



**INVESTORS/
ANALYSTS**
conference call

2007
27 JULY



Jagran Prakashan

Investors/Analysts Conference Call

July 27, 2007

Moderator 

Good evening ladies and gentlemen. I am Gaurav, the moderator for this conference. Welcome to the Jagran Prakashan conference call hosted by ICICI Securities. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over the proceedings to Mr. Vikash Mantri of ICICI Securities. Thank you and over to you sir.

Vikash Mantri 

Good evening everybody. We at ISEC are very pleased to host the conference call for Jagran Prakashan for Q1 FY08. With us we have from the management Mr. Sanjay Gupta, the Editor and CEO of Jagran Prakashan and Mr. R. K. Agarwal, the CFO of the company. Congratulations for a good set of number sir. Over to you for the presentation.

R. K. Agarwal 

Thank you very much Vikash. Dear friends we welcome you all to the conference call of JPL. With me is our CEO Mr. Sanjay Gupta. We are really thankful and obliged to all of you for sparing your valuable time to make yourself available.

Now I will proceed to brief you on how the first quarter has gone about. During this quarter we launched two more additions of city plus in Delhi in accordance with our plan to expand the brand across the country. Our strategy to sell advertisement space in I Next and increase its circulation has also started working and it is expected that within next 3 months or so we will reach the targeted circulation in case of both the existing additions.

We believe that both these brands are helping us in increasing our market share besides expanding the market for us. We are also happy to share with you that 7272 i.e short code service is now on right track and during the first quarter there was a billing of over Rs. 5 million which is about 68% of the last year's revenue. Further, outdoor advertising continues to progress satisfactorily with average billing of nearly Rs. 3 crores per month although it is different that it is yet to break even.

As for the results for the first quarter, these are a bit beyond even our expectation and reflect the kind of growth in our areas of operation which we have been talking about. The first quarter has witnessed

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a steady growth in the total revenues, which grew by 34.69%. This was mainly driven by growth in advertisement revenue 42%, outdoor advertising over 858%, and other income over 39%. As a result, PBDIT increased by 50.32%, PAT increased by 51.62%, return on networth increased by about 7.50% on annualized basis and EPS improved from Rs. 3.80 per share to Rs. 5.76 per share. The contribution of advertisement revenue in total revenue was 66% in the first quarter as against 63% in the corresponding quarter of the previous year. Please note that this is despite increase in contribution from non-newsprint related activities in the total revenue. Besides revenue growth, newspaper sale in terms of copies sold per day was also higher by 10.86%. The higher than organic growth was strategically achieved mainly in those states where we were comparatively new and not the leader. This has provided and will further provide in future momentum to the advertisement revenue growth in these states. The growth in advertisement revenue was achieved due to increase in a space by 20.72%. Let me tell you this is something which is very heartening ----our substantial growth in the total space sold. The increase was further contributed by effect of increase in rates taken in March 2007 and also increase in color space, which again increased by nearly 24%. Increase in other income is attributed mainly to once in a year income of Rs. 3.75 crores that is return on FMP with one year maturity and exchange fluctuation gain of Rs. 1.15 crores due to weakening of dollar. However, as you have seen in the previous year as well, this year also the first quarter results might not be indicative of the annual results because as explained a minute ago i) it has once in a year income, ii) second quarter traditionally will see not the same kind of growth in advertisement revenue as we have seen in the first quarter, iii) there will be increases in circulation, iv), launch of more additions of I Next is in pipeline, and v), we expect increase in promotional expenses to respond to the competition and/ or to strengthen further our positioning in some of the markets. Having said that we are confident that we will be able to give once again significantly improved performance in the current year as well. We now request you to proceed with question and answer session.

Moderator 

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions may please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question participants may please press *1 now. I repeat to ask a question participants may please press *1 now. First in line, we have Ms. Jasmina from ING Investment Management.

Jasmina 

Yeah, good evening sir and congratulations for good set of numbers. Sir, I just want to ask you what is the percentage of the raw material that you import? Hello.

Moderator 

Hello Mr. Sanjay.

Jasmina 


Hello.


R. K. Agarwal 


Hello.





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Jasmina 
Yeah sir what percentage of raw material are you importing?


R. K. Agarwal 
Can you speak a bit loudly?


Jasmina 
Hello.


R. K. Agarwal 
Hello.


Jasmina 
Hello.

R. K. Agarwal 
Yeah, speak a bit loudly.


Moderator 
Ms. Jasmina you are on a speakerphone or something?


Jasmina 
No, hello.


R. K. Agarwal 
Hello.

Jasmina 
Yeah can you tell me what percentage of your raw materials are imported?

R. K. Agarwal 
In the first quarter we had imported consumption of about 27%.

Jasmina 
Yeah and sir what....

R. K. Agarwal 
Sorry, in the first quarter we had imported consumption of about 29%.


Jasmina 
Okay and sir what will be currently the difference between domestic

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newsprint and imported lets say Chinese newsprint?

R. K. Agarwal 

See if you are asking for the comparison between imported and the indigenous, you have to also specify whether you are comparing it with the better quality of indigenous with the imported or the slightly inferior quality of indigenous with imported.

Jasmina 


Lets say compare with the quality which you use for your newspaper?

R. K. Agarwal 

We use both but if you compare it with the premium then it will be a difference of about Rs. 4000 per ton.

Jasmina 


Means imported will be costlier by.

R. K. Agarwal 

Yes.

Jasmina 

And if we compare it with slightly lower quality?

