



**INVESTORS/  
ANALYSTS**  
conference call

**2007**  
30 OCTOBER



Jagran Prakashan

Investors/Analysts Conference Call

October 30, 2007

Moderator 

Morning ladies and gentlemen. I am Sandhya, the moderator for this conference. Welcome to the Jagran 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 Q&A session. I would like to hand over to Mr. Vikash Mantri. Thank you and over to you, sir.

Vikash Mantri 

Good morning everybody. We at ICICI Securities are very pleased to hold the Jagran Prakashan management conference call for the Q2FY'08. From the management, we have Mr. Sanjay Gupta, the Editor and CEO of Jagran Prakashan and Mr. R.K. Agarwal, the CFO. Over to you sir.

R. K. Agarwal 

Thanks. Welcome to the conference call of JPL. In spite of the fact that September 2006 quarter had a benefit of the part of the festive season which is not the case for the current quarter. JPL has been able to register growth in terms of top line as well as bottom line. The performance was really heartening and as we have been saying all along, if one believes in the long-term growth story of India, one cannot avoid believing in the growth potential of the tier II and tier III towns. Also, the regional press has come to a stay which is once again clearly evidenced by the performance of JPL for the quarter two of the year 2007/2008. As you might have noticed from the press release and the results which have already been circulated yesterday, the operating revenues increased by 23.40% with the increase in the PAT by 25.47%. Still, more heartening was operating profit margins that improved significantly and went up to 22.02% for the quarter and if you look at the six monthly results, there was an increase of 40.28% in the net profit. We are quite confident that in the remaining financial year, the performance is going to be still better because quarter third and quarter fourth, as everybody knows, are better ones. With that, we invite you all to have your questions and we will endeavor to answer and address your concerns if there is any.

Moderator 

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, 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

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question, please press \*1 now. First question comes from Mr. Avnish Roy of Religare Securities. Over to you sir.

Avnish Roy

Congratulations on good set of numbers. My question is in Punjab the Dainik Bhaskar entered, there was a huge price war in subscription and ad rates are also affected. HT is also planning aggressive expansion in your main markets of UP and Uttaranchal in the next two years. So what kind of hit HT you have on Jagran ad revenues?

R. K. Agarwal

Thank you very much Avnish. I request our CEO to throw light on this.

Sanjay Gupta: Good morning. First let me apprise you of the little development in Punjab. Bhaskar has not been able to eat ad revenues at all. . At the moment they are not so aggressive but even if, I am very sure that with sound base, we are not going to take hit on any advertising.

Avnish Roy

Okay. And secondly, if you look at the ad revenue growth in Q2 and Q1, there is a significant slowdown from around 45% ad revenue growth in Q1 to 25% in Q2.

R. K. Agarwal

Avnish, I would like you to know, quarter 2 has always been bad. As I mentioned in the opening remarks, do not compare it with the earning for the quarter of the previous year. The corresponding quarter of the previous year captured part of the \_\_festive season. If you recollect, we had Vijaydashmi on 2nd of October of last year, right?

Avnish Roy

Yeah.

R. K. Agarwal

So I mean , quarter two cannot be compared with any other quarters of the remaining year.

Avnish Roy

Okay. So in the coming quarters, we can expect higher than 25% ad revenue growth?

R. K. Agarwal

Definitely yes, we will maintain that momentum. And in any case, if you compare it with the other results which have been out and you will notice clearly that Jagran has grown faster than others.

Avnish Roy

And are you seeing a slowdown from the key factor of auto and property segment in UP?

R. K. Agarwal

There has been some slowdown in probably auto industry but then it has been more than compensated by others. So now, I mean like with the third quarter beginning, we are seeing auto also coming back.



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Avnish Roy 

Okay, thanks.

Moderator 

Thank you very much sir. Next in line, we have Mr. Hitesh of Daulat Capital. Over to you sir.

Hitesh 

Good morning sir, congratulations on great results. Sir, I have a macro question. Now we are seeing incremental growth in terms of volume coming to Hindi rather than English. So do you think this trend is going to continue for sometime and when do -?

R. K. Agarwal 

We do not have any reason to believe otherwise.

Hitesh 

Okay, and when do we see the differential rates getting narrowed between English and Hindi?

R. K. Agarwal 

It has already started narrowing.

Hitesh 

Sir, can you give some kind of quantitative factors for that?

