



**INVESTORS/  
ANALYSTS**  
conference call

**2006**  
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Jagran Prakashan

Investors/Analysts Conference Call

November 1, 2006

Moderator 

Good afternoon. Welcome to Jagran Prakashan conference call. I would like to hand over to Mr. R. K. Aggarwal from Jagran Prakashan Ltd (JPL).

R. K. Aggarwal 

We welcome you all and wish you a very happy belated Diwali. I have with me Mr. Shailesh.Gupta, our Marketing Director. I will take you through Q2FY07 performance and thereafter we would have Q&A session.

We are happy to report that JPL has been able to achieve a top line growth of over 28% in spite of the intensified competition and inspite of the fact that second quarter traditionally is not considered to be a very good one. The main drivers have been the advertising revenue and the circulation revenue as usual, and in this quarter, the outdoor advertising has also done well. Advertising revenue during the second quarter as compared to corresponding quarter of the previous year grew by over 30%. Circulation recorded a growth of over 8% and out of home advertising, which was non existent in the last year recorded a turnover of about Rs 4 crore. Apart from these, the event management activities, which we started in the last year itself, continued to perform well. SMS services could not go to the next level in the second quarter but we are already on to it and in coming times, we expect revenue growing from this activity as well.

We had a growth of about 135% in net profit and a 69% increase in the operating profit. In order to address the question relating to lower top line growth as compared to bottom line, I would like share with you and bring to your notice a few points which would help you in understanding the operative results in relation to the top line in this quarter. As we said in the first quarter, there was a drop in circulation. So this quarter witnessed the recovery of lost circulation according to our expectation and as a result of that, the newsprint expense increased by about Rs. 4-5 core as compared to the first quarter. That was largely because of increase in the circulation. Also, out of home advertising contributed significantly in the top line but this activity contributed some loss. This business division is expected to breakeven in October. This would be made more than good in the second half of the fiscal. Apart from that, there were some prior period expenses. By prior period expenses, I mean expenses related to past years which got accounted for in the second quarter. So, all these three factors put together have pulled down the profitability a

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R. K. AGARWAL

BHASKAR

DEEPAN

bit but I would like to say that the performance in the bottom line is beyond our expectations. We were not expecting anything beyond Rs. 15 core or so but ultimately with your good wishes, we recorded about Rs. 17.5 cores. With this, I would now invite you to throw up your questions.

Moderator 

Thank you very much sir. First in line we have Mr. Bhaskar from Kotak Securities.

Bhaskar 

Mr. Agrawal, if you could just give us the break up of the ad revenue and the circulation revenue out of the total?

R. K. Aggarwal 

Advertisement revenues were about Rs 92 crore and circulation revenue was Rs 42 crore. The advertisement revenue of Rs 92 crores means a growth of about 3% as compared to the first quarter.

Bhaskar 

Okay and what is the corresponding figure for the ad revenue in the first quarter?

R. K. Aggarwal 

Rs 90 crore

Moderator 

Thank you very much sir. Next in line we have Deepan from First Global.

Deepan 

Good evening sir, congratulations for your good set of numbers.

I just want to know which are the regions in which Jagran currently holds leadership in terms of circulations?

R. K. Aggarwal 

As far as the positioning is concerned, Jagran continues to attain the number one position. Also, IRS round 2 for 2006 has come in and it is the seventh time in a row that we have been rated as the number one newspaper of the country. Another important thing is that for the past seven rounds, we have been increasing the gap between us and our closest competitor, and this time also we increased it further. In fact, our number of readers as per latest round is about 47 lacs more than our closest competitor, as against about 45 lacs last time.

Deepan 

Okay. Sir out of 31 editions, in how many regions we hold leadership position?

R. K. Aggarwal 

See, apart from UP and Delhi, we have gone to other states quite recently, which is about 5 to 6 years back.

Deepan 

Okay.



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R. K. Aggarwal 

And Jagran's strategy has never been to become number one overnight

Deepan 

Okay

R. K. Aggarwal 

Wherever we are, either we are number one or we are strong number two.

Deepan 

Okay sir, I just want to know which regions performance actually contributed less compared to our expectation in growth of circulation revenue?

R. K. Aggarwal 

Naturally, the maximum contribution is from UP, Uttaranchal, but all other states have also started to contribute significantly. In fact, their contribution has been increasing year after year, which is what we had planned for.

Deepan 

Okay sir. Could we have some data like how much ad space you have sold and how much is the average increase in ad rates also?

R. K. Aggarwal 

There is a growth of nearly 10% in the total space sold.

