



**INVESTORS/
ANALYSTS**
conference call

2008
OCTOBER



Jagran Prakashan
Q2 FY'09 Results Conference
October, 2008

Moderator 

Ladies and gentlemen, good morning and welcome to the Jagran Prakashan Conference Call Hosted by ICICI Securities Limited. As a reminder, for the duration of the conference, all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Vikash Mantri of ICICI Securities. Thank you and over to you Mr. Mantri.

Vikash Mantri 

Good morning everybody. We are delighted to host the Q2FY09 Conference Call for Jagran Prakashan. With us we have the senior management of the company, Mr. Sanjay Gupta, the CEO, and Mr. R. K. Aggarwal, the CFO with us. Over to you sir, for the opening remarks.

R. K. Aggarwal 

Good morning friends.

Sanjay Gupta 

Good morning everybody.

R. K. Aggarwal 

Welcome to the Conference Call of Jagran Prakashan Limited. I am sure that all of you had an opportunity to look at the financials and press release. And therefore, I would not like to waste your time by repeating what has already been stated. As you all are aware, macroeconomic conditions are not very encouraging for overall business environment and print media industry is no exception. However, despite all constraints, the Company has recorded an improved performance over the corresponding quarter of the previous year. The biggest concern of all now seems to be over as the prices of domestic newsprint have started falling, and it is expected that the prices of imported newsprint should also see a downward trend in next three to four months. The gains from drop in newsprint prices will be visible in current and next quarter, but not to the extent of drop in prices due to depreciation in rupee. On the front of advertisement revenue, the things are not as bad as perceived or as felt in the first quarter of the current fiscal. Amongst various negatives, there are a few positives too. The government has

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R. K. AGARWAL

SANJAY GUPTA

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increased DAVP rate by 24% with effect from 1st September 2008, the full effect of which will be felt in the second half, and the first half has witnessed a high growth of 24% in local advertising. This reaffirms our belief that in situation of economic downturn, local advertising is not as much affected as national advertising. In view of above and the fact that month of October is doing reasonably good, there is no reason to believe that the second half of the year would not be better than first half. These tough times have made the management have a re-look at the cost structure and take steps to keep the cost under control. As a result, we could minimize the impact of increasing newsprint prices and keep under control other costs. The impact of increase in newsprint prices was contained within 20% by buying the newsprint prudently and by controlling the consumption of imported material. In addition, impact of organic growth in circulation of Dainik Jagran was nullified by controlling the page level and wastage. Similarly, other expenses have also been kept under check. If we eliminate the exchange fluctuation of Rs.1.44 crores as against exchange fluctuation gain of 0.91 crores for the corresponding quarter of the previous year, increase in other expenses is around 12% only, despite launching seven new editions of i-next since September 2007 and is thus less than even inflation. Better funds management helped the company remain unaffected by increasing interest rates and reduce interest burden on the one hand and earn more on it's investments on the other hand. Yet, increase in employee's costs was somewhat higher than what one would have wished, but perhaps nothing much can be done about it given the shortage of good people in Media and Entertainment Industry. We may have to live with annual increase of 15% or so for some time. We now request you to have your questions, which we would endeavor to answer to your satisfaction. Thank you very much.

Moderator 

Thank you sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" then "2". Participants are requested to use handsets while asking a question. Participants are also requested to limit their questions to one per participant. Anyone who has a question may press "*" and "1" at this time. The first question is from Mr. Avnish Roy of Edelweiss. Please go ahead.

Avnish Roy 

Sir, wanted to understand in terms of ad revenue, you said from the local advertisement you have seen 24% increase in the revenues. So, how does local contribution change Y-O-Y, sir? Local versus corporate?

R. K. Aggarwal 

For first half?

Avnish Roy 

Yeah.

R. K. Aggarwal 


Local advertising contributed 62%, as against 38% by the national advertising.


Avnish Roy 


And what was the figure last year sir?





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R. K. Aggarwal 
It was 56% local, 44% national.


Avnish Roy 
Okay. And sir, DAVP contributes how much and being an election year in the next one year, obviously the government ads will increase significantly, so wanted to understand your sense in terms of increase in DAVP going forward and how much does it contribute currently sir?


R. K. Aggarwal 
DAVP rate increase definitely will benefit us to the extent of about 10 crores, but what you said about election, political ads will go up, but not the government ads.


Avnish Roy 
So what happens, just wanted to elaborate this. For example, PSU ads will just shoot up with the photo of the minister for example, so those kind of ads will definitely be routed through DAVP, right sir?


R. K. Aggarwal 
No, actually when these elections are announced, as it is government ads go down. It is the political ads which go up.

Avnish Roy 
Okay, so...

R. K. Aggarwal 
Those ads in any case come at commercial rates, not at DAVP rate.

Avnish Roy 
Okay. And sir, overall newsprint costs for us have increased just by 20%, so you have done a mix of different strategies, page levels, cutting down circulation may be in the exterior of the cities, and more domestic. So overall, my question is more on the number of pages per copy front, so how has that behaved overall sir?