R. K. Agarwal 

See, still they should be costlier by at least 50%. But then when you say English press is costlier, you are not comparing I mean like in real sense apple with apple. The reasons are very simple, I mean if you are comparing or when I say 50% costlier or even more than that, then I am comparing best of our edition which is in Kanpur or Lucknow with Mumbai, right.

Hitesh 

Okay.

R. K. Agarwal 

If you take into consideration the rates what TOI in Kanpur or Lucknow or for that matter of fact HT charges, we are much higher.

Hitesh 

Okay. That is great. And sir, in incremental advertisement allocation to

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print, how much Hindi or vernacular editions would be taking the pie, any rough estimate?

R. K. Agarwal 

Do not call it vernacular, let us say regional language.

Hitesh 


Yeah, regional language.

R. K. Agarwal 

Yeah, so I mean like the space regional press is getting is more than what English press is.

Hitesh 


Okay, so it is now more than 50%?

R. K. Agarwal 

I am not able to understand. If you were talking about value, then in that case, regional is continuing to maintain 50% or slightly more than 50%. But if you are talking only in terms of space what I mentioned, regional is getting more space than English. That is what it is. Then in terms of value, our regional press is getting about 50%-51% and English is getting say 49%.

Hitesh 

Okay sir, that is great. Sir, a couple of maintenance questions. In our expenditure, other total raw material cost, this pertains entirely to the print business or is there something?

R. K. Agarwal 

Nothing else.

Hitesh 

Okay, and in other expenditure you have mentioned, direct expense for outdoor and Stores and Chemical, that is pertaining to the other businesses?

R. K. Agarwal 

No, outdoor is one part. Store and Chemical is other part. Store and Chemical relates to the print business. And direct outdoor event and expansion relates to other one.

Hitesh 

Okay. And sir, one final, can we get total volume space sold in this quarter?

R. K. Agarwal 

Total space sold in this quarter?

Hitesh 

Yeah.

R. K. Agarwal 

Please come back after other question.



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Hitesh 

Okay, thanks a lot sir and all the best.

Moderator 

Thank you very much sir. Participants are requested to ask only two questions in initial round and come back in the follow-up question. Next in line, we have Ms. Tanu of Quantum Asset Management. Over to you ma'am.

Tanu 

Hello. I just have overheads format. Can you talk on that in terms of properties or that you might have required till now, how competition planning on because a lot of other guys are proven prominence that area and the contribution to revenues if any so far?

R. K. Agarwal 

We are not able to hear you. Can you speak a bit loudly?

Tanu 

Can you hear now?

R. K. Agarwal 

Yeah.

Tanu 

Okay, I just want sense of how the overhead segment for jagran is panning out?

R. K. Agarwal 

Oh this year, I mean like in this quarter at a turnover of about 11 Crores, higher by about 20% as compared to the previous quarter. So we are in process of scaling up the business.

Tanu 

Okay, what other kind of properties you will have under OH till now.

R. K. Agarwal 

We have more than 1000 properties. In fact, we are not adding any significant property for nearly three-four months because we have already built the inventory and now we have to optimize the utilization.


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Tanu 

Sir, what kind of properties would you have till now? Is it bus shelters?

R. K. Agarwal 

We have properties in Mumbai, Bangalore, Hyderabad, Surat, Delhi.etc

Tanu 

Okay, and we are going to essentially bus shelters or something else?

R. K. Agarwal 

We don't have bus shelters but we have bus panels . We have got buses from UP Government. We have got a railway station from Railways.

Tanu 


Okay, alright, thank you so much.

Moderator 

Thank you very much ma'am. Participants who wish to ask question may kindly press \*1. Next question comes from Mr. Vinay of Lotus Mutual Fund. Over to you sir.

Vinay 

Hello.

R. K. Agarwal 

Hello.

Vinay 


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

R. K. Agarwal 

Very good morning. Thank you very much.

Vinay 

Yeah. Sir, my question pertains to I Next and City Plus. Can you throw some more light as to how these new initiatives are panning out?

R. K. Agarwal 


I Next as you might have noticed from press release has given really heartening performance. And in fact, I Next has become #2 newspaper of Kanpur after Dainik Jagran. So you can very well understand I mean like we have in Kanpur Hindustan, we have Amar Ujala. So beating both of them, we have reached spot of #2. And in Lucknow also, it is doing very well and at both places the circulation numbers what we have already attained are beyond our expectations in such a short period of time.


