



**INVESTORS/
ANALYSTS**
conference call

2007
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Jagran Prakashan

Investors/Analysts Conference Call

July 2, 2007

Moderator 

Good evening Ladies and Gentlemen. Welcome to Jagran Prakashan conference call. I would like to handover to Mr. R. K. Aggarwal. Thank you and over to you sir.

R. K. Aggarwal 

Good Evening everyone, I am R. K. Aggarwal, CFO of Jagran Prakashan Limited. With me is our CEO - Mr. Sanjay Gupta and Director Marketing -Mr. Shailesh Gupta. We welcome you all to the conference call of Jagran. Thank you very much for sparing your valuable time and the kind of support you have been giving to the company since its listing. The performance during the financial year 2006-2007 has been good and reaffirmed our belief about the potential of the print media industry.

As you must have already seen from the results, the revenues in FY07 increased by nearly 28% and net profit increased by over 140%. Another parameter of interest is return on net worth that improved from 6.5% to nearly 15%. While the revenues met our expectations, net profit was much higher than what we initially thought at the beginning of the year. In view of above, we have revised our expectations of growth in revenues from 20% to 25% CAGR for next three years. The year 2006-07 was also significant as the company took steps to ensure sustainable organic growth as well as inorganic growth in future. During the year, JPL launched two new newspaper brands I-Next and City Plus and also entered into an alliance agreement with Yahoo India to commercially exploit its Hindi news portal jagran.com. We also started Out-of-Home advertising activity and created a separate profit center known as J9 to take high potential SMS service, started in the last quarter of the fiscal 2004-2005, to the next level.

Alongwith continued opportunities, there was also intensified competition in some areas of our operation. These results, which you have already seen, are after accounting for the impact of this intensified competition. The growing intensity of competition has always made us perform better. As a result, we have not only met the competition successfully but we have also been able to strengthen our positioning further in these markets. We expect this trend to continue. While evaluating our performance for the last quarter, please also take in to consideration the year-end adjustments which are additional provisioning of about 2.5 crore based on the suggestion of the auditors for the bad and doubtful debts, write-off

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R. K. AGARWAL

RUCHIT MEHTA

of certain fixed assets worth about Rs 1.90 crore, and impact of about Rs 4.5 crore on account of refinement of accounting policies with regard to incentives payable to the advertisers. All these adjustments are included in selling administration and other expenses where you see a steep increase as compared to the previous quarter.

We would also like to inform you that the company has implemented Revised Accounting Standard 15 in advance of its effective date. This is applicable from the next fiscal but we have already implemented it.

With this, we request you to go ahead with your questions.

Moderator 

Thank you very much sir. We will now begin Q&A interactive session. First in line we have Mr. Ruchit Mehta from HSBC.

Ruchit Mehta 

Sir, could you just give us a breakup of your revenue between advertising, subscription, outdoor, events, and others for this quarter, quarter last year, and for the full year please?

R. K. Aggarwal 

We started OOH advertising in the year 2006-07, so we can't compare its revenues with last year. Advertisement revenue in FY06 was Rs 308 crore, which has increased to Rs 388 crore in FY07. Circulation revenue was increased to Rs 170 crore from Rs 161 crore in FY06.

Ruchit Mehta 

So for event management what was it for this year total?

R. K. Aggarwal 

Revenues from Event Management division were Rs 12.5 crore in FY07 as against Rs 2.5 crore

Ruchit Mehta 

And out of home for this year full?

R. K. Aggarwal 

Out of home was about Rs 18 crore.

Ruchit Mehta 

Can you tell the figures for 4th quarter in terms of ad and subscription and then the same for the last year as well?

R. K. Aggarwal 

I will just come back to you on this question with the figures.

Ruchit Mehta 

Okay. Sir, in this quarter we see a sharp jump in your interest cost and depreciation cost on quarter-on-quarter basis. What is the reason for that?



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R. K. Aggarwal 

We have done CAPEX of Rs 125 crores, out of which some amount is lying in the form of capital work in progress and some amount has gone to add to the existing fixed assets. So, that has resulted in additional depreciation in the last quarter. As far as interest is concerned, you would know that there has already been an increase in the interest rates. Apart from that, there was a higher utilization of working capital limit, in the last quarter like every year to pay off the liabilities.

Ruchit Mehta 

Okay and what will be debt as on 31st of March both long-term and short-term?

R. K. Aggarwal 

Long-term debt as of 31st March, 2007, amounted to roughly about Rs 40 crore. Working capital was Rs 70 crore.

Ruchit Mehta 

And the average borrowing cost?

R. K. Aggarwal 

Average borrowing cost is in the range of about 8%.

Ruchit Mehta 

On the newsprint cost, can you give some clarity as to how newsprint costs are currently, and how should we look at the news print cost going forward, given the issue of rupee appreciation?

