



**INVESTORS/
ANALYSTS**
conference call

2009
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Jagran Prakashan

Q4-FY-09 Results Conference

June 17, 2009

Moderator 

Ladies and gentlemen good morning and welcome to the Jagran Prakashan Q4 FY09 results conference call hosted by ICICI Securities Limited. As a reminder for the duration of this conference, 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. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Vikash Mantri from ICICI Securities, thank you and over to you sir.

Vikash Mantri 

Good morning everybody. I on behalf of ICICI Securities welcome you to the Q4 FY09 conference call. We have with us the senior management from Jagran represented by Sanjay Gupta, the CEO, and Mr. R.K. Agarwal, the CFO. Over to you sir for the remarks.

R.K. Agarwal 

Good morning friends. Welcome to the conference call of Jagran Prakashan Limited and I am really thankful for your sparing time for the call.

Friends, the company's performance was satisfactory if you see in the light of economic developments since November 2008 and unrealistic newsprint prices coupled with sharp depreciation in Rupee of over 27% between the two balance sheet dates. There was less than historical growth in top-line, there is no doubt, and drop in profit for the year, but most heartening is that the cash flow from operations remained pretty strong, registering a growth of over 26% as compared to the previous year.

The advertisement revenue growth is 10.6% but it does not virtually include any revenue from so common private treaty arrangements. If we had gone for various proposals which we received during the year, the growth would have been much higher. Let me clarify that we are not averse to private treaty arrangements, which is a good tool to bring in fold those who are not advertisers and therefore we shall be looking for these opportunities, but we will not be going overboard and we will be doing it with utmost care and within the pre-defined guidelines.

Profit for the year accounts for exchange fluctuation loss of Rs. 8.50

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R. K. AGARWAL

VIKAS MANTRI

Crores as against a gain of Rs. 1.75 Crores in the previous year. Profit also accounts for certain provisioning which perhaps a lesser conservative management could have avoided. Both these are included in Other Expenses, which you might have seen in the published results. But for these two alone, profit for the year would have been higher than the previous year. I would also like to point out that the measures taken by the management to control cost, particularly newsprint, have further helped checking the decline in profit which would have been much sharper, but for these measures. In fact, despite increase in circulation by nearly 11%, the increase in material consumption was only 12% or in other words, 44 Crores, as compared to the previous year. Out of this amount of Rs. 44 Crores, amount of nearly 40 Crore is only on account of increase in prices. This steep increase in circulation driven by Dainik Jagran as well as I-Next, was largely compensated by controlling pagination, wastage, efficiency in purchase and also the mix of the material. Let me add here, in fact, it did not affect in any way our circulation, and as I mentioned, the circulation increased by a robust 11%.

At the back of expectations from business friendly government at the centre, our outlook is pretty positive and advertisement revenue appears to be gaining some certainty. If the current trend is any indication, we are confident of achieving minimum 10% growth which before the beginning of the year we targeted at 5%, and improve our performance significantly during the financial year 2009-2010. There is another significant development, although post 31st March, i.e. Launch of our national daily which has, in real sense, the first of its kind in the country. In fact, we take pride in saying that no publisher has ever tried this kind of a product and during discussions when we come to that our CEO will explain more on this. With this I now request you to have your questions and answers. Thank you very much once again for your time.

Moderator 

Thank you sir. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on your touch tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy 

My first question is on the advertising front. Can you give us the split of print outdoor and event for Q4 as well as FY09 sir?

R.K. Agarwal 

In Q4, advertisement revenue grew by about 5%.

Abneesh 

Roy And sir absolute numbers?

R.K. Agarwal 

Absolute numbers, just wait for a second. In fact for the Q4 the absolute number was 131.46 Crores as against 124.33 Crores, growth of 5.74% to be exact.

Abneesh Roy 

Overall?



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R.K. Agarwal 
No, for the last quarter.

Abneesh Roy 
No, my question is breakup for print, OOH, and event?

R.K. Agarwal 
No, this is something which I am talking about print only.

Abneesh Roy 
Okay. And sir what has been the numbers on the OOH and event?

R.K. Agarwal 
Event, outdoor in the 4th Quarter posted a decline and event also posted a decline.

Abneesh Roy 
And sir any numbers you can share?

R.K. Agarwal 
Normally we do not.

Abneesh Roy 
Okay.

R.K. Agarwal 
because we do not have segment-wise reporting.

Abneesh Roy 
Sir coming to your print wherein you have recorded 5% growth which is good in the current circumstances, could you give us a break-up between same addition growth and what has been the component of say I-Next or the new launches, some flavor on that sir?

R.K. Agarwal 
See the existing additions posted a decent growth. Overall growth for the year was 10.61% and out of that at least 60% growth has come from the existing additions of Dainik Jagran and balance 40% has come in from I-Next.

Abneesh Roy 
Okay. Sir one concern lot of investors have is one of your competitor has become very aggressive in U.P., particularly some new markets

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like Allahabad, Kanpur, Merut, Agra. So these four markets, have we been impacted in any significant manner sir?

R.K. Agarwal 

Definitely not. And instead of commenting on this, I would advise everyone to look at the circulation numbers, what we have and what our competitors have, that would answer all the worries.

