



INVESTORS/
ANALYSTS
conference call

2006
1 AUGUST



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

R. K. Aggarwal 

Gentlemen, I welcome you all to the conference call. I have requested Mr. Sanjay Gupta, CEO and Mr Shailesh Gupta, Director Marketing to also be present to answer your queries. I hope that you all must have gone through the Q1 results and we are happy to inform that we have lived up to your expectations as promised during the IPO. In fact, during this quarter, we had an overall growth of nearly 20% in top line as compared to the corresponding quarter of the previous year and in that, the main contributory was the advertisement revenue which grew by 21.47% and also there was a growth in circulation revenue to the tune of 8.13%. So apart from the growth in revenue in top line, if you remember, when we were discussing the last quarter results of the previous year, we shared with you that our management had initiated certain cost cutting measures and in the last quarter of the previous year, it had impact only for one and a half month or so, but as far as this quarter is concerned the impact was there for whole of the quarter resulting in the improved bottom line. Essentially, cost optimization and the growth in revenue were two main factors, which have gone into improving the bottom line by about 433%. With this briefing, I would request you to come up with your questions and we will try to address your concerns and satisfy your queries.

Moderator 

Thank you very much sir. We will now begin the Q&A interactive session. First in line, we have Mr. Atul Penkar from Birla Mutual Fund.

Atul Penkar 

Sir, we have about 28 editions, would you be able to share as to what are the editions, which are in investment mode and which are kind of stable issues.

R. K. Aggarwal 

Gentleman, we have 30 editions.

Atul Penkar 

Okay.

R. K. Aggarwal 

28, you are right because two were launched in the last quarter. In fact, the last one was launched on 1st July; that was in Siligudi our first edition in West Bengal. It is sort of a gateway to northeast and before this, through our associate company, we launched one more edition on 18 th April. So this is how we touch figure of 30 editions.

Investors/Analysts
Conference Call



R. K. AGARWAL


ATUL PENKAR

Atul Penkar 

Sir, you look at UP, you know we have strong presence in UP.

R. K. Aggarwal 

Yes.

Atul Penkar 

So, we have been in the UP market for quite sometime.

R. K. Aggarwal 

Yeah.

Atul Penkar 

My question was which are the editions, or perhaps you can quantify us to 10, 15, or 20 where you have been a recent entrant.

R. K. Aggarwal 

I have been

Atul Penkar 

Recent entrant.

R. K. Aggarwal 

Recent entrant.

Atul Penkar 

Yes

R. K. Aggarwal 

In UP.

Atul Penkar 

No, no which are the editions where you are recent entrant.

R. K. Aggarwal 

When you say recent entrant, I take it as within the past five years. We have launched as many as 15 editions including the last two, which is just mentioned. So, in the past five years or so, we forayed into Bihar, Punjab, Harayana, J&K, Himachal, and Jharkand.

Atul Penkar 


Okay and sir, will it be possible to share us to what are the kind of margins you get from say UP with these new editions.


R. K. Aggarwal 


You see, as margins depend on the age of an edition, it would be unfair to compare . if we go to a new state, then typically it takes four to five years for an edition to mature; rather when it is in position to break even. With the age, operating margins could exceed even 30%.




Jagran Prakashan
Investors/Analysts Conference Call
August 1, 2006


Atul Penkar 
Okay


R. K. Aggarwal 
But then, there are certain editions, which we have launched in the past five years or so, there we might have just broken even.


Atul Penkar 
Okay


R. K. Aggarwal 
So it just depends on the age of a particular edition not the state.


Atul Penkar 
And sir, can you touch upon what the kind of increase in ad rates you had in the last three years and what is the outlook and advertisement rates going forward.

R. K. Aggarwal 
For that I would request Mr. Shailesh director marketing to throw some light on this.


Shailesh Gupta 
Hi, this is Shailesh Gupta. The ad rates are divided into multiple rates, there are a few single editions rates, few multiple editions rate, and some all edition rates.

Atul Penkar 
Yes.

Shailesh Gupta 
They are divided into three parts but mostly we have been fluctuating between 10 to 15%.

