



**INVESTORS/
ANALYSTS**
conference call

2010
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Jagran Prakashan
Investors/Analysts Conference
May 06, 2010

Moderator 

Ladies and gentlemen good afternoon and welcome to the Jagran Prakashan Conference Call hosted by ICICI Securities Ltd. As a reminder of the duration of this conference, all participant lines will be in the listen-only mode. 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 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Mr. Vikash Mantri of ICICI Securities Limited, thank you and over to you sir.

Vikash Mantri 

Good afternoon everybody. We have Mr. R.K. Agarwal, the CFO of Jagran Prakashan, with us to comment on the recent news on acquisition. Over to you sir.

R.K. Aggarwal 

Good afternoon gentlemen. We welcome you to the conference call of Jagran Prakashan Ltd. post announcement of the merger of print media of Mid Day Multimedia Ltd. into JPL. In fact the reason for requesting for you all to be present and sparing your valuable time is to just throw light on what the transaction is like, what are the reasons, why this transaction excites us, and how this is going to add value for all the stakeholders of Jagran Prakashan Ltd. as well as stakeholders of Mid-Day Multimedia Ltd.

As you might have noticed from the press release there is not going to be any cash out from Jagran Prakashan Ltd. for acquisition of this business. It is through the process demerger which is subject to approval by SEBI and High Courts at Mumbai as well Allahabad. In fact this demerger will resultant Jagran Prakashan Ltd. owning three strong brands of Mid-Day Multimedia Ltd. apart from their popular web portal and those three publication brands are Mid-Day English, Gujarati Mid-Day, and the Inquilab.

Mid Day English has a lot of potential for growth in Mumbai at least for the time being and its unique market position that is of an afternoon newspaper continues to be strong, but it needs to be strengthened further. Here the clear-cut object of JPL is to enhance its profitability by providing synergies which will result in cost saving and substantial cost saving at that and get them the advertisement revenue which currently they are not getting that is from corporate

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sector or if they are getting that is very minuscule.

Other two brands, Mid Day Gujarati and The Inquilab, both happen to be Indian languages and are forte of Jagran Prakashan Ltd., Inquilab also holds lot of potential being the largest read Urdu newspaper of the country and has a lot of scope for expansion in our areas of operation.

Mid Day Gujarati is currently number 3rd Gujarati newspaper in Mumbai after Bombay Samachar and Gujarat Samachar. Its position also has to be consolidated and it also is in position to generate good advertisements revenue once its position is further strengthened which is what we will try to do.

I would also like to clarify here that this acquisition and merger in no way is changing the Jagran's belief in non-metro towns in Indian languages. It is only supplementing what we are already doing. We already have two compacts, one is I-Next, another is City Plus, so this tabloid which is Mid Day supplements well with these two brands. As of now, I don't see a possibility of expansion on Mid Day English anywhere outside Mumbai, but maybe three years, four years, five years down the line, if there is an opportunity and if you have a strong brand in your pocket, you can very well think of that expansion as well. With this, I request you all to have your questions which I would try to answer to the best of my ability.

Moderator 

Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Sumit Modi from Emkay Global Financial Services. Please go ahead.

Sumit Modi 

Sir, can you give us some light on what is the current advertising revenue of Mid Day, how are the rates versus Mumbai Mirror and what are the areas where you think you can quickly improve?

R.K. Aggarwal 

Currently advertisement revenue for Mid Day is about 75-76 crores, out of which we generate about 70 crores from Mumbai alone.

Sumit Modi 

Okay. And circulation revenues would be around 20 crores?

R.K. Aggarwal 

Circulation revenue is about 20 crores, yeah.

Sumit Modi 

Okay. And how are the rates versus Mumbai Mirror?

R.K. Aggarwal 

Rates are lower, but to what extent they are lower I am not sure.

Sumit Modi 

Okay. What would the ad-edit ratio be in Mid Day?



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R.K. Aggarwal 
About 33%-34%.

Sumit Modi 
Okay and where do you think are the areas where you can quickly improve?

R.K. Aggarwal 
We can quickly improve their cost structure in fact there is lot of scope for cost cutting which we can do by providing synergies and definitely till High Courts approve, we cannot be in fact too much indulging in that area, but definitely some cost reduction will start happening immediately. And the second thing is contribution of advertisement revenue from corporate sector.

Sumit Modi 
Okay. Sir, just last one more thing, post this acquisition, do you plan to play a pan-India role in the tabloid space and if yes, would you take Mid-Day as a brand and take it across India versus your I-Next and City Plus?

R.K. Aggarwal 
No, definitely not. As I said in the beginning itself, we don't have any plan to expand Mid-Day beyond Mumbai currently. They already have editions at Pune, Bangalore, and Delhi, we will look at them also, because they are contributing currently a loss of about 5-6 crores, so we will look at those editions as well, but currently we don't have any expansion plan for Mid Day.

Sumit Modi 
Okay. Thank you sir, that's helpful, all the best.

R.K. Aggarwal 
Yeah thank you.

Moderator 
Thank you. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.

Rohit Dokania 
Hi sir, good afternoon and congratulations on the deal. Just a few questions, could you also highlight how much loss making editions were there in Mid Day out of the four editions that we have taken?