R. K. Agarwal 


It should be about Rs. 6000 per ton.

Jasmina 

Rs. 6000 per ton, and then what percentage of the lower quality newsprint you use?

R. K. Agarwal 

I think it would be too much of detailing, normally we do not share with these figures.

Jasmina 


Sir why I am asking you this question is because some of your other competitors are using most of the imported raw material so I just want to know why are we not taking that advantage also considering the fact that rupee has appreciated and we could have also benefited.

R. K. Agarwal 

But then you know imported even though dollar has depreciated cannot be cheaper than the indigenous ones.

Jasmina 


Why if you would have imported more amount of raw material then we would have also benefited in terms of rupee appreciation?


R. K. Agarwal 


This is what I am saying.





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Jasmina 
Yeah.


R. K. Agarwal 
Appreciation in rupee does not reduce the cost of imported to an extent that indigenous becomes cheaper than the imported.


Jasmina 
But actually what percentage?


Jasmina 
In terms of the premium quality when you say, right?


R. K. Agarwal 
If I need to have the better quality of the newsprint only then I will go for imported.


Jasmina 
Okay, and sir even in terms of domestic have you seen any price reduction in the newsprint prices this quarter?

R. K. Agarwal 
In this quarter there is nothing like that.

Jasmina 
No because even our raw material cost to sales have come down from 38% to 35%.

R. K. Agarwal 
Now what you are comparing?

Jasmina 
Raw material cost to overall sales?

R. K. Agarwal 
Overall sale, whenever you have advertisement revenue increasing whenever you have other non-newsprint based activities increasing you will always have raw material consumption going down in terms of percentage in relation to the total turnover, so it is not because there was a reduction in the newsprint prices significantly or something of that type. It is because top line increased that much.

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Jasmina 

So what was your average newsprint cost this quarter and how that has moved?

R. K. Agarwal 

I am really not able to understand your question, I mean like if you are talking about the average I mean like average cost per kg of newsprint.

Jasmina 


Yeah.

R. K. Agarwal 


That is again something we do not normally share, but if you are asking, it should be in the range of about 26 to 27.

Jasmina 

And how that has moved over the quarters has it remained constant or it is slightly going ahead?

R. K. Agarwal 

You are talking about the average cost, it is weighted average cost of all the varieties of newsprint used, so if the mix component changes then it would also change, so that way I mean there is not much of saving as compared to the corresponding quarter of the previous year. Let me clarify to you we never plan any profits based on saving in the cost of newsprint ,even though we are expecting newsprint prices are going to fall we factor at least 4 to 5% increase in our business model.

Jasmina 

Okay and sir my second question is can you give us the break up of circulations revenue first quarter of this year and first quarter of last year?

R. K. Agarwal 

That I can give.

Jasmina 

Yeah.

R. K. Agarwal 

Not a problem, circulation revenue in the previous year was Rs. 42.31 crores and this time it is Rs. 44.16 crores.

Jasmina 

Okay.

R. K. Agarwal 

A growth of 4.37% in spite of reducing the cover price sometime in the middle of the last year in Punjab.

Jasmina 

What was the percentage by which the price has been reduced?



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R. K. Agarwal 

That was pretty substantial, but since it was reduced only in case of Punjab, which at that point of time accounted for say about 6 to 7% of total circulation, the overall effect might not be much, but then the price we reduced substantially in Punjab.

Jasmina 

Okay and sir this quarter I mean your advertisement revenue have grown 42% first by 21% due to increase in total space sold.

R. K. Agarwal 

Yeah.

Jasmina 

And you have also mentioned in your press release that there was a 24% increase in the color advertisement space, so could you give me some idea what was the impact of price increase in this 42% increase in advertisement revenue?

R. K. Agarwal 

The effect of increase in rate should be in the range of about 20%.

Jasmina 

Okay and what was the premium by which color advertisement was sold this quarter?

R. K. Agarwal 

That we have not worked out, but we charge a premium in the range of about 40 to 50%, but you know it varies from location of the advertisement, it varies from page to page rather, it varies from edition to edition, there is no standard rule as such.

Jasmina 

Okay and what is the color advertisement contribution as of now?

R. K. Agarwal 

Color contribution.

Jasmina 

Percentage terms?

R. K. Agarwal 

That is roughly about 35% of the total space published.

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Jasmina 

Okay fine, thank you very much sir.

Moderator 


Thank you very much mam. Next in line we have Mr. Avnish Roy from Religare Securities.

Avnish Roy 

Mr. Agarwal congratulations on excellent set of numbers.

R. K. Agarwal 

Thank you.

Avnish Roy 

I wanted to understand the steep growth in ad seem you have increased that 42% while in the previous quarter it was slightly lower and you have also given the guidance that in the coming quarters we should expect a lower growth rate, so I wanted to understand how much.

R. K. Agarwal 


I never said.

Avnish Roy 

Okay.

R. K. Agarwal 


I never said that in coming quarters you should expect lower growth in advertisement revenue rather if you look at our annual report which has already been distributed.

Avnish Roy 

Correct.

R. K. Agarwal 

We are expecting year-on-year basis you know at least 25% growth in the top line, which means advertisement revenue has to contribute, has to grow at higher than 25%.

Avnish Roy 

Correct, so how much UP elections would have helped in this volume growth?

R. K. Agarwal 

Not much.

Avnish Roy 

So could you explain why this is sudden spurt in ad has been seen because in the previous.