Vinay 


Sir, can you share with us the circulation numbers or it is too early?





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R. K. Agarwal   
please excuse me..


Vinay   
Okay, fine, that is fine, yeah. And what about City Plus?


R. K. Agarwal   
City Plus is also doing well. In fact, we have launched three more editions in this current quarter in Delhi and one in Bangalore. So pursuing our strategy to use this brand to take us to places outside our area of operation, We have gone to Bangalore and by March, you will hear a few more editions


Vinay   
Sir, would it be right to assume that whatever cost of raw material has increased, it is predominantly because of these new initiatives?


R. K. Agarwal   
No, definitely not, there has been an increase in circulation by over 10%.

Vinay   
In the existing editions?

R. K. Agarwal   
Yeah, in the existing, I mean like in Dainik Jagran and yes, I Next and City Plus also have contributed a part of it.

Vinay   
Okay, so basically it has increased by something about 20%, about half of which would be --.

R. K. Agarwal   
No, if you look at I mean last year, we had raw material consumption of about 53 Crore. This year we have, I mean in this quarter 61 Crore. So there is an increase of about 15%. As I said, over 10% increase is due to increase in the circulation of Dainik Jagran.

Vinay   
Fine. And sir, your press release also mentioned about the creation of a new division called J9.

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R. K. Agarwal   
Yeah, that is right.


Vinay   
Can you elaborate something on that?


R. K. Agarwal   
I request our CEO to throw some light on it.


Sanjay Gupta   
Good morning, J9 is our short code SMS division which promotes SMS on mobile phones and on a revenue share basis, from the operators we earn our money .


Vinay   
Yahoo tie up would also come under this division?


Sanjay Gupta   
No, that is the separate tie up. That is not under J9. It is our dotcom site which is a very old, now about ten years old.


Vinay   
Sir, can you share with us some details in terms of revenues what you are earning here?


Sanjay Gupta   
In J9 apart from mobile, we have web space as well and in fact J9 is going to launch a few more services in future which would include classified vertical as well. So that is what is about J9.


Vinay   
So this is predominantly non-English or this would also include English website or English contents?

Sanjay Gupta   
It has got nothing to do with Hindi alone. You can have Hindi, English or any other language whatever is required. So it is not be confined to Hindi only. Classified vertical will be in English.

Vinay   
Okay, so I think your other operating income in the total sales was about 2 odd Crores, 1 or 2 odd Crores.

Sanjay Gupta   
Yeah.

Vinay   
So that would be, is it fair to assume it would be something what J9 would be generating?


R. K. Agarwal   
Yeah, you are absolutely right, I can give you its figure. I think in the last quarter, they had revenue of about 1.3 Crore.



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Vinay 

So basically, the outdoor business has also started breaking event on a gross basis?

R. K. Agarwal 

Outdoor is nearing breaking even.

Vinay 

It is about 13 odd Crores of I think turnover and 12 odd Crore of direct cost.

R. K. Agarwal 

No, 10 odd Crore, what you are reading out is for one quarter, not on a six months basis.

Vinay 

Yeah, I am talking about fairly from this quarter perspective sir that --.

R. K. Agarwal 

We had incurred about roughly about Rs. 11 Crore on outdoor direct expenses. We had revenue about 10 Crores.

Vinay 

So basically, this is an activity which can only scale up?

R. K. Agarwal 

You are absolutely right.

Vinay 

Okay. And the cost sir fixed or they also can --?

R. K. Agarwal 

For us , we have this direct expense as far as outdoor is concerned.

Vinay 

They would be fixed because you have leased out the other side.

R. K. Agarwal 

They are almost fixed. So I mean like if I am able to increase the occupancy or utilization from current 60% or so to 70% it will start immediately yielding results.

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Vinay 🗨

Okay sir, thank you and best of luck.

R. K. Agarwal 🗨

Thank you.

Moderator 🗨

Thank you very much sir. I repeat, participants are requested to ask only two questions in the initial round and come back in the follow-up question. Next question comes from Mr. Miten Lathia of HDFC Mutual Fund. Over to you sir.

Miten Lathia 🗨

Good morning sir. Just a small clarification on the raw material cost you just mentioned that you have a 10% increase in the circulation. The cost per se has gone up from 57 Crores to 64 Crores which is a 15% increase while the underlying newsprint price itself has fallen by about 10% year on year. So what we are trying to account for is a 25% difference. So besides the circulation increase, is there some other factor in the raw material cost?

