



**INVESTORS/
ANALYSTS**
conference call

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Jagran Prakashan

Q3 Business Review Conference Call

February 1, 2007

Moderator 

Good evening ladies and gentlemen. Welcome to the Jagran Prakashan conference call. I would like to hand over the proceedings to Mr. R.K. Agarwal. Thank you and over to you sir.

R.K. Agarwal 

Welcome ladies and gentlemen. I am R.K. Agarwal and with me is Mr. Shailesh Gupta, Director, Marketing, and we will give you a brief review of the business in the current quarter. I am sure you have all seen the results.

The current quarter, i.e. the third quarter of the current fiscal, witnessed continued recovery of circulation lost in the first quarter, which happened after we implemented an increase in cover prices. Now, the present levels are more or less the same as what had existed prior to increasing the cover prices. We have further strengthened our position in terms of circulation in Punjab. Outdoor and event management activities have started gaining momentum. After launching two editions of City Plus in September, we have now launched two more editions of the publication during this quarter. In addition, we have also launched our second brand, I-next, which we talked about at the time of our IPO. This has been launched in Kanpur and Lucknow. We have plans to launch five more editions, of which we are planning to launch at least three more editions by the end of this current fiscal. There was also a bonus issue during the current quarter.

As far as pursuing the other objects of the IPO is concerned, during the current quarter, we have made a utilization of about Rs 41 crore of the IPO proceeds and there have been some advancement in monetising www.jagran.com, which is the largest Hindi news portal. We have also initiated steps to take our 7272 service to the next level and we have already got Mr. Rajiv Dhal on board with us for this purpose.

Now I will move over to the financial performance of the company. During the current quarter, in comparison with the corresponding quarter of the previous year, revenues have registered a growth of 29.79%, circulation revenue grew by 3.63%, advertisement revenue registered a growth of 28.53% and revenue from event management activity increased by over 250%. Comparison of revenue from outdoor activity with the corresponding quarter of the previous year might not be true as there was virtually no activity in the last year.

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R. K. AGARWAL
RICHARD D'SOUZA

Outdoor activity has given us revenue of about Rs 6 crore in the current quarter, and it is expected to do still better in the fourth quarter of current fiscal. As usual, growth in advertisements revenue continued and it was mainly driven by combination of increase in total space, particularly color space sold which increased by about 14%, as well as increase in advertisement rates. Growth in circulation revenue was mainly due to improved per copy realization as a result of increasing the cover price in Feb 2006. Event management and out-of-home advertising activities have picked up significantly in the current quarter, in line with our expectations. Now, we have over 700 sites in addition to advertising rights for Lucknow Railway Station. We are in the process of acquiring a few more sites and we expect to add about 100 sites in this quarter. With the sites already in possession and negotiated,, revenue for next fiscal is likely to be more than double of the revenue what we expect for the current year. For the current year, the expected revenue from outdoor business is about Rs 20 crore.

As against growth of 25.65% in revenues excluding other income, there is an increase of 20.38% in total expenditure, which is mainly attributed to the increase of 7.75% in raw material consumption, 25.37% in the staff cost, and 41.52% in other expenditure. The increase in commercial raw material is mainly on account of increase in prices and the staff cost increased due to annual increments, recruitment of employees for outdoor and event management activities and for the new brands, i.e. City Plus and I-next, both of which were launched in the last quarter. Increase in other expenditure is on account of commencement of these new activities, increase in prices of stores and chemical material, and direct outdoor and event management expenses. With this, I would invite you all to ask any question that you may have.

Moderator 

Thank you very much sir. We will now begin the Q&A interactive session. First in line we have Mr. Richard D'Souza from Four Dimension.

Richard D'Souza 

Good afternoon soon. Just a couple of questions. First thing I wanted to know is that what is the ratio of color ad space to black and white?

R.K. Agarwal 

At the moment, color is roughly about 35% of the total space.

Richard D'Souza 

Okay. That is throughout the week or particular days?

R.K. Agarwal 

I am stating average for the period of nine months of the current fiscal.

Richard D'Souza 

Okay. Second thing, I wanted to know what is the ratio between the ads to the editorial content?

R.K. Agarwal 

Our policy is editorial should be 60% and ad should be 40%, but presently I don't think we have more than 30% or 32% of ad.



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Richard D'Souza 

Okay. You said there was about 14% increase in the color space, this was as compared to the previous year?

R.K. Agarwal 

Yes. 14% growth in the color space was in relation to the corresponding quarter of the previous year.

Richard D'Souza 

Okay. Another thing sir, on your ad rates, last hike I think you had in February 2006?

R.K. Agarwal 

No, April.

Richard D'Souza 

April 2006 is it?

R.K. Agarwal 

We never do it in February, normally we do it in April.