R. K. Agarwal 

We have been talking about you know we have to have confidence in our area of operation.

Avnish Roy 

Correct.



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R. K. Agarwal 

This is where the potential lies and where the opportunities are, so that is what has made a big contribution.

Avnish Roy 

So we can expect.

R. K. Agarwal 

That is what has made the contribution and besides that launch of second brand also has helped us in increasing the revenue.

Avnish Roy 

So can you share some numbers on the second brand in terms of I Next and City how much revenue they would have got?

R. K. Agarwal 

I think we can discuss it some other time.

Avnish Roy 

Okay, and event business can be discussed, how much revenues you have done in events?

R. K. Agarwal 

Again Avnish we avoid giving you know....

Avnish Roy 

Okay product raise.

R. K. Agarwal 

I mean like you want to know what was the total contribution from activities other than publication business I can share with you, that was roughly about Rs. 12 crores.

Avnish Roy 

Correct.

R. K. Agarwal 

And there was a substantial growth as compared to the corresponding quarter of the previous year.

Avnish Roy 

Correct.

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R. K. AGARWAL

R. K. Agarwal 🗨

But the breakup and all will be too much of detailing.

Avnish Roy 🗨

Okay I will take that off line sir. Okay thanks.

Moderator 🗨

Thank you very much sir. Next we have Mr. Amit from Motilal Oswal.

Amit 🗨

Yeah, good evening sir, excellent set of numbers.

R. K. Agarwal 🗨

Thank you.

Amit 🗨

And sir just want to understand with you the circulation I mean revenue growth now that has largely come from the circulation per day, right, what is our per day average right now?

R. K. Agarwal 🗨

That should be about 2.7 million copies per day.

Amit 🗨

Okay, and this would increase as we go ahead in this coming year because of City and I Next, this includes City and I Next right?

R. K. Agarwal 🗨

No, I am talking about DJ only.

Amit 🗨

Okay, and this....

R. K. Agarwal 🗨

I Next is going to increase quite substantially in times to come.

Amit 🗨

Okay and what is the outlook going forward in terms of circulation growth in terms of volume?

R. K. Agarwal 🗨

Here I would request our CEO to throw some light.

Amit 🗨

Okay.

R. K. Agarwal 🗨

As per our strategy, we are going to push circulation in certain pockets which are strategic.



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Amit ☞

Okay.

Sanjay Gupta ☞

Amit.

Amit ☞

Yeah.

Sanjay Gupta ☞

Our main motto is to always ensure to remain No. 1 in all the relevant areas and we will be trying for increase in circulation in all the areas where we can get a lot of advertising, so at the moment Punjab is very hot for us because it is the No. 1 state as you know so we are trying for circulations over there and we are proud to say that we are No. 1 over there in terms of circulation as well as readership. Similarly, we will be targeting for circulation in UP in some critical towns and because we are already No.1 in UP at this moment so marginal growth will be there , so this is a kind of strategy which we are moving with and in future we will be growing our circulations in Haryana, Bihar, Jharkhand, Okay so on an average I mean same 10% volume growth.

Sanjay Gupta ☞

No, might note be 10%.

Amit ☞

Okay, what is our average cover price right now I mean roughly?

R. K. Agarwal ☞

Average cover price see we do not look at . Average realization per copy is in the range of about Rs. 2.

Amit ☞

Rs. 2, okay and sir on the advertising front I wanted to understand what is the amount of space that you have sold in this quarter?

R. K. Agarwal ☞

Total space.

Amit ☞


Yeah in this quarter.

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R. K. AGARWAL

R. K. Agarwal 

That is not readily available with me.

Amit 


Okay, okay.

R. K. Agarwal 

I will share some other time.

Amit 


Okay, and on the other income.

R. K. Agarwal 

It has grown by about 21% as compared to the corresponding quarter of the previous year.

Amit 

Yeah okay, and sir on the other income front this forex gain which you said of 1.3.

R. K. Agarwal 

1.15.

Amit 

So that is largely because of the imports that you are saying?

R. K. Agarwal 

No that is one thing, From the current quarter there has been some change in accounting for the fluctuation gain on long term borrowing, earlier there was an accounting standard , which was different from schedule 6 to the Companies Act 1956, now both of them have been brought at par and now whatever exchange fluctuations happens even in relation to long term borrowing we can take it to the profit and loss account.

Amit 

Okay how much of our borrowing is in foreign exchange?

R. K. Agarwal 

That is roughly about Rs. 12 to Rs. 13 crore now.

Amit 

Rs. 12 to 13 crores.

R. K. Agarwal 

Yeah, but then you know there is a dollar depreciation to the extent about 7% since March, and which is what resulted in exchange fluctuation gain of Rs. 90 lakh or so.

Amit 

And sir how much of cash we will be having I want to understand the reason I am asking because you will be having a capex plan for this year and the next year?



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R. K. Agarwal 

It is still about a Rs. 100 crore capex plan we have in pipeline for the current year.

Amit 

Okay and next year would be somewhere around?

R. K. Agarwal 

___ because our maintenance capex should be in the range of about Rs. 30 to 40 crores.

Amit 

Okay because the other income which you have posted of around Rs. 3 crores that is I mean would it be kind of a because most of your would be required in your coming years expansion plan?

R. K. Agarwal 

___ we have already made utilization of IPO proceeds to the extent of roughly about Rs. 130 to 140 crores, but you know for nearly now 1 year we have been carrying cash to the extent of about Rs. 200 crores.