Deepan 

Okay

R. K. Aggarwal 

Right now, I am talking about second quarter only in comparison with the corresponding quarter of previous year.

Bhaskar 

Okay

R. K. Aggarwal 

There was growth of nearly 10% as far as the overall space is concerned.

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DEEPAN

Deepan 

Absolute numbers?

R. K. Aggarwal 

Our total advertisement revenue has grown by about 30% as compared to the corresponding quarter last year. So, if 10% is on account of the space sold, remaining is on account of increase in the ad-rate and also in conversion of black & white into color.

Bhaskar 

What is the average price of newspaper per ton in this quarter as compared to the last year?

R. K. Aggarwal 

There is an improvement on that account because in the last year we had per copy realization of about Rs 1.85 paisa or so, and this time it is Rs 2.05 paisa

Deepan 

I would like to know the average price of newsprint

R. K. Aggarwal 

I can tell you that there was an increase of about 10% in the news print prices as compared to the corresponding quarter last year

Deepan 

Okay, what is the proportion of imported and indigenous consumption on newsprint last quarter?

R. K. Aggarwal 

The imported consumption quantity is between 25%-30%

Deepan 

Okay.

R. K. Aggarwal 

As in the first quarter

Deepan 

How do you see the position of the print industry. Is it gaining or losing market share in total?

R. K. Aggarwal 

We don't see any such possibility of print losing to another media or something like that

Deepan 

Why I am asking this question is because radio operators claim that they might gain 15% of total ad spend over a period of five years.

R. K. Aggarwal 

I would request our marketing director to throw some light on this.



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Shailesh Gupta 

Hi, I am Shailesh Gupta this side. The radio is extremely popular and radio advertising has a very, very good potential. But the potential is not that where it will be a threat to print or television. It will never be a threat. It will always be a complementary medium of advertising.

Deepan 

Okay.

Shailesh Gupta 

Since radio is a new and a very virgin field in India, hence the advertising in radio is growing much faster as against print or television. But the entire pie, if you really convert to the rupee, their part is pretty small. So it will never be a threat.

Deepan 


Do you think that overall market as such will improve in that period?

Shailesh Gupta 

Market will improve, I believe

Deepan 

Okay Sir

Moderator 

Thank you very much sir. Next line is Mr. Ritesh Poladia from K R Choksey.

Ritesh 

Good set of numbers. Just wanted to know about Jagran Engage. From how many sites did this Rs 4 crore revenue come?

R. K. Aggarwal 

We already have over 500.

Ritesh 

How many will have actual advertisement?

R. K. Aggarwal 

At the moment, I don't have that number.

Ritesh 

Okay.


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BHASKAR

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R. K. Aggarwal 

The point is that all these sites have been acquired either in late first quarter or in the second quarter but there is always a time gap between when you acquire and when you sell. If they get sold, they could fetch lease rentals of about Rs 24 crore per annum.

Ritesh 

Just 500 sites will have about Rs 24 crore?

R. K. Aggarwal 

not less than 24

Ritesh 

How would be lease rentals for these sites?

R. K. Aggarwal 

I did not understand your question because this rental varies from site to site and location to location, there is no standard parameter.

Ritesh 

Okay, but there would be some function like between realization and lease rentals.

R. K. Aggarwal 

Are you talking about the margins?

Ritesh 

Yes

R. K. Aggarwal 

This we would not like to disclose as it is a trade secret.

Ritesh 

Another question was on City Plus. How it is doing?

R. K. Aggarwal 

City Plus has received tremendous response. You will see some more action on that front.

Ritesh 

So this is a 100% advertisement revenue model.

R. K. Aggarwal 

It is 100% advertisement revenue model but unlike a free-sheeter, it carries at least 30% to 40% editorial content as well.

Ritesh 

Okay.

R. K. Aggarwal 

This is the USP of City Plus.



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Ritesh

Is City Plus to be distributed only to the focus audience.

R. K. Aggarwal

I will request Mr. Shailesh Gupta to say something on this.

Shailesh Gupta

Yes, you are right. This paper is distributed free but it is not distributed to everybody. It has a very focused target group .

Ritesh

Okay.

Shailesh Gupta

And average age bracket of 18 to 35 years

Ritesh

Advertisement realization here would be far higher than what you must be realizing from Dainik Jagran?

Shailesh Gupta

No, it is not like that. For Jagran, the advertising rates are much, much higher. Because of the sheer volume, we cannot compare it . Gurgaon, where we are distributing just between 35,000 or 50,000 whereas Jagran is selling much more. So we cannot compare this one

R. K. Aggarwal

There is no competition. It was never aimed for.

Shailesh Gupta

It was always a second newspaper and never the primary newspaper. It is complementary media.

