



**INVESTORS/
ANALYSTS**
conference call

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30 MAY



Jagran Prakashan

Q4FY11 Results Conference

May 30, 2011

Moderator

Ladies and gentlemen, good day and welcome to the Jagran Prakashan Q4 FY11 Earnings 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. 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, please signal a Moderator by pressing "*" followed by "0" on your touch-tone phone. Please note that the conference is being recorded. At this time, I would like to hand the conference over to Mr. Vikash Mantri of ICICI Securities Limited. Thank you and over to you, sir.

Vikash Mantri

Good morning everybody. We at ICICI Securities are pleased to host the Q4FY11 Conference Call of Jagran Prakashan. We have from the management Mr. Sanjay Gupta, the CEO of Jagran Prakashan; Mr. Sailesh Gupta, the Director Marketing; and Mr. R.K Agarwal, the CFO of the company. Over to you, sir.

RKAgarwal

Good morning, friends. Welcome to the conference call of JPL, and thank you for sparing your valuable time.

As you know, this is the first year when we have presented the consolidated accounts in which are incorporated the results of company's subsidiary, Mid-Day Infomedia Limited. The consolidated revenue of the company was Rs. 1221 Crores. Operating profit was Rs. 356 Crores. Net profit was Rs. 208 Crores and EPS was Rs. 6.57. This EPS is on capital base increased during the year by 4.76% fresh issue under the Scheme of Arrangement with Mid-Day Multimedia Limited. The profit before tax of MIL was adversely impacted by an amount of Rs. 1042 Lakh, that is 10.42 Crores because of one-time adjustments carried out to align their accounting policies with the conservative accounting policies of JPL. And most important of them was switching over from straight-line methods to WDV method of depreciation. As we all know, all of our peers adopt straight-line method depreciation policy as against we adopting WDV method. This is how Mid-Day Infomedia Limited was also following the straight-line method of depreciation, but since its holding company had been following WDV method, they also had to switch over to WDV method.

The company's standalone performance was driven by growth in all revenue streams without any exception whatsoever. Print revenues

crossed 1000 Crores mark and registered a growth of nearly 17% led by growth in advertisement revenue of 20% during the year. However, the high points of performance were growth of nearly 170% in digital business, 54% in event management activities, and 21% in outdoor advertising. Outdoor reported for the first time since inception, reported operating as well as net profit. Event management continued to remain in profit and digital business reduced its losses by Rs. 4 Crores. Another important feature of the year was, after some gap, we increased our circulation by about 8.17%.

As a result of growth of around 19% in operating revenue, the company was able to increase its operating profit by 21.21%, operating margin was up by 0.71% and return on net worth improved from 28.27% to 29.38% and that too on an enhanced capital base in spite of impact of increase in news print prices by 10.40% which was higher than expected, planned increase in circulation by 8.17% (out of which 3.68% approximately was contributed by increase in circulation in Jharkhand), drop in per copy realization of about 3.7% primarily because of drop in cover price in Jharkhand and also increase in employee cost by about 17% which was on the expected lines.

Higher profits could become possible due to a strict control over other expenditure which increased by less than 8% despite high inflation and significantly increased level of operation in print as well as non-print businesses.

As far as quarterly results are concerned, there is a dip in operating margins on year-on-year basis as well as on quarter-on-quarter basis mainly due to planned increase in circulation and significantly high contribution of other businesses that is non-newsprint business in total revenue. The contribution of other businesses in total revenue was 12.60% as against 9.85% in the corresponding quarter of the previous year and 9.28% in Q3. The higher contribution of these businesses in total revenue has pulled down the operating margin by about 3% but most heartening thing is that all of them performed incredibly and going forward we expect them to improve margins consistently although it is going to take sometime to match the print margins. Mid-Day has recorded a growth in revenue of 9% but their operating as well as net profit dropped because of the factors discussed above.

The company's balance sheet continues to be robust with debt equity ratio being 0.26% in spite of increase in working capital utilization.

As far as Mid-Day Infomedia is concerned, they have already initiated the expansion of The Inquilab which was one of the most important strategies when JPL was acquiring the business. And accordingly it has launched first edition in our areas of operation in the most important town in UP, that is Lucknow. That happened on 27 May. Now within two months we expect to complete the expansion in our areas of operation i.e. UP, Delhi and Bihar. Despite expected increase in newsprint prices, despite expansion of The Inquilab and despite expansion in circulation, we expect Mid-Day Infomedia Limited to report a profit before tax of about 17 Crores.

Now with these opening remarks, I request you to have your queries which we would endeavor to answer to your satisfaction. And one thing more I would like to add here. Since we officially acquired Mid-Day Infomedia Limited we strengthened the position of Mid-Day Mumbai significantly and in fact there has been an increase of nearly 12 to 13% in circulation since the time we have taken over. And going forward that is also going to be one of the important agenda for

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Sanjay Gupta

Shailesh Gupta

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Mid-Day Infomedia Limited ,besides strengthening Mid-Day Gujarati.
Thank you very much.

Moderator
Thank you, sir. The first question is from the line of Ashish U from Spark Capital. Please go ahead.

Ashish Urganlawar
Sir, I was trying to understand why the other expenditure this quarter on a standalone basis is up about 83 Crores which seems to be on a higher side. You mentioned that other businesses apart from print have contributed higher. That could be one the reasons. But any specific that you can give us, why would this number look higher quarter-on-quarter?