Amit 

Okay, correct.

R. K. Agarwal 

This shows that the kind of cash accruals we have which is not impacting my other income much.

Amit 

Sure, so is likely to continue going forward?

R. K. Agarwal 

Yes more or less, might be that there is a drop of 10 to 15% but definitely in the first quarter whatever you have had in form of other income that had two exceptional items, one was the exchange fluctuation gain and another was Rs. 3.75 crore being capital gain on yearly FMPs.

Amit 


Correct.

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R. K. AGARWAL

R. K. Agarwal 

Which come only once in a year.

Amit 


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

Moderator 

Thank you very much sir. Next we have Mr. Vinay Paharia from Lotus India.

Vinay Paharia 

Yeah, good evening sir and congratulations on a great set of numbers.

R. K. Agarwal 

Thank you.

Vinay Paharia 

Sir actually I wanted to ask that this increase in raw materials from about Rs. 52 crores is in last year Q1 to 64 this year, is it predominantly due to I Next and City Plus?

R. K. Agarwal 


Increase in number of pages per copy, increase in circulation , essentially these are the two reasons.

Moderator 

Excuse me sir. Mr. Sanjay.

Sanjay Gupta 

Yeah.

Moderator 

Sir your voice is you know it seems it is coming from a distance sir, if you could just come bit close to the speakerphone sir?

R. K. Agarwal 

Yeah, certainly.

Moderator 

Thanks.

Vinay Paharia 

Yeah and second part is would this ad space increase of about 21% once again predominantly be due to increase in pages or also contributed by I Next and City Plus?

R. K. Agarwal 

Mr. Vinay let me clarify to you if you increase the number of pages you do not get the space, when you get the space then only you increase the pages, yes I Next has made some contribution but it is not included in this.



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Vinay Paharia 

It is not included.

R. K. Agarwal 

This might have contributed may be 0.5 million square centimeters ___ but it is too insignificant in relation to the growth what we have had in this period.

Vinay Paharia 

And lastly I would ask you, I think you have made in your opening remarks as well you talked about it, but is this normally the seasonally the best quarter, first quarter?

R. K. Agarwal 

No, traditionally say 2 years back or 3 years back it used to be very bad but ___ it has improved in past couple of years so this has become one of the better quarters if you compare with the second quarter.

Vinay Paharia 

Okay so and....

R. K. Agarwal 

Third and fourth quarters continue to be the best.

Vinay Paharia 

The best because of this festive season you know.

R. K. Agarwal 

Festive season as well as year end ___.

Vinay Paharia 

Right, and lastly can you share with us the circulation figures in first quarter 2007 you said 2.7 million per day in 2008 that is currently.

R. K. Agarwal 

Pardon.

Vinay Paharia 

The circulation figures for DJ for Q1 2007?

R. K. Agarwal 

Circulation figure.

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R. K. AGARWAL

Vinay Paharia 

Yes.

R. K. Agarwal 

That was roughly about 2.7 million.

Vinay Paharia 

Okay, that is it. Thank you.

Moderator 

Thank you very much sir. Next in line we have Mr. Krishnan from Ambit Capital.

Krishnan 

Yeah, hello, I just wanted to know whether you would like to talk about two things; one is the radio business, Shripuran Multimedia, and another was regarding the properties that you had under the other than publication business, so regarding the kind of properties that you have on that business, is it possible for you to talk about those?

R. K. Agarwal 

Radio is not the part of this company.

Krishnan 

Okay but is there something in the pipeline there?

R. K. Agarwal 

That is all together a different company.

Krishnan 

Okay sir.

R. K. Agarwal 

Yeah.

Krishnan 

Okay sir, okay take your word, and I am talking about other than the publication business where you said ad revenues went up by almost 700 to 800% I mean could you throw some...?

R. K. Agarwal 

That is outdoors, you are talking about outdoors business.

Krishnan 

Yeah, I am talking about outdoors now?

R. K. Agarwal 

I think that is progressing satisfactorily.


Krishnan 


Ha sir.





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R. K. Agarwal 
That is progressing satisfactorily.

Krishnan 
Okay could you throw some light on the kind of properties that you have?


R. K. Agarwal 
We have about you know 1000 properties located at all important places in the country, we have properties in Mumbai, Bangalore, Hyderabad, Pune, Surat, Kolkata, Delhi, Kanpur, Lucknow.


Krishnan 
Okay and what kind of these would be there I mean would it be transit properties, would it be bus queue shelters, what kind of properties are these?


R. K. Agarwal 
We do not have bus shelters, we have hoardings, kiosks, railway station, like Lucknow railway station we have, we have bus panels.

Krishnan 
You have bus?

R. K. Agarwal 
Bus panel.

Krishnan 
Okay, and in terms of billboards I mean I just want to try to understand how I mean how big say by FY10 where do I see revenues coming in from, what would your pie look like?

R. K. Agarwal 
We have very aggressive plans for outdoor business, I mean like even this year we should be closing with the turnover of roughly about Rs. 45 crores and past 3 months trend has seen a billing of over Rs. 3 crores per month so we should be doing a turnover of about Rs. 45 crore before the close of this year, for 2010 we have pretty aggressive targets.


Krishnan 
Okay and in terms of the mix how would that change as in the print versus outdoor how could it look like in say about 2 or 3 years from

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now?

R. K. Agarwal 

Outdoor events etc., etc., in fact all these initiatives have been started to optimize the benefit from the infrastructure, existing infrastructure, but they are never going to be you know bread and butter for us.