Atul Penkar 
Per annum

Shailesh Gupta 
Yes.

Atul Penkar 
If you look at the all edition, display ads.


Investors/Analysts
Conference Call



R. K. AGARWAL
ATUL PENKAR

Shailesh Gupta 

See I would say about 9% to 10%.

Atul Penkar 

Okay.

R. K. Aggarwal 

He is talking about the overall impact of the rate increase, but in absolute if you talk about our all edition rates, they are increased from 1400 to 1800.

Atul Penkar 

Right 1400 to 1800.

Shailesh Gupta 

But you know you cannot just take that as the rate increase, because there are different components to it, as I just told you.

Atul Penkar 

Sure.

Shailesh Gupta 

For example, if somebody wants to advertise only in one single edition, there will be a different percentage of increase. If somebody wants to advertise in multiple editions, then we have different rate increase, and if somebody wants to advertise in all editions, there will be different rates.

Atul Penkar 

Sure sir. I appreciate that.

R. K. Aggarwal 

So the overall effect of these increases on the ad revenue, would be between 9 to 10 percent.

Atul Penkar 

Okay and so what is the share of local and national advertisements and how is the deal between these two.

Shailesh Gupta 

The one being done locally is about 55%.

Atul Penkar 

Okay.

Shailesh Gupta 

Nationally, it will be 45%.

Atul Penkar 

How are the yields in both these categories?



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

Shailesh Gupta 

Well in local advertisements the yield goes higher because you sell the editions separately and individually, like Kanpur will sell Kanpur, Lucknow will sell Lucknow, Delhi would sell Delhi, but if somebody wants to buy nationally all the three editions together, obviously on three rates put together we give certain discount, so eventually the yield is much higher, if we sell individually.

Atul Penkar 

Okay

Shailesh Gupta 

Ideally we are trying local more , last year 53 was local and 47 were national, which is now 55 and 45 respectively in the last quarter, that is in April to June quarter. Going forward we expect more revenue from local markets. Yes, we want to cut down our dependency on the national markets.

Atul Penkar 

Okay, so that the margins will be improved further.

Shailesh Gupta 

Yes.

Atul Penkar 

Okay and in terms of ad allocation by media also what is the trend towards Hindi newspapers?

Shailesh Gupta 

See, it is changing. The whole mindset was English oriented a j se karreeb panch-sath sal pehle, but now the whole mind set has changed and that is why you are seeing the language publications growing much faster not in sheer amount but in also the percentage

Atul Penkar 

Okay.

Shailesh Gupta 

Mostly it is English publication settled in the matured market, Hindi markets or the language markets are just getting to the maturity level, they have started getting mature because now, for example suppose Hyundai Sonata is to be advertised in Bombay, how many Sonatas actually can you sell in Bombay? They need to increase the numbers,


Investors/Analysts
Conference Call





R. K. AGARWAL


ATUL PENKAR


so where is the second market? The second market lies in north or where the language publications are present. So that is why the whole mind set about the language presence changes for the advertiser and the agents.


Atul Penkar 
Okay.

R. K. Aggarwal 
Let me share with you very interesting fact, which I analyzed while preparing management discussion and analysis on 05-06 accounts. To my surprise, Hindi is bagged about 80% of the total advertisements space what English press has published in the country.


Atul Penkar 
No I did not get it can you just repeat?


R. K. Aggarwal 
In terms of space Hindi , is getting about 80% of the total space what English press commands.

Atul Penkar 
Okay, but in terms of revenue.


R. K. Aggarwal 
In terms of revenue, Hindi press is about 25%.


Atul Penkar 
Do you expect this to change?


R. K. Aggarwal 
English is about 50% but as Mr. Shailesh has just said, if you compare what is very critical for an advertiser that is cost per thousand it has been increasing year after year for the advertisers and therefore our peers have started feeling pressures from the advertisers on the rate increases.

Atul Penkar 
Okay

R. K. Aggarwal 
which is where you know regional languages are benefiting.

Atul Penkar 
Right, sir last question from my side, what is the cash on books that you have and what is the capex spent for FY07.