R. K. Aggarwal 

Newsprint costs seem to remain stable. We might see an increase in indigenous newsprint prices from November or October, but it is not going to be significant. On an overall basis, I can say that it is going to remain stable at the current level.

Ruchit Mehta 

Okay and how much newsprint we buy domestically?

R. K. Aggarwal 

Domestically, we bought about 70% last year.

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Ruchit Mehta 

Is imported newsprint now cheaper because of the rupee-dollar equation?

R. K. Aggarwal 

No, imported continues to be costlier. But a year back or so if there was a difference of say Rs 7000 per ton, now it might have gone down to say Rs 5000. That is it. Coming to your question regarding advertisement revenue, we have seen an increase of 25% in the Q4 FY07 as compared to the last quarter of FY06.

Ruchit Mehta 

And the absolute figure would be?

R. K. Aggarwal 

Absolute figure is Rs 104 crore in the current year as against Rs 83 crore last year.

Ruchit Mehta 

And subscription?

R. K. Aggarwal 

This year it was about Rs 44 crore and last year it was Rs 42 crore.

Ruchit Mehta 

Do we see out of home breaking even this year? And what is the outlook for that business segment?

Shailesh Gupta 

We are looking at the OOH segment breaking even this year. We are very positive we would be able to achieve this. As it is a very unorganized industry at this point of time and only recently some organized players have got into this industry, it is taking a little time. We are very bullish because the trend is coming where an advertiser wants blanket coverage. Blanket multimedia coverage means that he is looking at press, he is looking at below the line which is the event division and he is also looking at the outdoors to support the local market. So it is becoming very, very vital to be in the plan map of media planner.

Ruchit Mehta 

That is great. Just a final question. What is the CAPEX outlook for fiscal 2008 and how is the radio business and where it is to get accounted for?

R. K. Aggarwal 

We are planning a CAPEX of about Rs 100 crore in FY08.

Ruchit Mehta 

Okay and on the radio business?

R. K. Aggarwal 

Radio business is not part of this company. It happens to be one of group companies.



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Ruchit Mehta 

Okay. That is fine. Thanks a lot. Thank you.

Moderator 

Thank you very much sir. Next in line we have Abneesh Roy from Religare Securities.

Abneesh Roy 

Sir recently some players in UP have raised money, like Amar Ujala has raised money and we have heard that even Dainik Bhaskar has plans to enter UP. Could you update the ground situation whether they have acquired land in terms of launch as you did?

R. K. Aggarwal 

I request my CEO to answer your questions.

Sanjay Gupta 

Good evening Abneesh. At this moment we have no information that Bhaskar is making any inroads into UP and I do not see it happening in near future.

Abneesh Roy 

And you foresee any increase in competition from Amar Ujala sir?

Sanjay Gupta 

No I am not seeing any increase in competition from Amar Ujala.

Abneesh Roy 

Thank you sir.

Moderator 

Thank you very much sir. Next in line we have Mr. Saurabh from Kotak Securities.

Saurabh 

Just one question on the one time expenses in the 4th quarter which I have seen in the selling distribution expenses going up from Rs 47 crore in the last quarter to Rs 56 crore this quarter. Could you just quantify the one time component of this?

R. K. Aggarwal 

I had given account of about Rs 9 crore which have gone to increase these expenses in the last quarter. Rs 2.5 crore is on account of

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additional provision made for doubtful debt on the suggestions of the auditors, Rs 4.5 crore is on account of refinement of our accounting policy with regard to the incentive available to the advertisers and advertising agency and roughly about Rs 2 crore we have written off towards discarded fixed assets etc.

Saurabh 

Okay so 9 Crore would be in the sum total?

R. K. Aggarwal 

Yes.

Saurabh 

Thank you so much and all the best.

Moderator 

Thank you very much sir. Next in line is Mr. Ritesh from Dolat Capital.

Ritesh 

Just wanted to know color composition is now 36%. Could you quantify in volume task?

R. K. Aggarwal 

36% is in terms of space, it was 31% in the year 2006-07.

Ritesh 

Can we quantify the space like how many million square centimeter?

R. K. Aggarwal 

The space we normally avoid giving, I am sorry.

Ritesh 

Okay no problem. And sir you just gave an explanation what is that for just prior period adjustments?

R. K. Aggarwal 

Prior period adjustments are in fact net off. It is the effect of the revised Accounting Standard 15 which we have applied and some excess depreciation which we have written back. In our last year annual report, you must have observed that there was a qualification from the auditors that we did not have the fixed assets register since inception. This year, we did a massive exercise and completed the fixed asset registration for the period up to 2006, right from the inception. As a result, we found that there were certain assets, which had been discarded in the past and, which we have now written off by debiting to selling, administration and other expenses and there was excess depreciation provided in the earlier years which we have written back.