R. K. Agarwal 🗨

Yeah, you are absolutely right. See, there were other two brands which also came up - I Next and City Plus. The reason #2. #3 is increase in the page levels due to increase in the advertisement because if you look at the total space of DJ there is a growth of roughly about 12% in the current quarter and on 6 monthly basis it should be about 17% to 18%. That has resulted in increase in pages per copy as well.

Miten Lathia 🗨

Okay, so what we are saying is there is a 12% increase in pagination?

R. K. Agarwal 🗨

Not exactly that I mean like the third reason as we have always been maintaining, we do not intend to earn out of savings in the newsprint cost. If there is a saving in the newsprint cost, we would most like to pass it on to the user who returned by starting from giving more of importance.

Miten Lathia 🗨

Okay sir, that was useful. Thank you very much.

Moderator 🗨

Thank you very much sir. Next question comes from Ms. Purnima of Capital. Over to you ma'am.

Purnima 🗨

Hello, good morning sir.

R. K. Agarwal 🗨

Good morning. Can you speak a bit loudly?

Purnima 🗨


Yes sir, in the case of new strength, what was the trend like from price trend like from the last year to this year?





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R. K. Agarwal   
Sorry, your voice is still very faint.


Purnima   
Sir, in the case of new strength, hello?


R. K. Agarwal   
Yeah.


Purnima   
In the case of new strength, prices, hello?


R. K. Agarwal   
The prices were lower than the previous year.


Purnima   
By how much sir?


R. K. Agarwal   
Should be about 2% to 3%.


Purnima   
Okay. And the trend would likely to continue?

R. K. Agarwal   
About 5%.

Purnima   
Pardon sir.

R. K. Agarwal   
About 5%.

Purnima   
Okay, this trend would likely to continue?

R. K. Agarwal   
No I do not think. In the coming quarter you might see some increase in the prices because in Canada, a few large manufactures have curtailed their production or rather stopped their production so there will be pressure on imported quantities, as a result of which indigenous quantity will also undergo some pressure.

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Purnima 


Okay sir, and what is the price right now?

R. K. Agarwal 

Imported would be in the range of about \$570-\$575.

Purnima 

Okay sir.

R. K. Agarwal 


Pardon?

Purnima 

\$570?

R. K. Agarwal 

\$570-\$570.

Purnima 

Okay sir, thank you very much.

Moderator 

Thank you very much ma'am. Next question comes from Mr. Siddhartha Shah of UTI Mutual Fund. Over to you sir.

Siddhartha Shah 


Yeah sir, I just wanted to have operational number of cash on hand and what is the status of deployment of this cash? Thank you.

R. K. Agarwal 

We are still continuing to have about 200 in cash in our balance sheet.

Siddhartha Shah 

200 Crores?

R. K. Agarwal 

Yeah, 200 Crore in the balance sheet although you might have seen from the results that now balance left out of IPO proceed is just 148 Crores. Thanks to the robust cash realization.

Siddhartha Shah 

Okay.

R. K. Agarwal 

So we already have quite significant orders placed for capital equipments. Money is going to be utilized in that. Plus, we are working on a few joint venture proposals which are expected to materialize, at least one of them is expected to materialize shortly. So that will also consume some money. So I mean like those joint venture proposals expenses on planned CAPEX should be consuming on a lot of money. But still, given the robust cash realization, your company might



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continue to have good liquidity in times to come.

Siddhartha Shah 

Sir, this capital equipment purchase should be done by this year end?

R. K. Agarwal 

Yeah, orders are already placed. Equipments have already started flowing in and they will continue to because I mean like what we started last year, last year also we did a CAPEX of about 100 Crore and this year also we will do it by more than 100 Crore.

Siddhartha Shah 

Okay. And what would be the CAPEX for the first half?

R. K. Agarwal 

First half, I do not have the readily figure. I do not have figure readily available with me. But I think it should be roughly about Rs. 40 Crore cash spent so far.

Siddhartha Shah 

Okay sir. And this joint venture that you are speaking about, would it be in the print business?

R. K. Agarwal 

Yeah.

Siddhartha Shah 

Okay sir, thank you very much.

Moderator 

Thank you very much sir. Next question comes from Mr. Krishnan of Ambit Capital. Over to you sir.