Abneesh Roy 

Okay. Coming to, sir, circulation front, we had accorded again very robust growth here 14%, so I had two questions on this. One is the state between the number of copies increase versus cover price increase. That split if you can share.

R.K. Agarwal 

See, 11% increase is in number of copies sold. 5.30% is increase in case of Dainik Jagran and remaining has been driven by I-Next and City Plus.

Abneesh Roy 

You are saying cover price increase would have been balance 3%?

R.K. Agarwal 

Cover price increase was taken sometime in the month of December and on overall basis the impact of this would be in the range of about 3%. You are absolutely right.

Abneesh Roy 

Okay. And sir lastly you talked about your national daily launch. My question is, is it for positioning front that you are the first daily again as in we have been always very strong on innovation, are we also looking at sizable revenue, say, three years down the line from this?

R.K. Agarwal 

I request our CEO to answer this question.

Sanjay Gupta 

On the national edition let me tell you that it is a showcase of our journalistic strength. We have consolidated all our best efforts together in a national daily and it is targeted towards the A1 segment of our readership. So I see a great future for this because the advertising, if you were to see in television, is not targeted towards A1 segment. And print is the only vehicle catering to the A1 segment of readers with focus. We would be building the base in State capitals and the National capital at Delhi, At the moment the national edition has been launched in Delhi and subsequently this will roll out in other state capitals. So I see a very robust future of this product in the next two to three years.

Abneesh Roy 

But sir for your Delhi reader, how do you position it, because for him it will be pretty confusing and there might be some cannibalization, so how do you really try to de-list that A1 SEC which you are talking about? How will you position it in something in terms of marketing if you can share?



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Sanjay Gupta 

It will be a marketing exercise for our circulation people that we will go and offer this product also with our existing daily. In so many places we have seen that people have taken both the dailies. If you have got a chance to see the product, this product is entirely different from what Dainik Jagran in say Delhi or a Lucknow would be. Because that has city news and this has the country news as well as the wider perspective of international events and sports and things like that. So it's a very different product and people have appreciated it a lot. A bit of cannibalization, if it happens, will really not make any difference because it will open new chapter for A1 advertising to come to us.

Abneesh Roy 

And such cover price you are keeping at parity right?

Sanjay Gupta 

No, at the moment it is at the same level as the normal Dainik Jagran but subsequently we will charge a small premium on this.

Abneesh Roy 

Okay sir thanks for taking my questions.

Moderator 

Thank you Mr. Roy. A request to all the participants in the question queue, please limit your questions to two per participant. The next question is from the line of Rishi Maheswari from Enam Asset Management. Please go ahead.

Rishi Maheswari 

I just wanted to understand what are the provisions made in this year and similar provisions made in last year's just again a like-to-like comparisons of the profits?

R.K. Agarwal 

See let me clarify, there are two - three provisions which we have made additionally during the current year, for example, provision for bad and doubtful debts. It amounted to Rs. 4.53 Crores last year. This is over 10 Crores. Virtually we have provided all those debts which are a year old. Frankly speaking, we do not consider them all bad or doubtful, but then being conservative, we thought let us provide all those debts which are a year old and have not moved for six months or so.

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Rishi Maheswari 

Okay.

R.K. Agarwal 

This is one provision. Another provision is we have made provision for certain claims under the Income Tax Act which have not been admitted by the Income Tax Authorities but we have been legally advised that we have lot of merit and therefore we have gone and appealed. But instead of having a note in form of contingent liability, we thought to make a provision in the books.

Rishi Maheswari 

Sir how much was that amount last year and this year?

R.K. Agarwal 

Amount I do not remember off-hand, but it was a good amount. And third thing is the exchange fluctuation relating to the long term liability that is in ECB which is outstanding in our books, that we provided for although we had an option not to account it for, as you know, and we could have deferred it, rather we could have capitalized it but instead of doing that we have debited to profit and loss account. In fact this exchange fluctuation has already got reversed in the month of April and May because the dollar has come down.

Rishi Maheswari 

Sir how much was the yearly amount attributed to the FOREX?

R.K. Agarwal 

8.5 Crores as I mentioned in my opening remarks was on account of exchange fluctuation and out of that I think, 6 Crores 18 lakhs was on account of long term liabilities which we could have capitalized.

Rishi Maheswari 

Okay. Can you also sir comment on what is the status of your inventory at this time?

R.K. Agarwal 

Inventory is slightly lower than what it was previous year.

Rishi Maheswari 

And what are the prices that you are looking at for this entire year?

R.K. Agarwal 

The current newsprint prices are very low which I do not think are realistic and two quarters hence you might see some jump in those prices, but one thing is for sure, they are not going to go to the levels of the previous year and not only this year, but even next to next year. Maybe for three years I do not see prices going up to those levels which we saw in the year 2008-2009.

Rishi Maheswari 

As a strategy, would we look at hoarding more of inventory at these levels?

R.K. Agarwal 

See we have never tried to play with the inventory and which is what has saved us last year which



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is what has resulted in some saving in the last quarter as well in the current quarter. So we do not play with the inventory because it has a lot of other implications. We did not accumulate too much of inventory, this is why we had a very strong cash flow.

Rishi Maheswari 

Alright. Thank you so much sir. All the best.

Moderator 

Thank you Mr. Maheswari. The next question is from the line of Yasmin Shah of Avendus. Please go ahead.