Richard D'Souza 

Okay. So, this coming April also you may have another one?

R.K. Agarwal 

Yes. And for any question relating to that I would request our Director - Marketing, to respond.

Shailesh Gupta 

Hi, how are you?

Richard D'Souza 

Yes, fine sir.

Shailesh Gupta 

We will be increasing our rates some time in March or April.

Richard D'Souza 

And the last increase, which you did in April 2006, can you quantify what would be the average percentage?

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RICHARD D'SOUZA

Shailesh Gupta 

See, we increased the all-edition rates from Rs 1400 to Rs 1800 per column square centimeter. But that cannot be taken as an average. What we would say, the effective average increase would be in the range of about 10%.

Richard D'Souza 

Okay sir. That is it. I think I will come back later.

Moderator 

Thank you very much sir. Next in line, we have Mr. Ruchit Mehta from HSBC.

Ruchit Mehta 

Hi, good evening sir. Congratulations on the results.

R.K. Agarwal 

Good evening. Thank you very much.

Ruchit Mehta 

I just joined a little late. So, if you could just give a little breakup of your revenues in what were they in advertising, what were they from systems, and also from outdoor and the event management business.

R.K. Agarwal 

Yes, I can give you the breakup.

Ruchit Mehta 

Also give the same breakup for the nine months.

R.K. Agarwal 

Would you like to have it for nine months?

Ruchit Mehta 

This quarter as well as nine months, both.

R.K. Agarwal 

Advertisement revenue for three months of this quarter was Rs 103 crore and for nine months it was Rs 284 crore. Circulation revenue for three months was Rs 42.73 crore, and for nine months it was Rs 127.75 crore. Outdoor was Rs 6.12 crore for three months and for nine months it was Rs 10.70 crore.

Ruchit Mehta 

Event management business?

R.K. Agarwal 

Event management, for the last quarter it was Rs 2.19 crore and for nine months it was Rs 4.03 crore.



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Ruchit Mehta 

And sir, could you just give a sense of what the margins are in the outdoor business and the event management business?

R.K. Agarwal 

See, the margins for outdoor and event management vary from case to case. There is nothing fixed as such. Definitely, we have certain guidelines given to our teams and they operate within that only.

Ruchit Mehta 

Okay. And sir is it possible to get what kind of revenues City Plus had in this quarter?

R.K. Agarwal 

City Plus was launched mainly in the third quarter, I do not have a readily available exact figure of its revenues. It is a number game and as far as top line is concerned, it might not have contributed significantly in three months. Roughly, it was about Rs 50 lakhs. Also note that out of the four editions, some of them were launched in December only.

Ruchit Mehta 

You mentioned in your opening remarks somewhere that the newsprint costs have gone up. Could you give a sense of what is per copy cost if you take an average?

R.K. Agarwal 

See, let me clarify to you. I never said newsprint cost has gone up in the last quarter. I was just comparing the total cost with the corresponding quarter of the previous year. In comparison with that, it was more, but the third quarter has witnessed some fall in the newsprint prices. The full effect of this was not seen in the third quarter, essentially because we have first-in first-out method of inventory evaluation, so that whatever old stock was lying that was consumed more in third quarter. So, now the real impact of decline in newsprint prices would be felt only in the fourth quarter.

Ruchit Mehta 

Okay. And sir, can you sense what would be the newsprint cost per copy?

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R. K. AGARWAL

RICHARD D'SOUZA

R.K. Agarwal 

Newsprint cost per copy, I think this is too specific and in detail, We can talk one to one about it. .

Ruchit Mehta 

Okay. Thank you very much.

Moderator 

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

Abneesh Roy 

Good evening sir. Congratulations on your good numbers

R.K. Agarwal 

Good evening Abneesh. How are you?

Abneesh Roy 

Good sir. Sir, this is regarding Hindi advertising versus English advertising. We saw that Hindi advertising grew at 40% versus English at only 14%. That was 2005 versus 2004. Could you share the data regarding 2006, how Hindi has grown versus English, and what are the reasons behind the faster growth of Hindi advertising?

R. K. Aggarwal 

See, that fact still remains, but data are just to be out. These data are available for the period January to December not for our fiscal.

Abneesh Roy 

The first six months, the first nine months, you mean the data on that?

R. K. Aggarwal 

The agencies are not compiling those data as yet,

Abneesh Roy 

And sir, Hindustan has recently in the last two quarters launched some new editions in western U.P., and U.P. is your biggest market in terms of advertising revenue.

R. K. Aggarwal 

Yes, and they have also come to Kanpur which is still the most important market for us.

Abneesh Roy 

So, they are printing in western U.P. from their Noida facility. So they will have that advantage of low printing cost because of the same facility they are printing.

