



**INVESTORS/
ANALYSTS**
conference call

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Jagran Prakashan
Investors/Analysts Conference
February 01, 2010

Moderator 

Ladies and gentlemen, good morning and welcome to the Jagran Prakashan Q3 FY'10 Results Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vikash Mantri of ICICI Securities. Thank you and over to you, Sir.

Vikash Mantri 

Good morning everybody, we at ICICI Securities are pleased to host the Q3 FY 2010 conference call of Jagran Prakashan. We have the senior management of Jagran Prakashan with us Mr. Sanjay Gupta, the CEO and Mr. R.K. Aggarwal, the CFO of the company. Over to you, Sir.

R.K. Aggarwal 

Ladies and gentlemen, we welcome you to the conference call of JPL. Dear friends, the results for the quarter ended December 31, 2009 are on expected lines. The growth in topline of 10.58% was because of increase in advertisement and circulation revenues coupled with increase in revenues of event and outdoor businesses. In fact, both these businesses put together posted an impressive growth of over 28% during Q3.

The increase in net profit of over 150% as well as margins was on account of increase in advertisement revenues, lower newsprint prices, effective cost control and positive contribution from outdoor and event businesses in that order. The most pleasing is 8.50% growth in advertisement revenue, which is the highest amongst the listed peers. It was driven by the marketing strategies and potential in our market, which reaffirms our faith in tier 2, tier 3 towns and rural India. Our recent initiatives to unlock further the potential of these areas are expected to continue to give the company decent, sustainable growth in revenues in medium to long term.

Friends, another interesting and positive feature of the current year has so far been increasing advertisements from FMCG sector which had been shying away from print and going to electronic media for sometime. Our profits would have been still higher had there been larger savings in newsprint cost and if we had not offered discount schemes for newspaper sale in certain parts of UP to respond to the

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moves initiated by the competitors. Newsprint cost was lesser as compared to others not only because we managed our cost effectively in the corresponding quarter of the last year, but also because our newsprint cost in relation to total revenue was lower. If you recall, this is what helped us in minimizing the impact of last year's economic downturn most and this is what makes our business model comparatively less vulnerable to the newsprint price fluctuation.

We are also happy to inform that as per IRS 2009 round two survey, Dainik Jagran was once again declared to be the most read newspaper with total readership of over 54 million and we further strengthened our market position in Bihar, Jharkhand and Punjab while maintaining it in other states especially UP despite heavy discounting offers to the readers by the competitors.

Eight additions of I-Next out of nine were also covered by the survey reporting an impressive total readership of 19.57 lakhs. As far as Cityplus is concerned, it was further expanded with three more editions, one each in Navi Mumbai, Bangalore and Pune and the fourth edition has been just launched in January 2010 in Hyderabad taking the total number of editions to 21 and per-week circulation close to 4 lakh copies as against 3.3 lakh copies in Q2. Both I-Next and Cityplus in a short span of three years have started generating good revenues but they still have miles to go. The company's efforts to keep itself in readiness in Internet space at appropriate time have continued and it has successfully launched blogging platform in addition to videos and breaking news tickers, without incurring any substantial cost, on its news portal Jagran.yahoo.com, which, if you recall had already become number one website across all regional languages. Jagran.yahoo.com has more than 75 million page views per month and over 1.5 million unique users.

The company's balance sheet remains as strong as ever with gross cash of Rs. 250 Crores as against Rs. 238 Crores as at March 31, 2009 despite pay out of dividend and dividend tax over Rs. 140 Crores approximately since March 2009. This clearly shows the strong cash accruals. As far as borrowings are concerned, they remain more or less same although interest has come down by about 25%. With these opening remarks, I request you all to have your questions, which our CEO Mr. Sanjay Gupta and I will endeavor to answer to your satisfaction. Thank you very much for sparing your valuable time to attend the call.

Moderator 

Sure Sir. Thank you, very much. We will now begin with the question and answer session. At this time if you would like to ask your question you may press "*" and then "1" on your touchtone phone. Please use only handsets while asking a question. The first question comes from the line of Rishi Maheshwari from Enam AMC. Please go ahead.

Rishi Maheshwari 

You just mentioned the discount in newspapers were because of competitive actions. Isn't this very evident that this competitive action is going to get more competitive and do you intend do keep these discounts or are they likely to go away in the near future.