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R.K. Aggarwal 
Pune, Bangalore, and Delhi.

Rohit Dokania 
Okay, all three, only Mumbai is the one which is profit making.

R.K. Aggarwal 
Yeah.

Rohit Dokania 
Okay. And sir is it possible to share the Inquilab revenues or any percentage will do, any rough figure would do as to how much it contributes to.....

R.K. Aggarwal 
Currently it was not contributing much, because it is getting circulated in Mumbai. Going forward, definitely it can have a substantial contribution in relation to the total ad revenue of Mid-Day, but this is something which I am not foreseeing happening in next years or so. Because it needs to be expanded first and then only it can happen, but there are two very important things in respect of Inquilab, which I would like to highlight. Inquilab unlike any other newspaper brand is not dependant on advertisement revenue for the profits. Its cover price is good enough to get you the profit.

Rohit Dokania 
Okay.

R.K. Aggarwal 
And I see possibility of having still higher prices in my areas of operation.

Rohit Dokania 
Sure.

R.K. Aggarwal 
So that is one thing. Number two thing is Urdu is a language which is supported by government, and I am expecting lot of revenue coming from government also once we expand it in our areas of operation and we give it a shape of a national newspaper.

Rohit Dokania 
Great. And sir, which brings you the next question, how much time do you plan to get it to national level?

R.K. Aggarwal 
See I don't think that would take much of time, because when I say expansion of Inquilab in our areas of operation, that is something very easily possible and that is possible within a year's time once we freeze the business plan for Inquilab.

Rohit Dokania 
Okay great sir. Also sir, remember we had once launched a Hindi national daily?



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R.K. Aggarwal 

That we have launched and that is still continuing.

Rohit Dokania 

Yeah the question is that now the fact that we get distribution space here in Mumbai, Bangalore, Pune, etc.

R.K. Aggarwal 

First of all let me tell you, in Bangalore, in Pune, we already have distribution network for our City Plus.

Rohit Dokania 

Sure.

R.K. Aggarwal 

Right?

Rohit Dokania 

Yeah.

R.K. Aggarwal 

Although it's very limited. That is okay, but then now with Mid Day we will have quite detailed distribution network available.

Rohit Dokania 

Exactly sir, that is why I was asking this question so, do you have any plans of reviving the national Hindi daily that we had spoken about few quarters back.

R.K. Aggarwal 

A national Hindi daily could be thought of, but it is not currently in our mind.

Rohit Dokania 

Okay.

R.K. Aggarwal 

On why national daily. Even Jagran itself can go there, not now.

Rohit Dokania 

Sure.

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R. K. AGARWAL

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R.K. Aggarwal 

It can be looked at 5 years or 7 years down the line. Because we have assessed Mumbai market couple of years back and we did not find much of a scope for a Hindi newspaper in Mumbai.

Rohit Dokania 

Okay good sir. Sir just two more questions, one is that the fact that we have done this deal through a share swap, what exactly do we plan to do with the 225 crores that we have received from Blackstone?

R.K. Aggarwal 

225 crores investment from Blackstone and these transactions are absolutely two independent transactions.

Rohit Dokania 

Exactly sir. So does it...

R.K. Aggarwal 

Whatever we will do with Blackstone money, we have already discussed when we were discussing about the Blackstone transaction. So, whatever cash is sitting in Jagran's balance sheet or whatever cash is going to come from Blackstone, will be utilized for other purposes of Jagran Prakashan Ltd. and which would include maybe few more punchers and acquisitions.

Rohit Dokania 

Exactly, that is where I was coming at. So we can expect more inorganic steps from Jagran.

R.K. Aggarwal 

Yeah we always work on that and since the IPO time we have been working on that, this is the first transaction that has happened and let us see.

Rohit Dokania 

Great sir. Sir just one last question, I don't know how relevant it is.

R.K. Aggarwal 

But one thing has to be borne always in mind, no inorganic opportunities will be followed up or will be pursued if it is not making business sense and if it is not fitting in our overall strategy. So first and foremost condition is, we are not going to join hands with anybody, if he is not making profit. We have always been saying we will join hand only with those where we feel that we can improve their bottom line and where we find that it is fitting in our overall strategy. That policy will be continued even for future inorganic growth of opportunities if at all they come.

Rohit Dokania 

Sure, great sir. Just one final question, I don't know how relevant the question is to you, but I believe the Times of India was also interested in Mid Day and there was a point of time when Indian Express was also interested in Mid Day. Why would Mr. Tariq Ansari sell it to us rather than selling it to them, any color on that?

R.K. Aggarwal 

That is something which only Mr. Tariq Ansari can answer.



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Rohit Dokania 
Is he there on the call?

R.K. Aggarwal 
No, he is not.

Rohit Dokania 
Okay no problem sir, but would you want to comment on that?

R.K. Aggarwal 
No, I can't comment, why do I like you, why do I do not like others, that is something which is very- very close to one's heart.

Rohit Dokania 
Sure sir, we will speak to Mr. Tariq regarding this. Thanks a lot for answering all the questions. Thanks a lot for your time.

