rohit Dokania 

And so, just one final question from me, if you could tell us the circulation in Bihar?

Company Representative 

I said Rs.34.25/Rs.34.50 that was something for the second half. For the year it will be definitely lower.

Rohit Dokania 

Could you please tell us the circulation of DJ in Bihar and also in Patna is possible?

Company Representative 

Numbers?

Rohit Dokania 

Yes, the circulation numbers?

Company Representative 

Time is too sensitive to share these numbers.

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Moderator 

Our next question is from Atul Soni of Macquire Capital.

Atul Soni 

Can you share the local and national advertisement share this quarter?

Company Representative 

That is again going to be surprise for all of you, our local is around 56% and national is the balance.

Atul Soni 

And sir in previous quarter you have said that Nai Dunia would end at losses around I mean Rs.12 to Rs.13 crore. I mean would like to update those numbers?

Company Representative 

And I maintain that, plus/minus Rs.1 crore.

Atul Soni 

In the earlier quarter you also mentioned, that MIDDAY would be PAT positive FY14...

Company Representative 

FY14, yes. That is there, there could be, it could be Rs.1 crore plus or it could be flat.

Atul Soni 

So basically essentially we maintain that?

Company Representative 

Yes, we maintain that.

Atul Soni 

Sir, in terms of the festive season and the election spending, I mean any quantification that you can probably help us with in terms of what is uplift that we can see?

Company Representative 

Not really, if you have read in the newspapers Election Commission is considering very aggressively to increase the limit per MP and in case that happens, then definitely newspaper are going to be the beneficiary, but for that decision, it is really very difficult to measure that.

Moderator 

Our next question is from Shobit Khare of Motilal Oswal.

Shobit Khare 

Sir, just most of my questions are answered, but on Nai Dunia I just wanted to understand, this growth is it coming from more local or national and 20% yield improvement looks quite significant. So...

Company Representative 

I said total growth in advertisement revenue is 30% and as I said, the ratio could be 2:1, I that means two in favor of space and one in favor of yield.



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Shobit Khare 

Yes and if you could share whether it is more driven by national or local?

Company Representative 

In fact local is still lower than what it should be, out of the total revenue.

Moderator 

Our next question is from Utsav Mehta from Ambit Capital.

Utsav Mehta 

Just a very quick one on FMCG advertising, could you give us a bit of color on whether how quickly FMCG advertising is growing and whether the company continues to do some additional work to encourage FMCG advertising?

Company Representative 

I don't think we need to do anything additional because FMCG now has come to realize the importance of the newspaper and especially those areas where our newspapers get circulated. For us FMCG has done fantastically well, I would say. And in fact that has been one of the biggest contributors in our growth in the first half.

Utsav Mehta 

Okay, just one quick follow up, especially with Trai's ad cap, do you see any acceleration in spends from FMCG towards print?

Company Representative 

That is what I am saying, yes. That is a steep increase.

Moderator 

Our next question is from Rohit Anand of Horizon Research.

Rohit Anand 

I have some questions like what is the CAPEX we were expecting for FY14 and FY15.

Company Representative 

We are running well within the budgeted CAPEX of about Rs.50/55 crores and we have not done even 50% of that so far.

Rohit Anand 

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Company Representative 

50.

Rohit Anand 

Rs.50 crores, so for the...

Company Representative 

For whole of the year, I mean 50, 55, I think that is what we budgeted.

Rohit Anand 

Okay, and what is the maintenance CAPEX we expect for the future?

Company Representative 

Maintenance CAPEX remains same, if I exclude the investment needed to add the printing capacity, then maintenance CAPEX remains in the range of about Rs.30 crores, R/.40 crores per annum.

Rohit Anand 

Okay, and sir, I just wanted to know that like what kind of stable EBITDA margin we are looking at once the other publications get matured and getting, making some profits, what is the stable EBITDA margin we are looking at?

Company Representative 

This is something which I need you to extrapolate; Dainik Jagran is having an operating margin of 35% in the first half. And this is a year which is by no standard very good year for the media industry.

Rohit Anand 

Okay, so basically we can take around 30% stable...

Company Representative 

I would not comment on that, stability of the margin depends on lot many things, and this being a tough year, I don't think one should try to venture into future to say what should be the stable margin.

Rohit Anand 

And sir, like highlight on how the Mid Day and the Nai Dunia both have basically since the time you have bought it, how the margins had improved from when you bought it to the current level, and how for both the Nai Dunia and this Mid Day plus the revenue thing?

Company Representative 

As you might have heard when I was giving my brief in the beginning, both of them currently are having some losses, because both of them are in investment phase. Mid Day grew their circulation past one year by about 12% to 13%. Nai Dunia has increased their circulation by nearly 30%. And Mid Day in spite of increase in the circulation by 12% in past one year, has posted some profit at operating level, which is more than satisfactory, particularly if you look at the fact that they are operating in a market which has shrunk, the total size has got reduced, market size has got reduced, even then they could register a growth of 5%, they could report operating profit. So this is about Mid Day. As far as Nai Dunia is concerned, you can very well imagine in this industry if you increase your circulation by 30% in a year, then in that case what can happen to a company, but still their operating



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losses were far, far below our expectation.