Krishnan 

Okay so print will remain the bread and butter?

R. K. Agarwal 


Yeah that is going to remain our focus area.

Krishnan 

Okay so which means the capex that you do in this business may not be too high or will it be very high?

R. K. Agarwal 

I do not think that there is any problem on capex, if the business is giving good return I am sure, our CEO will confirm, we will not mind investing money in that.

Krishnan 

Okay.

R. K. Agarwal 

And this should make a business sense.

Sanjay Gupta 

If it is making business sense I do not mind putting money in outdoor.

Krishnan 

Yeah true I mean which is quite common ___ if you could get the return on that investment then why not invest, that is true.

R. K. Agarwal 

So there is nothing like you know we do not intend to invest in outdoor. There is no limit to that in fact we are receiving the proposals for investment, from third party, I mean we do not need to invest at the moment and therefore we are not looking at that.

Krishnan 

Okay, just a few more things in terms of say Punjab what I mean what would be the kind of the market share that you have over there?

R. K. Agarwal 


In terms of readership?


Krishnan 


Yeah in terms of circulation or readership.




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Moderator 
Sorry to disturb you sir.


R. K. Agarwal 
As our CEO just explained, we continue to be #1 there.


Krishnan 
Yeah, I am able to hear you sir.


R. K. Agarwal 
Yeah, we are No. 1 player in Punjab in terms of readership.

Krishnan 
Okay and in some of the newer territories were would that be?

R. K. Agarwal 
If you are talking about a particular territory then I can help you.


Krishnan 
Okay, we can may be I could get back to you with specific as a territory question that would be better I think yes sure sir, yeah thank you.


Moderator 
Thank you very much sir. Mr. Agarwal.


R. K. Agarwal 
Yes.

Moderator 
Next in line we have Mr. Manish from Brick Securities.

Manish 
Hello, yeah sir Manish here. Hello.

R. K. Agarwal 
Hello.

Manish 
Hello.

R. K. Agarwal 
Yeah.

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R. K. AGARWAL

Manish 

Yeah sir just wanted to check if you can throw some light on the increased competition you mentioned in Punjab last time, just want to understand whether it is against other Hindi players, regional players, and who triggered it etc., if you could just elaborate a bit.

R. K. Agarwal 

Our CEO will explain on that.

Sanjay Gupta 

We entered Punjab 7 years back, hello, can you hear me?

Manish 

Yeah, yeah, I can hear you.

Sanjay Gupta 

Okay, so today we are operating out of three publishing centers from there; Ludhiana, Amritsar, and Jalandhar, and we are having substantial number of copies in fact we would be doing about 2.75 odd lakh copies at this moment, and we are undisputed No. 1 player over there. The competition that has come in is in form of Dainik Bhaskar, which was present in Haryana before, and they wanted to expand to Punjab. They are only operating from Jalandhar at the moment and they are not having any other printing center.

Manish 

Okay so was it in the form of a cover rate price war or something like that?

Sanjay Gupta 

Oh! Yes, they started something like that, they have started booking copies for about 6 months, 1 year etc., we had our own marketing strategy which is probably more successful than theirs.

Manish 

Okay but sir do you see this extending to other markets?

Sanjay Gupta 

At this moment I cannot comment on that because you will never know what competition is thinking of. We will always be preparing ourselves to be more capable than them.

Manish 

Okay sir thanks.

Moderator 

Thank you very much sir. Next we have Mr. Mihir Shah from Prabhudas Lilladher. Mr. Shah.

R. K. Agarwal 


Yes.


Moderator 


Yeah.





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R. K. Agarwal 
Yes Mr. Shah tell me.

Moderator 
Hello Mr. Shah on line sir. I think we lost him sir. We will take Ms. Yasmeen Shah from Alchemy Shares.


Yasmeen Shah 
Good evening sir, I just had a question pertaining to how many editions are currently loss making and how do you expect them to go ahead?


R. K. Agarwal 
When we were discussing __ annual results I shared with you there were 9 editions which were in loss, I am happy to say that now we have only 8 editions in the first quarter.


Yasmeen Shah 
Which edition has come out of loss sir, sorry?


R. K. Agarwal 
First quarter has seen one edition getting converted into profits, so we have 8 editions as against 9 last year.

Yasmeen Shah 
That is right, sir which edition has come out of loss?

R. K. Agarwal 
That is Muzaffarpur.

Yasmeen Shah 
Muzaffarpur has come out as loss. Sir can you give us at least 3 to 4 editions which contribute significantly to the loss and which you expect to reduce in the next?


R. K. Agarwal 
We told last time also about it, due to reduction in cover price in Punjab, Punjab is in loss, which had already come in profit say in the first quarter of the last year.

Yasmeen Shah 
That is right.

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R. K. Agarwal 

Which has slipped into loss.

Yasmeen Shah 

Correct.

R. K. Agarwal 


And rest all those editions which have been launched in last couple of years, so they have to be in losses for sometime.

Yasmeen Shah 


Oh okay, okay sir, and sir could you throw some light on the revenues of I Next and City Plus at least what could be the guidance for the year?

R. K. Agarwal 

At this point of time it might not be too appropriate to discuss about these two very young brands, if we discuss you know about these two brands say a year from now that would be something interesting, they are progressing very well that we can share with you, but in terms of you know figure they would look small in comparison with DJ, so it does not make much of sense I believe. Let us postpone it say for another 6 months or so then we will discuss about it more in detail.