R. K. Aggarwal 
Number of pages have been saved to the extent of about 5%.

Avnish Roy 
Okay. So that's more from the content part?

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R. K. Aggarwal 

We have not cut down circulation. Whatever organic growth was there...

Avnish Roy 

Yeah, so that's more from the content...?

R. K. Aggarwal 

That's what we can see.

Avnish Roy 

Have you cut more from the content part or is it also because some slowdown in advertising is there, so based on that also you needed to cut the number of pages per copy? Sir, just wanted to elaborate this further, this cutting of number of pages by say 5%, was it just cutting of the content part or there was some cutting of the ads also because slowdown of ads has been there?

Sanjay Gupta 

I am Sanjay speaking.

Avnish Roy 

Yeah.

Sanjay Gupta 

I will take this question. We have kind of rationalized the content. So, we have focused in areas, which are larger cities, we have continued to give the content its space. And in smaller cities, we have rationalized the content to a large extent, and this has resulted in a little saving and also the advertising on certain days goes down when we have been able to save some space. We also cut down on a few of the supplements, which were free supplements with the newspaper, so we managed to cut down one supplement, which has also resulted in this kind of saving.

Avnish Roy 

And sir how has advertising in i-next behaved till now?

R. K. Aggarwal 

i-next has been reasonably well.

Avnish Roy 

So, the same kind of growth we have seen in that, say 24%, 22% overall?

R. K. Aggarwal 

Comparison with the corresponding quarter will be misleading in case of i-next because in the last year we had just two editions, and now we have 7 editions, 9 editions rather.

Avnish Roy 


Okay. And sir, my last question will be on the JV with TV18 for the business paper, what exactly do we understand there, as in any timelines for that revival and what is...?



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R. K. Aggarwal 

Oh, it has not yet been decided. Time is not right to take decision on that. We will wait.

Avnish Roy 

Okay sir, thanks a lot sir.

Moderator 

Thank you Mr. Roy. The next question is from Pranika Jain of HDFC Securities. Please go ahead.

Pranika Jain 

Hi. This is Pranika. I have a question regarding, if you can just give a breakup about in terms of ad revenue circulation and other revenue, this quarter in comparison to other quarter? For the last year, same quarter?

R. K. Aggarwal 

Advertisement revenue for the current quarter was 143.6 crores as against 116.57 crores

Pranika Jain 

Okay.

R. K. Aggarwal 

And, circulation.

Pranika Jain 

Circulation? Yeah.

R. K. Aggarwal 

That also 47.18 crores, as against 46.27 crores.

Pranika Jain 

Okay. And sir, if you can just tell me what is the newsprint prices we are seeing both in domestic and international markets and how much of our newsprint we get from domestically and internationally? I mean, how much we import if you can just give a breakup of the same?

R. K. Aggarwal 

See, average costs for the first half was 28 rupees 66 paise per kg of newsprint for us. This was 25 rupees 52 paise for the corresponding half of the previous year.

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Pranika Jain 

Okay.

R. K. Aggarwal 


You don't link this to 20% because what I said was applicable to the quarter, not for the full half.

Pranika Jain 

Okay, and this is you are telling me about the first-half, right? Hello.

R. K. Aggarwal 


Hello.

Pranika Jain 

Yes sir. The prices you have just said is about, you are telling me about the first half?

R. K. Aggarwal 


Yes.

Pranika Jain 

Okay, but if you can just give me a rough break-up how much of our newsprint we get, we pick here from domestically and how much we import?

R. K. Aggarwal 

Imported consumption for the first half was about 20%

Pranika Jain 

Okay.

R. K. Aggarwal 

And 80% was domestic.

Pranika Jain 

Okay. And sir, we have done any ad rate hike in this financial year?

R. K. Aggarwal 

No. We did the increase only in the month of March last year.

Pranika Jain 

Okay, so no new ad rate hikes we have done this year. Okay, thanks a lot sir. This much question I have. If I have any other further questions, I will ask you.

Moderator 


Thank you Ms. Jain. The next question is from Mr. Amit Kumar of Kotak Securities. Please go ahead.


Amit Kumar 


Good morning sir. How are you doing?





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R. K. Aggarwal 
Good morning. Fine, thank you.


Amit Kumar 
Sir, I just wanted to know what is the debtors position of the company in terms of number of days?

R. K. Aggarwal 
About 78 days.


Amit Kumar 
About 78 days, so that's unchanged. And sir, I just wanted to know, we launched a very large number of editions. I mean, this quarter there was no new edition that we have launched, but in first quarter and I think fourth quarter FY08 as well, we launched some very big editions, some 5-6 editions in DJ and i-next also we expanded quite big. I just fail to understand that your SG&A or your other expenditure, it has quarter-on-quarter it has gone down by about a percent. So is it the case that, you know, we are not spending a fair bit on promoting those brands? I am just clarifying this point, that it should not be that the long-term health of the brand would be put at risk for short-term results.


R. K. Aggarwal 
Your concern is absolutely right and we are equally concerned with that, and first of all let me clarify you, I don't know how you are saying that the expenditure has gone down by 1%.