Ritesh 

Okay. Sir, any guidance on revenue and profits for next two years?



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R. K. Aggarwal 

I have already indicated in the beginning itself that last year we gave a guidance on the revenue growth of 20% which we are revising upwards to 25% for next three years.

Ritesh 

For profit numbers your stand.

R. K. Aggarwal 

As per our policy, we do not give guidance on profit numbers.

Ritesh 

Perfect sir. Thank you very much and all the best.

Moderator 

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

Manish 

Hi, sir just wanted to check if you can give us some information on the internet business in terms of the traffic to the portal revenue model etc.?

R. K. Aggarwal 

It would not be very relevant at this point of time to mention about all this because we have already entered into an alliance agreement. In the second quarter itself, we will have a co-branded site, www.jagran.yahoo.in operative and then the things will drastically change. Till now, www.jagran.com has continued to be the most visited Hindi news portal in the world.

Manish 

Sir any numbers on the traffic to jagran.com right now?

Sanjay Gupta 

Manish, the website is www.jagran.com at this moment, so all the traffic is on jagran.com only.

Manish 

Yeah so what is kind of traffic we are getting to this site?

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Sanjay Gupta 

I am not sure of the page views at this moment. We are undergoing restructuring of our website with Yahoo. So, at this moment, as our CFO has said it is irrelevant to look into page views. However, as for Alexa ratings, we are the No. 1 Hindi portal, which I checked about just 4-5 days back.

Manish 

Sir, about your Guidance on this 25% growth, would like to ask that in circulation terms we have grown just at 7% which is still 30% of our overall sales. Is there a chance of faster growth there?

R. K. Aggarwal 

Already, we have the numbers which are not yet fully monetized. The top management has decided not to push circulation unnecessarily in those areas, which at the moment are not contributing in terms of advertisement revenue. But, at the same time, wherever there is a need to push the circulation, we will do that as we did in Punjab last year and also acquired No. 1 status just within a period of 6 years. So, whenever the need arises, we will go for it, but we will not push it unnecessarily.

Manish 

Sir, would it be fair to say that advertisement would still grow at 25% plus to make the whole revenue grow at 25%.

Sanjay Gupta 

Yes , you are absolutely right.

Moderator 

Thank you very much sir. Next in line is Ms.Tanu from Quantum Asset Management.

Tanu 

Hi. You have launched I-Next and City Plus among which I-Next is bilingual and City Plus is English. Jagran has predominantly been into Hindi market all these years. Just broadly wanted to understand, what is your view on the English print market versus Hindi, I mean, we have been hearing as to how the growth potential of Hindi market is whole lot more vis-à-vis English, so just wanted a sense of that because now you all are also moving in to English market.

R. K. Aggarwal 

See, we are not switching over to the English market or something of that sort in any case. Also, we are not averse to the English market. But, as far as I-Next and City Plus are concerned, they both have their own markets and are targeting at the youth.

Tanu 

Okay and City Plus is still being distributed free of cost?

R. K. Aggarwal 

Yes.



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Tanu 

For how long would it still continue to be distributed free?

R. K. Aggarwal 

It will continue to be distributed free. The business model is such.

Tanu 

Just based on advertising revenues?.

R. K. Aggarwal 

Yes.

Tanu 

Is I-Next being charged?

R. K. Aggarwal 

Yes.

Tanu 

Alright. Thanks for now.

Moderator 

Thank you very much madam. Next in line we have Mr. Amit Purohit from Motilal Oswal.

Amit Purohit 

Good evening Mr. Agarwal. Good set of numbers. Just wanted to understand the recent news which are coming around that in Bombay and some other prominent regions like Bangalore, the number of hoardings that you keep on seeing would be controlled. So how are you looking at it or is this a regular thing and nothing such would come up?

R. K. Aggarwal 

We do not expect anything new to come up because whatever is happening in India is much more than what is happening world over. If you look at PwC report, which has come on entertainment and media industry, they are projecting growth of more than 17% in the next three to four years.

Amit Purohit 

I was asking because specifically we have a more of rated on the hoardings rather than on the bus. I mean furniture kind of a setup.

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R. K. Aggarwal 

We are not averse to more technology driven property like we have already taken one LED at Bangalore. This is just the beginning. We will see many more things coming up, more importantly, may be, in association with Independent News Media Plc, who are masters in outdoor activities.

Amit Purohit 

I also wanted to understand what are the circulation numbers for City Plus or I-Next? Just want to see how the things are shaping up in these two new segments.

R. K. Aggarwal 

I-Next is bilingual newspaper, an innovative product which was launched in the last quarter of the last fiscal only. .

Amit Purohit 

Then what would be the targets. I mean what are you seeing over the next year?