R. K. Aggarwal

In case of City Plus, we have say 30% or 40% editorial content. In case of Jagran, it is the other way round. We cannot compare it with City Plus. City Plus is a tabloid, a compact paper.

Ritesh

Okay sir and you still have low price edition, which will be a second fiddle to Dainik Jagran, that idea is still on?

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R. K. Aggarwal 

That idea cannot be dropped because that is going to be a very, very major project. That is something different. City Plus came in between which we never talked about.

Ritesh 

Okay.

R. K. Aggarwal 

It was surprise for everyone. As far as second brand is concerned, it could also see the light of the day very shortly, say in a month's time.

Ritesh 

Okay, final question any outlook on news print?

R. K. Aggarwal 

Now going forward, we don't foresee any further increase in news print prices

Moderator 

Thank you very much sir. Next is Mr. Abneesh from Religare.

Abneesh 

If we compare the English newspaper versus the Hindi newspaper, the subscription rate of Hindi newspaper is much higher and comparing advertising, in Hindi newspaper is around 60% to 65%, while in case of Deccan Chronicle, which is purely English, around 93% is coming from advertising. You also plan to launch your low cost newspaper in Hindi. So, in 3 years, do you think your component of advertising versus the subscription will also change drastically or it will remain in the 60%-65% range advertising and 35% in subscription.

R. K. Aggarwal 

The question raised by you needs to be explained in detail, which I can reply when we meet one to one.

Abneesh 

Sure sir.

R. K. Aggarwal 

As of now, just one thing needs to be corrected...Second newspaper is not going to be a newspaper in Hindi alone.

Abneesh 

Okay.

R. K. Aggarwal 

It could be bilingual newspaper.

Amish 

Okay.



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R. K. Aggarwal 

There could be certain article, which people would love to read in English, so they would be available in English.

Abneesh 

Okay, thank you sir.

Moderator 

Thank you very much sir. Next in line is Sridhar Sivaram from Morgan Stanley.

Sridhar 

Hi, just continuing with earlier question on comparisons, to compare your company's EBIDTA margin with Deccan, there seems to be a large difference. They are almost in 45% range and large gap seems to be coming from staff and other expenditure: in staff, almost there is 8% to 9% difference. In yours, these expenditures and also the other expenditure appears to be almost 26% of the revenue as compared to 5 %-6% for competitor. Can you just explain why such a big difference? I thought the staff cost for vernacular should have been lesser compared to an English newspaper, may be my understanding is wrong, but can you just explain how?

R. K. Aggarwal 

Mr. Sridhar, now that you are talking about comparison, let me clarify to you that Deccan Chronicle and Jagran in fact do not have comparison whatsoever.

Sridhar 

Right

R. K. Aggarwal 

Your are comparing a newspaper selling about 7-8 lacs copies or 8-9 lacs copies with a newspaper which has circulation of over 2.5 millions copies. So, that in itself replies to your question, in the sense why we have an expenditure level like this. We have 31 editions. I don't know for sure how many editions they have, but definitely they don't have more than 6-7 editions including Chennai.

Sridhar 

Okay.


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R. K. Aggarwal 

We are printing newspaper from 30 locations.

Sridhar 

Okay.

R. K. Aggarwal 

They are printing newspaper from 6-8 locations. So there is no comparison.

Sridhar 

Right and what about the total number of employees? It could be one of the reasons that you have more employees because you are having more printing locations.

R. K. Aggarwal 

See we have more establishments, we have higher circulation, we have larger scale- much, much larger scale than any newspaper that the country has.

Sridhar 

But revenues are almost the same?

R. K. Aggarwal 

Revenues have to be the same to begin with. In times to come, you would see how the growth story of Jagran unfolds in times to come.

Sridhar 

Right.

R. K. Aggarwal 

Then definitely, you can expect that kind of revenues in times to come because things have started changing for newspapers like ours.

Sridhar 

Just for my record, what is the total number of employees that you have currently?

R. K. Aggarwal 

We have roughly about 6000(direct and indirect)

Sridhar 

Okay. Thank you very much.

Moderator 

Thank you very much sir. Next is Mr. Girish Bhai from East India Securities.

Girish 

Sir, you have about 31 editions. How many of them have broken even at this point in time?

R. K. Aggarwal 

See the editions which were launched in past three-four years are nearing the break even level



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There are about 12 yet to break even.

Girish 

Okay. The rest actually break even.

R. K. Aggarwal 

Some of them have already achieved the break even and some of them have come in profit.

Girish 

Okay and this 12 editions, when do you expect all of them to break even ?