Yasmin Shah 

I have two questions. Firstly, can you just throw up some light on what were the ad revenues from, you know this was an election year, so kind of political ads?

R.K. Agarwal 

Yes political ads we get and that benefits also. In fact there is a benefit in the current quarter that is April to June, but then at the same time what one has to consider is when the elections are on, we lose normal government revenue. So net net impact would be in the range of about 7 to 8 Crores in the current quarter.

Yasmin Shah 

7 to 8 Crores of gains what you had?

R.K. Agarwal 

Yes.

Yasmin Shah 

Right. And sir I wanted to ask you, in your opening remarks you said the ad market has kind of stabilized.

R.K. Agarwal 

Yes.

Yasmin Shah 

Can you throw some pointers in terms of what makes you say that?

R.K. Agarwal 

I have already said. If the current trend continues, we are quite bullish to achieve minimum 10% growth in advertisement revenue.

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Yasmin Shah 

Can you throw some light on which sector you are seeing a pick-up?

R.K. Agarwal 

See we have seen pick-up in all categories. In the first quarter it is election and education which has always remained recession proof and what we have seen in past one month or so, white goods, financial services, have also started advertising, apart from mobile and automobile companies.

Yasmin Shah 

Okay. Sir pertaining to your newsprints, could you tell us what could be your exact price for the quarter?

R.K. Agarwal 

Exact price, I do not share because there are certain confidentialities involved in that. Let me assure you Jagran buys at the cheapest.

Yasmin Shah 

Right sir. In terms of percentage reduction year-on-year could you share something like that?

R.K. Agarwal 

As compared to the peak, if I have to say, imported newsprint prices have fallen by about 40%.

Yasmin Shah 

No, for you all in terms of your average?

R.K. Agarwal 

No that is what will indicate at what price I am buying.

Yasmin Shah 

Right sir. Thank you sir.

Moderator 

Thank you Ms. Shah. The next question is from the line of Anand Shah from Angel Broking. Please go ahead.

Anand Shah 

Sir, just wanted to ask one question, can you throw some light on OOH and event management business.

R.K. Agarwal 

OOH and event management have progressed well in the year 2008-2009 if you see in the light of the economic developments. Outdoor has been able to reduce its operating losses very significantly, that is over 30%. Event management was able to get some government contracts and that way it has enlarged its customer base. In fact, there was a growth of 50% in event management revenue as compared to the previous year and it was in profit.

Anand Shah 

Okay. So sir event management business is actually grown but OOH is declining?



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R.K. Agarwal 

OOH has not declined in real sense because they do lot of work for us also internally. If it was an independent company, they would have also recorded a growth of not less than 7% to 8%. This year they used to rationalize the sites and re-negotiate with the vendors, which is what has resulted in reduction in loss by over 30% and at the same time following our strategy to start focusing on our footprint area has also helped, and in times to come, you would see a complete turnaround in this business.

Anand Shah 

Okay. Sir this expected to breakeven when?

R.K. Agarwal 

Yes, but at the same time I am sorry to say that that is what we expected for the last year as well, but unfortunately due to unprecedented economic downturn we could not, but this year we should.

Anand Shah 

So this business should grow at 10% to 15% for say FY10?

R.K. Agarwal 

Let me explain you. In fact our model is entirely different from others. We are not looking for driving top-line alone. We are more interested in driving the bottom-line. So when you will start concentrating on our footprint area, there will not be much of top-line growth, thereby I am not suggesting that it will be less than 10%. In any case we are expecting more than 10% growth in top-line. So our focus as far as these businesses are concerned will not be top-line only, but more focus will be on the bottom-line.

Anand Shah 

Okay. And sir how many editions does the I-Next and City Plus have right now?

R.K. Agarwal 

I-Next has now nine editions. Two were launched in the last year, which were planned earlier and in fact we have pretty aggressive plan to expand it further. City Plus now has fourteen editions as at 31st March 2009. In fact, 2008-2009 saw City Plus going to even Pune and from Bangalore, we were already publishing. Whole strategy behind City Plus is to reach those places where Jagran cannot go and our

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CEO has already approved the expansion plan for City Plus which will be expanded aggressively in the current year.

Anand Shah 

Sir what kind of run rate in terms of advertising these would be doing per month, I-Next City Plus combined?

R.K. Agarwal 

See, I-Next this time has contributed 5% of the total advertisement revenue.

Anand Shah 

This quarter or the year you are saying?

R.K. Agarwal 

For the year, I am saying. That is about 2.5 Crores per month but City Plus since it has only fourteen editions, you cannot expect much because it is number game, it is weekly and unless and until you have sizable numbers it will not be meaning too much for Jagran's accounts and which, I believe, will happen by the close of this year when they will be having a roughly about 30 editions and thereafter next year they will be reaching roughly about 50 editions. Then it will start contributing. Say three to four years from now, we expect not less than Rs. 30 to 40 Crores revenue from this brand.

Anand Shah 

From City Plus itself?

R.K. Agarwal 

Yes.

Anand Shah 

Okay. And sir one last thing, this newsprint prices, your cost in absolute terms has gone down significantly in sequential terms. Is it possible to extrapolate it like this kind of run rate for the coming quarters?

R.K. Agarwal 

Yes.