R. K. Aggarwal 

We are targeting circulation of about 40,000 to 50,000 copies for Kanpur and Lucknow edition of I-Next. As far as City Plus is concerned, at the moment we have 6 editions, a few more editions have been launched since March and we are targeting circulation about 30,000 copies for each edition.

Amit Purohit 

Lastly, on the utilization what is the utilization rate in UP and other regions?

R. K. Aggarwal 

Utilization of what?

Amit Purohit 

Of advertisement. I meant the inventory utilization. You have some 40% of the advertisement space.

R. K. Aggarwal 

If you are talking about the ad-edit ratio, our policy is that advertisement space cannot be more than 40%.

Amit Purohit 

No I am saying in the 40%, do you have 100% utilization?

R. K. Aggarwal 

No, no 100% utilization is not there. It would be between 30%-35%.

Amit Purohit 

You would be operating around 35%?

R. K. Aggarwal 

Less than 35%.



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Amit Purohit 
Okay. Thanks a lot. Thank you.

Moderator 
Thank you very much sir. Next in line we have Ms. Jasmine from ING Investment.

Jasmine 
Sir can you give us some idea, what is the number of loss making editions and what is the amount of loss that you have provided in FY07.

R. K. Aggarwal 
We have about 8-9 editions which are loss making but you may excuse me for not sharing the figure which is attributed to 8-9 editions.

Jasmine 
Sir, can you give us some idea when will these 8-9 editions start making profits?

R. K. Aggarwal 
They should turn in to profit within couple of years' time. In this industry, editions take 3-4 years time to mature. Moreover, out of all these 8-9 editions most of them are those which were launched in past one or one and half year only.

Jasmine 
Idea on your CAPEX breakup. You plan to spend around Rs 100 crore?

R. K. Aggarwal 
yes, in the current year.

Jasmine 
Where are you planning to spend these 100 crore?

R. K. Aggarwal 
The major portion of this will be going to be spent on upgradation, on modernization and on increasing the capacities including the color capacity.

Jasmine 
So, color capacity will increase from what to what level?

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R. K. AGARWAL
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R. K. Aggarwal 

Are you talking about the advertisement space increasing?

Jasmine 

Yeah color advertisement.

Shailesh Gupta 

Color advertisements are going to grow much faster than the black-white. The issue at our end was that we did not have the capacity to print more in color whereas advertisers are now looking more at color than on black and white. The CAPEX is already committed,, the machines are under installation. So I think it is only going to get better. As far as the speed with which the increase will take place and what percentage of increase we are looking at in the color advertising, I think it can be 50-60% in next 2 years..

Jasmine 

In next two years it can go up to 50-60%. Out of 100 Crore what percentage will you spend on this increase in color advertisement capacity?

R. K. Aggarwal 

It cannot be allocated like that. Because when we are increasing color capacity, alongside we are also increasing the printing capacity.

Jasmine 

Sir currently what is difference between the color advertisement and black and white advertisement?

Shailesh Gupta 

Color is 36% and B&W is 64%. And if by difference you mean the premium, it is about 40%

Jasmine 

Can you give me some idea on the average rates? What is our blended rate currently?

R. K. Aggarwal 

We have so many rates. We might be having may be 10,000 rates. That is what our strength is. So on an average basis, it is very difficult to say. There are different rates for different advertisements like we have different rates for appointment, different for matrimonial, display, color display, financial, etc.

Jasmine 

But overall color is 75% premium to black and white?

Shailesh Gupta 

Anything between 50-75%. Also, in few cases it could be 25%, while in few cases it could be 100%, depending on what category we are talking.

Jasmine 

Sir, out of total 25%-26% advertisement revenue growth last year, what is the increase due to volume?



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R. K. Aggarwal 

The increase in total advertising revenue was because of all the three important things Increase in ad rate, increase in overall volume and increase in the color space.

Jasmine 

How much of 26% was due to increase in volume?

R. K. Aggarwal 

Roughly about 3%-4%.

Jasmine 

Okay so balance was due to increase in advertisement rate.

R. K. Aggarwal 

No, increase in color space was also the reason.. If you break it broadly, 15%-17% was on account of rates, 3%-4% on account of volume and 4%-5% on account of shift from black and white to color.

Jasmine 

Okay. So this year again we have increase in the rate by about 20%-25%?

R. K. Aggarwal 

I think effective increase could be -20%.

Jasmine 

So that rate increase will contribute much higher this year?

R. K. Aggarwal 

Yes, and so the overall growth will also be much higher.

Jasmine 

Sir, just one last question, in this quarter itself we have provided Rs 12 crore for out of home and event management expenses, where exactly we have spent this 12 crore in the last quarter?

R. K. Aggarwal 

See, in the last quarter the expenses went up to that extent because the business went up to that higher extent.