Amit Kumar 
Sir, quarter-on-quarter I am saying.

R. K. Aggarwal 
Quarter-on-quarter I am talking about. Our expenses have gone up by more than 15%, right.

Amit Kumar 
No sir, I think that is Y-on-Y which has gone up 15.

R. K. Aggarwal 
There is some mistake or misunderstanding.

Amit Kumar 
Okay sir.

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R. K. Aggarwal 

Right, number one. Number two, when you are talking about launching new editions of Dainik Jagran in the fourth quarter of the last year, last time also we explained that those were in fact split editions, we have not created any new printing facility for bringing out those five editions.

Amit Kumar 

Okay.

R. K. Aggarwal 

Or no additional print order was resulted in by launching those five editions. Those were simply split editions. Those were more focused editions. And as for as i-next is concerned, yes, till September 2008, we have launched seven new editions, which are doing very good and in fact in a short period of time only, i-next has become No. 2 newspaper after Dainik Jagran in Kanpur, Varanasi, and Patna.

Amit Kumar 

Kanpur, Varanasi, and Patna.

R. K. Aggarwal 

Patna.

Amit Kumar 

Sir...

R. K. Aggarwal 

Out of nine editions, what was the management's strategy accordingly i-next has already achieved.

Amit Kumar 

Sir, can you just give me the latest circulation figures for i-next as a whole?

R. K. Aggarwal 

i-next as a whole is over 3 lakh copies per day.

Amit Kumar 

3 lakh copies.

R. K. Aggarwal 

This was 45,000 in the first half of the last year.

Amit Kumar 

Okay. Fine, thank you so much sir.

Moderator 

Thank you Mr. Kumar. The next question is from Mr. Ankit Kedia of Centrum Broking. Please go ahead.

Ankit Kedia 

Yeah. So could you comment on how many editions are loss making currently and by what time



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could the out-of-home and the event business turnaround?

R. K. Aggarwal 

Last year there were about nine editions, which were making losses, now the number has come down to seven.

Ankit Kedia 

And sir, the quantum of loss?

R. K. Aggarwal 

I think it is too specific a question, let us avoid that.

Ankit Kedia 

Okay, and...

R. K. Aggarwal 

As far as outdoor and event management activities are concerned, event management was in profit in the very first year. Last year definitely they had some loss because volume of business was less. This year again they are expected to book profits. Up to September, yes, there was some loss in event management also. In the outdoor, we expect that by March, it should be cash positive.

Ankit Kedia 

Because revenue front on events and out-of-home if I look compared to Q1,,09, we have seen a small dip in the revenues, possibly due to seasonal effect, but do you think at the current environment....

R. K. Aggarwal 

No, I think there is again some confusion. As far as our other operating activities are concerned, which include outdoor and event namely, there is a jump of 9% in revenue as compared to the corresponding quarter of the last year.

Ankit Kedia 

Yeah, but sir, if I look at, sequentially Q1FY09 compared to Q2...

R. K. Aggarwal 

As I said Q2, you cannot compare with Q4. Everybody knows in media.

Ankit Kedia 

Sir with Q1...

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R. K. Aggarwal 

That is supposed to be one of the worst quarter in whole of the year.

Ankit Kedia 

Okay, and sir, going forward.

Ankit Kedia 

So, if I look at the current quarter Q3, how is the demand environment coming, are you seeing volume growth?

R. K. Aggarwal 

October will do best in outdoor industry in past two-and-a-half years.

Ankit Kedia 

Okay sir. Thank you sir.

Moderator 

Thank you Mr. Kedia. The next question is from Mr. Ritesh Doshi of First Global Securities. Please go ahead.

Ritesh Doshi 

Good morning sir. Sir, can you just provide this, how many outdoor properties are we having right now in operation? Hello.

R. K. Aggarwal 

I have not taken the numbers recently, but last month only we have acquired a few more very important properties, 53 bus shelters have been acquired in Mumbai where we have right for nine-and-a-half year, then we have almost concluded our negotiations with some Kanpur based local outdoor operator to acquire stake in their business. Apart from that, we have acquired a few properties in Hyderabad. We have won the tender for UPSRTC buses, 750 UPSRTC buses. We had just 400 buses, now they have gone up to 750, and that's a very good property, so I believe we should be having around 1500 properties as of now.

Ritesh Doshi Total? And, sir when you covered these revenues, what are the revenues from event management in '08 in this quarter and corresponding quarter last year?

R. K. Aggarwal 

Outdoor was 9 crores 54 lakhs this quarter. Last year it was 10 crores 40 lakhs.

Ritesh Doshi 

Okay.

R. K. Aggarwal 

Event management last year, it was 60 lakhs, now it is 3 crores.

Ritesh Doshi 

Okay. And sir, like in the newsprint prices, you said you are expecting to decline, so what is the quantum of decline you are expecting especially in the domestic part?



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R. K. Aggarwal 

On domestic front, I stated the prices have already fallen by about 7% to 8%.

Ritesh Doshi 

Which is starting to fall even more right now?