R. K. Aggarwal 

But they cannot be as close to the audience as we are. We are very much there in western U.P., we are very much there in Meerut. While they will have to bring the copies from Noida, we are there to print it and give to them at the earliest..



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Abneesh Roy 

So, they have not impacted you in terms of circulation revenue?

R. K. Aggarwal 

They have not, because they have different strategy all together, and wherever we are number one, they compete with our number two.

Abneesh Roy 

And sir, any fresh data on Punjab where Dainik Bhaskar had painted the pricing of Rs1, then you also had to lower your prices. What is the current scenario?

R. K. Aggarwal 

As a result of whatever competition that has taken place in the Punjab market in the past seven years, we have become number one first time in terms of circulation I, leaving even Punjab Kesari behind. We are selling roughly about 3 lakhs copies there now.

Abneesh Roy 

But it would be impacting your circulation within the U.P. definitely having loss in circulation in terms of, because per copy would be around Rs 4 or Rs 5, but it is only Rs1 which you are getting.

R. K. Aggarwal 

I did not understand your point.

Abneesh Roy 

Sir, per copy if you produce, you will have to incur around Rs 4 to Rs 5 as cost.

R. K. Aggarwal 

No, this is not the fact. I mean we do not incur so much, anyway.

Abneesh Roy 

But if you sell at Rs 1, isn't that hitting the bottom line?

R. K. Aggarwal 

Yes, that hits me. This is why you see third quarter at par with second quarter, otherwise it would have been much better.

Abneesh Roy 

Correct. So, this will impact even Q4 and may be even Q1 of FY08?

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R. K. Aggarwal 

unlike now, in Q4 or even Q1 of next year, it is not going to be major issue for us because after we implement the increase in the advertising tariff in April or March, as Mr. Shailesh has just indicated, then the impact would be marginalized.

Abneesh Roy 

Okay sir. Thank you.

Moderator 

Thank you very much sir. Next in line, we have Mr. Ritesh from Dolat Capital.

Ritesh 

Good evening sir. Congratulations on good numbers. Sir, our ad rates are about Rs 1400 per square centimeter.

R. K. Aggarwal 

That I said was for 2005-2006.

Ritesh 

Okay. This quarter we have advertisement revenue of about Rs 103 crore and our advertisement space is about 25 million square centimeters?

R. K. Aggarwal 

Yes, I think what you said is right.

Ritesh 

So, I guess there has to be some correction?

R. K. Aggarwal 

In what?

Ritesh 

This ad space of 25 million square centimeter, because then realization comes to about Rs 40 odd.

R. K. Aggarwal 

No, it is not that easy. Unlike, if you divide the gross value by the total square centimeters published by us, it would take you nowhere. Otherwise, you will get what you must be getting now i.e Rs 40 or something of that sort. When I said Rs 1400 or Rs 1800, it is for all editions. I had just simplified it to illustrate, but it never happens like that.

Ritesh 

So, per square centimeter, it is Rs 40 realization, but just to deviate, if I see a Deccan Chronicle recent QIP prospectus, the realization comes to about Rs 300 over there. So, is this the difference between English and Hindi?

R. K. Aggarwal 

No, it is definitely not and more to this would be added by Mr. Shailesh.



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Shailesh Gupta 

See, how it works in the advertising rate, there are different components. When we say 25 million square centimeter of space, that includes the classified, matrimonial, government advertising, real estate advertising and 25 million is of all the 30 editions put together, right?

Ritesh 

Yes.

Shailesh Gupta 

But if you are doing a single rate, there is a rate of Rs 100 for a matrimonial ad, which is Rs 100 has to be divided by all 30. So, when I say Rs 1800 and when you divide it by the column centimeter it is not coming correct because the rates which you have taken is 25 million square centimeter divided by the rate. It does not happen that way because they are of different rates, the government rate is only may be 15% or 20% of this.

Ritesh 

But sir this claim would hold true for Deccan Chronicle also, because even they would be having a different category of advertisement.

Shailesh Gupta 

No, they do, but the Central Government rates will be same depending on the circulation, but the state governments vary from state to state.

Ritesh 

Okay.

Ritesh 

Okay sir. I will send you that particular page from QIP placement.

R. K. Aggarwal 

You send it to me, you are welcome, but let me tell you on comparison of these rates, I do not know what parameters they have taken to come to those rates and what parameters you are taking in order to come to this rate. There are hundreds of permutations and combinations and in our case these are in fact may be more than 10,000 permutations and combinations for rates.

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Ritesh 

Okay, definitely sir.

R. K. Aggarwal 

I have 250 sub editions. Kanpur main edition, has 13 sub editions. Then, advertisement could be published in one single sub-edition only for Rs 100. Jagran's rate cannot be compared with the newspaper which has a circulation of six to seven lakh copies, and it has may be 30 to 40 sub editions.