Jasmine 

But where did we spend?

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R. K. AGARWAL

RUCHIT MEHTA

R. K. Aggarwal 

These are direct recurring expenses of the outdoor and event management.

Jasmine 

Is the expenses related to buying the hoarding space?

R. K. Aggarwal 

Yes.

Jasmine 

Okay, so entirely it is towards that. Because event management will have, I believe very minimum expense.

R. K. Aggarwal 

Event management also had direct expenses in the range of about Rs 4.5 crore or so.

Jasmine 

4.5 crore will be mainly towards personal cost?

R. K. Aggarwal 

No. These are the direct expenses, which we have to incur to carry out the event.

Jasmine 

Okay. So, out of that what percentage will go towards the employees out of this 4.5 crore?

R. K. Aggarwal 

There is nothing out of this 4.5 crore which will go to the employees because employees are already on roles. Their salaries are not considered to be direct expenses. The direct expenses are only incurred to carry out the event activity.

Jasmine 

Okay, thank you very much.

Moderator 

Thank you very much Mam. Next in line is Mr. Jamil Ansari from Brics Securities.

Jamil Ansari 

Yeah. Sir, Just, I would just want to check some of your client industries like the two wheeler industry and others are witnessing some kind of a slowdown in terms of sales figure. So, would that have an impact on your advertising revenue going forward?

Shailesh Gupta 

Yeah. That is a seasonal slowdown, which we are seeing.

Jamil Ansari 

Okay.



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Shailesh Gupta 

Now the risk is equally divided even with the language publications. So now, even four wheeler is a very big industry for us. The new launches, which are expected this year in the four wheeler industry, is about 22 new models, so that is a very, very good sign

Jamil Ansari 

Okay. So, your prediction for next time in terms of advertising revenue takes into account?

R. K. Aggarwal 

Yes, that takes into account and let me tell you Jagran is not dependent on one sector alone.

Jamil Ansari 

Okay.

R. K. Aggarwal 

Even the two-wheeler industry might be very significant contributor to someone. But as far as we are concerned, we do not have any sector which gives us revenue of more than 5 to 6%. The dependence on one category is not too much.

Jamil Ansari 

Which are the major categories that you are currently dependent on?

R. K. Aggarwal 

See, it is very difficult for us to say what is the major category. Because about 5% to 6% contribution is coming from many, many sectors.

Jamil Ansari 

Okay. Okay.

R. K. Aggarwal 

To name, some of them are Education, mobile phones, telephone operators etc.

Jamil Ansari 

Okay not large dependence of any of these?

R. K. Aggarwal 

No.

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R. K. AGARWAL

RUCHIT MEHTA

Jamil Ansari 

A question on the out of home business. Can you give a number in terms of the area that you have already acquired or how do you measure the capacity that you are buying in that business?

R. K. Aggarwal 

We have acquired properties at all important towns of the country and now with time, these properties will start giving us the expected return.

Jamil Ansari 

Okay and have you started calculating the occupancies of these properties or not yet?

R. K. Aggarwal 

Yes, we do calculate and I think now we have reached a level where our occupancy percentage is about 65% to 70%.

Jamil Ansari 

Okay. Thank you.

R. K. Aggarwal 

At this level we are not happy. We have to take it to a minimum level of 80%.

Jamil Ansari 

80% okay. Thanks a lot sir.

Moderator 

Next in line we have Ms. Neha Tandon from Karma Capital.

Neha Tandon 

I wished to know in you last quarter how much was from your outdoor and event?

R. K. Aggarwal 

From out of home and event we had in the last quarter, revenue of roughly about Rs 14.5 crore.

Moderator 

Thank you very much sir. Next in line is Mr. Ritesh from Dolat Capital.

Ritesh 

Sir, one followup question. Any update on acquisition strategy now?

R. K. Aggarwal 

Last year in fact we reached very close to acquiring one of the strong regional brand in our area of operation. Unfortunately, on the last day, when we were to sign the agreement and give the finally the cheque, the owners withdrew from the deal, for the reasons, as told to us, which were beyond their control.

Ritesh 

Okay.



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Sanjay Gupta 

I would like to tell you that we have obviously strategy of acquiring media stake and at this moment we are actively looking into maybe one or two newspapers, but I cannot disclose their names as we are under nondisclosure agreement. As and when these two materialize, the market we will get to know about them.

Ritesh 

Okay.

Sanjay Gupta 

But as a strategy, the group wants to acquire mature brands in media and move forward. We will keep scouting for these media brands. But in India you should appreciate that most being very owner driven and the owners are not easily willing to sell their brands.

Ritesh 

Definitely.

Sanjay Gupta 

But,, now they are realizing the value of capital markets and want to capitalize.. Therefore, now people are coming forward for acquisitions, tie ups, strategic tie ups, and things like that.