R. K. Aggarwal 

Domestic, I would not say they will fall very drastically from here. It might fall by another couple of percent you know.

Ritesh Doshi 

Right.

R. K. Aggarwal 

So, a 7% to 8% reduction itself is a very big relief to the industry and large consumers like us.

Ritesh Doshi 

And sir, what is the Capex plan going forward for FY09?

R. K. Aggarwal 

Pardon.

Ritesh Doshi 

What is the Capex you are expecting for FY09?

R. K. Aggarwal 

For this financial year, we had planned to spend about 150 crores, out of which we have already spent about, I think, 80 to 90 crores by 30th September.

Ritesh Doshi 

Okay.

R. K. Aggarwal 

Remaining will be done maybe not by 31st March, but by 30th June.

Ritesh Doshi 

Okay then. Sir, my last question like what is the -- how do you plan to fund like, what will be the debt part?

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R. K. Aggarwal 

As of now, we have only working capital and a small long-term debt of 6 crores, which we will be repaying in the month of March.

Ritesh Doshi 

Okay fine. Thank you very much.

Moderator 

Thank you Mr. Doshi. The next question is from Mr. Ritesh Poladia of Dolat Capital. Please go ahead.

Ritesh Poladia 

Good morning to all. Sir, first what is our share of DAVP ads as of now?

R. K. Aggarwal 

I did not get your question, can you repeat please?

Ritesh Poladia 

What is our current advertisement share from DAVP ads, that Government ads?

R. K. Aggarwal 

Government ads you are talking about.

Ritesh Poladia 

Yeah.

R. K. Aggarwal 

that is roughly about 10% to 15% of our total billing.

Ritesh Poladia 

Okay, and Sir, in the first half, which would the sectors would have performed well as well as bad?

R. K. Aggarwal 

This is again very detailed question. We can discuss sometime else.

Ritesh Poladia 

No problem Sir. Sir, in the previous call, you had mentioned that July month was about 35% growth in terms of advertisement, so this quarter of 24%, do we see some slowdown still ahead?

R. K. Aggarwal 

Again I did not get your question.

Ritesh Poladia 

Sir, in the previous call you had mentioned that July month had seen 35% growth rate.

R. K. Aggarwal 

Yes, you are absolutely right.



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Ritesh Poladia 

So in the balance two months, the growth rate must have come down because quarter growth rate is 24%.

R. K. Aggarwal 

Yes, you are absolutely right. First of all when I talked about 35%, it was on overall business that is local plus national.

Ritesh Poladia 

Okay.

R. K. Aggarwal 

And now what I am talking is 24% local, but what you said is absolutely right.

Ritesh Poladia 

Okay.

R. K. Aggarwal 

Whatever growth was there in the month of July, even that time I said, it cannot be sustained for August and September as well, because September, in particular is supposed to be very bad month as it is, because of Shraadh and all

Ritesh Poladia 

Okay.

R. K. Aggarwal 

So I mean like that momentum could not have been sustained for the whole of the quarter.

Ritesh Poladia 

Okay.

R. K. Aggarwal 

What I told you that time, July has done very well and therefore we expect to do better performance from the previous quarter.

Ritesh Poladia 

Definitely.

R. K. Aggarwal 

That we have done.

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R. K. AGARWAL

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Ritesh Poladia 

Definitely. And Sir, are you still maintaining 20% advertisement growth-rate guidance?

R. K. Aggarwal 

Yes.

Ritesh Poladia 

Okay. And when do you see the ground situation improve because you would be in touch with that just to get a sense?

R. K. Aggarwal 

Ground situation, as far as ground situation is concerned, let me tell you very frankly, it has not been affected as much.

Ritesh Poladia 

Okay, okay Sir. And Sir, just two small, what is our gross cash and debt on the books?

R. K. Aggarwal 

Debt, only working capital and a small long-term loan of 6 crores.

Ritesh Poladia 

Okay. And gross cash would be?

R. K. Aggarwal 

In the month of coming March cash figures could be in the range of about 50, 60 crores.

Ritesh Poladia 


Okay, yes. Thanks a lot Sir.

R. K. Aggarwal 

And as far as current cash is concerned, we have investment of about 120 crores.

Ritesh Poladia 

120 Crores. Okay, yeah, thanks a lot Sir.

Moderator 

Thank you Mr. Poladia. The next question is from Mr. Amit Kumar of Kotak Securities. Please go ahead.

Amit Kumar 

Yeah. Hello Sir, here again. Sir, I just wanted to have an understanding of, you know what is the outlook for the outdoor business, because, in a couple of cities you have, you know, couple of big cities, you know, Delhi, Bombay, and now I am hearing Chennai as well, you know the municipalities, the Governments have come out and kind of clampdown on outdoor in a big way. So you know, now our focus is more toward the Hindi heartland markets, do you see some impact there as well in general outlook on outdoor business?