R. K. Agarwal 

No, we do not believe in discounting. This is unfortunate. The competitors have started discounting the cover price by offering discounts to readers but we cannot remain aloof to that. We will have to respond to the competitors.



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Rishi Maheshwari 

How do you view your market share in advertising pie in UP this quarter as against last quarter?

R. K. Agarwal 

Our share remains intact, in fact has been increasing, this is how we have posted higher than anybody else's growth.

Rishi Maheshwari 

I would rather take the comparisons with the recent listing of DB Corp who has shown quarter-on-quarter growth in other parts than UP of course, so I fail to understand how to reconcile when they have shown quarter-on-quarter growth we could not manage the same. Why do you think would that has happened?

R. K. Agarwal 

Quarter-on-quarter growth in our case gets affected by the festive season in our market and if you know this time, part of the festive season got preponed to the second quarter in which we registered a very robust growth.

Rishi Maheshwari 

Thank you and all the best.

Moderator 

Thank you Mr. Maheshwari. The next question comes from the line of Mr. Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy 

On the advertising front you said some of the segments like FMCG have bounced back which is not that print-media savvy. Will the FMCG trend continue in the coming quarters and could you give us some comments on the other major segments for your sector.

R. K. Agarwal 

Mr. Roy, we believe so and in fact our belief is that major share of the increase in advertisement from FMCG sector has come to us.

Abneesh Roy 

What was FMCG as a percentage?

R. K. Agarwal 

I do not have a figure readily available.

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Abneesh Roy 

What kind of outlook would you have for advertising industry?

R. K. Agarwal 

We remain very positive and as I mentioned in my opening remarks there are still areas, which are yet to be unlocked from advertisement revenue perspective and we have started a few initiatives, which will ensure a very good growth in times to come.

Abneesh Roy 

In your outdoor and events we see that growth is much ahead of the mainline print media, so what exactly is different, is outdoor doing better or is there some one off?

R.K. Aggarwal 

See these are the babies after all and had a smaller base, so it is basically on account of base effect.

Abneesh Roy 

What is your outlook on the newsprint?

R.K. Aggarwal 

Prices have started rising and they will rise and what we believe the average should be in the range of about \$575 for the financial year 2010-2011.

Abneesh Roy 

And in nine months?

R.K. Aggarwal 

There will be an impact on us between 10% and 15% in 2010-2011.

Abneesh Roy 

Okay sir thanks for taking my questions.

Moderator 

Thank you Mr. Roy. The next question comes from the line of Aditya Mathur from Citigroup. Please go ahead.

Aditya Mathur 

You had just mentioned about your outlook on newsprint cost. What was your average price for this quarter?

R.K. Aggarwal 

As I mentioned, the impact on us would be in the range of about 10% to 15% for whole of the next year.

Aditya Mathur 

So any ballpark number, what would be the average cost of newsprint?

R.K. Aggarwal 

Average cost of newsprint you know again dollar is fluctuating, so it is very difficult to indicate in



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terms of dollars, but then if you would assume it to be about 50, so the average cost for the current year would be in the range about \$510 dollars.

Aditya Mathur 

Is there any shift in your Indian versus international newsprint mix?

R.K. Aggarwal 

That management would take a call on when finalizing the business plan for the next year.

Aditya Mathur 

What is it currently, approximately?

R.K. Aggarwal 

Imported is about 20%. But then at the same time let me tell you when I say 80% indigenous, out of that at least 75% to 80% is quality indigenous, which we call premium quality.

Aditya Mathur 

What would be the discount between the domestic and the international newsprint prices?

R.K. Aggarwal 

2009-2010 is one very exceptional year, in which couple of qualities of indigenous newsprint were the more expensive than the imported ones, but that trend I do not think, would remain for the next year.

Aditya Mathur 

In terms of your advertisement outlook you posted about an 8% YOY, have we seen any increases in yields or ad rates or is this purely volume driven?

R.K. Aggarwal 

No, it is not volume driven. It was driven by increase in the colour space, which resulted in improvement in yield as well.

Aditya Mathur 

Right, thank you so much sir.

Moderator 

Thank you Mr. Mathur. The next question comes from the line of Ritesh Poladia from Dolat Capital. Please go ahead.

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Ritesh Poladia 

My question is on our 8.5% advertisement growth; would the volume growth will be higher than that?

R.K. Aggarwal 

No. This time as I just mentioned we benefited from better yields also because colour advertisement space increased significantly.