Ritesh 

Definitely sir. Sir, one last question on Jagran.com. Any strategy for commercial exploitation?

R. K. Aggarwal 

There has been some advancement in that respect. We have already firmed up our strategy and we hope to start its implementation very soon, I mean in this quarter. You might hear something good about it in February itself.

Ritesh 

Okay. That would be absolutely fine, sir. Thank you very much.

Moderator 

Thank you very much sir. Next in line, we have Mr. Sahil Desai from Darashaw.

Sahil Desai 

Hi, good evening.

R. K. Aggarwal 

Good evening, Mr. Desai.

Sahil Desai 

I just wanted some information on your mobile VAS business? What kind of revenues are you getting currently, etc?

R. K. Aggarwal 

We have taken Mr. Rajeev Dhal on board for VAS business, who is quite experienced. And he has been entrusted the responsibility of taking it to next level. We have made it as a separate profit center and he is heading that profit center. So, now he is in the process of putting the things in line, and I think in the month of March it will take off.

Sahil Desai 

Okay. So, right now there is nothing in terms of revenues accruing to the company?

R. K. Aggarwal 

Revenue is accruing. We are already into it. We launched the service in March 2005 but Jagran's policy has always been to go slow initially. We first get the experience and then we go whole hog. So, now the right time has come for realizing the potential. Even without marketing anything, we could generate revenue of about Rs 10 million last year itself.



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Sahil Desai 

Sorry, how much?

R. K. Aggarwal 

Rs10 million, i.e. Rs 1 crore without making any real effort to market it. This gave us the confidence to fine-tune the service as well.

Sahil Desai 

So, this Rs 1 crore that you are saying, can you just give me an idea of how . . .

R. K. Aggarwal 

We have done billing I think up to December of about Rs 60 to Rs 70 lakhs

Sahil Desai 

Okay. I just wanted to know how the revenue is shared, for your value added services, for your short code, how much does the mobile operator pay you?

R. K. Aggarwal 

Mr. Desai, I do not think it would not be so easy to explain that. The reason is we have tie-up with so many operators

Sahil Desai 

Can you give me some average percentage?

R. K. Aggarwal 

It varies from case to case. We have aggressive plans for the 7272 for 2007-08 and we are expecting a good amount of revenue, not only in terms of the top line it is going to add, but also in terms of addition to the bottom line. That would definitely be an amount worth mentioning.

Sahil Desai 

Sure. Okay, is it possible for you to give me some sort of average percentage in terms of revenue sharing that you do across all operators? An indicative figure?

R. K. Aggarwal 

That is very very significant.

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RICHARD D'SOUZA

Sahil Desai 

All right. Thank you.

Moderator 

Thank you very much sir. Next in line, we have Mr. Dipen from First Global.

Dipen 

Good evening sir. Congratulations on your good set of numbers. First, I want to ask what is the increase in circulation numbers we have experienced in this quarter?

R. K. Aggarwal 

See, in the first quarter, we had lost circulation of 7%. We have already recovered about 4%. I mean we have recovered as much as we wished.

Dipen 

Okay. And what is the average newsprint cost per ton in this quarter?

R. K. Aggarwal 

In this quarter the average newsprint cost was roughly about Rs 27 per kg.

Dipen 

Okay, sir, in dollar terms per ton?

R. K. Aggarwal 

If you are talking about the prevailing purchase price, in the last quarter it was about \$600 and now it is \$570.

Dipen 

Sir, how are you expecting it going forward, in the coming quarter or two?

R. K. Aggarwal 

We feel that this \$570 should continue,

Dipen 

Okay. And why there is a significant increase in other expenditure and it is actually going on increasing quarter by quarter?

R. K. Aggarwal 

Other expenditure includes direct, event and outdoor expenses as well. So, out of whatever amount has been shown there, , about Rs 7 crore relate to only outdoor and event management activities. So, when these activities step up, these expenses are going to increase.

Dipen 

Okay. Then going forward in next quarter, how do you think this expenditure is still going to work?

R. K. Aggarwal 

See, I am not worried about expenditure. When we sell more, we will buy more. These are the direct expenses. These are the expenses, which are in nature of paying for the sites, which we



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have taken on hire and we have sold it to our clients. So, we are not worried about increase in these expenses so long as we are able to realize it from our customer.

Dipen 

Okay. So, I think in last quarter you have announced that they have already achieved breakeven.

R. K. Aggarwal 

While we were summing up September results, I mentioned they were expected to achieve the breakeven in the current quarter, that is October to December. , which they barely missed, .

Dipen 

Okay, sir, thank you.

Moderator 

Thank you very much sir. Next in line, we have Mr. Mollick from Prabhudas Leeladhar.