R. K. Aggarwal 
Yes, as of now, we have orders worth about over 100 crores pending for execution by the suppliers.

Atul Penkar 
No, what are the orders.



Jagran Prakashan
Investors/Analysts Conference Call
August 1, 2006

R. K. Aggarwal 

Orders for capex, I mean the assets like printing machinery .

Atul Penkar 

Okay.

R. K. Aggarwal 

They are pending for execution by the suppliers and we are expecting to receive the machine by say December or so,, so that we complete all up gradation and modernization, by say March 2007, and marketing department is in position to take advantage of the increased capacity for next full year As far as the cash position is concerned, net cash position as of now should be in the range of about Rs 225 crores.

Atul Penkar 

This is after eating this Capex 100 crores.

R. K. Aggarwal 

No, I am saying about that now.

Atul Penkar 

Okay

R. K. Aggarwal 

When I say Rs 225 crore, I am having cash of Rs 300 crores less debt.

Atul Penkar 

Net cash.

R. K. Aggarwal 

Net position of Rs 225 crore.

Atul Penkar 

Okay

R. K. Aggarwal 

I have just given the approximate figures.

Atul Penkar 


Okay, and sir during this quarter, we have seen EBIDTA margin expanding to 25% from about 18% in previous quarter.


Investors/Analysts
Conference Call





R. K. AGARWAL


ATUL PENKAR


R. K. Aggarwal 
16% for previous quarter.


Atul Penkar 
Okay, whether this kind of margins are sustainable for going forward.


R. K. Aggarwal 
As I explained you in the beginning itself, if you talk of the most matured editions, right.


Atul Penkar 
Right.


R. K. Aggarwal 
Then in that case even you can expect operating margins even above 30%.

Atul Penkar 
Okay, so you mean to say that these margins are sustainable for going forward.


R. K. Aggarwal 
Yes, and with the passage of time more and more editions will mature and there would be better margins.


Atul Penkar 
Okay, thank you and all the best sir.


R. K. Aggarwal 
Thank you very much.


Moderator 
Thank you Mr. Penkar. Next we have Mr. Neeraj Dalal from Rare Enterprises over to you sir.

Neeraj Dalal 
Quick question sir, in terms of your raw material cost it comes to about between 45 to 55% of your sales

R. K. Aggarwal 
Yeah.

Neeraj Dalal 
If you can throw some light on it and split what is that the newsprint costs you, as you are aware of the actual cost of paper, if there is some strip available on that, it will be useful.

R. K. Aggarwal 
I could have provided you; unfortunately I am not carrying those figures.

Neeraj Dalal 
Okay



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

R. K. Aggarwal 

But just to tell you, 10% of the total material consumption you can assume cost of stores.

Neeraj Dalal 

Cost of the stores okay.

R. K. Aggarwal 

When I say stores, I mean chemicals plates so on so forth. Let me explain you, ink and stores both cost you approximately 20% of the news print cost. So, you can work out that way.

Neeraj Dalal 

Okay.

R. K. Aggarwal 

I hope you have understood.

Neeraj Dalal 

Okay, I got the first part

R. K. Aggarwal 

So it is 20% of the news print cost, so whatever material consumption is there it is 120, if you work it back then you will get the news print cost and remaining will be ink and stores which you can divide between the two.

Neeraj Dalal 

Okay, I understood sir. Thank you.

Moderator 

Thank you sir. Next we have the Ms Shalini Gupta from East India Securities over to you mam.

Shalini Gupta 

Sir, just a couple of questions about the year back in the prospectors you had mentioned that you know the ad revenues in Hindi is growing much faster at 40%.

R. K. Aggarwal 

Yes

Investors/Analysts
Conference Call



R. K. AGARWAL

ATUL PENKAR

Shalini Gupta 

Now would the figures be any different now.

R. K. Aggarwal 

You see, madam these figures were very latest one when we gave it in the prospectus. We have not done the analysis again, but as I was sharing with the gentleman, I looked at a space figure and I found now Hindi press is getting about 80% of the space what the English press was publishing that is all I can say at the moment but on those figures, I am yet to do the analysis.