R. K. Aggarwal 

As I already said, after three to four years time when an edition is launched, it breaks even. But it varies from location to location. If you are entering into a new state, like we went to Bihar, Punjab in 2000, it takes a little more time. Also, in the newspaper industry, if the competition is getting intensified in any particular location, it might prolong the gestation period.

Girish 

Okay. Just on that particular point sir. In the Hindi newspaper industry has the competitive intensity increased over the last one year. What is your view on that?

R. K. Aggarwal 

Oh, yes. It has increased tremendously. But still with good wishes of you all, Jagran has been able to keep up with the momentum.

Girish 

So, you think that it is the good GDP growth, which has led to the ad rate hikes and circulation pricing?

R. K. Aggarwal 

yes, GDP growth is definitely a reason. I mean when the economy is booming, everybody is beneficiary. But apart from that, the top player in the industry also has to have something extra in particular which I believe Jagran has.

Girish 

From an impact perspective, what is the negative impact this higher competitive intensity has had on you?


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R. K. Aggarwal 

Yes. It results in additional expenditure in form of additional expense, in form of publicity. It results in reduction in cover price at times. Definitely, it virtually affects the bottom line. There is no doubt about it. But then the more important thing is if we can survive to this kind of a competition then we would be major winner in times to come.

Girish 

Sir, you launched City Plus and now you are coming up with facsimile edition of Independent What is your strategic intent in the English print media side? I mean not very clear on that.

R. K. Aggarwal 

See, we are not averse to English but we have a firm belief that Hindi in itself has a huge potential. So, if things come our way, we take it up. For example, City Plus is an English entertainment newspaper. We are not averse to English and since Independent wants to launch facsimile edition in India and they are our partners, they were very keen on launching it through us only.

Girish 

So what kind of revenue did you get from this facsimile edition?

R. K. Aggarwal 

These things are getting worked out. We have already applied to Ministry of Information and Broadcasting and we are waiting for the approval and in the meantime, Independent people are busy on working out these details with us.

Girish 

Okay. Just a couple of questions for City Plus. What kind of add revenues did it give this quarter?

R. K. Aggarwal 

We launched its edition on September 23 only and it is a weekly paper, so it had only three editions by September 30.

Girish 

Okay. And sir what was the mix between domestic and imported newsprint in this particular quarter in terms of newsprint versus last quarter?

R. K. Aggarwal 

Imported was between 25-30. I do not have the exact figure. In second quarter in fact it has slightly increased but in the first quarter I think it was around 25% and now it has gone up to say 27% to 28%.

Girish 

Sir, HT Media's Hindustan has become fully colored. Has that impacted you in any way either in terms of business coming to you or ad rates or cost or anything like that?

R. K. Aggarwal 

You see, we increase the color capacity according to the appetite of the market. In the past, we were able to print only four pages, and then we increased it to six pages. Wherever there was a demand, we increased it to 10 pages. Now we are increasing it further to 16 pages. So, depending



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on the appetite of the market, we take these decisions. We just do not go on converting the whole paper into color. Otherwise you have excessive supply and definitely you lose out of the premium, which we do not want.

Girish 

Okay sir. I will comeback later.

R. K. Aggarwal 

Yeah.

Moderator 

Thank you very much sir. Next is Mr. Manish Gupta from CRISIL

Manish 

Good afternoon Sir. First of all congratulations for wonderful set of numbers.

R. K. Aggarwal 

Thank you very much.

Manish 

Sir, we are given to understand that ad revenues had grown by 30%.

R. K. Aggarwal 

Yeah.

Manish 

So just wanted to understand from you like what is the growth coming from the local ad revenues as well as the national ad revenues?

R. K. Aggarwal 

The revenue has come from both the markets: local and national and definitely local has grown more than the national, which is the real story in our area of operations.

Manish 

Okay. In terms of proportionate increase, is it substantially higher in local or can you put it in a number?

R. K. Aggarwal 

About 2 -2.5 years back, national was 55 and local was 45. Now it is

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other way round.

Manish 

Okay and just wanted to have some feedback from you on sustainability of the operating margins which we are seeing presently.

R. K. Aggarwal 

I have explained in the beginning itself that this time, our operating margins have been affected by two-three factors and either of them never repeats. This was for one time, for example accounting certain expenses, which were relating to the previous year.

Manish 

Okay.

R. K. Aggarwal 

However, having said that these margins are sustainable provided competition remains rationale

Manish 

Okay. And lastly sir, would you be looking at any inorganic growth opportunities?

R. K. Aggarwal 

Inorganic growth opportunities are available in the form of City Plus, in the form of second brand which we are going to launch shortly. In fact, for out-of-home advertising business, there is an inorganic growth possibility.