Mollick 

Hello sir, hi.

R. K. Aggarwal 

Hello.

Mollick 

I just wanted to know sir, you told that you charge Rs 1800 per square centimeter as advertisement rate. Can you tell me what could be the difference in advertisement rate in Hindi newspaper and English newspaper sir?

R. K. Aggarwal 

Mr. Shailesh will explain you all this.

Shailesh Gupta 

It solely depends from market to market. If it is Times of India, it could be probably two and half times more than ours, but in case of Deccan Chronicle, it could be lower than ours, or it could be a little higher. For Hindustan Times it could be of little more premium, but a smaller English paper as Hindu may be lesser than us. So, it all depends on the market and market scenario there.

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Mollick 

So, going forward with such a huge readership base, what is the outlook on advertisement rate? Like in percentage terms, how much it can go up, etc.

R. K. Aggarwal 

Well, it all depends, because the way Jagran ads are going up it will keep going up even more. Right now we can afford this because of our readership base and basically the rate is calculated on CPT basis which is cost per thousand and as far as your cost per thousand is under control, you should not have any problem in increasing the rates.

Mollick 

Okay. And sir, one more question. Looking at your past three quarters, you have taken a bit hit on EBITDA margin which has come down from 26% to 18%. Is it usually because of your selling and administrative expenses, which are going up significantly?

R. K. Aggarwal 

It is not administrative expenses. That is not the major reason. While discussing the first quarter results, we clearly mentioned that the raw material cost was pretty low because we had lost the circulation in the first quarter after resorting to increase in cover price. And going forward, as we expected, circulation started recovering because the cover prices started getting stabilized. So, when the circulation has increased in the quarter ended 30th September as well as quarter ended 31st December, the margins were to come down slightly and that is what has happened. Another reason is the expenditure on outdoor, which is at a fairly nascent stage. The same is expected to breakeven or give some profit in Q4 of this fiscal. So, with that activity turning into profit, the margins would automatically improve. .

Mollick 

Going forward we can have 20+ margins in next quarter, once we have . . .

R. K. Aggarwal 

I do not see any reason why we cannot.

Mollick 

Okay, sir. Thank you.

Moderator 

Thank you very much sir. Next in line, we have a followup question from Mr. Richard D'Souza of Four Dimensions.

R. K. Aggarwal 

Yes, Mr. D'Souza.

Richard D'Souza 

Sir, these are some questions regarding your readership figures. I saw somewhere on a September 2006 survey, that your readership was around 21.16 million, and your nearest competitor I think so had a readership of about 20.95 million.



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R. K. Aggarwal 

Yes.

Shailesh Gupta 

Is it NRS you are talking about?

Richard D'Souza 

Yes, NRS readership survey. So, I just wanted to know a couple of things here. What is the situation now?

R. K. Aggarwal 

It is the same way. But this is about NRS. However, now as the advertisers and everybody have started recognizing only one source of readership, that is IRS, so we have also started quoting those figures only. You find we are disclosing only using the IRS survey results now.

Richard D'Souza 

Okay. Another issue I just wanted to know, this is basically the ratio between your circulation figures and the readership figures, which is quite high for a newspaper. It may have something to do with the states in which you are present or to do with the . . .

Shailesh Gupta 

If you look at any regional newspaper readership vis-à-vis circulation, it is always higher than what you see in case of English newspaper. In the case of Hindi, it is typically taken as 7 to 8 per copy.

Richard D'Souza 

Okay. This do you think in the future, I mean as income levels go up, do you think it . . .

Shailesh Gupta 

It should go down.

Richard D'Souza 

It should go down, okay.

Shailesh Gupta 

Possibility is you know lot of facts before it happens.

Richard D'Souza 

Okay. Just one last question, this is on your cost structure. A

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R. K. AGARWAL

RICHARD D'SOUZA

preliminary look at your cost structure vis-à-vis your competitors, it reveals that there seems to be a lot of vertical integration in your entire manufacturing operation or your newspaper making operation. What is the management strategy going to be, is that going to continue over next few years or do you expect that to reduce?

R.K. Aggarwal 

See, as far as the vertical expansion is concerned, that phase is already over in the fiscal 2005-2006. Now, what we look for is wherever there is a need, we will have the edition, not otherwise. And now what is happening is like in the current year also, we have added three editions; one was in Indore in an associate company and another was in Siliguri, and one more in Amritsar. But now what will happen, if we keep adding one or two editions like what we have done in the current year. That is not going to impact us as significantly as when we were adding 10 editions or 12 editions in just two years time or three years time. This is because the base was small and we had more editions, which were not matured. So, if we were adding new editions, they were impacting us quite significantly. But now with the larger base, more and more editions maturing, even though we add a couple of editions every year, it is not going to impact us that much.