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R. K. Aggarwal 

Let me clarify two things first. No.1, Chennai hoardings have been banned, but in Mumbai and Delhi, not yet, No. 2, we are not depending only on hoarding. We have hoardings, but then we have many other outdoor properties, like we have LED, we have street furniture, we have transit media. Though hoarding is there, but not that we are depending solely on hoarding.

Amit Kumar 

Okay. And Sir, what is the general outlook on outdoor, not in a short-term, but if we take lets say, 1 to 2-year kind of view, how do you see in outdoor media playing out versus a print or a radio especially in local markets?

R. K. Aggarwal 

Outdoor in India is just peanuts at the moment. It has to grow, it has to grow very significantly in times to come. Yes in short-term, like in the month of September, there was some demand problem, but going forward next 2 years, 3 years, or 4 years outdoor media is going to grow and grow only. But what is required is, one has to be making investment very sensibly, one does not have to go mad as far as investment is concerned. One should not go after the property, just to acquire them, ignoring completely the commercial sense.

Amit Kumar 

Hello. Hello.

R. K. Aggarwal 

Yeah.

Amit Kumar 

Yes Sir, thank you so much.

Moderator 

Thank you, Mr. Kumar. The next question is from Mr. Vinay Paharia of Lotus Mutual Funds. Please go ahead.

Vinay Paharia 

Good morning Sir.

R. K. Aggarwal 

Good morning.

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R. K. AGARWAL

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Vinay Paharia 

Sir, you said the newsprint prices are off by about 7% to 8%, so basically is that these 7% to 8% decline is over your average prices in second quarter?

R. K. Aggarwal 

No, no, no. These prices have fallen only from October and impact of that would be felt only in November.

Vinay Paharia 

Okay. So basically your, what was...

R. K. Aggarwal 

Hold on, hold on, 7% to 8% what I said was applicable or is applicable to domestic newsprint, not to imported newsprint.

Vinay Paharia 

Correct.

R. K. Aggarwal 

And therefore that 7% to 8% fall will not get reflected in our value of consumption, it will be only less than that.

Vinay Paharia 

Yeah, you have about 80%, you said in domestic, right?

R. K. Aggarwal 

Right.

Vinay Paharia 

So large part of that would be captured about 4%, 5% decline, right?

R. K. Aggarwal 

But then you have dollar appreciation.

Vinay Paharia 

Okay.

R. K. Aggarwal 

that also eats away gain.

Vinay Paharia 

For your imported newsprint?

R. K. Aggarwal 

Yes, which is what I said in the opening remark.



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Vinay Paharia 

Correct. Your average for first half 09 was Rs. 28.66 per kg newsprint, what was it for the second quarter?

R. K. Aggarwal 

For the second quarter?

Vinay Paharia 

Yeah.

R. K. Aggarwal 

I don't have it separately available. I think that's cumulative.

Vinay Paharia 

Okay, fine. In general in the industry have you seen, since you are a market leader, you are making decent profits, but your competitors won't be making in, so are you seeing any round of price hikes across industry in between the year after March?

R. K. Aggarwal 

In cover prices you are talking about?

Vinay Paharia 

No, not cover prices, the advertisement rate hikes, because cover prices any ways would not matter significantly.

R. K. Aggarwal 

Advertisement rate hike?

Vinay Paharia 

Yes. Hello.

R. K. Aggarwal 

Advertisement rate hike we take every year. This year also we will take.

Vinay Paharia 

Correct. No my question is that has the industry increased advertisement rates in mid of the year in response to these rising newsprint prices?

R. K. Aggarwal 

Yes, Hindustan has increased.


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R. K. AGARWAL


SANJAY GUPTA


VIKASH MANTRI


Vinay Paharia 
Right.


R. K. Aggarwal 
Times have increased.


Vinay Paharia 
Times have increased?


R. K. Aggarwal 
Yes.


Vinay Paharia 
And you have not increased.


R. K. Aggarwal 
We have not, because we have taken in March itself significant increase.


Vinay Paharia 
Okay, so basically everyone has increased, the timing is different but everyone has taken increase, is it correct?


R. K. Aggarwal 
Yes, you are right.

Vinay Paharia 
Okay. Sir, you also mentioned the local advertisement is showing buoyancy, is the figure correct, you said local is about 62% of total advertisement revenue?


R. K. Aggarwal 
Correct.

Vinay Paharia 
Okay. And this figure was.

R. K. Aggarwal 
For first half.


Vinay Paharia 
Correct and this figure was 59% in same period previous year?


R. K. Aggarwal 
No, no, no, I believe 56% or 57%.


Vinay Paharia 
56 or 57%. Okay. So this is one part, which should continue to grow, is it, you are seeing buoyancy even currently?





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R. K. Aggarwal 
This October is doing reasonably good.


Vinay Paharia 
And is there any big differential in terms of rates, you know, in terms of growth in rates that you charge higher rates, in terms of rate increases in local advertisements and lower increases in national advertisements?


R. K. Aggarwal 
Yield in case of local advertisement is bound to be better than what we get at national.


Vinay Paharia 
It's better, Okay. Okay Sir, thank you and wish you best of luck for the rest part of year.


R. K. Aggarwal 
Thank you very much.

Vinay Paharia 
Thank you.