Yasmeen Shah 

Okay right sir. Thank you.

Moderator 

Thank you very much mam. Next we have Mr. Mihir Shah from Prabhudas Lilladher.

Maulik 

Hello.

R. K. Agarwal 

Yes Mr. Shah.

Maulik 

Hello sir how are you?

R. K. Agarwal 

Very fine.

Maulik 

Okay Mr. Agarwal this is Maulik here, hello.

R. K. Agarwal 


Hello.

Maulik 


Yeah Mr. Agarwal, I just wanted to ask you couple of questions, let us first can you throw me light what is ad added ratio in absolute terms in this quarter?





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R. K. Agarwal 
That we have not got , but is definitely not touching our 40%


Maulik 
Okay still it is 60-40%.


R. K. Agarwal. 
Yes.

Maulik 
Okay.


Maulik 
Okay and sir like out of Rs. 183 crore revenue Rs. 44 crores is coming from circulation, Rs. 9 crore is coming from outdoor, so the balance is advertisement revenue?


R. K. Agarwal 
Advertisement revenue is Rs. 126 crores, Rs. 44 crore is the circulation revenue, Rs. 12 crore is revenue from other activities, ____


Maulik 
Okay and like say last year in March sir you had increased advertisement rate by 25% across all the editions and 35% in UP. Last year in March 2007 I mean this March 2007 you had increased the advertisement rate by 25% across all the editions and 37% in UP, right?

R. K. Agarwal 
Yeah.

Maulik 
So like in Q4 your advertisement revenue was Rs. 115 crores?

R. K. Agarwal 
This year.

Maulik 
Yeah Q4, the Q4 of 2006-2007.

R. K. Agarwal 
Rs. 150 crores.


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Maulik 

Rs. 115 crores.

R. K. Agarwal 

Rs. 115 crores for March.

Maulik 

2006-2007.

R. K. Agarwal 

I think for March 2007 it was Rs. 104 crores.

Maulik 

Rs. 104 crores.

R. K. Agarwal 

Yeah.

Maulik 

Okay sir then also like impact still means still it is 20%, when you say you are increased by 25% and 37% your ad rate has only gone up 20%.

R. K. Agarwal 

As explained, whatever rise we take that is something which does not get translated into you know the revenues, because there will be negotiation, and you are forgetting one more thing we took the increase in the first week of March so even the last quarter had some impact of increase in the rates, so you can't simply compare it just like that.

Maulik 

Okay and sir last question like quarter-on-quarter you are like one of the main reason for increase in EBITDA margin like 28% is because there is huge decline in your other expenditure.

R. K. Agarwal 

There is no decline in other expenditure as such whenever you have a growth in advertisement revenue EBITDA margin will improve like that.

Maulik 

No, no that is fine that I understand but if you take like Q1 your other expenditure is Rs. 47 crores, okay, last year it was Rs. 33 crores, and in Q4 it was Rs. 55 crores, it was largely because of...

R. K. Agarwal 

Last year I explained in fact it accounted for certain components like fixed assets written off, like bad debts written off, so there was certain year end adjustment which occurred due to exceptional circumstances, which we discussed while discussing the results for the year 2006-2007.

Maulik 

Okay and sir last question like last year also your Q1 margin was the best, 25%, and may be it was because of like your circulation growth was low and after this there was a steady decline in margin



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even this year your margin is 28%.

R. K. Agarwal 

Let me correct you, it has never declined, it remained static after first quarter.

Maulik 

No in the Q4 it was 15% may be because of...

R. K. Agarwal 

I mean there you are not factoring those expenses which we discussed in detail while explaining the 2006-2007 results.

Maulik 

Okay, so lastly sir we can take 28% of benchmark for the entire year.

R. K. Agarwal 

No definitely not, I mean like if you had heard me when I was giving the brief of the first quarter, I clearly mentioned this quarter has a few things which might not recur in remaining quarters.

Maulik 

Okay sir. Thank you very much.

Moderator 

Thank you very much sir. Participants who wish to ask questions may please press *1 now. We have a follow up question from Mr. Vinay Paharia of Lotus India.

Vinay Paharia 

Hello, sir you just said that there are certain extraordinary things in this first quarter which might make the margins appear attractive in this quarter, and what are these may be I missed them?

R. K. Agarwal 

I did not understand your point, can you repeat?

Vinay Paharia 

You have just talked about certain extraordinary items in the first quarter?

R. K. Agarwal 

There are no extraordinary items, let me clarify you. There is an item

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of income of Rs. 3.75 crores.

Vinay Paharia 


Okay, you were referring the other income.

R. K. Agarwal 

Where we made capital gains on yearly FMPs.

Vinay Paharia 

Right.

R. K. Agarwal 

So next year also we will have, this is not going to be repeated in the remaining quarters, that was what I pointed out.

Vinay Paharia 


Absolutely. Okay, because your margins excluding that other income was 28%.

R. K. Agarwal 

Yeah.

Vinay Paharia 


So that can be at least assumed to be something of a indicator.

R. K. Agarwal 

it could be you know indicator but then very, very broad indicator.

Vinay Paharia 


Absolutely.

R. K. Agarwal 

For the simple reason, I told you we are going to launch you know few more editions of I Next, which will eat away the margins.

Vinay Paharia 


Correct, got it, okay.

R. K. Agarwal 

There will be some additional promotional expenses to strengthen our position further in the states of Bihar, Jharkhand, etc.,

Vinay Paharia 

Right.