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

Amit Kumar 
Yeah thank you for the opportunity. Sir, on this cost, I mean starting off with this cost synergy point that you made, exactly how will you be, on hand we are saying that Mid Day's position and Mid Day Gujarati's position will also have to be further consolidated in Mumbai, but given the fact that there almost be no synergies with Jagran at least on the cost side, how will we achieve cost...?

R.K. Aggarwal 
Mr. Amit, I am sorry to say that, this is something you feel and I don't know how do you jump to that conclusion that there is no synergy.

Amit Kumar 
No, no on the cost side.

R.K. Aggarwal 
Cost side only I am talking about.

Amit Kumar 
Sir I just wanted to understand that better.

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R.K. Aggarwal 

Yeah so, I will explain you on that, but the fact of the matter is, you must understand one thing very basic that whether it is Hindi or English or Urdu or Gujarati, whatever language newspaper it could be, whenever a smaller group joins a bigger group, lot of cost synergies will also flow in. It is matter of pure common sense that if somebody is buying only 15,000 tons or 12,000 tons of news print and if somebody else is buying 120,000 tons in a year, then there itself lot of cost saving is possible.

Amit Kumar 

Sir, just to clarify one point, wouldn't Mid Day be using almost entirely imported news print.

R.K. Aggarwal 

Even if it is consuming entirely imported news print, but even that we buy not less than 30,000 tons or 35,000 tons in a year. And whomsoever interacts with me they always expect that it will not be limited to 30,000 tons, they know next year it is going to be 40,000 and in year after that it is going to be 50,000 and so on and so forth. So newsprint cost alone, further we believe can be reduced by 10% to 15 % that is one. Number two, if they have offices across the country, Bangalore, Delhi, etc., where we have much-much larger office, much larger team, there is also cost synergy is possible. Then they have outsourced their printing at Bangalore and Delhi and paying through their nose. In Delhi, we have our own printing press, we can save there. Then we have marketing team even in Mumbai, and they also have a very big marketing team in Mumbai and definitely, if they have better people, we can remove our people and we can give additional responsibilities to them and vice versa. So I am just narrating a few things and I am not detailing very much on to that, but these are the cost synergies which can be seen by anybody who understands about the newspaper industry.

Amit Kumar 

Okay, sure sir. Sir, so if you look at the current margins, which were about 18% this year, it is 18% EBIT margins?

R.K. Aggarwal 

That is over 20%.

Amit Kumar 

Yeah EBITDA margins would be...

R.K. Aggarwal 

Over 20%.

Amit Kumar 

Yeah over 20%. So just if you were to take all these cost synergies into account...

R.K. Aggarwal 

It can match the JPL's EBITDA margin in couple of years' time, unfortunately I cannot do much for next 6 to 8 months till the scheme of merger is approved. Otherwise, in this very year itself, despite the increase in news print prices, you could have noticed an improvement in EBITDA.



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Amit Kumar 

Okay. Sir the other point was as far as the advertising revenues of Mid Day are concerned they have been pretty much stagnant for the last three to four years.

R.K. Aggarwal 

No, they have fallen, they have not remained stagnant, let me tell you they have fallen and they are fallen because everybody else has fallen in Mumbai, what to speak of Mid Day, even Times of India has lost its space, even HT has lost space, even DNA has lost space. And in fact still, what I believe is their revenue would be kind of revenue what they generate from Mumbai is next to TOI.

Amit Kumar 

After TOI you mean, Okay.

R.K. Aggarwal 

Yes, their revenues have been falling, but why they have been falling, there are certain reasons for that and those reasons will be taken care of, this is where JPL will come in picture.

Amit Kumar 

Okay. Sure, so that is what I wanted to understand that, what is the plan of action in as far as Mumbai is concerned?

R.K. Aggarwal 

Mumbai is concerned, first of all, the straightway plan is to consolidate that brand in the afternoon slot further. And once you do that, and once you are able to get them corporate advertisements through our resources, then automatically the advertisement revenue is going to increase. In fact if you look at their April performance, this is too heartening, even without us, where they have shown a growth of, I believe not less than 10%-15% even in April.

Amit Kumar 

Okay. The second one was that beyond Mumbai, I think you were just talking about Delhi, Pune, and Bangalore, so when you are saying there will be looked at does that mean that you will look to expand them or you look to downsize?

R.K. Aggarwal 

I just mentioned like addressing the question of first participant that

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we don't have any plan to expand Mid Day English currently.

Amit Kumar 

Yeah, so what you are saying is that in Delhi, Bangalore, etc., we will not expand them or...?

R.K. Aggarwal 

We will not expand them.

Amit Kumar 

You will not look to expand them.

R.K. Aggarwal 

Yeah and we will wait for the time when those markets are prepared to accept afternoon paper.

Amit Kumar 

Okay, fine. I will come back, sir. Thank you so much.

Moderator 

Thank you. The next question is from the line of Arun Chaudhary from AC Investment. Please go ahead.

Arun Chaudhary 

Hi, this is Arun here. I just wanted to know what is the plan for targeting your revenues in terms of since Mid Day has a large part of classifieds and local revenues? Where do you see these synergies with large part of Jagran team which is used to selling national advertisement, so how do you plan to marry these two together and what are your plans to increase your local revenues and local advertisements?