Moderator 
Thank you Mr. Paharia. The next question is for Mr. Amit Purohit of Motilal Oswal Securities. Please go ahead.

Amit Purohit 
Yeah, good morning Sir. Thank you for giving the opportunity. Sorry, I logged in a bit late, so just want two things, one is what's your overall outlook on the advertising, that is this year's guidance, what are you estimating? And also wanted to understand something on the newsprint side, you said that it is declined by 7% to 8% in domestic market, so now are the newsprint prices not at all, I mean be coupled from the US newsprint prices?

R. K. Aggarwal 
As far as advertisement revenue is concerned

Amit Purohit 
Yeah.

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R. K. AGARWAL

SANJAY GUPTA

VIKASH MANTRI

R. K. Aggarwal 

We maintain our guideline of 20% increase year-on-year basis.

Amit Purohit 

Okay.

R. K. Aggarwal 

And as far as newsprint prices are concerned, yes 7% to 8% fall has taken place, but from here, we don't expect much to fall at least, you know, in this year.

Amit Purohit 

Okay. Okay. And, Sir, what would be our capital employed in OOH business?

R. K. Aggarwal 

About 50 crores.

Amit Purohit 

50 crores, okay. And, Sir, one more observation, I just wanted your confirmation on that, is that, is it correct to assume that in a recessionary or kind of a scenario to say, an advertiser is better off advertising in small pockets of resell markets rather than going for an overall national advertiser, advertisement. I mean, I would as an advertiser be better off if my focus market is say in Kanpur or Lucknow?

Sanjay Gupta 

I believe, this always works, not only in recession.

Amit Purohit 

Okay, okay, okay. Thank you Sir.

Moderator 

Thank you Mr. Purohit. The next question is from Mr. Ritwik Rai of MF Global. Please go ahead.

Ritwik Rai 

Good morning Sir, congratulations. Good results really. I was just thinking, you know, in terms of the cost rationalization that you have mentioned, specifically in terms of cutting down on contending smaller cities and also cutting down on supplements. So, now that, you know things are somewhat under grip with newsprint prices coming down. Like I just wanted to get an idea of how long you think you can carry on with this without damaging your kind of competitive position in these markets?

R. K. Aggarwal 

Let me clarify to you, what our CEO has just explained you, it does not mean that we have compromised on our market positioning. My competitors, if both competitors have done it to the extent of say 10%, we have done it to the extent of 5%.

Ritwik Rai 

Okay.



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R. K. Aggarwal 

We never meant that we compromised on our market positioning.

Ritwik Rai 

Okay.

R. K. Aggarwal 

What he said was, as far as up country sale is concerned, there he rationalized the page levels.

Ritwik Rai 

Yeah.

R. K. Aggarwal 

Right.

Ritwik Rai 

Yes.

R. K. Aggarwal 

He has already laid down a policy, he is an editor also, he has already laid down a policy that we can carry ads up to 40% and 60% contents have to be there.

Ritwik Rai 

Okay.

R. K. Aggarwal 

Earlier, we were operating, say, at 32% or 33% ad and 67% content.

Ritwik Rai 

Okay.

R. K. Aggarwal 

This year, we might have gone up to say 40%.

Ritwik Rai 

Okay. So, the added addition....?

R. K. Aggarwal 

So, I mean there is no question of compromising with the quality.

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R. K. AGGARWAL

SANJAY GUPTA

VIKASH MANTRI

Ritwik Rai 🗨

No. no, I wasn't mentioning that, I was saying in the sense of...

R. K. Aggarwal 🗨

As far as supplement is concerned, one has been dropped.

Ritwik Rai 🗨

Yes.

R. K. Aggarwal 🗨

And, when the things are in control, we might again think of adding that supplement, provided others also do.

Ritwik Rai 🗨

Okay.

R. K. Aggarwal 🗨

So under any circumstance, we wouldn't like to compromise with our market positioning or we wouldn't like to damage our brand.

Ritwik Rai 🗨

Yes.

R. K. Aggarwal 🗨

For a short-term gain of profit or loss, let me assure you that.

Ritwik Rai 🗨

Okay. And sir, like for further remaining half of the year, assuming that, you know, newsprint, domestic newsprint prices don't increase from these levels, what would you expect the effective change in your prices to be?

R. K. Aggarwal 🗨

See, this is very hypothetical question. It will all depend on the ground reality.

Ritwik Rai 🗨

Sir, I missed your previous numbers, you had mentioned some numbers on what prices you paid in this year and last year, if you could just repeat that, I mean that will help.

R. K. Aggarwal 🗨

You are talking about newsprint prices?

Ritwik Rai 🗨


Yes, sir.


R. K. Aggarwal 🗨


Newsprint prices average cost for first half was about 29 rupees per kg that is 28.66 rupees per kg.





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Ritwik Rai 
Yeah.


R. K. Aggarwal 
And what I think, it might go down to say 27 to 27.5 for the second half and in case imported prices also go down.


Ritwik Rai 
All right, sir. And that's it from me, thank you very much.