Krishnan 

Yeah, hi. I had two questions. One was about the newsprint cost. I think that got answered a little while back. The second question I have is about the ad rate hikes, I mean in terms of the ad rates, I mean in the recent past, have you taken any hike and if so, to what extent?

R. K. Agarwal 

No, in the past we have not taken.

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Krishnan 


Okay, so which means effective of the festive season, you might?

R. K. Agarwal 

No, we will normally do it once in a year.

Krishnan 

Okay, so that once in a year has already happened?

R. K. Agarwal 

Yes. We have taken last increase in March 2007.

Krishnan 

Okay, fine thanks.

Moderator 

Thank you very much sir. Next in line, we have Mr. Shah of Alchemy Shares and Stock Brokers. Over to you sir.

Yasmin 

Hi sir, this is Yasmin here. I had a couple of questions. First on your out of home, I think you had a very robust revenue target from out of home and you have just done 11 Crores against 12.5 Crores sequentially. Is there a reason for the slowdown?

R. K. Agarwal 

Come again, I did not understand your point.

Yasmin 


Sir, earlier, you were targeting big revenues to come in from out of home for this year.

R. K. Agarwal 

That is what we are doing because we targeted revenue of about Rs. 45 Crore for the current year. We have already done 20. So we are very much in line with our expectations.

Yasmin 


And I did not get your answer toward the fact that out of home has broken even this quarter?

R. K. Agarwal 

No, not yet, that is where we are lagging behind. But we will continue to expect to see the breakeven may be this quarter or next quarter.

Yasmin 

Okay. And sir, you said domestic newsprint prices were down by 5%.

R. K. Agarwal 

Yeah.



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Yasmin 

And international – down around 10%, and what is your consumption mix for domestic to import?

R. K. Agarwal 

Do not you think this is too much of the detailing?

Yasmin 

Sir, okay right sir, thank you.

Moderator 

Thank you very much ma'am. Next question comes from Mr. Brijesh of Networth Stock Broking. Over to you sir.

Brijesh 

Hello sir.

R. K. Agarwal 

Hello.

Brijesh 

Just two questions sir, one would be on the I Next and City Plus that we have launched. Sir, what kind of investment it would be like total investment?

R. K. Agarwal 

Total investment?

Brijesh 

Total investment to these brands.

R. K. Agarwal 

I Next and City Plus are completely different business models and they enjoy a lot of synergies within other brands in terms of the infrastructure, in terms of so many things. So I mean like if you ask me what exactly our expend on these two brands in promoting this circulation and all that is in fact not going to leave you anywhere because many of the investments which are being laid by the company on other brand are being laid keeping using requirements of these two brands. For example, I mean like we have decided to add machine in Kanpur, Lucknow wherever we have to launch I Next. That time if we did not have requirement of I Next we could have gone for lower capital cost. So now it is very difficult to identify what is exactly

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we have spent for the I Next.

Brijesh 

But on the marketing and admin cost, what kind of like additional cost it will be having?

R. K. Agarwal 

Pardon.

Brijesh 

If you talk about the marketing cost and admin cost like to promote these two things?

R. K. Agarwal 

I mean like both these brands require a lot of synergies within other brand. The whole purpose was not only to increase the share but to optimize the benefits from the existing infrastructure which includes marketing and everything. Yes, they also have their marketing needs but then they are depending lot on the existing marketing team of Jagran.

Brijesh 

Okay, fine sir.

R. K. Agarwal 

So that is where the economy came in. If you ask me I mean like we are incurring in a direct manner only a newsprint cost and printing cost apart from definitely I mean like I Next and City Plus both have editorial team so I mean like we are spending on a editorial and on newsprint and printing cost, that is it other revenues coming, just a marginal revenue which we are looking at.

Brijesh 

Right sir. Sir, one question on the newsprint cost, if you could mention. Sir, what is the ration of imported to domestic newsprint?

R. K. Agarwal 

Yeah I just you know told Yasmin do not get in too much of detailing. We used to share but then that has not been in fact the people I am not talking about you guys but the competitors and all you know featured it differently.

Brijesh 

Okay fine. Thank you very much sir.

Moderator 

Thank you very much sir. At this moment there are no further questions from the participants. I will like to handover the floor back to Mr. Vikash Mantri for final remarks.

Vikash Mantri 

Thank you everybody for participating in this conference call. Have a good day. Thank you.

Moderator 

Ladies and gentlemen thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you



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and have a nice day.

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VIKASH MANTRI

R. K. AGARWAL

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