Richard D'Souza 

Okay sir. Sir, if I put this question in another way, while looking at your cost structure, what one feels is that you do a lot of printing of the editions in-house. Is there any plan to change that to outsourcing the printing work and all that?

R. K. Aggarwal 

That we did first time in Siliguri in the current year, when we went for HT model, and we outsourced it to some outside printer. What prompted us to go for this was that the print order was not very high in Siliguri, it was about 20,000 copies. So, there we could have depended on an outsider, but for crucial towns, crucial places, where we have significantly higher print order, we would like to do it ourselves, instead of depending on others because newspaper is a thing which has to be supplied on time, which has to be printed well. We have always maintained a standard in this regard, and would not compromise on it.

Richard D'Souza 

Okay. Just another question. This is regarding the recent talks regarding your INM to increase stake in Jagran Prakashan.

R. K. Aggarwal 

Independent wanted to increase its stake in Jagran Prakashan Limited, but SEBI rejected its application to do so without an open offer.

Richard D'Souza 

And sir, what about your plans to launch Independent, the facsimile edition?

R. K. Aggarwal 

There are certain administrative hitches(govt.) at the moment. Once these are resolved, we will print that.

Richard D'Souza 

Okay sir. Thank you and all the best.



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R. K. Aggarwal 

Thank you.

Moderator 

Thank you very much sir. Next in line, we have Mr. Karthik from Sunidhi.

Siddharth Karthik 

Hi, this is Siddharth Karthik calling. I have a couple of questions sir. Could you just tell me about the margins in the color advertisement and black and white advertisement?

R. K. Aggarwal 

The difference between color and black and white, is the difference between the cost of color and black ink that is all, which is very insignificant.

Siddharth Karthik 

No, no. I was just wondering about the operating margins in these two segments basically. We all know that the margins are high in color.

R. K. Aggarwal 

What we have to incur in case of color advertisement is some additional cost on account of ink. As far as the revenue is concerned, I mean there we have not less than 30% to 40% premium over the black and white and in some cases it is even more than 50%.

Siddharth Karthik 

Okay. And secondly sir, about this PBIT at Rs 34 crore in this quarter, if we exclude that other income of Rs 7 crore, could you be able to give the breakup between subscription and advertisement revenue?

R. K. Aggarwal 

Advertisement revenue Rs 103 crore.

Siddharth Karthik 

No, no. This is about top line. I am talking about EBITDA which is Rs 34 crore. So, could you be able to give us the breakup between what will be the EBITDA on account of subscription as well as on advertisement.

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RICHARD D'SOUZA

R. K. Aggarwal 

You see Mr. Karthik, in fact in the newspaper industry, we have minus EBITDA in case of subscription.

Siddharth Karthik 

Okay, thank you sir.

Moderator 

Thank you very much sir. Next in line, we have Mr. Dipen Mehta from Dipen Mehta Shares.

Dipen Mehta 

Sir, can you give me a breakup of this other income of Rs 7.60 crore?

R. K. Aggarwal 

Out of this Rs 7 crore odd, roughly about 70% should be on account of treasury income.

Dipen Mehta 

Treasury is 70%?

R. K. Aggarwal 

Yes.

Dipen Mehta 

Okay sir. And also you know, you said that now color advertising is accounting for 35% of the advertising spend. I want to know how high one can expect this to go?

R. K. Aggarwal 

As far as color advertising is concerned, 35% is color in terms of space and 65% is black and white in terms of space only, but as far as value is concerned, color should be contributing more than 45%, in terms of value.

Dipen Mehta 

How high can that go? When you say 25:75, that has been of course increasing every quarter.

R. K. Aggarwal 

See, we are increasing our color capacities because we have already exhausted whatever capacity we have. So, going forward next year itself, we expect this 35% to go up to say 40-42%. In fact, we lose color advertisement because we do not have printing capacity.

Dipen Mehta 

And sir the next question relates to the use of IPO funds to the tune of Rs 300 crore. Any thoughts on how you are going to use that money and on the other hand you say that you have constraints on color printing.

R. K. Aggarwal 

We have placed orders for machines worth over Rs 100 crore, some of those have already come in in the third quarter, but machines worth about Rs 60 crore or so are yet to be received. But we are quite hopeful that by June 2007, we would be completing this expansion. Another thing is that we



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had earmarked some money for joint ventures and acquisitions. There are talks, which are at an advanced stage and may be very soon, may be within this month only we will finalise some deal like that.

Dipen Mehta 

Sir, as I understand we more or less cover the entire Hindi belt either through our own edition or then it is sent by post or some other means. So, I mean just looking at two-three years down the road, in that number of editions could increase by how much, because at some stage you will reach saturation because almost every single city you would have or whatever town you would have covered.