Moderator 
Thank you Mr. Rai. The next question is from Mr. Hitesh Shah of Citi. Please go ahead.


Hitesh Shah 
Congratulations on decent set of numbers, I just wanted to understand outlook on advertisement growth beyond FY,,09. Do we expect ad growth to accelerate in FY,,10 due to general elections, at least in the first half of FY,,10?

R. K. Aggarwal 
If you can guide me on future economy, I will also be able to guide you on ,,09 and ,,10.

Hitesh Shah 
Sure. Secondly, what I wanted to understand was, is it just the economy that would drive the ad growth for FY,,10 or would we have some positive impact from the general elections?

R. K. Aggarwal 
General elections at times might have an adverse impact on commercial advertisement and at the same time, we might have increase in government advertisement or political advertisement.

Hitesh Shah 
Sure.

R. K. Aggarwal 
To that extent, you know, I mean definitely, normally it has been felt that whenever elections happen, we get some benefit.

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R. K. AGARWAL

SANJAY GUPTA

VIKASH MANTRI

Hitesh Shah 

Sure.

R. K. Aggarwal 

And, it has been historically established that ad spend and growth in economy both go hand in hand. They have a perfect correlation, so factor of growth in economy cannot be ignored.

Hitesh Shah 

Sure, and in terms of cover price increase, have you taken some cover price in few pockets or few editions and then on an average basis, how much would it be YOI?

R. K. Aggarwal 

From 25th September, we have taken the increase in cover prices in Haryana, and for a day even in Jharkhand and Bihar.

Hitesh Shah 

So that was just a test cover price increase, not an continued cover price increase in Jharkhand and Bihar.

R. K. Aggarwal 

No, when I say, one day, one day in a week.

Hitesh Shah 


Oh, okay, all right.

Hitesh Shah 

Okay, sure. Thanks and all the best.

Moderator 


Thank you Mr. Shah. The next question is from Mr. Avnish Roy of Edelweiss. Please go ahead.

Avnish Roy 

Sir my question is on the Internet business. Now it's a fairly long time for the Yahoo! deal to really review. Earlier, we used to do it on our own and now we have tied up with Yahoo! so wanted to understand in terms of page views and in terms of the revenue, has it band according to expectations from the Internet business?

R. K. Aggarwal 

The deal with Yahoo! is not for a fairly long period of time. It started sometime only in the month of November or December, I believe.

Avnish Roy 


Yeah.


R. K. Aggarwal 


We completed the beta test in the month of November or December. So thereafter only, there was a full-fledged launch from January. And they started marketing only from March or April. Okay?




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Avnish Roy 
Yeah.


R. K. Aggarwal 
Now, as far as, page views are concerned, it has gone up to roughly about 50 million page views in a month.


Avnish Roy 
And what was the earlier figure, Sir?


R. K. Aggarwal 
It was about one-fifth.

Avnish Roy 
One-fifth...


R. K. Aggarwal 
Yes.


Avnish Roy 
Okay.

R. K. Aggarwal 
The revenues so far has not been very significant. More or less, they are doing the same, what we were doing when we had one-fifth of 50 million.

Avnish Roy 
And Sir, second, we dominate UP and Uttarakhand market, but we have taken some test cover price increase in markets like Jharkhand, Bihar, Haryana, so I wanted to understand the strategy, why not go ahead and take the price hike in cover price.

R. K. Aggarwal 
There was no test increase or as such.

Avnish Roy 
Yeah, one day you have taken, right.

R. K. Aggarwal 
This is something, which could have been absorbed. Rest of the places it could not have been absorbed, therefore we did not raise.

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R. K. AGARWAL

SANJAY GUPTA


VIKASH MANTRI

Avnish Roy 

Yeah, so I wanted just a bit more elaboration on that part, was the cover prices in these areas lesser than the UP and Uttarakhand market, sir?

R. K. Aggarwal 

No. In Bihar and Jharkhand, traditionally, they are better.

Avnish Roy 

Okay.

R. K. Aggarwal 


People from Bihar don't mind paying for newspaper. In Mumbai and Delhi, unfortunately they mind paying for newspaper.

Avnish Roy 

Correct. And sir, the last question was again on newsprint. You have said the 7 to 8% correction has happened from peak levels, but on a Y-O-Y basis, how does the newsprint prices compare, of this year versus H1 of last year with your average price.

R. K. Aggarwal 


As far as we are concerned, the impact was just 20%.

Avnish Roy 

20%.

R. K. Aggarwal 


In absolute terms if you compare, imported prices are about \$860, \$870 per tonne for us which used to be about 600 up till December.

Avnish Roy 

Okay.

R. K. Aggarwal 

You can very well imagine it was more than 40%.

Avnish Roy 

Okay, sir thanks a lot.

Moderator 

Thank you Mr. Roy. The next question is from Mr. Sahil Desai of Enam Securities. Please go ahead. Mr. Desai, please go ahead.

Sahil Desai 

Hello! Yeah, I just wanted to get a sense of the other operating income, that is showing in the results about 4.5 Crores. Just wanted to get a sense of what that is exactly?