Ritesh 

Okay.

Sanjay Gupta 

As and when things materialize, the market will get to know.

Ritesh 

Okay, right now whatever talk is happening, if it were to materialize, what would be the approximate timeframe when it can materialize?

Sanjay Gupta 

That is something very difficult to say.

Moderator 

Thank you very much sir. Next in line is Mr. Ruchit Mehta from HSBC.

Ruchit Mehta 

Sir, I just missed out on the figure, that was the cost figure for the outdoor and the event management business for the year?

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R. K. AGARWAL

RUCHIT MEHTA

R. K. Aggarwal 

I would not say it is cost, but total direct expenses what we incurred on event and outdoor. Both put together, it was about Rs 28 crore.

Ruchit Mehta 

Rs 28 Crore for the full year?

R. K. Aggarwal 

Yes.

Ruchit Mehta 

And in terms of cost structures? Do you think that this probably will increase significantly going forward or is this more like a static figures?

R. K. Aggarwal 

See, it is going to increase with the volume of business.

Ruchit Mehta 

Okay.

Ruchit Mehta 

Okay, and in terms of our other costs such as employee cost and other expenditures, how do you see them moving going forward?

R. K. Aggarwal 

You are talking about the outdoor and event management?

Ruchit Mehta 

No, for the company as a whole.

R. K. Aggarwal 

There will be a normal increase in the expenses, which will be definitely higher than the normal inflation rate.

Ruchit Mehta 

10%-15% or something.

R. K. Aggarwal 

Yes.

Ruchit Mehta 

Okay.

R. K. Aggarwal 

You can take an increase of 15% year-after-year.

Ruchit Mehta 

Yeah okay. And you know you mentioned the debt position. Could you just let us know what is the



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cash and bank balance and the liquid investments?

R. K. Aggarwal 

Cash and bank balance as of 31st March, 2006, was about Rs 100 crore. And investment was about Rs 140 crore.

Ruchit Mehta 

These all included liquid mutual funds?

R. K. Aggarwal 

Yes.

Ruchit Mehta 

Sir, could you just give the sense of what is the gross block, net block, and net working capital for you?

R. K. Aggarwal 

Gross block was Rs 321 crore and net working capital was Rs 246 crore.

Ruchit Mehta 

Okay. Thank you very much.

Moderator 

Thank you very much sir. Next in line, we have Mr. Shirish from Anandrathi Securities.

Shirish 

I have a couple of questions. What is the occupancy level for out of home business?

R. K. Aggarwal 

Currently it should be 65% to 70%.

Shirish 

Are all sites which have been acquired are operational?

R. K. Aggarwal 

no, Because we have made a few acquisitions in the current quarter only.

Shirish 

So, when do you see all the sites being operational?

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R. K. AGARWAL

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R. K. Aggarwal 

They should become operational within a couple of months' time.

Shirish 

Okay, so with that acquisition would you see that occupancy level it should go up after rainy season?

R. K. Aggarwal 

Yes, it should go up.

Shirish 

Okay. My next question is what is the revenue which we have got from J9 business?

R. K. Aggarwal 

J9 business for the year 2006 and 2007 did not contribute much and it was only almost in the last quarter that we created it as a separate profit center headed by Mr. Rajeev Dhal. Now, it has started picking up. We are doing billing in the range of about Rs 18-20 lakh per month and we have very aggressive plans for this business for the current year as well as in the years to come.

Shirish 

Okay. My next question is on City Plus. We have just recently added it to East Delhi. How many editions do we have there?

R. K. Aggarwal 

We are having 2 editions there and each edition has circulation of about 22,000 copies.

Shirish 

Okay. My last question is on Independent News and Media. Can you just throw some update on that?

Sanjay Gupta 

You would like to know about the company Independent News and Media, or the newspaper?

Shirish 

Not really, what I want to know is that this JV was supposed to have some business coming up going forward. Now, what is the news on that or it is just going to be an investment company or how it is going to help us in going forward?

Shailesh Gupta 

See how this is going to add value to us in our business, which actually will contribute in a better bottom line would be the specialization, which they hold in outdoors. They own a very large stake in APN Outdoors, Australia and New Zealand. They own a very large stake in Clear Channel Outdoor in South Africa. So, they have been in the outdoor business for a very long time. So, we are getting a lot of tools and guidance from them. Also, it is going to help us in J9, which is our digital division and they are very, very bullish on our digital division. As our CFO was saying that we have just started J9, but we have extremely aggressive plans for it. We together are working towards quite a few things, which will actually change the face of J9 in next one year or so.



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Shirish 

Okay. Thank you.

Moderator 

Thank you very much sir. Next in line Ms. Tanu from Quantum Asset Management.