Ritesh Poladia 

But last year India faced some economic downturn, so is the 8.5% figure on the lower side?

R.K. Aggarwal 

If you compare it with others, it is still much higher.

Ritesh Poladia 

But broadcasting sectors get definitely YOY their figures are not very comparable, but their numbers were quite good, so is that the assumption that first broadcasting will revive and followed by...

R.K. Aggarwal 

No, there is nothing like that. We have already seen FMCG sectors, I just mentioned, coming back to print so there was nothing like that.

Ritesh Poladia 

Any rate hike?

R.K. Aggarwal 

Yes. It is going to be there. Every year sometime in the month of February or March that is what we would do this year as well.

Ritesh Poladia 

Thank you sir.

Moderator 

Thank you Mr. Poladia. The next question comes from the line of Ruchak Mehta from HSBC. Please go ahead.

Ruchak Mehta 

Just wanted to understand on the pricing impact that you mentioned because of competition. If you could elaborate a bit more, in which of these markets have you seen pricing pressure and how has that impacted circulation or your average per-copy realizations?

R.K. Aggarwal 

What I am going to say is my circulation revenue could have been at least 3% to 4% higher, in case the discounting had not happened.

Ruchak Mehta 

Was discounting there in place of a full quarter or was only part of the quarter? When did this



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actually commence?

R.K. Aggarwal 

See it was in UP and basically it was from the current quarter.

Ruchak Mehta 

The impact would have been there for the entire full quarter (ph)?

R.K. Aggarwal 

This is very difficult to say. We have so many editions. Somewhere, it might have started at the fag end of the second quarter, in some cases it might have started from middle of quarter so this is very difficult to say.

Ruchak Mehta 

Did you anticipate this sort of pressures to become more because some of your newer players or some of the peers have talked about entering into newer markets say Bihar or we have other markets like that, do you anticipate some more pressure on yields percent?

R.K. Aggarwal 

We do expect, but then it should be more than nullified by effective cost control and growth in the advertisement revenue.

Ruchak Mehta 

Just to get a slightly broader sense on your newsprint cost from the next year on because given where newsprint prices have rebounded to today, how do you look at newsprint cost going ahead and would you be able to maintain, the current level of gross margins are pretty high, almost 70 odd percent. Where would you see your ability to maintain gross margins in the next fiscal year?

R.K. Aggarwal 

For the current year and for the first nine months of our whole of the year, definitely we are going to have operating margins exceeding 30%, which is slightly impractical, but then at the same time I do not think that there is any doubt in maintaining it beyond 25%.

Ruchak Mehta 

Anywhere between 25% to 30% is what you would term it as a reasonable range of margins.

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R.K. Aggarwal 

Yes, for next year but later it will again reach near 30%.

Ruchak Mehta 

Finally on the balance sheet, I missed out the debt and the cash results.

R.K. Aggarwal 

We have gross cash of Rs.250 Crores as against Rs.238 Crores as of March 31, 2009 and you must bear in mind that since March 31, 2009 till date, we have distributed dividend and dividend tax worth over Rs.140 Crores.

Ruchak Mehta 

Your debt position would be?

R.K. Aggarwal 

139 Crores which is more or less same as of March 31, 2009.

Moderator 

Thank you Mr. Mehta. The next question comes from the line of Mr. Vikash Mantri. Sir you may please go ahead.

Vikash Mantri 

Sometime back we had talked about the intensity in Punjab reducing with the annual free paper schemes coming to an end. So, can you describe the ground scenario there and are we seeing any change in competitive intensity in that market.

R.K. Aggarwal 

Of course yes, but Sanjayji will explain it more in detail.

Sanjay Gupta 

Vikas let me tell you that the competitive activity that is supposed to come to an end is likely to happen by October this year, because the booking taken by the competitor is expiring between July and October, so any impact that we will see is probably in the next financial year.

Vikash Mantri 

How has the response been to our national edition of Delhi both in terms of subscription and advertisers?

Sanjay Gupta 

Advertising scenario has not really picked up, but let me tell you the national edition was a trial in terms of editorial experimentation. Notwithstanding that, the response has been good though I am working on a plan whereby to make it more reader effective.

R.K. Aggarwal 

As far as national edition advertisements are concerned let me tell you Vikash, our marketing team has not yet started selling that.



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Vikash Mantri 
Thanks Sir. That is all from my side.