Anand Shah 

Yeah, I mean sir then we will have a flattish newsprint cost by FY10 in absolute terms. Like you had 317 Crores say for this year very similar next year also, I guess.

R.K. Agarwal 

Yes at the most as you know because of potential in our area even though we do not push, growth of 5% or so is inevitable.

Anand Shah 

Right. And sir your circulation revenue for this quarter was how much?



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R.K. Agarwal 

For this quarter, the revenue was 52 Crores, a growth of 17.5% as compared to the corresponding quarter of the previous year.

Anand Shah 

And this reflects the price hike that you are telling?

R.K. Agarwal 

Yes. This price hike took place in the month of December.

Anand Shah 

Right. So this is the kind of run rate we can maintain in FY10 also.

R.K. Agarwal 

Yes.

Anand Shah 

Okay, thank you sir.

Moderator 

Thank you Mr. Shah. The next question is from the line of Arjun Khanna from Principal PNB Asset Management. Please go ahead.

Arjun Khanna 

In terms of new editions planned in Dainik Jagran, do you have any timetable for the next year?

R.K. Agarwal 

No we have plans. There I will request our CEO to answer the question. For Dainik Jagran we have plans but then he will explain you.

Sanjay Gupta 

Good morning. The plans for Dainik Jagran are essentially based on our national edition expansion. We could be opening a few more editions and focus more on our existing footprint area rather than going in for an extensive launch of our main mother brand of Dainik Jagran in other states. So that is our main focus on the expansion of Dainik Jagran.

Arjun Khanna 

If I could add in terms of a financial daily, I understand we have put it on the back burner, the joint venture with TV18.

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R.K. Agarwal 

Yes, it stands deferred and we are going to take a call about it sometime in the month of June when the Board is meeting, but given what has happened in the past year, after the launch of business newspaper in Hindi, I am not sure what is going to be decided by the Board in the forthcoming board meeting.

Arjun Khanna 

Sure. In terms of the Punjab region currently, is there any scope for taking a price hike in circulation?

R.K. Agarwal 

Again Mr. Sanjay will explain you.

Sanjay Gupta 

We are changing our strategy in Punjab from this financial year and we will see increase in circulation revenue in Punjab and the numbers will be more stable this time around, and I am very sure that we will maintain our circulation but also increase our circulation revenues over there.

Arjun Khanna 

If I understand correctly, we have other competitors in the market, would they be also raising their ticket price per newspaper.

Sanjay Gupta 

Pardon, I was unable to understand your question.

Arjun Khanna 

Would have competitors also in tandem increase rates?

R.K. Agarwal 

You are talking about Punjab alone?

Arjun Khanna 

Yes, Punjab itself.

Sanjay Gupta 

Yes, see I cannot say about the other competitors, but I am very sure looking into the financial position of all the newspaper groups, that we will be able to convince them as well and they will follow suit.

Arjun Khanna 

Sure. In terms of our joint venture with Yahoo have you seen any revenues till date?

R.K. Agarwal 

Oh yes. The revenue has increased appreciably, as compared to the previous year. Now for your information, let me share with you a few numbers which are very heartening. That is what gives us lot of confidence that in times to come this will be generating a very good revenue. We have already crossed 50 million page views per month and we have more than 1.3 million unique users. This has already become one of the biggest website in the world and very much comparable with



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many big sites within the country. In fact, it is already, number one, Hindi news portal in the world. So with these numbers I am pretty sure the revenue will follow.

Arjun Khanna 

Could you give us what it would be for the last year?

R.K. Agarwal 

See it is very insignificant, because let us not forget, we started this association with Yahoo only at the fag end of the last year. So revenue was about 5 million only, but then what you have to consider is practically we did not spend any cost also to earn that revenue.

Arjun Khanna 

True.

R.K. Agarwal 

So more important currently, more than generating revenue the management's focus is to get the readers an opportunity to access the content of newspaper on the net. And accordingly, in fact, we have launched WAP Jagran also, so that you can access the contents even while you are on move.

Arjun Khanna 

Sure. I just have a final question. In terms of private treaty you did mention you would do it with care and pre-defined guidelines, what would they be? What do you mean by pre-defined guidelines?

R.K. Agarwal 

See, we are not going to replace any cash client, number one. Number two we are not going to go overboard. In fact our management has decided that yearly revenue from private treaty arrangements, if it is a compelling opportunity, will not be more than 4-5%.

Arjun Khanna 

For overall revenues?

R.K. Agarwal 

For overall advertisement revenue.

Arjun Khanna 

Okay sure.

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R.K. Agarwal 

And then we also believe that evaluation of the proposal is not our expertise and if required, we will have it evaluated by professional or by the expert, because we are not the merchant bankers.

Arjun Khanna 

Sure. Just one last housekeeping question, what will be your cash position as on 31st.

R.K. Agarwal 

As on 31st March, the net cash position was roughly about 124 Crore which has significantly gone up to now 160-165 Crores now.

Arjun Khanna 

Thank you so much.

Moderator 

Thank you Mr. Khanna, the next question is from the line of Hiren Dasani from Goldman Sachs Asset Management. Please go ahead

Hiren Dasani 

I want to get some details on the circulation of DJ, I-Next, and City Plus copy.

R. K. Aggarwal 

I-Next is about 3 lakh copies per day. And DJ is about 2.8 million copies per day.