Manish 

And any plans of acquisition of any brand?

R. K. Aggarwal 

That is very much on. We are actually considering some of the proposals

Moderator 

Thank you very much sir. Next is question from Mr. Bhaskar from Kotak Securities.

Bhaskar 

Mr. Agarawal, how much were prior period expenses incurred in the last quarter.

R. K. Aggarwal 

That was roughly Rs 18 million.

Bhaskar 


Okay and what about this new newspaper that you are going to launch at low cost version? Would that be a Hindi newspaper?


R. K. Aggarwal 

It is going to be a bilingual newspaper.





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R. K. Aggarwal   
What do you mean by that?


R. K. Aggarwal   
Bilingual does not mean that we will write one word in Hindi and another word in English. What we mean is that those sections which people would love to read in English, will be supplied in English and whatever people love to read in Hindi that will be supplied in Hindi.


Bhaskar   
So, basically the same newspaper will have stories in both languages?

R. K. Aggarwal   
Yes, in both languages.


Bhaskar   
And what markets are you targeting for the launch of this newspaper?


R. K. Aggarwal   
Our marketing director has explained a few minutes ago. I will request him to repeat again.

Shailesh Gupta   
It will be the metro towns of the other states. Yes, like in UP it could be larger towns like 15 lacs- lacs plus towns. Same with the other states and it will be targeted towards a particular age group.

Bhaskar   
Okay.

Shailesh Gupta   
An average bracket of 18 to 35.

Bhaskar   
So basically you are trying to target the English reader as well from this?

Shailesh Gupta   
Well, I wish I could say that, but English readership does not exist in these markets.

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Bhaskar 

Okay.

Shailesh Gupta 

So what we are targeting is basically the core target audience group which advertisers are looking at and who are our premium targets

Bhaskar 

And when do you expect this to be launched?

Shailesh Gupta 

Sometime in this quarter.

Bhaskar 

Right. And what sort of one time expenses would be incurred in terms of set up cost, etc.?

R. K. Aggarwal 

The setup cost for the second brand is not much. What we have to create is an independent editorial team and independent profit center head. That is it.

Bhaskar 

Okay.

R. K. Agarwal 

So whatever additional cost is required, we are incurring capex in such a manner that it helps not only the second brand, but helps our mother brand as well.

Bhaskar 

Right. Would this impact your margins may be in the next couple of quarters and we could see the margins come back to normalcy?

R. K. Aggarwal 


Yes. It would impact but I am quite hopeful that my incremental revenues in the coming quarters would take care of that.

Bhaskar 

Okay. Thank you.

Moderator 

Thank you very much sir. Next is Priyanka Sinha of ING Vysya.

Priyanka 

Good afternoon sir. My first question is what are the challenges you are seeing from the local TV channels with leading broadcaster you were talking about?

R. K. Aggarwal 

This is a very, very long drawn debate. You know like print versus TV or print versus radio or print versus internet. I can say only one thing, the whole world has witnessed that for sometime the



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newspaper might get hit, but ultimately it is the newspaper only which most people go for.

Priyanka 

So you are in that growth rate which we are seeing currently in the ad revenue...

R. K. Aggarwal 

If we go back to 90s or early 2000s there was a TV boom definitely. At that stage perhaps the newspaper industry did not grow at the same pace at which Television industry was growing, but now again it has come back to original levels or rather the print industry is growing faster I would say.

Priyanka 

Kindly give me some idea on selling and distribution cost because that figure is not given separately.

R. K. Aggarwal 

The selling and distribution cost is included in other expenses. I would like to explain to you as to what selling & distribution expenses are in the newspaper industry. Distribution means whatever commissions we pay for distribution of the newspaper. Whenever we send it to the neighboring places, we incur expenses on taxis and there also may be some other expenses for distributing locally.

Priyanka 

Yeah.

R. K. Aggarwal 

I am talking as to what is distribution.

Priyanka 

Free copies?

R. K. Aggarwal 

No. Cost of free copies does not form part of the selling and distribution expenses. We do not give a value, we do not value it and therefore we do not account it for as an expense.

Priyanka 

Okay.

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BHASKAR

DEEPAN

R. K. Aggarwal 

As far as we are concerned we do distribute free copies to certain people in the town because they are from administration or they are valued customers or something like that. It is only out of a goodwill gesture that we distribute it free, otherwise we do not distribute free copies to promote our sales.

Priyanka 

Okay, so this City Plus editions which you have distributed in Noida and Gurgaon?