Moderator 
Thank you Mr. Mantri. The next question comes from the line of Amit Ahire from Ambit Capital. Please go ahead.

Amit Ahire 
What's the circulation revenue for the current quarter as well as circulation numbers for Dainik Jagran, Cityplus and I-Next?

R.K. Aggarwal 
Circulation revenue for the current quarter is about Rs.54 Crores, number of copies sold is about 2.8 million Dainik Jagran; i-Next about 2.6 lakhs and Cityplus is about 4 lakhs.

Amit Ahire 
Thanks a lot Sir.

Moderator 
Thank you. The next question is a followup question from the line of Ruchak Mehta from HSBC. Please go ahead.

Ruchak Mehta 
In terms of advertising you mentioned that there was more of a mix towards colour in this quarter. What was the volume growth there and more importantly how do we see ad growth going ahead into the next, you said some sectors are starting to recover and so and so forth.

R.K. Aggarwal 
See right from the very first quarter, I have been maintaining that we would clock a growth of not less than 15% for whole of this year in advertisement venue, which is what I repeat now also, so clearly that indicates that the fourth quarter should be better than the third quarter.

Amit Ahire 
Next year would you look at advertising growth to be better than what we have seen today or you would anticipate it to be the same overall 15 odd percent.

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R.K. Aggarwal 

You guys monitor more closely; you should suggest us. As far as I am concerned it looks better.

Amit Ahire 

What is the kind of ad rate hike that you would be able to push through on an average basis, not on a rate cut basis, but effective basis?

R.K. Aggarwal 

Marketing department is still working on it, because it is too early to predict that and thereafter they will discuss with the CEO and decide what kind of rate hike would be there.

Amit Ahire 

On the outdoor and the events business what would be the operating level position right now, still break-even sort of mode or has it turned positive?

R.K. Aggarwal 

I have avoided mentioning that because outdoor, I am very pleased to say, has contributed positively in the bottom line although it was not very significant. This is why I did not mention about that. As far as event is concerned, event has contributed significant profit.

Amit Ahire 

On the EBITDA basis, what would be the sort of margins that these two businesses would be generating right now?

R.K. Aggarwal 

In case of event-management activity, the operating margins are always in the range of about 25%. In this quarter, it is not that much. As far as outdoor is concerned the margins are in the range of about 7% to 8%. It is going to improve only in times to come.

Amit Ahire 

Finally from an investment perspective, what is the total CapEx till now in the nine months and how do we see CapEx plan for the next one to two years?

R.K. Aggarwal 

That also we discussed at the time of second quarter and we were expecting about 40 Crores to be spent in the current year, although we had a plan to spend over Rs.100 Crores, part of it will get postponed to the next year.

Amit Ahire 

Okay. Thank you.

Moderator 

Thank you Mr. Mehta. The next question comes from the line of Swati Nangalia from IDFC SSKI. Please go ahead.

Bhushan 

What are our plans that advertising industry is now looking up? What is the new addition plan on new market entry that we are looking at?



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R.K. Aggarwal 

Yes, we are still working on a few inorganic growth plans and our CEO will throw light on that.

Sanjay Gupta 

Let me tell you that we have been exploring new markets for quite sometime now and I am very sure that some positive outcome, I will be able to share with you all, in the coming time. Things have moved quite a bit and we have seen some positive feedback and I am very sure that the company will be able to do some work in these new years in the financial year.

Bhushan 

The next question was coming on the same line that now we see that we are very strong in UP market, Hindustan which is very strong in Bihar in Jharkhand and you have Dainik Bhaskar which is strong in Madhya Pradesh and Rajasthan, so clearly we have created our own strongholds. The next growth level for each of us is entering into others market. I am not sure about your but at least by what Hindustan.....

R.K. Aggarwal 

Not necessarily. Very incorrect comparison. Let me tell you in fact (I am not talking about any other player but I am talking about ourselves) our organic growth is not yet fully captured, so we have already taken certain steps from January, which would unlock the potential of many more areas. Fact of the matter is that I am not depending on inorganic growth for attaining 15% or so growth year-on-year for the next three or four years. Inorganic growth we are looking at to ensure that kind of a growth or a still higher growth post three or four years from now, so it is not a compulsion that we have to rush into traffic as far as we are concerned.

Bhushan 

First step we are saying that we will be probably going for an inorganic acquisition or something.

R.K. Aggarwal 

No we did not mention that inorganic meant acquisition. What I mentioned was we are working on certain inorganic growth plans and that might include acquisition.