Hiren Dasani 

What about City Plus?

R. K. Aggarwal 

City Plus is doing I think again 3 lakh copies per week.

Hiren Dasani 

Okay. And sir any breakup of circulation revenues between these three ventures?

R. K. Aggarwal 

The City Plus does not generate any circulation revenue, it is free-sheeter and out of 53 Crore circulation revenue for the last quarter I-Next's contribution would be in the range of about 1.5 Crore.

Hiren Dasani 

Okay. Would that be similar for the other quarters as well?

R. K. Aggarwal 

Yes it did about 6 Crores.

Hiren Dasani 

It did about 6 Crores. Okay. And other thing is sir can you share some details on the P&L like what was the expense related to advertising, marketing, etc.



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R. K. Aggarwal 

I request you to get in touch with me later because this is something very much detailing.

Hiren Dasani 

Okay. Fair enough. You said that you are confident of getting about 10% kind of an advertising growth ...

R. K. Aggarwal 

Yes, if the current trend continues, which I believe will continue rather will improve.

Hiren Dasani 

Sure. And does that envisage any expansion plans as well?

R. K. Aggarwal 

No. It is from whatever we have.

Hiren Dasani 

Existing editions. Any plans to launch new editions with DJ this year?

R. K. Aggarwal 

Our CEO just explained in fact the expansion plan he has in form of national daily and also a few more editions in our existing areas of operation wherever we find there is an opportunity.

Hiren Dasani 

And what would be your CAPEX plan for next year sir?

R. K. Aggarwal 

Again about Rs. 100 Crores. Last year also we spent about Rs. 100 Crores. The year before last also we have spent about Rs. 100 Crores.

Hiren Dasani 

Other thing that you are not launching any significant new edition then it should have come down....

R. K. Aggarwal 

But then last year we created a couple of new printing facilities because the existing facilities were inadequate to cater to the increased demand. Further, we this, we have increased our color capacities. There are certain equipments, etc., to modernize certain processes to make us more efficient and so on and so forth.

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Hiren Dasani 

Okay. And lastly if you can just give a few balance sheet items like debtors, inventories, and--

R. K. Aggarwal 

Debtors have remained same despite the increase in turnover by 10% thanks to better management of the debtors and controls which we had put in during the year.

Hiren Dasani 

Inventory, creditors and outstanding loans.

R. K. Aggarwal 

Everything like inventory is also more or less same as the previous year although it is slightly less, creditors have slightly increased which is in line with...in fact which is less than the increase in the scale of operation.

Hiren Dasani 

Okay. And outstanding debts sir?

R. K. Aggarwal 

As I said debtors are same.

Hiren Dasani 

No, debt?

R. K. Aggarwal 

Debt, do you mean borrowings?

Hiren Dasani 

Yes, borrowings.

R. K. Aggarwal 

We raised an ECB sometime in the month of November that is what is the increase but otherwise working capital remains unutilized. We have Rs. 115 Crores working capital and if you ask me today, it is only Rs. 25-30 Crore.

Hiren Dasani 

Last year March 2008 outstanding was about Rs. 79 Crores.

R. K. Aggarwal 

This time it is 141 Crores as far as working capital is concerned and debts have increased as compared to March 2008 but then now they have come down very significantly.

Hiren Dasani 

Okay. So 79 went to 140 but that was largely for.....

R. K. Aggarwal 

Yes.



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Hiren Dasani 

Thank you sir.

Moderator 

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

Amit Kumar 

Sir just wanted to check up on a couple of things. One is what is the status of this JV operation in Madhya Pradesh?

R. K. Aggarwal 

JV operation at Madhya Pradesh, you are talking about.

Amit Kumar 

Yes.

R. K. Aggarwal 

The litigations are going on and we expect those litigations to get over soon.

Amit Kumar 

Okay, fair enough. Sir on the more from a strategy point of view I mean last year in December we were able to take our cover prices up because I mean obviously there was a lot of pressure on news print prices as well as ad revenues. But having said that now the general view which is emerging which you are also saying is that ad revenue market seems to be picking up and obviously new print prices have declined so I am just wondering whether this is a time to be a little more aggressive in the market?

R. K. Aggarwal 

In what sense? In terms of circulation?

Amit Kumar 

Yes in terms of circulation and in terms of ...

R. K. Aggarwal 

Even though we are not aggressive we have spent hardly any amount on circulation promotion but still we have registered a growth of over 5% in Dainik Jagran on such a large scale and 6% growth was registered in case of I-Next. If we become aggressive I don't know to what extent it will reach which is not required because whatever

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VIKAS MANTRI

numbers we already have let them get monetized first and then we will see any aggression.

Amit Kumar 

Okay, fine sir. Sir, just wanted to have an understanding, I mean on the print side we seem to be pretty much set. I mean Dainik Jagran, I-Next, now the national edition and maybe later on the TV18 JV as well. Beside outdoor any plans to enter any new media platform as well?

R. K. Aggarwal 

See we have already entered in to in past three years various media platforms like we have event management, we have outdoor, then we have internet. Internet is progressing well. We have taken a lot of steps to focus more on internet properties and accordingly we launched Web Jagran as well which is making the contents available even on mobile. So I mean like we are not mad as far as the spending on internet is concerned we will be very I would say conservative because we believe internet is something which is a day, which is a thing of say 10 years from now in India. So we will be growing this, we will not be losing focus on this but at the same time we will not be spending too much. So let these three, four businesses and I-Next, City Plus which we launched in 2006, let these new business get stabilized then we will look at other platforms.