R.K. Aggarwal 

We are concentrating only on one aspect, local advertisement revenue will get increased once we consolidate the position in the afternoon slot of Mid Day English, so that will automatically increase, but then as for as national advertising is concerned, there we will be able to contribute significantly in times to come.

Arun Chaudhary 

Sir, what response do you expect from Times of India Group with respect to Mumbai Mirror and what is the kind of strategies that you think you can take.....

R.K. Aggarwal 

See I don't think at all that Mid-Day English is in any way going to be competing with the main daily which you are talking about, they are all at morning slot and this is why I say their positioning in the afternoon slot has to be further strengthened that's it. I am not going to eat away or I am not going to risk the ad pie of Times of India, HT, or DNA, they are not my competitors.

Arun Chaudhary 

Alright.

R.K. Aggarwal 

If you recall, Mumbai Mirror was launched in the afternoon, but then it was stopped. Clearly, you



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have to differentiate the market positioning.

Arun Chaudhary 

Right thank you sir.

Moderator 

Thank you. The next question is from the line of Rahul Bhangadia from Lucky Securities. Please go ahead.

Rahul Bhangadia 

Yeah sir, thank you for taking my question. I just have one small clarification with all this process once this gets over, you take on all the debt of Mid-Day Multimedia?

R.K. Aggarwal 

Yes.

Rahul Bhangadia 

You take all the debts.

R.K. Aggarwal 

No, not all debts, debts relating to print business.

Rahul Bhangadia 

So how much would that be?

R.K. Aggarwal 

About 15-20 crores.

Rahul Bhangadia 

15-20 crores okay. Thank you very much.

Moderator 

Thank you. The next question is from the line of Avneesh Roy from Edelweiss. Please go ahead.

Avneesh Roy 

Sir, congrats on the acquisition.

R.K. Aggarwal 

Thank you Avneesh.

Avneesh Roy 

My question is in terms of the printing press and the land in Mumbai.

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R.K. Aggarwal 

Yeah, yeah.

Avneesh Roy 

Any sense on what the value of all that, sir?

R.K. Aggarwal 

This tangible, they themselves should be having value exceeding 50 crores.

Avneesh Roy 

That's very interesting part.

R.K. Aggarwal 

Yeah.

Avneesh Roy 

Second as you said in the new cities of Delhi, Pune, and Bangalore, you will not expand.

R.K. Aggarwal 

Yeah we will not expand.

Avneesh Roy 

Because currently you won't have too much of a market share, too much...

R.K. Aggarwal 

Yeah, yeah, because Pune, you should look at with Mumbai only, so Pune is all together different. As far as Bangalore is concerned, definitely Bangalore does not seem to have a market for afternoon newspaper in next three-four years. Delhi is a place where you can have afternoon newspaper with metro getting expanded across Delhi. So in case of Delhi, you might think in next two years or so, Delhi will have lot of potential for afternoon paper.

Avneesh Roy 

In Bangalore, we might even exit, is that a possibility?

R.K. Aggarwal 

That could be, I can't say, but that could be, we are pretty open on that and the current management team is also pretty open.

Avneesh Roy 

Sir, recently Mid-Day has taken that 15% hike and you also said in April, you are actually seeing 10%-15% growth in revenues.

R.K. Aggarwal 

Yeah I believe about 10%, I don't know exact figure, but I think it is exceeding 10%.

Avneesh Roy 

And sir, you said on the Urdu newspaper, any immediate plans you can share or you will have to



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wait for 6-8 months for the actual legal...?

R.K. Aggarwal 

No, no, we will work out something, I am just thinking in some way if we can straight away go on launching Inquilab in our areas of operation without waiting further High Court verdict, because you can enter into an agreement with them for user of title. In any case Mid Day Infomedia is going to be 100% subsidiary of JPL, so these are two independent entities. In any case, you would have to enter into that kind of an agreement with them. So I would look at the possibilities of entering into agreement with them for user of title Inquilab and then JPL can proceed on launching Inquilab straight way.

Avneesh Roy 

But in your market, how big is the Urdu market, who are the current readers?

R.K. Aggarwal 

Oh my God, Jagran is getting circulated in areas which house about 60% population and these are the areas where you have maximum Muslims.

Avneesh Roy 

Right. So you have some strong players currently or it's...

R.K. Aggarwal 

No, there is none, that way if you look at, there is one newspaper from Hyderabad and one is from Mumbai that is Inquilab and Inquilab is supposed to be much, much, much more credible given the size of Mr. Tariq Ansari in the industry who himself is an Auditor of Inquilab.

Avneesh Roy 

But is this brand well known in your areas because it's a Mumbai specific?

R.K. Aggarwal 

You see not a problem, on like creating the brand awareness for Jagran, for Inquilab is not going to be big issue and it is not that, people do not know about Inquilab and like even in Kanpur, there are people who get the copies from Mumbai.

Avneesh Roy 

Okay. And sir regarding Gujarati, can you share what's the plan or will

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it...?