R. K. Aggarwal 


It comprises of job charges, we do printing for others, MailToday, which has been published by




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India Today Group, is printed by us only in Delhi.


Sahil Desai 
Right.


R. K. Aggarwal 
So job work plus scrap and wastage, when I say scrap and wastage, means damaged newsprint etcetera.
Sahil Desai: Sure, Sir, and the other income, if you can give a sense of that also?


R. K. Aggarwal 
Just treasury income, basically.


Sahil Desai 
Okay, thank you sir.


Moderator 
Thank you Mr. Desai. The last question is from Ms. Jasmin Shah of Merrill Lynch. Please go ahead.


Jasmin Shah 
Hi, sir. My question potential of micro output in terms of you know, in regional markets we are seeing influx of players announcing TV channels and people going gung-ho entire regional media. How do you see that impacting regional players like you for print?

R. K. Aggarwal 
Can you repeat your question a bit more loudly?

Jasmin Shah 
Yeah.

R. K. Aggarwal 
Your voice was not clear, sorry.

Jasmin Shah 
Sorry. Sir what I am coming from is, we are seeing you know big players like Stars, and your TV18 Group announcing a regional foray for their channels be it, GEC or news.

R. K. Aggarwal 
Absolutely, I have understood now your question.

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R. K. AGARWAL

SANJAY GUPTA

VIKASH MANTRI

Jasmin Shah 

Yeah, how do you see that impacting print media and you know, company like

R. K. Aggarwal 

No, never. We have always maintained print cannot substitute electronic and vice versa. In fact, what we have felt, the advent of so many channels has really helped in the first half and electronic media has been one of the important advertisers for us in the first half.

Jasmin Shah 

Okay.

R. K. Aggarwal 

So, it has rather helped us.

Jasmin Shah 

Okay, because we were reading certain surveys and we met with a lot of people in the ad site and particularly in the regions like Maharashtra and all whereby what I understand is TV has taken share from print. Is that true?

R. K. Aggarwal 

Oh, I don't think that is true at least in our areas of operation. I can't say about Maharashtra.

Jasmin Shah 

Okay...

Jasmin Shah 

Okay. And sir, my last question is on the competitor scenario, we have seen a lot of aggression by HT in your key markets. So now with cost pressures being there for both the players, how do you see the scenario panning out, I mean, are you seeing some ease in that in that or you have some strategies to counter that?

Sanjay Gupta 

I am Sanjay speaking.

Jasmin Shah 

Yes.

Sanjay Gupta 

We always counter competition very effectively, this time also when Hindustan was active in Western UP, we countered them extremely effectively.

Jasmin Shah 

Okay, sir. Can you give us numbers in terms of what could be your share and their share?

Sanjay Gupta 

Their share is not even one-third, because they are new and they are only focussing on getting a small pie in the market now. They have never launched with their plan of getting No. 1 status in one go. It is not their game.



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Jasmin Shah 

No all I am coming from is, are you seeing some kind of a threat may be by a newspaper. I know they would take a couple of years to stabilize in the market and probably grow shares, but that would be a threat to a No. 1 player like you, so are you seeing any drop in your shares, what is, what I am asking.

Sanjay Gupta 

You don't see any advertising revenue share going down or circulation numbers.

Jasmin Shah 

Particularly in the UP market, I am talking.

Sanjay Gupta 

No, we don't see any kind of threats from them at all.

R. K. Aggarwal 

You see, their entry has made us still stronger.

Jasmin Shah 

Sorry.

R. K. Aggarwal 

Their entry into UP has made us still stronger.

Jasmin Shah 

Okay.

Sanjay Gupta 

I will tell you why, because once they came into our market to counter them we did extremely good marketing and even dropped our cover price, which has resulted in huge circulation increase for us, which we will monetize in the next year.

R. K. Aggarwal 

See the drop in cover prices has happened.

Jasmin Shah 

Yeah.

R. K. Aggarwal 

In 2007, itself.

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R. K. AGARWAL

SANJAY GUPTA

VIKASH MANTRI

Jasmin Shah 🗨

Okay.

R. K. Aggarwal 🗨

So, now it is nearly a year and after some drop in cover prices, aggressive marketing, our contents, all have an edge and we are clear No. 1, in cities like Meerut also, where Amar Ujala comes from.

Jasmin Shah 🗨

Okay. All right. Thank you.

R. K. Aggarwal 🗨

The competition has made us always stronger that is the history of Jagran.

Jasmin Shah 🗨

Right, sir. All the best to you. Thank you sir.

Moderator 🗨

Thank you Ms. Shah. Ladies and gentlemen, that is the last question of the day. I would now like to hand the conference over to Mr. Vikas Mantri. Thank you and over to you, sir.

Vikas Mantri 🗨

Thank you everybody for participating in the call. We would look forward to hosting the call again next quarter. Thank you.

R. K. Aggarwal 🗨

Thank you very much.

Moderator 🗨

Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this morning's conference call. Thank you for joining us and you may now disconnect your lines.

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