Amit Kumar 

Okay sir on the I-Next side I just wanted to check on this, we are saying 5% of ad revenue contribution was on account of I-Next roughly around 30 Crores. But if you look at it in terms of circulation, the circulation number is almost 3 lakh copies which is what you...I mean if you look at...

R. K. Aggarwal 

It does not make any difference you see. However, even though you take 3 lakh it is about 10% to 11% of DJ, Right?

Amit Kumar 

Right.

R. K. Aggarwal 

And the revenue is not more than 5%. So what I am saying is I mean there is never so fine correlation as you expect. If it was then my revenue should have been much higher than or at least equal to Times of India.

Amit Kumar 

That is very true. But I mean we are looking at pretty much similar in fact I would assume that the profile...

R. K. Aggarwal 

See I-Next is just 2-year old. We launched two editions last year. In fact first time IRS covered I-Next and the numbers which have come in are very heartening. IRS covered only 6 editions out of 9 editions and even then the total readership was about 13 lakh which is very heartening. So as it happens in case of any brand let those numbers come for 2 or 3 rounds and thereafter revenue will start picking up. In any case I-Next is a very much focused brand and it is a city centric brand unlike Jagran which goes to all the places. This gets circulated only in the city so we are quite hopeful that it will take some time but then it will start perhaps generating revenue which will be



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disproportionate to any main daily's ratio of circulation and revenue.

Amit Kumar 

Sir this is exactly the point which I wanted to clarify. Over a 2 to 3 year' period what kind of a potential are we looking from I-Next because in the first half...

R. K. Aggarwal 

I-Next if you ask me like 3 years hence I am looking at not less than 100 Crores otherwise there is no use.

Amit Kumar 

Fine. That's all I want to clarify. Thank you so much sir.

Moderator 

Thank you Mr. Kumar. The next question is from the line of Amit Purohit of Motilal Oswal Securities Limited. Please go ahead.

Amit Purohit 

Basically two things from my side, I wanted to understand this 100 Crores expansion plan would include the national launch of DJ, right for this year?

R. K. Aggarwal 

See let me clarify you national daily is not entailing any CAPEX as such.

Amit Purohit 

Okay.

R. K. Aggarwal 

We have facilities which will be sufficient to publish even national daily because here it is not number game like DJ. We are not expecting circulations of 3 million or something of that sort. As our CEO just explained it will be a much focused product and it will go to state capitals and only at certain pockets so it will not have those kind of number.

Amit Purohit 

So it will be more a subscription based because it will not be circulated...

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R. K. Aggarwal 

There I request our CEO to explain.

Sanjay Gupta 

It will be subscription based and even in the state capitals if we do not have printing facility we will be outsourcing the print., no question of having any CAPEX.

Amit Purohit 

Okay. Fine and just for FY09 bookkeeping question, what would be our average cost of newsprint for FY09?

R. K. Aggarwal 

Let us avoid this question.

Amit Purohit 

Okay.

R. K. Aggarwal 

Something not comparable with any other publishers.

Amit Purohit 

No, I mean I was just comparing with Jagran over FY08 but ...

R. K. Aggarwal 

FY08 if you are comparing it is at least 15% higher.

Amit Purohit 

Okay. And do you really believe that the trend is in the newsprint prices to continue and you could have newsprint prices lower than FY08?

R. K. Aggarwal 

what the news print prices are they are unrealistically low as they were unrealistically high. You might see some increase 2 quarters hence but definitely for next couple of years we are not expecting the levels what we saw in 2008-2009.

Amit Purohit 

I want to understand do you believe that FY10 average cost would be same as FY08?

R. K. Aggarwal 

No definitely, it will be less.

Amit Purohit 

It will be less than FY08 I am saying.

R. K. Aggarwal 

No I don't think so. It might be more or less same.



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Amit Purohit 
Okay. Thanks a lot.

Moderator 
Thank you Mr. Purohit. The next question is from the line of Ankit Kedia of Centrum Broking. Please go ahead

Ankit Kedia 
Sir could you give exact quantum of newsprint we consumed in this quarter and the full year?

R. K. Aggarwal 
Full year we consumed about a lakh ton.

Ankit Kedia 
And for the quarter?

R. K. Aggarwal 
For the quarter I think it was proportionate. I don't have an exact figure may be 26,000 ton.

Ankit Kedia 
Because pagination came down significantly during the quarter so if you see an advertising uptake coming in definitely the pagination levels will increase going forward.

R. K. Aggarwal 
We have factored that in our planning. In any case we are operating less than 35% ad-edit ratio and our policy is we can go up to 40% so up to that level we don't see any reason why we should increase the page level and as it is last year we operated I think at around 30-32%.

Ankit Kedia 
Right. And sir during the quarter did we see local advertising uptake significantly compared to national advertising?

R. K. Aggarwal 
Yes. It is the local advertisement which really helped because its share went up to 60% in the year 2008-09 as against 56% odd which was in the previous year. In fact it has been consistently improving and this is what would happen in future as well. If you recall I have shared in the past that in 2004 national was contributing 51% and 49% was being contributed by local but now sitting in 2009 you see local

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contributing 60% and 40% being contributed by national. I don't say that national has not been growing but local has been growing much faster. And in fact in 2008-09 national remained flat.