R. K. Agarwal 

Where we need to incur you know keeping in view the long-term strategy.



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Vinay Paharia 

Right but....

R. K. Agarwal 

But definitely I am never suggesting that in this quarter if I had a profit of Rs. 34 crore it is going to go down to say Rs. 22 crore or Rs. 20 crore, means there will be some fall.

Vinay Paharia 

Right, basically you will be....

R. K. Agarwal 

And that is not going to be you know something like as against Rs. 34 crore I am going to report profit of Rs. 20 crore or Rs. 22 crore or something of that sort you know in remaining quarters.

Vinay Paharia 

Right.

R. K. Agarwal 

So what I am trying to point out to you is just do not multiply it by 4 to assess the profit for the current year, but still we are pretty confident that this year also we will give much improved performance over the previous year.

Vinay Paharia 

And one last question, are there any hikes which are done in middle of the year as well or there is only one annual hike which normally is happening?

R. K. Agarwal 

You are talking about the advertisement?

Vinay Paharia 

Yes.

R. K. Agarwal 

How much you know you would load on advertisers once we have already taken.

Vinay Paharia 


There is a huge gap sir between English and Hindi.

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R. K. AGARWAL

R. K. Agarwal 

That is right, so give us a few more years we will bridge that.

Vinay Paharia 


Okay.

R. K. Agarwal 

And do not expect us you know bridge it overnight.

Vinay Paharia 


Absolutely right.

R. K. Agarwal 

Otherwise everybody will run away.

Vinay Paharia 


Okay.

R. K. Agarwal 

You yourself will not advertise with us.

Vinay Paharia 


Okay sir. Thank you.

Moderator 

Thank you very much sir. Next in line we have Mr. Shirish from Anand Rathi Securities.

Shirish 


Good evening sir.

R. K. Agarwal 

Good evening, how are you?

Shirish 

I am fine sir.

R. K. Agarwal 

Yeah.

Shirish 

That was a pleasant surprise.

R. K. Agarwal 


You are surprised.


Shirish 


Yeah, I think it is a surprise to you also. I have some few questions.





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R. K. Agarwal 
Yeah, please tell me.


Shirish 
See regarding you have mentioned that there is about a copy sold per day which were higher by 11%, now does that mean this is a paid sale or this includes the free copies?


R. K. Agarwal 
No, let me tell you very clearly, Jagran has never been distributing free copies. Let me clarify to you Jagran never did that and whenever we discussed you know I mean like in person also I clarified to you Jagran is not believer in distributing free copies. As I told you last time also, what we did we reduced the cover price which was also not to our liking but you know you cannot _swim against the stream____,


Shirish 
Alright, my next question is what was the occupancy rate on the out of home, is the full sites property are under the coverage?


R. K. Agarwal 
No, not yet, if that was so it would have given some good profits. I believe from third quarter I will be able to say yes to this question of yours.

Shirish 
Okay so then should what was the occupancy was that within the range of 75.

R. K. Agarwal 
About 60% I would say.

Shirish 
60%.

R. K. Agarwal 
Very, very ballpark figure I am giving.


Shirish 
Okay, my next question is on Jagran Solution, could you just tell that what was the thing which has happened in this quarter because I read in press release also.

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R. K. AGARWAL

R. K. Agarwal 

Jagran Solution did not have much of turnover, but they signed the contracts worth over Rs. 6 crores or so which they will be executing, but they have taken very steep target for the current year and they feel very confident to achieve.

Shirish 

Could you be able to share what was the revenue we got from solution this quarter?

R. K. Agarwal 

Last time also you asked me this., I gave you the consolidated figure for all the revenue streams and publishing business, and this time also I will give you, that is Rs. 12 crores from event plus outdoor plus SMS.etc

Shirish 

Okay fine, okay, my last question is you mentioned that there are 8 editions which are loss making at this point of time.

R. K. Agarwal 

Correct.

Shirish 

Now by and large Punjab thing is a large grader, so when do you think Punjab will come in positive?

R. K. Agarwal 

See by the year end itself the things would improve quite significantly we expect, but this loss is something which is very temporary, you might treat it as loss but for us it is proving to be an investment in the sense that in first quarter itself there was a growth in advertisement space to the extent of 20%, so I mean this is investment and I believe within a year or so the things would improve and again we would be back to black.

Shirish 

Okay my next question is on City Plus and I Next.

R. K. Agarwal 

Yes.

Shirish 

Is there any new edition which is in pipeline this quarter?

R. K. Agarwal 

I mentioned in the beginning itself we have launched 2 more editions of City Plus.

Shirish 

Yeah that is East Delhi.

R. K. Agarwal 

In East Delhi.



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Shirish ☞

Yeah, but in this quarter which are the editions or can be numbered?

R. K. Agarwal ☞

These two we launched in this quarter only.

Shirish ☞

Yeah.

R. K. Agarwal ☞

April to June quarter only we launched two editions, that too in June.

Shirish ☞

Yeah, I am asking about the next quarter?

R. K. Agarwal ☞

Next quarter, July to September?

Shirish ☞

Yes.

R. K. Agarwal ☞

We are planning few more editions to be launched in this quarter, I am not sure about the exact numbers, but you would see another 2 to 3 editions coming shortly

Shirish ☞

That is for I Next?

R. K. Agarwal ☞

No that is for City Plus.

Shirish ☞

City Plus.

R. K. Agarwal ☞

I Next perhaps we will be launching more editions in either third or fourth quarter.