Shalini Gupta 

Okay, so between say the time of the public issue to now, would you say that spend behind Hindi newspapers the growth itself may tapered off a bit or same tempo of growth.

R. K. Aggarwal 

Out of question.

Shalini Gupta 

Okay.

Shalini Gupta 

Sir, my second question was could you share the circulation figures, the latest circulation figure.

R. K. Aggarwal 

Unfortunately, ABC does not allow us to share the circulation figures and whatever are the last audited ABC certified figures that I will share. These were given in the prospectus as well, just wait for a month or so then ABC will be out for this period also. I can assure only one thing, our circulation is more or less intact,. In fact after taking increase in the cover price in the middle of Feb 2006, as it happens in any case, it happened in our case as well., We lost some circulation but the best part was we increased the cover prices, in most of the cases in line with our competitors, so they might have also lost. The difference between us and them continues to be the same and in fact by launching Indore edition, whatever little loss took place we compensated significantly.

Shalini Gupta 

Okay, sir my third question was that you have seen a substantial reduction in your raw material expenses. Sir could you give a sense of what has been the average price of newspaper per ton in this quarter versus say the fourth quarter and say the previous corresponding quarter previous years corresponding quarter.

R. K. Aggarwal 

Yes, I can give you some sense. In this quarter the newspaper was priced at about \$630 per ton, right and if I am not mistaken in the corresponding quarter of the last year, it was I believe 10% less.

Shalini Gupta 

Okay. Sir 630 would be roughly what you had in the fourth quarter also.


R. K. Aggarwal 


Yes, I mean like this is where the advantage of being a bulk supplier lies.





Jagran Prakashan
Investors/Analysts Conference Call
August 1, 2006


Shalini Gupta 
I am sorry.


R. K. Aggarwal 
This is where the advantage of being bulk consumer lies.

Shalini Gupta 
Okay and sir, you know there is a general view in the market in that newsprint prices have kind of peaked and from here on by say the second quarter or the third quarter they would even come off by 15%. Would you also share that view.


R. K. Aggarwal 
At least we account it for in our business model and we do not expect that because our view is at least up to December, it might keep on increasing and thereafter it might stop increasing. It would get stabilized.


Shalini Gupta 
Okay and sir my last question. For the last quarter that is the fourth quarter 06, color ad for you has grown by 70% plus. This quarter it's grown close to around 20 to 22%


Shalini Gupta 
Sir the color ads, I mean over the whole, over till last year, we where seeing a huge jump in color ads.

R. K. Aggarwal 
Yes

Shalini Gupta 
This quarter, I think the growth has come up substantially.

R. K. Aggarwal 
Yes.

Shalini Gupta 
Sir, going forward would it be fair to say that you know with the percentage for color to black and white would be more or less stable.

R. K. Aggarwal 
It would not be stable. Now we have capacity constraints for which we raised the money in IPOs, Color demand is on the increase. If you

Investors/Analysts
Conference Call



R. K. AGARWAL
ATUL PENKAR

are just comparing the percentages it could be misleading because earlier the base was small so percentages were higher, now the base is higher so it will not be as high. but if you compare the absolute figures the figure is much larger than you know what it was in the corresponding quarter in the last year.

Shalini Gupta 

Okay. Where is the color to black and white stabilizing? I mean would you say that it will be 50-50 or it will be completely color over 10-15 year periods.

R. K. Aggarwal 

Mr. Shailesh will explain this to you.

Shailesh Gupta 

Will you repeat the question please?

Shalini Gupta 

Sir my question is that right now color advts as the percentage of total would be around 28 to 30%. Now going forward, do we see color to be 60 to 70% of total or where do you see it is stabilizing.

Shailesh Gupta 

Well, the way color is going up I think lot of newspapers are increasing the capacity, color capacity and because of inventory going higher the premiums are coming down. But there still will be a premium, I would say that it will be 60:40 or 70:30 ratio 70 or 60% would be color and rest should be black.

Shalini Gupta 

Okay thanks sir.

Moderator 

Thank you Ms. Gupta. Next we have Mr. Prashant from Prudential ICICI. Over to you.