R. K. Aggarwal 

See Mr. Mehta, expansion is not the only thing in absence of which we would feel saturated or something of that sort. We have 2 crore odd readers and still we have not monetized even 50% of those numbers, right.

Dipen Mehta 

What do you mean by monetized 50%?

R. K. Aggarwal 

See, when you look at Times of India readership number, they are having 80 lakhs readers. As against this they have more than Rs 1000 crore advertisement revenue. Why this is happening is because they are operating from those towns which are nearing saturation. Jagran is operating in those towns where in fact the things are improving. So, with the overall growth in these areas of operation, more and more of these numbers are going to get monetized. Secondly, we are aiming at maximizing our share in the existing markets. This we plan to achieve with the launch of I-next and City Plus.

Dipen Mehta 

Yes, I got the answer. And, you just mentioned earlier in the call that you are now going to be governed by the IRS. So, can you have the IRS numbers the latest available with you sir?

R. K. Aggarwal 

Yes, figure stated in the press release is the latest number, that is roughly about 1.81 crore.

Dipen Mehta 

Versus the nearest competitor?

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RICHARD D'SOUZA

R. K. Aggarwal 

That is Bhaskar, which has come down further. The distance has increased further in the survey. I think they are at 1.41 crore.

Dipen Mehta 

Fine. And do you think that 10% to 12% advertising increases over a sustained period of time are possible?

R. K. Aggarwal 

10% to 12% you are talking about advertisement rates?

Dipen Mehta 

Yes, advertisement rates

R. K. Aggarwal 

Yes, definitely. This year it could be still bigger.

Dipen Mehta 

And sir, what about the manpower? Because everybody is expanding within the industry. So, are you seeing any problems over there in terms of getting the right reporters and also the right news, on the editorial side?

R. K. Aggarwal 

We do not face as much problem as any smaller press will face because Jagran itself attracts editorial people. We already have sort of a nursery to produce these editorial talents. We have the Jagran Management Institute from which nearly 100 students are passing out every year. So, that is a very good and sound backup to us. As it is also, even when we did not have this management institute (which has been running for last two years), we never had any problem on account of editorial talent or human resources.

Dipen Mehta 

Thank you and all the best. I may have some questions, I will come back later.

R. K. Aggarwal 

Yes, please. Thank you very much.

Moderator 

Thank you very much sir. Next in line, we have Mr. Shishank from BBAV.

Shishank 

Sir, could you reveal the numbers with regards to cash on books and the total debt that you have right now?

R. K. Aggarwal 

Total debt is about Rs110 crore. And we have roughly about Rs 290 crore cash in books.

Shishank 

Rs 290 crore of cash?



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R. K. Aggarwal 

Yes, cash.

Shishank 

I see, okay. Thanks a lot sir. That would be all. Thank you.

Moderator 

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

Manish 

Hello. Sir, just wanted to check on the outdoor advertising. When we take up the sites, are we capitalizing the license rights for multi-year period of time?

R. K. Aggarwal 

We are charging it off to revenue, whatever rental we are paying every month, even though we have not sold it, they are lying vacant. Being a conservative accountant, we always write it off, the moment we find it has accrued.

Manish 

And typically how long are these contracts for?

R. K. Aggarwal 

They vary from one year to five years

Manish 

Okay, sir. That is all.

Moderator 

Thank you very much sir. Next in line, we have Ms. Yasmin Shah from Alchemy.

Yasmin Shah 

Hello sir. My question is basically on your editions. How many of them are loss making still? Of your total editions, how many have been loss making?

R. K. Aggarwal 

There are about 7 to 8 editions.

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Yasmin Shah 

Which are still loss making?

R. K. Aggarwal 

Yes.

Yasmin Shah 

And when do you expect them to breakeven?

R. K. Aggarwal 

See, as we always said, typically it takes three to four year's time, an edition to mature. Whatever editions are in loss at the moment, they are all those which were launched since 2003, except one. Out of these 7 to 8 editions, we expect at least 3 to 4 turning into profit in next year or so, and remaining 3 to 4 which were launched essentially last year or in the current year, they could take another 2 to 3 years

Yasmin Shah 

Okay. My next question pertains to your out-of-home revenue, what kind of competition you are foreseeing and what kind of growth are you foreseeing in the market per se, for out-of-home?

R. K. Aggarwal 

See for out-of-home, as of now the base is very small. For the current fiscal, we may be doing outdoor of Rs 20 crore. Next year, we have very very aggressive targets. In the next or two years or so, we have plans to take it to around Rs 100 crore. So we plan to reach a reasonable level by 2008-2009. Thereafter, we will definitely think about what should be the growth rate. At this juncture, we are very aggressive on this.