Ankit Kedia 

Right. And sir one question on the employee cost. Even in this quarter on sequential basis we saw employee cost coming down so is it due to...

R. K. Aggarwal 

It is because management has already capped the increment and has postponed or rather deferred certain increments.

Ankit Kedia 

So sir which quarter can we see the increments coming in?

R. K. Aggarwal 

Might be that we will take a call only after September. Management has decided to review it only after September, in case September results are good we might think of giving increment to those who have not got the increment and if September quarter is not on the expected line, all the seniors will skip the increments.

Ankit Kedia 

Sir one last question, what is the sustainable EBITDA margins we are looking at for FY10?

R. K. Aggarwal 

Definitely it will not be less than what you saw in 2007-08. It could be even better.

Ankit Kedia 

2007-08, okay.

R. K. Aggarwal 

And could be better.

Ankit Kedia 

Okay. Thank you sir.

Moderator 

Thank you Mr. Kedia. The next question is from the line of Ruchit Mehta of HSBC Asset Management. Please go ahead.

Ruchit Mehta 

Hi. This one is you know for a full year results, could you give us split of how much came in for subscriptions and advertisement please?

R. K. Aggarwal 

Circulation was 197 Crore and advertisement was 552 Crore.

Ruchit Mehta 

And the Q4 you mentioned was 52 Crore for the circulation?



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R. K. Aggarwal 
Yes.

Ruchit Mehta 
Okay. And out of these 552 Crores of advertising is it possible to give how much Dainik Jagran as a brand contributes?

R. K. Aggarwal 
Dainik Jagran out of 552 contributed about 520 Crore to be exact.

Ruchit Mehta 
And the balance will be I-Next and outdoor and event.

R. K. Aggarwal 
No, outdoor and event has got nothing to do with this advertisement revue.

Ruchit Mehta 
Sure.

R. K. Aggarwal 
Rest was contributed by City Plus and I-Next.

Ruchit Mehta 
Okay. In terms of the outdoor and event management what was the operating performance of these companies? I mean are they still losing money or have they broken even in this current fiscal year?

R. K. Aggarwal 
No, event management we had positive operating margin. And we had in fact net profit. In outdoor we reduced our operating losses by more than 30%.

Ruchit Mehta 
Okay. So these two businesses combined together what would have been the contribution to the EBITDA?

R. K. Aggarwal 
EBITDA, they had a negative contribution.

Ruchit Mehta 
What would have that been?

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R. K. Aggarwal 

Let us not discuss that.

Ruchit Mehta 

Okay. Thank you.

Moderator 

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

Ritwik Rai 

Sir I just wanted to....

R. K. Aggarwal 

You have been very conservative about Jagran in any case. So for you anything I mean like if we had posted 85 Crore profit still you would have been happy I am sure.

Ritwik Rai 

Yes sir that is true. Sir just a couple of things. We have raised the cover price and we are thinking of raising it in other editions also.

R. K. Aggarwal 

Yes.

Ritwik Rai 

At the same time in the past here we have reduced the pagination, we have substituted a lot of imported newsprint for domestic newsprint. All these happening at a time when competition is increasing. So sir it is true that your circulation would be much higher than Hindustan and so on. But I am just wondering till what point will you be willing to take this situation forward and because there would be some point at which you would begin to rethink on some of these at least. So how long basically is this situation sustainable of your keeping the cover prices high relative to competitors at the same time reducing your pages, reducing the supplements?

R. K. Aggarwal 

You have so many questions built in one. Let me reply one by one. Number one, competition is not a worry to us. If you look at the numbers you will have your answers. Number two, increase in cover price was not done by us alone. Cover price was increased by all and sundry. Number three, we have not been reducing consistently the pagination level. We have not cut down any supplements. We have not been reducing imported and indigenous newsprint mix. This is something which we did only one off case, number one. And supplements were never dropped. They were never reduced. So we have not compromised with the quality. Be very clear about it.

Ritwik Rai 

No because I thought its one of the reasons...

R. K. Aggarwal 

No. Let me clarify. We did not do anything foolish even in the year 2008-09, it was just better management. It was just better control that we could check the newsprint consumption.



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Ritwik Rai 

Okay.

R. K. Aggarwal 

We reduced our wastage. We reduced our free and unsold copies. We rationalized the page levels. We did not deprive the readers of the contents which our CEO and editor will never let us do even though I wish.

Ritwik Rai 

Okay.

R. K. Aggarwal 

So be very clear about it. We never compromise with the quality and this is what has been proved time and again by IRS survey. I mean 12 times in a row getting #1 slot across all languages in the country is no joke.

Ritwik Rai 

Definitely sir. Sir going forward since you have made many of these arrangements as one of case in 2010 one would expect

R. K. Aggarwal 

See one of case again- let me again clarify to you one off case is only with respect to changing the mix.

Ritwik Rai 

Okay.

R. K. Aggarwal 

Right so given the current prices we will go back to over original level which would not impact us very significantly now.

Ritwik Rai 

Sir but the mix goes back to the original level as it used to be in say FY08 or so?