Rohit Anand 

Okay. And sir, you have shared Bihar total contribution of around 12% to 13% of the total revenue comes from Bihar, and what is the UP overall contribution, sir?

Company Representative 

Sir Can you speak a bit loudly?

Rohit Anand 

Sir, like you have disclosed that Bihar is contributing around 12% to 13% of the revenue approximately, so what is the UP contribution of the total revenue?

Company Representative 

UP's contribution in the total revenue?

Rohit Anand 

Yes.

Company Representative 

less than 50%.

Rohit Anand 

50%.

Moderator 

Our next question is from Akshit Gandhi of Aviva Life Insurance.

Akshit Gandhi 

It's been two quarters since we have operated at a tax rate of 23%.

Company Representative 

That's right.

Akshit Gandhi 

So what would be the tax rate guidance for FY14 now?

Company Representative 

Same.

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Akshit Gandhi 

Sorry.

Company Representative 

Same, rate.

Akshit Gandhi 

Same rate, okay, and for FY, that's for the next year FY15, should we have any more benefits or should we think...

Company Representative 

I don't think, you'll have full tax rate.

Akshit Gandhi 

Also sir, I wanted to know how much is the cash on our books currently, including FMPs and all....

Company Representative 

Yes, as at 30th September as I said, our total debt minus cash, was minus Rs.13 crores, that is I had positive cash of Rs.13 crores as of 30, September. My gross debt level has remained more or less same what it was at 31, March, but my cash and cash equivalent have gone up. And then when I say I have positive cash of Rs.13 crores, I don't consider debt from my holding company as debt.

Akshit Gandhi 

Okay.

Company Representative 

Otherwise I have net debt of Rs.82 crores, as against Rs.178 crores what we had as of 31, March 2013. So there is a reduction of nearly Rs.95 crores.

Akshit Gandhi 

Got the point. Also going forward this year we have already done a buyback announcement.

Company Representative 

In addition to dividend.

Akshit Gandhi 

Yes, so next year onwards approximately we should have this year around Rs.245 crores net impact, so how should we look at the dividend payout ratio going forward or should we expect buybacks at regular intervals?

Company Representative 

No, buyback, I don't think this is a recurring feature. But definitely, we believe as I said, in distributing whatever surplus cash we have amongst the shareholders. From the next year, definitely, if the profits are going to be like that, then definitely Rs.3.50 should not be a problem and that might increase who knows.



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Akshit Gandhi 

Also just one last thing I wanted to confirm, when we said we had CAPEX each Rs.50 crores each for FY14 and FY15...?

Company Representative 

No, I did not talk about '15, I said this year our budgeted CAPEX was Rs.50, Rs.55 crore, I don't remember exactly what was the figure, and up till 30th September we have not spent even 50% of that. So we are likely to be remaining within that overall budgeted figure. And for '14-'15 we have not yet firmed up our minds, but I don't think there will be huge CAPEX again in the year '14-'15.

Akshit Gandhi 

But this Rs.50 crore includes maintenance CAPEX also or...?

Company Representative 

That's right.

Moderator 

Our next question is from Srinivas Seshadri of CIMB.

Srinivas Seshadri 

Firstly, I just wanted to get some idea of the progress of I-Next, maybe you can give some revenue number or like what is the contribution of I-Next now to UP revenues, like how much we have been able to take it up? And that is question #1. And the second question is, I wanted to understand the progress in terms of the localization of the newspaper, like how many new sub editions etc, we opened, and how much incremental localized revenues we have been able to tap from these smaller areas etc., if you can give some qualitative commentary that would be useful.

Company Representative 

Yes, I-Next progress is pretty satisfactory, when we started this year we took a very bold decision of stopping the combo sale of I-Next even at national level. Last year we experimented with stopping combo sale with Dainik Jagran at the local market and encouraged by the last year's performance we decided this year, we would stop combo sale at national level as well. And we expected that in the first year, we would have a steep drop in revenue from the national market, because whenever you do that, it is bound to happen. But to our luck, it did not happen, and definitely we will not be able to generate as much revenue as we were able to do it up till last year when we were selling

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it in combo with Jagran. But for sure, from next year, we should reach that level. So I-Next progress in local market as well as acceptance at national market has got tested in the current year, and that is really going to pay dividends in times to come. In Q2 2, you will be happy to hear that, in fact I highlighted that in press release as well I-Next has reported decent net profit, although as yet I would not say it is going to be sustainable because I-Next being an experimental product has a little longer gestation period. So I would not say, this kind of a profit could be sustainable in next few quarters, but definitely, they have done far better than what we had expected. They increased their cover prices also in view of the increasing newsprint cost, they improved their ad rates, they improved their ad space. So that way their performance was more than satisfactory. Yes, there was some drop in circulation, because they increased the cover prices, but it has started getting recovered. And I believe by the year-end, they will have some growth even in circulation as compared to the last year.

Srinivas Seshadri 

And could you give some idea of the revenue run rate for this business?