R. K. Aggarwal 

You see that is altogether different and that has a different business plan. That is based on advertisement revenue. That has got nothing to do with the pricing of the newspaper. That is another brand.

Priyanka 

Okay. Will you say about 5 percentage of revenue.

R. K. Aggarwal 

City Plus since it was----

Priyanka 

No, no not City Plus. I am saying that selling and marketing cost will be about 5 percent of revenues?

R. K. Aggarwal 


In case of City Plus?

Priyanka 

No, no overall.

R. K. Aggarwal 


Overall, yes it would be less than 5% in our case and in case of others it could be more.

Priyanka 

Okay and sir what was the reason behind 16% increase in other expenses quarter-on-quarter?

R. K. Aggarwal 

Actually, the other expenses include somewhere about Rs 20 million on account of past years expenses.

Priyanka 


Okay.

R. K. Aggarwal 

These expenses relate to the earlier years. Other expenses also include pay outs on our sites, which we have taken for letting out to the people, i.e, the out-of-home advertising. So, rental payments for those sites are also included in this. Since this activity has picked up only in the second quarter, more expenses on account of that are there. These are the two reasons for this.



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Priyanka 

Okay. can you give me the break up of other income?

R. K. Aggarwal 

Other income is essentially interest or dividend on IPO proceeds. 90% of that is only an account of that.

Priyanka 

Okay. What is the cash in our books as of now?

R. K. Aggarwal 


Cash in our books is roughly about Rs 300 crores.

Priyanka 

Okay and what is the yield on this cash?

R. K. Aggarwal 

The yield on the cash net of tax should be within the range of about 6% at the moment.

Priyanka 

Okay thank you very much sir.

R. K. Aggarwal 

Thank you.

Moderator 

Thank you very much madam. Next in line is Mr. Vikas Mantri from SBI Caps.

Vikas 

Hello, good afternoon sir.

R. K. Aggarwal 

Good afternoon Vikas.

Vikas 

Sir, just wanted to know that we have talked about an increasing intensity of competition. Can you give the feel in which specific pockets are we seeing a higher presence and from which player is this increasing competition?


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DEEPAN

R. K. Aggarwal 

Yes Vikas, in fact because of our spread you know over 11 states we have different competitors in different states. Name any brand, they are our competitors. Right?

Vikas 

True sir.

R. K. Aggarwal 

So like for one part in UP, Uttaranchal etc it is Hindustan.

Vikas 

True.

R. K. Aggarwal 

Right. Somewhere we have Amar Ujala. In Punjab, we have Punjab Kesari and now Bhaskar has come in.

Vikas 

True sir.

R. K. Aggarwal 

So whenever there is a new entrant in a particular state, the intensity of the competition increases

Vikas 

Okay sir, can you give me what could be the worst case additional expenditure to meet this kind of competition?

R. K. Aggarwal 

It varies from competitor to competitor, right. I would not like to comment on these aspects but what I can say is that so long a competitor maintains good business practices, it is always affordable.

Vikas 

True.

R. K. Aggarwal 

Whatever expenses have come in the second quarter, we could not expect more than that even in the remaining half of the current year. Plus minus 5%-10% is not something I am talking about.

Vikas 

Fine sir, can you give me this quarter circulation number and how do we see it for the yearend?

R. K. Aggarwal 

If you recall, while discussing the results for the first quarter, I had mentioned that second quarter is going to witness regaining of the loss in the circulation, a result of increase in the cover price in the month of February and this is what has happened. In fact, in the second quarter itself, there is a jump of about 5%.



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Vikas 

Okay

R. K. Aggarwal 

In the circulation numbers, if we compare the circulation for the current quarter with the corresponding quarter of the previous year, the total circulation for Dainik Jagran brand has increased by about 6%.

Vikas 

Okay. So how do you see it by the end of the year? Do you see you would require an increase in circulation for the next half of the year?

R. K. Aggarwal 

I do not think there will be any further increase required but whatever organic growth happens, that you cannot stop nor you would advise anybody to stop that organic growth. We had an average of 6% for the second quarter and lost circulation of about 7% in the first quarter. on year on year basis we might be standing at a gain of say 2% to 3%.

Vikas 

Okay, okay. Thank sir. Thank you a lot.

Moderator 

Next is a follow up question from Mr. Girish Bhai of East India Securities.

Girish 

Just wanted to come back to the competition intensity question. Are you seeing pricing discipline being maintained on across the different markets. Sir, do you think some place is behaving differently

R. K. Aggarwal 

You see, it is very difficult to comment upon the competitor's strategy, particularly when we look at the potential available in our areas of operation, but then we are prepared to take on any competition.