R.K. Aggarwal 

See for Gujarati, the plan is it is currently number 3 newspaper in Mumbai, the clear cut plan is to consolidate it further and make it a strong number two after Gujarat Samachar and once it happens, it can start generating very good revenue.

Avneesh Roy 

And any entry into Gujarat also planned over three years, four year's timeframe?

R.K. Aggarwal 

See Mid Day Gujarati is a know brand in Gujarat, so that's a platform, I would not deny, I mean if it makes a business sense then definitely we can think of, but first our challenge is to consolidate it to make it a strong at least number 2 in Mumbai first.

Avneesh Roy 

And sir could you tell us in the longer timeframe, how do you plan to use a distribution, you said that I-Next and all those can be brought to Mumbai?

R.K. Aggarwal 

No, I did not say that, what I said is Mid Day supplements, I-next and City Plus, in fact there the biggest synergy is of contents and another synergy would be to sell Mid Day along with I-Next and City Plus at national level.

Avneesh Roy 

Okay in terms of ad sales okay.

R.K. Aggarwal 

Yeah and contents, because even now we take contents from Mid Day for our I-Next, because their Bollywood contents you would agree are the richest.

Avneesh Roy 

Okay. And sir lastly, you said in terms of corporate ads, there will be a synergy, but if I take Mumbai Mirror or Mid Day currently, it's full of all retail ads, Vijay Sales and all this.

R.K. Aggarwal 

See on like Mid Day English you will have to be driven by only retail.

Avneesh Roy 

Correct.

R.K. Aggarwal 

But let me tell you, even though when you are talking about a bottom line of 10 crores and if you add a top-line through corporate advertisements say 10 crores, your profit doubles.

Avneesh Roy 

Okay.



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R.K. Aggarwal 

For JPL 10 crores might not matter much, but for Mid Day, it will matter a lot even if you add 10 crores which is not a big deal for Jagran.

Avneesh Roy 

Okay. And sir one question on the lighter side, any change in positioning of Mid-Day, because....

R.K. Aggarwal 

No question, it is enjoying a unique positioning, it has to be further strengthened, it need not be changed. We are fully convinced, because we don't want to be seen as one of the English newspapers.

Avneesh Roy 

Okay sir, all the best sir, thank you.

R.K. Aggarwal 

Thank you very much.

Moderator 

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

Ritwik Rai 

Good afternoon sir and congratulations on the acquisition.

R.K. Aggarwal 

Yeah.

Ritwik Rai 

Sir, just wanted to check a couple of things with you, one sir, in Urdu, I was just wondering, It seems to be a very, very city centric market, so I was wondering why, because it appears like, I think even Inquilab most of it like you were saying comes from the readership and as well the revenues, most of them come from Mumbai itself, same for the other paper. I would think that there should have been, given the kind of spread that the population would have, why is the market so concentrated in cities and why is that like no larger brand?

R.K. Aggarwal 

I did not get your point clearly. You say why the Urdu language

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R. K. AGARWAL

VIKASH MANTRI

newspaper has not been expanded in rest of India other than Mumbai that is what your question is?

Ritwik Rai 

Yeah, I mean not only Inquilab, but even another...

R.K. Aggarwal 

Yeah, I understood. See look at any Urdu newspaper publication, they don't enjoy the kind of network what we have.

Ritwik Rai 

Okay.

R.K. Aggarwal 

That is the biggest advantage, you can't think of starting printing 5000 copies of Inquilab in Kanpur and for that you create altogether a different setup for distribution, marketing, etc., it will become totally unviable. But for those players, who are already sitting there. For me, supposing, I am not expecting that in Kanpur I will be selling 50,000 copies of Inquilab to start with, even if I sell 10,000 copies in Kanpur, 10,000 copies in Lucknow, and various other cities of my areas of operation, I will be totaling it to 1 lakh copies and that way I will make it as a national paper.

Ritwik Rai 

Okay. And there you would primarily be looking at circulation revenue, so a different kind of a model that way?

R.K. Aggarwal 

Circulation revenue is one part of it, but once you have about 150,000 copies or 125,000 copies of Inquilab and you make it as a national paper then you are going to get a lot of government advertisements.

Ritwik Rai 

I got your point sir.

R.K. Aggarwal 

Yeah and particularly in Delhi, which have good demand for Urdu newspaper.

Ritwik Rai 

Okay. Sir the other thing I wanted to understand is this term you have been using that, the positioning in the afternoon slot for Mid Day has to be strengthened, I am just trying to understand, sir exactly, could you be able to give some more detail on what you intend to do?

Ritwik Rai 

Well I would say strengthening off late, Mid Day has lost in circulation and readership, because they lacked the resources.

Ritwik Rai 

Okay.



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R.K. Aggarwal 

So it has to be brought to its original position, where you have about minimum 125,000 to 150,000 circulation which is at least say 30%-40% more than what you are having currently.

Ritwik Rai 

Okay. Sir, but I had thought that the decline in circulation and readership since it followed the launch of Mumbai Mirror, I would have thought...

R.K. Aggarwal 

No, it has got nothing to do with that. If you recall Mumbai Mirror was launched in afternoon and thereafter it was closed.

Ritwik Rai 

Yes.