Company Representative 

For I-Next?

Srinivas Seshadri 

Yes.

Company Representative 

It is nearly Rs.2.5 crore per month, advertisement revenue I am talking about.

Srinivas Seshadri 

Ad revenue. And then, the other question was on the smaller editions and monetization from the smaller cities?

Company Representative 

Continues, as far as monetization of those editions is concerned, Director Marketing will be able to throw light better.

Shailesh Gupta 

Yes, the smaller towns are growing, at a fast pace, but you have to understand that they are maturing markets and it takes time..

Moderator 

Our next question is from Ritwik Rai of Kotak Securities.

Ritwik Rai 

Sir, firstly you said the Nai Dunia circulation has risen by 30%, right?

Company Representative 

Yes.

Ritwik Rai 

And Mid Day also by 12%/13%?



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Company Representative 

12%.

Ritwik Rai 

Sir, I was thinking that considering that year-on-year your expenses have not grown. Sir, I wanted to ask you that considering that year-on-year your expenses have not gone up by as much as would be suggested by circulation. So is it that, either you have cut circulation of I-Next very significantly or that you have used some other cost levers in the case of Nai Dunia and Mid Day perhaps if you could....?

Company Representative 

See I missed your question completely because your voice was echoing? Please, do speak little slowly.

Ritwik Rai 

Sir, I was asking about the losses from the operating expenses of the non Dainik Jagran publications, and what I was asking is that, since the expenses have not risen by as much as one would expect given that circulation is boomed so much. So I was wondering if I-Next circulation has declined significantly or....

Company Representative 

No, not significantly, it has declined after increase in cover prices, which is a very, very common feature in this industry. Then it takes some time to come back to the level when the cover prices were increased. So as I said we will end the year with some growth over the previous year in spite of increase in the cover prices.

Ritwik Rai 

Okay, you will end up with some growth in circulation?

Company Representative 

Yes in case of Jagran, there is at least 6% to 7% improvement in the per copy realization, but still we could record a growth in circulation to the extent of 4%. So brands like Jagran, brands like Nai Dunia, whenever you increase the cover price they also do suffer, but they suffer for a little lesser time then the experimental products or what you call innovation like I-Next suffer.

Ritwik Rai 

Sir, going forward even that newsprint prices will be higher, should one assume that given that we've gone through a phase of considerable

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weakness or sometime. Should one assume that the cost levers available to you will be somewhat limited going forward in terms of pagination or either the ad-edit ratio or however you look at it...?

Company Representative 

That's right. You're absolutely right., no industry can survive, no company can survive on cutting cost infinitely and revenue has to grow. What you say is absolutely right, if one expects that advertisement revenue growth is not going to be there at all, definitely it is not going to be possible for anyone to maintain the profit or it is going to be low single-digit growth as we witnessed last year it will not be possible to maintain the profits.

Ritwik Rai 

And just how much scope do you think you have to raise your realization per copy in terms of cover price and so forth, assuming that your circulation would stay constant. On a regular basis, let's say for the next two, three years, how much do you think one can expect purely by way of cover price increase and the like?

Company Representative 

it all depends on the competitive scenario. Speaking about long term would be very difficult, again increasing cover prices in Indian context is not that easy a task. In the current year, there was a pressure on every publisher, so everybody looked at increasing the cover prices. But once the good times are back, the advertisement revenue again will start growing in double-digit or high double-digits that is over 15% or so. No one will talk about increasing cover prices even if these are lowest in the world, this is unfortunate but this is what is the fact of the life.

Moderator 

We will take our last question from Ankit Kedia of Centrum Broking.

Ankit Kedia 

Sir, what is the outstanding ECB debt and how much was the repayment done during the first half?

Company Representative 

First half, nothing.

Company Representative 

we have two ECBs, one is from Rabo Bank, one third of that was outstanding as at 30 September, which is getting paid on 4 November. So we will get off Rabo Bank loan. Bank of Baroda repayment will start only from the next year.

Ankit Kedia 

Sir so you have already actually incurred Rs.73 crores of Forex losses. So with more payment happening on 4 of November, we could book higher losses...

Company Representative 

We have already booked that in the first half itself, when I am paying then the dollar is lower than what price it was at on 30th September. So we will have some reversal in this.



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Ankit Kedia 

And sir, my second question was regarding a real estate sale which we are supposed to have for the Nai Dunia acquisition which we got...

Company Representative 

That is already done, consideration is to be received, part consideration has already been received and nearly Rs.25 crores is going to be received by 10th of November.

Ankit Kedia 

Sir, so our cash balance, does it include that part payment?

Company Representative 

Yes, it includes that part payment.

Ankit Kedia 

So because in the other income, we have not shown....

Company Representative 

It has not been booked as income, unless and until the sale is completed you can't book it as income, is lying as an advance.

Moderator 

Thank you very much. I would now like to hand the floor back to the management for closing comments. Over to you, sir.

Company Representative 

Very happy Deepavali to you all. And thank you very much for sparing your valuable time.

Company Representative 

Happy Deepavali to all the participants.

Company Representative 

Thank you.

Moderator 

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

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