Prashant 

Few quick questions, this raw material expenses as a percentage of sales, it has actually fallen year on year. While you say that there is a 10% increase in newsprint prices. So how has that happened?

R. K. Aggarwal 

Yes, by optimization of imported indigenous mix of the newspaper.

Prashant 


Okay, so I mean you would say that newsprint prices for you has fallen.

R. K. Aggarwal 

On an average yes. if I work out the cost per kg of newsprint of the mix then definitely it has come down because last year if my average cost of consumption was Rs. 25.5 rupee and this quarter also it has remained to be Rs. 26.25 or something of that sort. There is only a marginal impact of the price increase, because we could reduce the consumption of imported t.



Jagran Prakashan
Investors/Analysts Conference Call
August 1, 2006

Prashant 

What will be the difference between imported and domestic, in terms, other than prices.

R. K. Aggarwal 

Other than prices.

Prashant 

I mean with the paper quality of imported newsprint is that.

R. K. Aggarwal 

It is definitely superior.

Prashant 

Okay.

R. K. Aggarwal 

The quality of the imported newsprint is definitely superior but you have substitutes available in the country, which we call the premium quality of the newsprint. this is not as good as the imported newsprint, but definitely it is not either bad.

Prashant 

So where do you source your newsprint from sir?

R. K. Aggarwal 

You want to know one particular source?

Prashant 

The suppliers.

R. K. Aggarwal 

We buy from Emami, which has a very good quality newspaper, and Rama and there are many suppliers now available in the country.

Prashant 

Okay and you say that it has actually increased only from Rs. 25.50 to Rs. 26.25 on an average.

R. K. Aggarwal 

Yes.

Investors/Analysts
Conference Call




R. K. AGARWAL

ATUL PENKAR

R. K. Aggarwal 


In fact if you compare this quarter with the corresponding quarter of the previous year the impact is just 4 to 5%.

Prashant 

Okay.

R. K. Aggarwal 

Not only this, there are efficiencies, which have been ensured, Which have resulted in reduction in newsprint cost. We have been able to cut down unsold and free copies because our CEO exercises very strict control over this aspect. As you know in the newspaper industry, we keep distributing a lot of free copies as well. So we controlled the free copies as well as exercised stricter control over unsold and as a result of that we could reduce our cost of newsprint by about 1.5% or so.

Prashant 

So 1 to 1.5% savings on account of unsold and free copies are coming down.

R. K. Aggarwal 

1.5%.

Prashant 

Okay 1.5%

R. K. Aggarwal 

So that way if you compare, about 50 to 60 paise, in fact I have been able to nullify by improving on my efficiencies

Prashant 

So now we compare like-to-like, actually got just to the increase of 1% or so year-on-year, but still your raw material cost is actually gone down while your sales has gone up .

R. K. Aggarwal 

In relation to revenue.

Prashant 

Yes

R. K. Aggarwal 

Are you talking about in relation to the total revenue?

Prashant 

Yes sir.

R. K. Aggarwal 

It would happen when revenue is increasing.

Prashant 

Okay where your subscription revenues would be, I mean if you compare last year subscription



Jagran Prakashan


Investors/Analysts Conference Call

August 1, 2006

revenues to this year subscription revenues or volumes have they increased.

R. K. Aggarwal 


See subscription revenue as compared to the corresponding quarter of the previous year has also gone up by about 8%.

Prashant 

Okay and volumes.

R. K. Aggarwal 

Volumes, again I have a constraint, unless and until I have ABC certified figures, I cannot get the exact figures, the last ABC certified figures are about 2.4 million, but I can assure when you see Jan to June and if you take into consideration the Indore launch, then you will find circulation more or less intact

Prashant 

So your circulation has actually gone up year-on-year, but again I will come back to my old question if your volumes have gone up how will the raw material cost go down when there has been at least 1% impact upwards.

R. K. Aggarwal 

Prashant please confirm to me if you are comparing the material cost in relation to total revenue. Because total revenue has a component of advertisement revenue.

Prashant 

Correct, no I am talking in absolute number, it has gone down from 56.17 to 52.2.