R.K. Aggarwal 

Because otherwise they would not have been able to differentiate themselves. Mumbai Mirror is morning slot paper which is getting circulated along with Times of India, so if Jagran thinks of starting something in the afternoon then it will be total disastrous for me.

Ritwik Rai 

Okay sir. And the factor that you are speaking about is primarily the culture of trend travel when you refer to whether a city has afternoon newspaper culture or not, is that correct?

R.K. Aggarwal 

Yeah.

Ritwik Rai 

And sir, just one more thing, the fact that Mid Day has lost revenues over the years and lost circulation, lost readership, so if you were to just, hypothetically, if this were not to work for you for a period of two-three years.

R.K. Aggarwal 

I am sure, I am not dwelling on that hypothetical question. If I were to think that way, this acquisition has happened after doing a lot market survey, after doing a lot of reality checks over past one year or so. If we were to have slightest of doubt, we would not have go ahead with

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this transaction.

Ritwik Rai 

Fine sir.

R.K. Aggarwal 

There is no possibility of regretting it after two years or three years.

Ritwik Rai 

Fine sir, but I mean I was thinking if it were not to work then you would be able to close it or...?

R.K. Aggarwal 

No, it's very difficult for me to think in that direction, how do I think that way, I mean in that case my whole experience of nearly 70 years of newspaper industry will go to dustbin.

Ritwik Rai 

Yeah sir. Alright sir, thanks very much.

Moderator 

Thank you. The next question is from the line of Shishir Manuj from Mangal Keshav Securities. Please go ahead.

Shishir Manuj 

Hi thank you for the opportunity. This is continuing with the previous question just to take from what you said earlier, the Mumbai ad market was affected, it's not just Mid Day which has lost, it's TOI as well. Now taking that factor plus you also talked about Mid Day's special positioning in Mumbai as an afternoon paper, one would have expected them to probably stay more robust in that kind of environment where you have local advertisement classifieds coming into Mid Day mostly. That doesn't seem to be the case, if I look at the financials from FY06 and not just FY09-10, it just looks like it hasn't gone anywhere in the last five years. If I also take a closer look at the EBIT segment, it looks like it has actually deteriorated over the last 4-5 years. It is just in FY10 i.e. this year that it has surprised us on the positive side. If I were to juxtaposed this with your valuation for the business, could you share with us as to what went into the outlook part of the valuation as to how do you see the revenue growth from here, you have already shared that OPM should be around 30% over the next two years, however, if you could share something on the top-line as well given the market context as well as the fact that you have now two more papers which have come in the last three four years and they have actually become significantly larger, they are no more...

R.K. Aggarwal 

That's absolutely right, another concern which you might add to your question. We believe that metros are not going to grow at which our markets are growing. So I will address all of your concerns and share with you my thoughts also, how would all those concerns be addressed. Number one, don't look at their past for past four-five years. They were very badly constrained on resources because they had been investing heavily in radio business and this is why newspaper got deprived of the required investment which was required to be made when these new launches were happening, right.

Shishir Manuj 

Right.



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R.K. Aggarwal 

But at the same time, in 2009-10, they have recovered and they have recovered beautifully and the way they are progressing whatever lessons they had learned over a period of time over past 3-4 years, they have started implementing the corrective action in the current year that is 2009-10 and which is what apart from drop in news print prices held them registered this healthy EBITDA. So let me clarify to you, it was not only because of competition. Competition has been very little, it was lack of resources and their capacity to fight that competition which really resulted in whatever has happened.

Shishir Manuj 

Okay. If I may interject here, before you take the second part in terms of valuation and how you have arrived at, would you think that the current management read it wrong three-four years, five years back in investing behind it?

R.K. Aggarwal 

That would be very wrong for me to comment on that aspect, but definitely what I pointed out is fact and how do I blame a management which has been...

Shishir Manuj 

No, I am not asking to blame, but people can make mistakes in reading the outlook.

R.K. Aggarwal 

If you are talking about committing mistake, then again I would say, once you have two businesses and both of which need investment, so you can't do much. Unfortunately, whatever was happening, was happening on the front of radio, because they also had to run and this is why they were constrained not to put in money in print. And in fact the drop in circulation etc., whatever has happened partly it has happened because of their few strategic visions. Number one of them was stopping the morning circulation of Mid Day, which was making their unique positioning accurate, that was one reason why the circulation dropped. Another reason was definitely, since they did not have resources, they could not counter whatever little competition was there and this is what resulted in drop in circulation and readership, on which corrective action has already started and I am told that they have started gaining again copies, additional copies.

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R. K. AGARWAL

VIKASH MANTRI

So I am sure they would be able to overcome this problem in the coming year and more particularly after we join hands with them more fully I would say.

Shishir Manuj 
Right.

R.K. Aggarwal 
So this is about this, and definitely the valuation part, I found the valuations very attractive given the potential, we have not valued the business merely because what they are doing and more because what is in the store.

Shishir Manuj 
That's what I wanted to actually get a sense of, what they have done, we have...

R.K. Aggarwal 
Mid Day English is only one of the brands, there are other two brands also where I am seeing lot of revenue potential. Mid Day English firstly is likely to grow with our joining hands with them at a decent pace and at the same rate at which other English would grow in next two years' time.