Shirish ☞


Okay and are we doing.

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R. K. AGARWAL

R. K. Agarwal 

During third quarter or early fourth quarter.

Shirish 

Okay and are we doing on the mother brand any new editions coming up?

R. K. Agarwal 

No, at least not this year.

Shirish 

Okay, thanks.

Moderator 

Thank you very much sir. Participants who wish to ask questions may please press *1 now. Next in line we have Rathia from HDFC Mutual Fund.

Rathia 

Good evening sir.

R. K. Agarwal 

Very good evening.

Rathia 

Sir just wanted to understand the outdoor business a little bit better, if you could help us with the capital employed in that business and you know over a lets say 3 year horizon what sort of numbers should we look at in that business side, and in the previous call you have mentioned that you grow to may be a Rs. 100 to Rs. 150 crore over 3 years.

R. K. Agarwal 

That is right.

Rathia 

But then how is it.

R. K. Agarwal 

We are on the right track, I will just explain you This is a very exciting business there is no doubt about it, but people have started seeing you know too much in it and that is why I request everyone not to be too much excited about it despite the fact that this is an exciting line of business. We have already invested roughly about Rs. 30 crore in this business. We are doing billing over Rs. 3 crore per month and as you rightly said we are expecting a turnover about Rs. 150 crore so in 3 years time.

Rathia 

Sir you said that the capital employed in this business should be about Rs. 30 crores now.

R. K. Agarwal 

At the moment.



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Rathia 

At the moment, and over a 3 year timeframe what sort of capital employed should you be looking at?

R. K. Agarwal 

No cap on that, we are pretty aggressive from our side, but since we are new we are taking a cautious approach let us see and wait, and as we expect now if the activity starts giving you know desired returns in the third quarter I am sure management would be happy to invest any amount.

Rathia 

True sir, but I am just trying to put it in relation to that Rs. 150 crore number of revenue.

R. K. Agarwal 

There we have not applied too much of mind but it is not going to be may be more than another Rs. 30 to Rs. 40 crores.

Rathia 

Okay, so it is not going to take too much of capital.

R. K. Agarwal 

Not too much.

Rathia 

Okay.

R. K. Agarwal 

Do not worry, and in fact for this business , we have been receiving lot of offers from people, in case we need pretty substantial sum there are people to invest in.

Rathia 

Okay sir, thank you very much and congratulations again on a very good result.

R. K. Agarwal

Thank you.

Moderator 

Thank you very much. Participants who wish to ask questions may please press *1 now. Next in line we have Mr. Priyank Singhal from

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VIKASH MANTRI

R. K. AGARWAL

Edelweiss.

Priyank Singhal 


Hi! Mr. Agarwal, congratulations on good numbers.

R. K. Agarwal 

Thank you very much, Priyank, how are you doing?

Priyank Singhal 

Good, thank you very much. Is it possible to get a sense on how much was the total newsprint consumption in this quarter in terms of tons of newsprint consumed?

R. K. Agarwal 

In terms of tons, you do lot of calculation . Yes, you can know, not a problem. The total consumption in terms of tonnage is roughly about 23,000 tons.

Priyank Singhal 


And how much of this would be imported and how much would be domestic?

R. K. Agarwal 


You straight away ask me you know what is the percentage of imported, I can tell you, that is roughly about 29%.

Priyank Singhal 


29% is imported.

R. K. Agarwal 

Yeah.

Priyank Singhal 

So you know I think sometime back you mentioned that is there a pressure that we are seeing on the domestic newsprint prices despite the fact that the imported one is coming down. I am saying that imported newsprint prices are coming down and obviously the rupee appreciation is also helping that, but in terms of that how are the domestic newsprint prices now how do they look like roughly?

R. K. Agarwal 

See newsprint prices have not increased in the first quarter, but what I indicated in the past I maintain could be that you know there is some increase in indigenous newsprint prices but that would not be significant.

Priyank Singhal 

Okay, and is this mix likely to remain the same or you know.

R. K. Agarwal 

Imported might increase a bit.



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Priyank Singhal 

Okay, okay fine, and in terms of the loss making editions that you mentioned 8 editions, how much would be the cumulative loss of all those 8 editions in the first quarter for example, is it possible?

R. K. Agarwal 

If I share it with you, you will increase my profit to I do not know may be Rs. 300 crores.

Priyank Singhal 

Sorry.

R. K. Agarwal 

That is pretty substantial.

Priyank Singhal 

Is it possible to get a rough number around that as of now?

R. K. Agarwal 

Should be somewhere in the range of I mean like on an annualized basis it should be in the range of about Rs. 25 to Rs. 30 crores.

Priyank Singhal 

On annualized basis.

R. K. Agarwal 

Yeah.

Priyank Singhal 

Okay, okay fine, thank you.

Moderator 

Thank you very much sir. Participants who wish to ask questions may please press *1 now. Participants who wish to ask questions may please press *1 now.

Vikash Mantri 

Gaurav, it is an hour, we should wrap up.

Moderator 

Okay. At this moment I would like to hand over the floor back to Mr. Mantri of ICICI Securities for final remarks. Over to you sir.

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VIKASH MANTRI

R. K. AGARWAL

Vikash Mantri 

Yes thank you everybody for participating in the call.

Moderator 

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You many now disconnect you lines. Thank you.

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CORPORATE OFFICE

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

☎ +91 512 221 📠 +91 512 223 0625

Website : 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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