R. K. Aggarwal 

Yes That is mainly because you know I have optimized the imported and indigenous newsprint consumption. I have reduced my imported consumption that in the corresponding quarter of the previous year was in the range of about 46%, now it has come down to about 23 to 24% that is one part of it.

Prashant 

Okay but when you say the weighted average has gone down.

Investors/Analysts
Conference Call




R. K. AGARWAL

ATUL PENKAR

R. K. Aggarwal 


Again I will tell you, another thing is that we have had an increase in cover prices. Another important thing, another efficiency, which we have been able to enforce is, now we have started controlling the page levels that we call pagination, means number of pages per copy is strictly according to our editorial policy which provides for 40% advertisement and 60% editorial. So earlier we did not have mechanism in place to control it or monitor it that closely. So what was happening at times, you know we were publishing advertisement to extent of 30% and even then we were printing 20 pages or 22 pages unnecessarily. So now that has started getting monitored very, very closely.

Prashant 

Okay sir great. Sir one more question. You said that you have added two subscriptions last quarter. So can you elaborate a little on that what are those and what has been the response.

R. K. Aggarwal 

Yes, on 18 April we launched Indore edition that was through our associate company and the response has been tremendous. We have printing capacity; constraint We are now already printing about 1-lakh 10 thousand copies just within two to three month's time and they want more. So that is what the response from Indore was and from 1st July, we have launched Siliguri that is first edition in north east which is doing well, right.

Prashant 

Yes

R. K. Aggarwal 

Yes. We planned to have a PO of 20,000 because that is a smaller place and within one month only we have crossed that 20,000 figure. We are printing about 22,000 copies.

Prashant 

Sir, what would be a budget typically for us for a launch?

R. K. Aggarwal 

See for Siliguri, we had altogether first time a different model in which we did not put up our machines; we did not put up our printing facility there. We out sourced the printing. So, we did not have any CAPEX as such, right.

Prashant 

Yes

R. K. Aggarwal 

We also have a policy to launch an edition after testing the water, which we did by sending the copies from Bhagalpur. Here we were selling 6000 to 7000 copies. We tested the water, we increased the demand for the brand and thereafter we launched it there.

Prashant 

Okay



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

R. K. Aggarwal 

In Siliguri, we did not have to incur much of expense on this launch.

Prashant 

Okay and Indore edition.

R. K. Aggarwal 

Indore edition, yes, although the unit has been set up, this is one of the most modernized unit what we have and the total capex spent was about 15 crores. And launch expenses were also pretty good, If I remember correctly, it is not less than 2 crore rupees or so, if some body else had to launch this perhaps he would have spent may be 150% of what we spent that is where our strength lies. We need to spend much less than others.

Prashant 

Okay thank you sir. Congratulations at the end for the good numbers.

R. K. Aggarwal 

Thanks a lot.

Moderator 

Thank you very Mr. Prashant. Next we have Mr. Ritesh from KR Choksey, over to you sir.

Ritesh 

Good evening sir.

R. K. Aggarwal 

Good evening.

Ritesh 

It is like Jagran is working on magic. Sir, my question is what would be the revenue mix in terms of advertisement and circulation.

R. K. Aggarwal 

Revenue mix.

Ritesh 

No.

Investors/Analysts
Conference Call



R. K. AGARWAL


ATUL PENKAR

R. K. Aggarwal 

You are talking about this quarter, only advertisement revenue was about 90 crores and newsprint sale was 42 crores.

Ritesh 

Rs 42 crores.

R. K. Aggarwal 

Yeah. So, roughly advertisement revenue constituted about 66% of total revenue.

Ritesh 

Okay.

R. K. Aggarwal 

Roughly about 66%, of the total revenue was advertisement and roughly about 32% circulation.

Ritesh 

Okay. Sir, could we have some data like how much ad space you have sold.

R. K. Aggarwal 

Yes I would be able to provide that

Ritesh 

Yeah.

R. K. Aggarwal 

We have sold in terms of sq/cm, 20 million sq/cm, can you make out now what it would be?

Ritesh 

Okay. What would be the sale figure for preceding quarter in the last year?