Shishir Manuj 
Okay.

R.K. Aggarwal 
It would come back in two years' time to their normal growth trajectory.

Shishir Manuj 
Okay fine thanks. I think that gives me a sense of what you looked into when making this decision. Thanks.

Moderator 
Thank you. The next question is from the line of Rohit Dokania from B&K Securities. Please go ahead.

Rohit Dokania 
Yeah hi sir, thank you for taking my questions again.

R.K. Aggarwal 
Yeah.

Rohit Dokania 
Sir, could you just give us what's the daily circulation of Mid Day currently in Mumbai?

R.K. Aggarwal 
Mid Day currently I believe is about a lakh copies per day.

Rohit Dokania 
Okay this is only Mumbai, and combining all four markets?



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R.K. Aggarwal 
Four markets, it should be about 150,000.

Rohit Dokania 
150,000.

R.K. Aggarwal 
140,000-150,000.

Rohit Dokania 
Okay sir. And sir if I could ask, will Mr. Tariq Ansari run the show at Mid Day and at Inquilab?

R.K. Aggarwal 
See he is going to be director on board of Mid Day Infomedia Ltd. which is going to be 100% subsidiary of JPL.

Rohit Dokania 
Okay.

R.K. Aggarwal 
And he will be one of the directors and he will continue to be editor of Inquilab.

Rohit Dokania 
Exactly that was one question. And sir, just one final question, did you at any point of time think of giving cash and...?

R.K. Aggarwal 
No.

Rohit Dokania 
So it had to be share dilution kind of scheme is what we were planing...

R.K. Aggarwal 
And valuation is just 4.75%.

Rohit Dokania 
Right sir, but any reason why we didn't think of giving cash?

R.K. Aggarwal 

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R. K. AGARWAL

VIKASH MANTRI

It had lot of legal complications which I would not like to share, number one. Number two, in fact we wanted to preserve the cash for other plans.

Rohit Dokania Okay sir, great. Thanks a lot and all the best.

Moderator 

Thank you. The next question is a follow up from the line of Avneesh Roy from Edelweiss. Please go ahead.

Avneesh Roy 

Sir the sector has consolidation picked up pace with this, because normally print owner are not selling because of emotional reasons, because of attachment and all that.

R.K. Aggarwal 

Absolutely right, the consolidation is due for quite some time and I would not say this is a starting in that direction because as you are rightly said people are very much emotionally attached, let's see.

Avneesh Roy 

You also just said that you would like to conserve cash for other things, so is it for your organic growth or is it for inorganic growth, if you can just give some...

R.K. Aggarwal 

Both organic as well as inorganic growth, we are exploring the possibilities of joint venture acquisition etc., even now.

Avneesh Roy 

And we will be open in all languages, English?

R.K. Aggarwal 

No, English is not preferred language, but we are not averse to that like we are acquiring this Mid Day English as we are not averse to, but at the same time, if something is making business sense like it is making in case of Mid Day English, we would not mind, but our forte is going to remain same that is the regional languages.

Avneesh Roy 

And sir the last question is, is printing press a core requirement especially for Mumbai because some of the other acquisitions earlier, for example, Infomedia which happened, suddenly for them printing press is a non-core asset, so for you is it different or you can also think of selling it if you do not have expansion...

R.K. Aggarwal 

No, why would I sell? You cannot depend on job work for this kind of print property. Like City Plus, we have outsourced, we have not put up any printing press but now this also will be transferred to Mid Day printing press.

Avneesh Roy 

And sir lastly on the news print, where have we crude and inched up to 85 then came down to around 81 now, where are we in terms of newsprint for the next two quarters?



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R.K. Aggarwal 
Newsprint prices have started rising and...

Avneesh Roy 
FY11, how higher you think compared to average cost of FY10 based on current...?

R.K. Aggarwal 
For me it is going to impact to the extent of about 8%-9%.

Avneesh Roy 
Nothing alarming.

R.K. Aggarwal 
Yeah

Avneesh Roy 
Okay sir, thank you.

R.K. Aggarwal 
8%-9% is also too much at our scale.

Avneesh Roy 
Sure.

R.K. Aggarwal 
That is you know 24-25 crores, but then this will be nullified by again very good growth in advertisement revenue.

Avneesh Roy 
I understand this is a Mid Day call, but would you like to comment in Jharkhand, what is happening there in terms of new entries?

In Jharkhand, player is doing lot of marketing currently to enter, so how are we countering that and...

R.K. Aggarwal 
You are talking about Dainik Bhaskar?

Avneesh Roy 
Yeah.

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R. K. AGARWAL
VIKASH MANTRI

R.K. Aggarwal 

See Bihar, Jharkhand, UP, all these are markets where there is still very low penetration.

Avneesh Roy 

Okay.

R.K. Aggarwal 

So Bhaskar entered into Punjab also, so let them enter in Jharkhand as well. In Punjab, they had only one strong competitor that was Jagran and there they will have in fact two more, one is Prabhat Khabar which is known to be language of Jharkhandi and Hindustan, so let us see and wait.