Girish 

Okay, okay. Sir, you mentioned about acquisition. You are looking at acquisitions. Can you just tell us what exactly you have in mind in terms of target potential?


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R. K. AGARWAL

BHASKAR

DEEPAN

R. K. Aggarwal 

We have already been working on a few proposals and we are still working on a couple of them. In fact, I did mention at the time of IPO itself where there is synergy and wherever we feel that we can increase the profitability of that particular target company, we will definitely join hands with them.

Girish 

So this will be largely Hindi language based...?

R. K. Aggarwal 

Not specifically. It could be anything.

Girish 

Okay. Sir, I just want to check upon the newsprint prices versus Q1. I think it was \$630 per ton. What is the price that you had in Q2?

R. K. Aggarwal 

That, in fact, also remained more or less the same in the second quarter but then we had an impact of increase in prices in the second quarter. In the first quarter, whatever we consumed was out of the stock as of 31st March. So it did not witness much of impact of the further increase in the newsprint price. But since in the second quarter, we consumed material purchased in the first quarter, it witnessed some increase on account of the increase in the newsprint prices.

Girish 

Say could have been like \$640-\$650 something like that.

R. K. Aggarwal 

See the increase as compared to the first quarter, it was in the range of about 3%.

Girish 

Okay Sir, what is the difference between the domestic newsprint price and imported newsprint price per ton basis?

R. K. Aggarwal 

This difference is typically 20% to 25%.

Girish 

Okay, okay. Sir just one last question. This is regarding your outdoor plans. What is the potential revenue? You have 500 sites now & all the sites are filled up? What is the potential revenue you could get from that and if you do fill them up what kind of margins can you make in that?

R. K. Aggarwal 

See, let me tell you that out of those 500 sites most of them are very, very, prime sites and most of them have already been filled in now. If we fill in all those sites and we don't add any other site even then these sites should fetch a revenue of not less than Rs. 24 crores per annum.

Girish 

Okay, okay.



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R. K. Aggarwal 

But then we are not stopping there. We are acquiring more and more sites because we have quite big plans for out of home (OOH) advertising as we see lot of potential in this.

Girish 

Okay. If you do not expand further on out of home advertising what could you margins be at this Rs 24 crore per annum number?

R. K. Aggarwal 

As I said earlier, we would appreciate if you understand that this is a trade secret.

Girish 

Okay, okay. Thank you.

Moderator 

Thank you very much sir. Next in line we have Mr. Pratik from B&K Securities.

Pratik 

Hello sir, congratulations on the good set of numbers.

R. K. Aggarwal 

Thank you.

Pratik 

Sir, I just want to check the break up of other operating revenue. You said Rs 25 crore will be coming in from the outdoor business, where would the balance would be coming in from?

R. K. Aggarwal 

In future, Rs 24-25 crore would be coming from it.

Pratik 

and currently what is the break up?

R. K. Aggarwal 

In the 2nd quarter?

Pratik 

Yes

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R. K. AGARWAL


BHASKAR

DEEPAN




R. K. Aggarwal 

In the 2nd quarter, advertisement is about Rs. 92 crores.

Pratik 

No, the break up of other operating?

R. K. Aggarwal 

Other operating?

Pratik 

Yes. Apart from advertising and circulation. It comes around Rs. 75 crores. Sir break up of that.

R. K. Aggarwal 

I did not understand your question.

Pratik 

Sir, total operating income this quarter was Rs 141 crore.

R. K. Aggarwal 

Yeah, Rs 141 crore, out of that Rs 92 crore was from advertising.

Pratik 

Yes sir.

R. K. Aggarwal 

Rs 42 crore is circulation revenue.

Pratik 

Yes sir. And the balance?

R. K. Aggarwal 

And out of balance Rs 8crores , 5crores approximately is from event management and out of home. Balance is from job charges what we do for Times of India and all, SMS services etc.

Pratik 


Okay sir. That's all.

Moderator 

Thank you very much sir. Next in line Mr. Manish from Brics Securities.

Manish 


Sir, you mentioned from IRS Round II numbers. I am just wondering whether you could give us absolute readership numbers for key markets like UP, NCR etc. and also wanted to check if ABC numbers are out


R. K. Aggarwal 


ABC numbers are out. You can reach ABC site and have those numbers very easily.





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Manish   
Okay.


R. K. Aggarwal   
Not a problem and even the IRS numbers for UP etc that also you can access on the sites.


Manish   
Okay.

Moderator   
Thank you very much sir. Next in line is Mr. Vaibhav Doshi from Motilal Oswal.