R. K. Aggarwal 

You are asking me about what is the growth, I will tell you straight away , it is 6%.

Ritesh 

6% okay.

R. K. Aggarwal 

In the total space but most heartening was growth in the color space, which was over 22%.

Ritesh 

Okay, so our realization is getting increased mainly because of the color ad rates.

R. K. Aggarwal 

No, see my ad revenue growth was contributed by all the possible factors.

1. Increase in color ads.
2. Increase in the total space.



Jagran Prakashan
Investors/Analysts Conference Call
August 1, 2006

3. The increase in the ad tariff cost

There cannot be any other 4th factor.

Ritesh 

Definitely okay, sir but it is with continuing operation, can we see the raw material cost at the same level for the rest of the quarter?

R. K. Aggarwal 

No, that is something, which I cannot assume because depending on the market situations you know it can vary, but definitely not very drastically that much I can assure.

Ritesh 

Okay.

R. K. Aggarwal 

Always there is scope of varying it, give or take 4% this side or that side.

Ritesh 

Okay. Any additions to the launch rest of the year.

R. K. Aggarwal 

None this year, but we plan to launch a couple of them later but then if the competition demands we would not mind. Like Siliguri was never in our plan. But when we saw the opportunity, we saw not much of CAPEX would be required, rather no CAPEX is required, we went ahead with it. . So if we get this kind of opportunity we may go ahead.

Ritesh 

Okay.

R. K. Aggarwal 

We have not closed the option.

Ritesh 

Okay. Sir, how about the outdoor media business, how is it growing.

R. K. Aggarwal 

Oh, that is great. You are in Bombay ..

Investors/Analysts
Conference Call



R. K. AGARWAL
ATUL PENKAR

Ritesh 

Yes.

R. K. Aggarwal 

Have you seen my site?

Ritesh 

Definitely, I have seen many site but not much of the ads

R. K. Aggarwal 

Yeah. You must have sensed what kind of growth Jagran is aiming .

So, in fact the last quarter that is April to June was mainly dedicated to get the infrastructure in place. During this quarter, what we have done is, we have opened about 11 offices all over the country and I am talking about additional infrastructure as it has support of Jagran's existing infrastructure. We have taken people in our fold, about 39 to 40 people have come in our fold and apart from that what Mr. Inderjit Sen who is heading this has done is, he has acquired sites in Mumbai, Pune, Bangalore, and Delhi all important ones,

Ritesh 

Definitely.

R. K. Aggarwal 

All these acquisitions took place either later in June or late May. So now revenue would come only from the current quarter.

Ritesh 

Okay. How many sites would be that?

R. K. Aggarwal 

about 90 sites.

Ritesh 

Okay.

R. K. Aggarwal 

We have already taken 90 sites and if you look at the list of clients, name any brand, we have

Ritesh 

That I have seen and many brands are advertising on that.

R. K. Aggarwal 

We have Microsoft, we have ABN Amro, we have RPL, we have Pepsi, name any brand, we have every one of them, we have Shringar cinema and Rave.

Ritesh 


Okay that is all from my side, thanks a lot.



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

Moderator 

Thank you Mr Ritesh. Next we have Ms. Nelang Mehta from HSBC, over you sir.

Nelang Mehta 

Sir, just two questions. One is what kind of revenue growth and sustained EBIDTA margins you can expect over the year and second is sir we had a strategic investor in Independent Press who has taken some stake in the company, are there any strategic initiatives happening on that front and anything you like to share there sir?

R. K. Aggarwal 

First, I will address your first question. Your question is whether the growth is sustainable or not.

Nelang Mehta 

Yeah, the question is what is the revenue growth we can look for this year and what is the sustain margin sir for the whole year sir.

R. K. Aggarwal 

You see in medium term.

Nelang Mehta 

Yes sir.

R. K. Aggarwal 

In medium term, we do not have any reason to believe that the growth of 20% is not achievable.

R. K. Aggarwal 

Yeah, as far as the margins are concerned.

Nelang Mehta 

Yeah.

R. K. Aggarwal 

The margins should improve.

Nelang Mehta 

Okay.