R. K. Aggarwal 

And in any case you see now even the Indian premium quality is so good that one does not mind in fact consuming even that.

Ritwik Rai 

Okay. And sir one more thing about the...

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R. K. Aggarwal 

Here let me also clarify when we reduced the consumption of imported as one off case in the last year we increased the premium quality consumption significantly.

Ritwik Rai 

Okay.

R. K. Aggarwal 

So it is not that we started supplying to our readers something rubbish.

Ritwik Rai 

I was not asking that. I am just asking in the sense of how...

R. K. Aggarwal 

See normalized consumption level and what we had last year there is not too much of different. Definitely it might have helped our saving of 7, 8 Crores but not beyond that. It was better management of newsprint consumption which really helped. It was efficiency in purchases. We did not go like other players after the suppliers. We had patience. We never wanted to accumulate inventory. The accumulation was in fact working for cross purposes. When you chase suppliers, they again twist your arm. So we never got involved in that. We managed, we were more efficient in making purchases where we could get much better prices than many others I believe. And we managed our newsprint consumption very well which would continue in times to come and which would help us in long run as well with no quality compromise.

Ritwik Rai 

Fine sir. and sir one more question I wanted to ask is could you give us some idea of how the sort of we know that metro cities the revenues have gone down by lets say 20-25%. Would you be able to give us any idea about what I would be in non-metro towns in the areas that you are....

R. K. Aggarwal 

Local advertisement has contributed 60% out of the total revenue of ours.

Ritwik Rai 

Sir what kind of growth rate the market has seen?

R. K. Aggarwal 

In fact there were certain markets that registered a growth of nearly 20% even last year.

Ritwik Rai 

Okay. Even last year?

R. K. Aggarwal 

Yes. And one of them registering over 15% was our NCR, another was Bihar, definitely UP did not register that kind of a growth but it was still nearly double digit.

Ritwik Rai 

So sir then given that do you not think that Jagran has not performed so well then?



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R. K. Aggarwal 
I did not understand your point.

Ritwik Rai 
Sir because we are looking at a 10.6% kind of growth overall in advertising and then we are looking at perhaps a higher growth for the market so sir...

R. K. Aggarwal 
National level advertisements get driven by the economic slowdown. And another important thing is what you have to notice is in fact our revenue is pure revenue without including any components from the private treaty. We had opportunity to enter into private treaty arrangements worth 100s of Crores and our revenue would have registered a growth of more than 15% if we had gone for that indiscreetly

Ritwik Rai 
Fine sir. I am sorry sir. So you would think that you are outperforming the market.

R. K. Aggarwal 
We are performing better than the market.

Ritwik Rai 
Sure sir. Okay sir thanks very much.

Moderator 
Thank you Mr. Rai. Ladies and Gentleman due to time constraint we will be taking one last question. The last question is from the line of Ritesh Poladia from Dolat Capital. Please go ahead.

Ritesh Poladia 
Good morning sir. Mostly my questions have been answered. Sir, just one thing. This year about this private treaties but generally it has been observed that only newspapers enter into this.

R. K. Aggarwal 
No. You are absolutely wrong.

Ritesh Poladia 
Even broadcasters do the same.

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R. K. Aggarwal 

Oh yes. They have done it in a big way.

Ritesh Poladia 

Okay.

R. K. Aggarwal 

I would not like to name.

Ritesh Poladia 

Okay.

R. K. Aggarwal 

All big channels I believe.

Ritesh Poladia 

Okay. And now even their percentage would be more or less 10% or less than that?

R. K. Aggarwal 

There I cannot comment.

Ritesh Poladia 

Okay sir.

R. K. Aggarwal 

It depends on player to player. I mean like if you call us conservative we are talking about maximum 4-5% that is the upper limit. There are players who might have gone even beyond 15%, I can't say.

Ritesh Poladia 

Means if Jagran conservative is 5% then industry conservative would be 10%?

R. K. Aggarwal 

I can't say.

Ritesh Poladia 

No problem sir. Sir on just a maintenance question. What would be the circulation per day FY09?

R. K. Aggarwal 

FY09 Jagran's circulation is about 2.8 million.

Ritesh Poladia 

Okay. 2.8 million and we have to add about 0.1 million for the other I-Next and...

R. K. Aggarwal 

No not 0.1 million. It is .3 million.



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Ritesh Poladia 
0.3 million?

R. K. Aggarwal 
Yes. So roughly both put together we have about 3-million circulation.

Ritesh Poladia 
3-million circulation?

R. K. Aggarwal 
Yes.

Ritesh Poladia 
Okay. That's all from my side. Thank you very much sir.

Moderator 
Thank you Mr. Poladia, ladies and gentlemen that was the last question of the day. I would now like to hand the floor back to Mr. Vikash Mantri for final comments. Please go ahead sir.

Vikash Mantri 
Thank you to all participants for attending the call and thanks to the management as well for taking up their time for the call.

R. K. Aggarwal 
Thank you very much Mr. Vikash and thank you very much all those who were present and spared their time. On behalf of my CEO and myself I would like to thank you all who have supported us and who had confidence in us.

Sanjay Gupta 
Thank you.

Moderator 
Thank you Mr. Gupta and Mr. Agarwal. Thank you Mr. Mantri. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes conference call. Thank you for joining us and you may now disconnect your lines.

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