Avneesh Roy 

And sir, IRS any comments, are you happy with...?

R.K. Aggarwal 

I am happy because my average readership has increased and total readership has slightly decreased, but conversion of total readership into average readership is something which is very heartening.

Avneesh Roy 

Okay.

R.K. Aggarwal 

And overall if you look at, my total readership of all publication brands put together that is I-Next also if you include my total readership has increased significantly.

Avneesh Roy 

So this is as part of our planned strategy?

R.K. Aggarwal 

Yeah financially yes. So long as Jagran Group can offer a solution to the advertiser either through one brand or two brands and if it is cost effective why not.

Avneesh Roy 

Okay sir thanks a lot.

Moderator 

Thank you. Ladies and gentlemen we will take on last question from the line of Amit Kumar from Kotak. Please go ahead.

Amit Kumar 

Yeah thanks for the opportunity again, sir just a couple of housekeeping questions, about Mid Day in Mumbai, would it require any incremental CAPEX?

R.K. Aggarwal 

No, no CAPEX, they already have adequate printing capacity, they can print 5 Lakh copies or 6



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lakh copies given the fact that they don't have timing constraint like morning dailies have.

Amit Kumar 

Okay sure. The other point is, are there any tax implications to this deal?

R.K. Aggarwal 

No there is none. It is tax neutral.

Amit Kumar 

Okay. Sir going on to more, very broad...

R.K. Aggarwal 

If at all there is going to be tax implications that will be positive for Jagran, because they carry certain unutilized MAT credits which will get utilized in Jagran.

Amit Kumar 

Would you have a number for that?

R.K. Aggarwal 

That is not significant, this is why I say this...

Amit Kumar 

Okay sure not a problem. Sir, going on to a more strategy point, I can understand that point about Inquilab expansion into your market, but did Jagran really needed to get to into the English space or ...?

R.K. Aggarwal 

Mr. Amit, you are repeatedly getting confused with the one notion, I don't know how you have conceived that that by acquiring this I am trying to enter into English space. I repeatedly say there is no intention as such.

Amit Kumar 

Okay.

R.K. Aggarwal 

And as I just explained to one of your colleagues a minute ago, I am not averse to English so long as it is making business sense. If you can get me an English brand which is in profit, right, and by providing synergies, I can improve the profit further what is harm in that.

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R. K. AGARWAL

VIKASH MANTRI

Amit Kumar 

Okay, sir finally just one last point, the radio business is not part of the deal, but was the radio business ever, I mean did you think of have the radio business also?

R.K. Aggarwal 

Radio business for me is going to bleed not only for one year, two year, or three year, it is going to bleed till the licenses are over, right.

Amit Kumar 

Okay.

R.K. Aggarwal 

It is never going to make profit according to me, Mr. Tariq Ansari might think otherwise, many of the other radio players might think otherwise, my promoters who run 8 stations they might think otherwise. But as you have seen radio business have gone nowhere and very rightly so. Now, coming the third phase, the things will still worsen and fact of the matter is why they are going to worsen or why they are expected to worsen when you have overdose of supply and this overdose of supply is happening at a rapid pace then anybody would understand that what the fate of that industry is.

Amit Kumar 

Okay sure, but just on this one particular point, I think most of the phase III licenses, they coming in class C and D cities, right they are only in metros?

R.K. Aggarwal 

Whether C or D, it does not make any difference. I don't know if you have got that information that they are coming only in C and D, I can't comment, but at least not to my information and even if it is coming to C and D, the situation is going to be still worse, because I am operating the stations in B, what to speak of C and D, even B have not yet started contributing. It has not been able to meet the cost and believe me those stations are in my areas of operation even then they have not been able to in fact breakeven in past three years ago. So I mean like what will happen to C and D only God knows.

Amit Kumar 

Okay sir, one final point, I know Mr. Ansari is not here, he would probably be in a better position to answer, but if you look at the overall FY10, I understand the last three-four years, the existing promoters of the business were quite constrained investing into two different business, but if you look at FY10, I think broadly the print business has returned and even the losses in the radio business have been contained to some extent, so as an overall entity Mid Day could have probably now from there on could have possibly invested in both print and radio simultaneously, so what was ...?

R.K. Aggarwal 

Definitely not, the losses might have reduced, but how long you will keep on reducing the losses, after all you have to come in profit also sometime and they are operating for such a long time and our promoters are also operating for now three to four years, whatever is remaining is the sixth years' time or whatever license period is and thereafter whatever happens only God knows. Whether the fees was going to be tripled or four times, or five times, nobody can know and at



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least, we for sure know that radio business is not going to make any sense.

Amit Kumar 
Okay fine. Thank you so much sir.

R.K. Aggarwal 
Thank you.

Moderator 
Thank you. I would now like to hand the floor back to Mr. Vikash Mantri for closing comments. Please go ahead sir.

Vikash Mantri 
Thank you everybody for participating, we hope to get back touch again after the Q4 results. Thank you.

R.K. Aggarwal 
Thank you very much for sparing time and thank you Vikash.

Moderator 
Thank you Mr. Agarwal, thank you Mr. Mantri. Ladies and gentleman on behalf of ICICI securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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