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Bhushan 

Do you think that Hindi belt print media would see some consolidation over the next two to three years?

R.K. Aggarwal 

I do not think.

Bhushan 

Okay. Thanks a lot Sir.

Moderator 

Thank you. The next question comes from the line of Ritwik Rai from MF Global. Please go ahead.

Ritwik Rai 

Two things, one in terms of circulation revenues going forward let us say two to three years how do you see it settling down, do you see it coming down significantly in terms of realization per copy?

R.K. Aggarwal 

My belief says no.

Ritwik Rai 

Why would that happen?

R.K. Aggarwal 

Because I believe within two/three years time whatever intensity of competition has been seen that will get settled and everybody will have to look at bottom line. They cannot, you know, this is something, which Jagran has never believed in, go on subsidizing the reader for whom you create the product and penalizing the advertiser.

Ritwik Rai 

Do you think that it is likely to stay here on an ongoing basis where they are right now.

R.K. Aggarwal 

What I said the competition is going to settle down in the next two to three years' time, may be you will see some volatility on per copy realization for the next couple of years, but thereafter it should settle down. Like take the example of Punjab, as our CEO just said, by October we see things getting settled down. In the current year, there has been increase in cover price in Punjab, first by Bhaskar and then by us.

Ritwik Rai 

The reason why I was asking you this year seemed to be a little different because of #1 the newsprint price increases and plus the advertising crunch so there was a kind of collusion in the industry.

R.K. Aggarwal 

See in current year definitely we also benefited from the fall in newsprint prices and effect to us was the least amongst all for the simple reason that last year also we did not get impacted as much



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as others were. We managed our newsprint cost beautifully.

Ritwik Rai 

In terms of your advertising and marketing expenses how do you see them moving forward considering that there would be competition and you would not be keen to cover prices fall, would one see that line move?

R.K. Aggarwal 

Cover prices are really driven by the market conditions. We will also not be any exception to that and moreover we would not like to sacrifice our share in the existing markets. What I said is whatever we would do on cover price in response to the competition that should get more than compensated by the growth in advertisement revenue and effective control over cost.

Ritwik Rai 

Your advertising and marketing expenses have hardly moved over the last couple of years, so can one expect that level of other expenses in the next say FY'11, FY'12 or would you see it going up significantly.

R.K. Aggarwal 

Looking at inflation number of 10% definitely you cannot expect year after year staying at that level.

Ritwik Rai 

Sure, but only to the extent of 10% or 15%.

R.K. Aggarwal 

Yes, I mean like 15% is on a higher side, but I look at within 10% definitely.

Ritwik Rai 

Alright Sir, thank you very much.

Moderator 

Thank you Mr. Rai. The next question is a followup question from line of Ritesh Poladia from Dolat Capital. Please go ahead.

Ritesh Poladia 

Any private treaty entered?

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R. K. AGARWAL

R.K. Aggarwal 

No we have not.

Ritesh Poladia 

And any revenue?

R.K. Aggarwal 

We have only one small private treaty worth 2.5 Crores and that too you know we did last year. In the current quarter I do not have readily available figure, but I do not think it should be more than 5 lakhs.

Ritesh Poladia 

Okay, Thank you.

Moderator 

Thank you Mr. Poladia. The next question comes from the line of Nirav Dalal from Capital Market. Please go ahead.

Nirav Dalal 

What will be the volume growth in the colour advertisement?

R.K. Aggarwal 

That is roughly about I think 15%.

Nirav Dalal 

What would be the split between the colour and black and white at the moment?

R.K. Aggarwal 

Colour now is over 45%.

Nirav Dalal 

How high can it go?

R.K. Aggarwal 

It can go up to 100% provided I have the capacity and we have been judiciously increasing the colour capacities according to the demand in the market and this is why we are able to command the premium, which is not the thing of today. Generally, if you ask anybody else they would say that they do not command any premium for colour, but we continue to command because our supply is limited.

Nirav Dalal 

Okay. Thanks a lot sir.

Moderator 

Thank you Mr. Dalal. Participants with questions may press "*" and "1." As there are no further questions, I would like to hand the floor back to the management for closing comments.



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R.K. Aggarwal 

Thank you very much for sparing your valuable time once again and we look forward your cooperation, support and guidance. Thank you so much everybody.

Sanjay Gupta 

Thank you everybody.

Moderator 

Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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