Yasmin Shah 

Okay. Once you start breaking even, what do you think are the sustainable margins in this business?

R. K. Aggarwal 

It should not be less than 15% to 20% at net profit level.

Yasmin Shah 

Okay. In smaller towns, a lot of people have got into radio business, I mean you have Adlabs coming in, and you have Radio Mirchi crawling to smaller towns. They are essentially talking of taking away market from the print media. So, how would we be tackling competition?

R. K. Aggarwal 

Let us wait and see because this is what they have to say and they are saying. Like, Radio Mirchi is so successful in Mumbai, has Times of India suffered any way? In Delhi as well, radio has been so popular, but Hindustan Times and TOI both are growing day by day, Jagran is growing day by day in Delhi, and more and more players are coming in Delhi as well. We are hearing about Times of India launching a tabloid, why would they do that if radio would be a threat to them. And then, look at the international scenario also. Radio could be new to India, but it is very old and very well accepted mode of media in Europe. Newspapers are still flourishing there. So, I do not think media like FM or TV or any other media, could be a threat to print, and that is what we at Jagran firmly



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believe.

Moderator 

Next in line we have a followup question from Mr. Richard D'Souza of Four Dimensions.

Richard D'Souza 

Sir, this question was just to understand your nature of business. I just wanted to know what events or what inflection point could be there you know where the ad rate difference between a Hindi newspaper and an English newspaper could narrow down?

Shailesh Gupta 

We are already bridging the gap. Earlier, the English newspapers used to be much more expensive than the Hindi newspapers or language newspapers. Hindi markets are maturing now and have actually covered the gap.

Richard D'Souza 

Are we talking of cover prices here or the ad rates?

R. K. Aggarwal 

He is talking about ad rates here. Cover price as it is have always been way ahead of English.

Richard D'Souza 

Okay, may be I will speak to you later on this topic. Thank you.

Moderator 

Thank you very much sir. Next we have a followup question from Mr. Dipen Mehta of Dipen Mehta Shares.

Dipen Mehta 

I just want to understand apart from Jagran, what are the other media businesses carried out in private companies of the group? Jagran of course is a listed company, but which are the other media businesses that are carried out privately by the promoters that are not there in this company?

Shailesh Gupta 

One is FM Radio, which is in one of the group companies. Our partners in print, the Independent, have also joined us. They have also taken a stake in FM Radio business as well. And apart from that

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promoters hold 46% stake in IBN7.

Dipen Mehta 

That is only two things, right?

R.K. Agarwal 

Yes, that is the only two things. Because everything else as far as media is concerned, is being done in listed company only, because we have portal for which we have already firmed up our strategy and it is going to be implemented soon. We have the short code service, out-of-home business, event management arm and we have print.

Dipen Mehta 

And sir, have you changed auditors recently?

R.K. Agarwal 

Yes, PW has come in.

Dipen Mehta 

Okay. They will be doing the audits for fiscal 2007 onwards.

Shailesh Gupta 

Yes. They have done a limited review for September and they are already on the job for December.

Dipen Mehta 

Any particular reason for change of auditors?

R.K. Agarwal 

This is something which we agreed to with our partners when they came-in in 2005. But now, we also felt the need for giving more confidence about the accounts and about the figures to the financial community, and hence thought of having an international accountant with us.

Dipen Mehta 

And sir, I know that they are the partners at this point of time, but can you give what is their value addition to us given that already we are the experts in this line, in fact, I would think that it could be the other way round.

R.K. Agarwal 

Yes, Mr. Dipen, you are absolutely right, as far as value addition is concerned. Definitely, they have provided some international exposure, like our team keeps going to their sites and have the onsite training. So, we have got to learn many of the good practices, best practices, without incurring any costs which otherwise would not have been available to us. Then, they keep providing us certain ideas that we adopt if we find it to be viable in the Indian context. So, there is a regular exchange of information. Also, there are certain other advantages out of their association. For example, we might start printing the facsimile edition of Independent. At any later date, supposing government permits to publish Independent from India, I think we will be the first in line. They have also made contribution to City Plus, which is a free-sheeter and being circulated at the moment from four suburbs of Delhi, and we have had quite a successful experience.



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Dipen Mehta 

I just want to know, FII cannot buy the shares, right?

R.K. Agarwal 

Yes, I think already there is a stake of about 25.5% being held by Independent plus other FIIs.

Dipen Mehta 

Okay, sir. Thank you.

Moderator 

Thank you very much sir. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. R.K. Agarwal for final remarks.

R.K. Agarwal 

Thank you very much for being with us and we hope that we are living up to the expectations of you all. Thank you very much.

Moderator 

Ladies and gentlemen, that concludes this conference call. Thank you for your participation.

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