Tanu 

You have given a 25% guidance for the next 3 years. How much would OOH be over the next 3 years, which is currently just about 3% and event management which is currently just about 2% in terms of its contribution to the top line?

R. K. Aggarwal 

See 3 years down the line, what we look at from out of home advertising is a turnover of around Rs 150 crore or so. As far as event management activity is concerned, we are looking at a turnover of about Rs 60-70 crore by 2010.

Tanu 

And one last question could you tell us what has led to the huge cost savings in terms of your raw material cost as a percentage of net revenues, which has dropped from about 46% in 2006 to about 39% this fiscal?

R. K. Aggarwal 

Yeah. Raw material cost as you have already seen is under check. There is hardly any increase in the cost of the material consumed as compared to the previous year. Going forward, since newsprint prices look to be stabilized, there will be some increase, but then that increase is not going to be significant and it will be due to the increase in the volume of circulation.

Tanu 

I couldn't really understand how this 7% increase has come. Could you say that again?

R. K. Aggarwal 

7% increase in the material consumption?

Tanu 

Right as a percentage of the top line.

Investors/Analysts
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R. K. AGARWAL
RUCHIT MEHTA

R. K. Aggarwal 

7% increase in relation to top line this is something, which I am not able to lay hand over. How did you get that figure?

Tanu 

Okay. Its raw material cost as a percentage of net revenues, which were about 46% last fiscal, is it?

R. K. Aggarwal 

The total material consumption was about 49% in relation to the total revenue.

Tanu 

And this year.

R. K. Aggarwal 

This year it is 41%.

Tanu 

Okay, so this has dropped substantially. I just wanted to understand what has led to these cost savings?

R. K. Aggarwal 

In the current year, there was lower consumption of imported newsprint. Going forward we could increase this though. As far as the last year was concerned, there was some drop in the imported consumption. Also, the newsprint prices in the last year started coming down from the second half.

Tanu 

Okay.

R. K. Aggarwal 

So, it also had some positive impact.

Tanu 

Alright. Okay thanks a lot. Thank you so much.

Moderator 

Thank you very much Mam. Next in line is we have Yasmin Shah from Alchemy.

Yasmin Shah 

Good evening sir. My question pertains to the average ad rates. In your earlier call, you had stated your average for all the editions worked out to around Rs 1400.

R. K. Aggarwal 

That was last year. This year in the month of March it has been increased to Rs 2300, but that is for all edition black and white. This is just one rate and there are 1000's of rates.

Yasmin Shah 

Right. So if you have to look like UP is your main market so what could be the blended rate there?



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R. K. Aggarwal 

As given in the press release, we clearly said that we have increased the rate by about 36%.

Yasmin Shah 

Sir what was the base rate on which you booked 36% increase?

R. K. Aggarwal 

We can come back to your question a little later

Yasmin Shah 

I have few more questions. Second thing, on this fascimile version of Independent was expected to launch. Any update on that?

R. K. Aggarwal 

It is still in process. All depends on the government permission as to when do we receive or if at all we receive.

Yasmin Shah 

Right. So, you cannot really say whether it will happen this year?

R. K. Aggarwal 

No we do not expect.

Yasmin Shah 

Right. In your earlier calls you stated that loss making editions were around 7 and right now am I getting a number of 9.

R. K. Aggarwal 

This is because Punjab, which had breakeven, has gone into some losses. But this year again, it will turn into profit. The reason why it went into loss was because there was intensified competition, which resulted in lowering of the cover price.

Yasmin Shah 

What was the cover price reduction you have taken?

R. K. Aggarwal 

Currently it is being sold at Re. 1

Yasmin Shah 

Okay.

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R. K. AGARWAL

RUCHIT MEHTA

R. K. Aggarwal 

And earlier it I think it was being sold at Rs 2.50 to Rs 3.00?

Yasmin Shah 

Okay and which was the other edition where you were making losses?

R. K. Aggarwal 

All other editions that are pretty new which had been launched in past one year or one and half year.

Yasmin Shah 

Okay so Punjab is the only edition.

R. K. Aggarwal 

Which is five year old

Yasmin Shah 

But I understand sir you said there are two editions which came into losses and which were earlier profit making.

R. K. Aggarwal 

Ya, in Punjab we have two editions.

Yasmin Shah 

Okay and sir any new editions planned for this year or any new market you are planning to get into?

Sanjay Gupta 

At this moment we are not planning any new markets. We are on a consolidation drive and we expect more revenues from the existing markets because lots of our copies are still to be monetized.

Yasmin Shah 

Okay right sir. Thank you so much.

Moderator 

Thank you very much Mam. Next in line we have Raja Ramchandani from HDFC Bank.

Raja Ramchandani 

I have this question which is primarily been asked about the 7% increase in margin. You said that there has been an increase in the domestic content of newsprint.