Nelang Mehta 

But is it sustainable margins;

Investors/Analysts
Conference Call



R. K. AGARWAL

ATUL PENKAR

R. K. Aggarwal 

Sustainable margin, kindly do not make me comment anything on it.

Nelang Mehta 

Okay no problem sir and sir in terms of strategic initiatives with Independent Press.

R. K. Aggarwal 

Strategic initiatives out of home advertising, this is something in which we are getting lot of support from them because you might be knowing, there is a company called Clear channels a very widely known company world over, it is one of their group companies. So, we are getting assistance from them on that front and they are also providing our people an opportunity to have onsite training.

Nelang Mehta 

Okay. Thank you very much sir.

Moderator 

Thank you Mr. Mehta. Next we have Mr. Vinay Paharia from Chola Mutual Funds over to you sir.

Vinay Paharia 

Sir few questions on the new initiatives on the outdoor activity. As you said, it has been started and picked up pace in June this year and you have already signed up 90 sites. So what is the economics in terms of cost or the expenditure, which you have already incurred in hooking these sites?

R. K. Aggarwal 

I don't wish to comment on the margins, .

Vinay Paharia 

Right. In terms of cost?

R. K. Aggarwal 

Mr Sen has signed contracts worth about 12 to 13 crores rupees in June itself.

Vinay Paharia 

So Rs 13 crores has been spent on this activity.

R. K. Aggarwal 

No not spent, the sites are worth Rs 13 crore,

R. K. Aggarwal 

So, in the form of working capital, we have invested about 2 crores rupees up till June and July to September, we are expecting to invest another 10 to 12 crore rupees.

Vinay Paharia 

Okay primarily in paying the up front charges for the lease.



Jagran Prakashan

Investors/Analysts Conference Call

August 1, 2006

R. K. Aggarwal 

Yes. Because our management has given him a period of six months or so to show his performance and thereafter we can roll out CAPEX plan, which could be in form of spending money on LEDs, mobile van so on so forth.

Vinay Paharia 

Sir, these sites, the number of sites are they expected to increase going forward.

R. K. Aggarwal 

These sites will increase by September itself to at least 500.

Vinay Paharia 

Pardon, sir how much.

R. K. Aggarwal 

500.

Vinay Paharia 

500 okay almost 5 folds increase. Second question is sir, how much is the net cash position as of March 2006.

R. K. Aggarwal 

About Rs 225 crores.

Vinay Paharia 

Okay. Rs 225 crores. My third question would be on the rates increased, which you have effected what is the quantum of the ad rates which we have increased in this year.

R. K. Aggarwal 

this year we have increased all edition rates from 1400 to 1800.

Vinay Paharia 

1400 to 1800 rupees.

R. K. Aggarwal 

But then the overall impact, this is a very complicated. The exact, impact, cannot be worked out, but I estimate an overall impact of about 9 to 10% because of the increase.

Investors/Analysts
Conference Call



R. K. AGARWAL

ATUL PENKAR

Vinay Paharia 

Okay. So, this has been the increase in the current year. Okay and the overall 23 or 24% ad revenue growth, which we have seen in this first quarter. The overall ad revenue, which has, grown to about 20 to 25%. Two factors which you have already mentioned is one is increase in the volume, that is square centimeters, which has increased by 6%, the color area which has increased by 22%, and the third factor which you have mentioned is the rate increase.

R. K. Aggarwal 

That is right.

Vinay Paharia 

So how much relevant that factor would be in this current growth?

R. K. Aggarwal 

Which factor are you talking about?

Vinay Paharia 

Advertisement rate increase.

R. K. Aggarwal 

That is what I said 9 to 10% would be the overall impact.

Vinay Paharia 

Okay, this is the rates ad that which you have increased in the first quarters .

R. K. Aggarwal 

That is what I estimate.

Moderator 

Thank you very much sir. As this moment I would like to handover the floor back to Mr. R. K. Aggarwal for final remarks. Over to you sir.

R. K. Aggarwal 

Gentlemen, I hope we have been able to address all of your queries, and I once again thank you all and welcome you to send me the queries if any, I will be most glad to respond at the earliest possible.

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