Vaibhav   
I just wanted to check last quarter you mentioned that there were some efficiencies, which could be derived from converting colored to black and white as well as the control over the number of pages that you can possibly print like.


R. K. Aggarwal   
We will continue to do that.


Vaibhav   
Okay, okay.

Vaibhav   
Sir when do you think by what time the rationalization will be over?

it is more like an ongoing process, not that it is a new initiative.

R. K. Aggarwal   
Yes. It is not going to be a new initiative. This initiative we have already taken and now we are following that very closely.

Vaibhav   
Okay, okay. And about these 500 sites, what is the amount of expenditure that has been booked corresponding to it, like is it 25% of your lease charges per quarter, What is the corresponding amount that has been booked or is there anything more than that?

R. K. Aggarwal   
More than that because as I said in the 2nd quarter the activity has

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BHASKAR

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not yet broken even.

Vaibhav 

So basically, whatever upfront lease rental that we had to pay for the full year that has been booked in this quarter.

R. K. Aggarwal 


No not that. We book it on a month to month basis. As I said earlier, there is always a time gap between acquisition of property and letting it down. Between those two dates, whatever rent you pay that is what we lose out on that.

Vaibhav 

And what would be the typical gap between the two?

R. K. Aggarwal 


This is something very, very dynamic. You cannot pin it down. It depends on the person who is selling. We have the best people available in the industry.

Vaibhav 

Okay.

R. K. Aggarwal 


At times it might not take even a day. For example, we took bus panels in Lucknow which got sold on day one.

Vaibhav 

Okay, okay.

R. K. Aggarwal 

But there could be some sites, which might take longer. For example, we have a few sites in Mumbai and some in Kolkata, which are yet to be occupied.

Vaibhav 

Okay. When do you expect the launch of the facsimile edition of the Independent?

R. K. Aggarwal 

Depends on when we get the MIB's approval

Vaibhav 

Okay but like in end of 2007 or ...

R. K. Aggarwal 


No, no definitely I am quite hopeful that we should get it much earlier.


Vaibhav 


Okay, okay. Fine thank you very much.




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R. K. Aggarwal   
Thank you.


Moderator   
Thank you very much sir. Next in line is Mr. Abneesh from Religare Securities

Abneesh   
Sir, one more question regarding your advertisement revenues. This has gone up by 30% and you have mentioned that your color space have actually gone up. So my question is how much is the difference between color space and black and white space in terms of costs for the advertiser and how much is the difference for you in terms of cost. That is how much extra cost do you incur is to really make color ad instead of black and white ad?


R. K. Aggarwal   
See as far as color ads are concerned, we do not have to incur substantial cost as such.


Abneesh   
Cost remains the same.


R. K. Aggarwal   
Essentially the additional cost is in the form of getting some finer newsprint but that is not much. It is not too much in relation to the premium color ads command.

Abneesh   
Right and I believe that premium is around 50% for the advertiser.

R. K. Aggarwal   
Varies from customer to customer and from location to location.

Abneesh   
Okay.

R. K. Aggarwal   
Like, if there is a location called Dharamshala, that might be half of what we are getting.

Abneesh   
Right, right.


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R. K. AGARWAL

BHASKAR


DEEPAN

R. K. Aggarwal 

But if there is a location like Kanpur, we may even be charging more than 50%.

Abneesh 

Right, right. Sir, one more question is regarding your plans for radio sir. I think you have some channel.

R. K. Aggarwal 

Let me clarify to you this. That is altogether an independent company.

Abneesh 

Okay, okay. Thank you sir.

R. K. Aggarwal 

Thank you.

Moderator 

Thank you very much sir. Participants who wish to ask questions may please press \*1. At this moment there are no further questions from participants. I would like to handover the floor back to Mr. R. K. Aggarwal for final remarks.

R. K. Aggarwal 

Thank you very much ladies and gentlemen. I hope and trust that both of us tried to answer your questions to your satisfaction but at the same time, you all would appreciate that there are certain constraints because of which certain questions could not have been replied in so much detail as you would have wished. In respect of those, whenever we will meet, we can exchange our views on certain matters or you can seek more information from us. With that, I would like to thank you very much once again and we hope that you all would continue to extend your good wishes and support to the company.

**CORPORATE OFFICE**

Jagran Building, 2 Sarvodaya Nagar,  
Kanpur 208 005, India.

☎ +91 512 221 📠 +91 512 223 0625

Website : [www.jplcorp.in](http://www.jplcorp.in)

**REGISTERED OFFICE**

Jagran Building, 2 Sarvodaya Nagar,  
Kanpur 208 005, India.

☎ +91 512 221 📠 +91 512 223 0625

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