R. K. Aggarwal 

Yes.

Raja Ramchandani 

So, can you give us a number for last year as to what was the percentage of imported versus domestic?



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R. K. Aggarwal 

In 2005-06, imported was 38% and in 2006-07 it was 30%. Going forward it will increase to some extent.

Raja Ramchandani 

So that is an 8% in term of volume?

R. K. Aggarwal 

In terms of value.

Raja Ramchandani 

Alright and one more question is that we have seen a focus on increase on color advertisement and also some you know ratio that you have given on a local and national front.

R. K. Aggarwal 

Yes.

Raja Ramchandani 

So how much would you see that as an impact on your margins? I mean I see 7% directly coming from the news print savings.

R. K. Aggarwal 

No, please do not mistake it is not that simplistic calculations. You mean there is a reduction of 7% in consumption of imported newsprint which is going to add to our bottom line, the same percentage. It is not going to happen like that because it is the difference only you know which is going to improve our bottom line. It is not the entire 7%.

Raja Ramchandani 

So, how much will be the impact of your increase in color advertisement in terms of EBITDA margins?

R. K. Aggarwal 

At this moment I am not ready with those figures. Can we talk sometime later.

Raja Ramchandani 

Alright. Okay thank you sir.

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R. K. AGARWAL

RUCHIT MEHTA

Moderator 

Thank you very much sir. Next in line we have Mr. Chandrashekhar from Enam Securities.

Chandrashekhar 

Just a couple of questions. You talked about our own Rs 90 million which you had one time charges, which increased your selling and marketing expenses.

R. K. Aggarwal 

Right.

Chandrashekhar 

Now if I backed that out, it still gives me other overheads is around 28% of sales this time compared to it being around 23% of sales last time. What would be the reason for that increase?

R. K. Aggarwal 

Selling, administration and other expenses include the component of the direct outdoor and event management. So, if you factor that then you will find that there is hardly an increase.

Chandrashekhar 

Okay, can we expect that around 28% to be maintained going forward.

R. K. Aggarwal 

Yes, see these expenses will increase with the increase in the volume of outdoor and event management expenses.

Chandrashekhar 

Okay.

R. K. Aggarwal 

As far as other expenses are concerned, we have had hardly any increase as compared to the previous year.

Chandrashekhar 

Okay.

R. K. Aggarwal 

increase was less than 10%, which is very difficult to maintain for future.

Chandrashekhar 

Can you just give us the selling and marketing expenses for the year?

R. K. Aggarwal 

Selling and marketing expenses are the same. They have had an increase of less than 10% as compared to the previous year if you exclude the outdoor and event management expenses and also you exclude those one time expenses which I have elaborated on.

Chandrashekhar 

Okay.



Jagran Prakashan

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R. K. Aggarwal 

Last year, the total of these expenses were about Rs 90 crore and this year it should be in the range of about Rs 98-99 crore.

Chandrashekhar 

Rs 98-99 crore. Okay and last question sir, what do you believe are the sustainable EBITDA margins going forward?

R. K. Aggarwal 

This is the industry where EBITDA margin increases disproportionately with the increase in the revenues. If the advertisement revenue increases by more than 25% as we expect, you could see a huge upside in EBITDA margins levels.

Moderator 

Thank you very much sir. Next in line we have Ms. Nisha Kumari from Way 2 Wealth.

Nisha 

Can you give me the breakup of your other income which is roughly around Rs 25 crore for this year?

R. K. Aggarwal 

80% of it is from dividend and interest.

Nisha 

Okay.

R. K. Aggarwal 

And 20% which is of recurring nature.

Nisha 

Recurring nature means?

R. K. Aggarwal 

It includes old balance written back, miscellaneous income, there are many small-small items which constitute this.

Moderator 

Thank you very much Mam. Next in line we have Ms. Bhairavi Gupta from ILFS Investment Mart.

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R. K. AGARWAL

RUCHIT MEHTA

Bhairavi Gupta 🗨

Hello Sir. I just wanted to know in what locations do you have your outdoor properties?

R. K. Aggarwal 🗨

We have properties in all important cities of the country be it South, North, East, Central everywhere.

Bhairavi Gupta 🗨

Can you give me something more specific?

R. K. Aggarwal 🗨

We have properties in Bombay, Hyderabad, Ahmadabad, Surat, Pune, New Delhi, Lkhnow, Kanpur, Bangalore and Chennai.

Moderator 🗨

Thank you Mam. Participants At this moment there are no further questions from the participants. I would like to handover the floor back to Mr. R. K. Aggarwal for the final remarks.

R. K. Aggarwal 🗨

Thank you very much. We are delighted to have you all and we expect your cooperation and good wishes as the company has been receiving in the past. Thanks a lot.

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