RK Agarwal
See, the fact of the matter is if you look at other expenditure then you would notice that it includes direct expenses of outdoor event and the digital businesses which have direct relation with the volume of businesses. . Out of that, direct expenses recorded an increase of yearly 4 Crores. So, remaining 5-6 Crores increase is because of certain one-time yearly expenses like donation which we normally give in the last quarter. So, if we delete these two elements, that is 4 Crores on account of direct expenses of outdoor event and Rs. 3 Crores donation which we give once in a year, then you would notice that the increase is less than inflation. .

Ashish Urganlawar
Okay. Sir, on these businesses, i-next, City Plus events and out a foam, I wanted to have your perspective on how these are looking in terms of revenue trajectory as well as profitability improvement?

RK Agarwal
See, as far as outdoor business is concerned, you might be probably knowing that this is probably the only outdoor outfit in organized sector which has come in profit so quickly and going forward that is 2011-12, we have expectations of reasonably good profit from this activity besides increase in topline of exceeding 20%.

Ashish Urganlawar
Sir, what has been the profitability for this year?

RK Agarwal

As far event business is concerned, in fact, we are expecting an increase in top line of about 60% and a significant increase in the profit. In fact, event management activity this year itself could have contributed in the bottom line nearly about 5 Crores but for a bad debt of about 3 Crores ..

Ashish Urganlawar
The 3.5 Crores, some figure you mentioned. What is that?

RK Agarwal
So, even after writing off this 3. Crores, they have reported a profit of about 1.5 Crores or so.

Ashish Urganlawar
Okay. Sir, what could be the EBITDA margin that we have as of now? Is outdoor form this year also making a contribution in EBITDA?

RK Agarwal
Again what we all should appreciate is that within such a short period of time it has become one of the most prominent outdoor outfits in the country and it has reported profit because there is no peer of theirs who has come in profit despite being there for years. So, operating margins as of now are very low but as I said going forward definitely they are not going to match print margins in the next two, three years but we are going to significantly improve our operating margin to around 15% or so within a year or two.

Ashish Urganlawar
Okay. Sir, on i-next and City Plus, if you could guide us, how things are looking there?

RK Agarwal
See, when we were talking about other businesses, definitely it did not include i-next and City Plus which are very much part of the print business only. City Plus being in expansion mode reported a loss of about 1.5 Crores, and in 2011-12 also they have very aggressive expansion plan. So, I do not expect them to contribute anything in the bottom line but they would not increase their losses either. They would remain at the same level. I-next has continued to be in profit but the margins are low. You also have to give both these brands sometime because if you look at i-next, average life of all i-next editions is just two and a half years. And in the same way, in case of City Plus average life of all editions put together should not be more than one and half to two years. Just give them sometime. They will also catch up but it will take sometime. I am more than happy that within such a short period of time where people, as you know, talk about four years, five years, six years for breaking even, i-next has been breaking even from the very second year and it is reporting profit.

Ashish Urganlawar
Okay. One last question sir, how is the ad market scenario looking to you? Is it all fine and no sign of any stress anywhere, any pockets as such? Is it all robust as far as the expansion of the ad markets in your areas is concerned?

RK Agarwal
Yes. Our areas of operations look pretty good from the perspective of advertisement revenue growth but as far as the first quarter is concerned, the education season which has been the main contributory in the first quarter has picked up late because of the delayed result and therefore first quarter may not look as good as one would have expected. But in any case, on overall perspective,

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I have director marketing in he will throw some light on it.

Ashish Urganlawar

I wanted your perspective on whether things are all fine in your advertising markets. As you have seen automobile, real estate, all those sectors a bit of pressures on margins etcetera. So, anything that you are noticing on the ground, those things may look a bit Titanic, maybe next year difficult.

Shailesh Gupta

It is too early to comment right now. April is not a month where we can actually judge what is in store for remaining year. ... April and May is a time where normally the planning happens. If you are saying margins may have tightened up, it should affect advertising surely but you have to understand that in Jagran only 45% of total ad. Comes from national market. Right? About 55% is what is local, and local does not really get affected that much. April and May have been below expectations because education season started late ;in fact started only last week. June will see fantastic recovery.

Ashish Urganlawar

So, the guidance that we give last time around about 18% plus revenue growth but still stand in the current scenario.

Shailesh Gupta

17 or 18% of the growth is achievable , 20% plus is little tough but even last year we did that.

Ashish Urganlawar

Thank you.

Moderator

Thank you. The next question is from the line of Siddharth Goenka from, GM Financial, please go ahead.

Siddharth Goenka

So, my question is on the revenue growth. What has been the volume and yield improvement in FY11 and what kind of proportion can we expect in FY12?

RK Gupta

After 2008- 2009 and 2009- 2010, our focus has been you know improving yield and 10-11 was good from that perspective. 11-12

despite all those pressures you have just spoken about,our concentration is to improve the yield further. In 10-11 major contribution has come from the improvement of the yield and that is in the range of 12 to 13%

Siddharth Goenka

Sir, what shall be the proportion in FY12 and how will the lead improvement are we planning to take any ad rate hike

RK Gupta

Ad rate hike we take every year .Even in 2008- 2009 and 2009- 2010 we took a rate hike but then we were not able to pass it on to the extent we desired but as I said in 10-11 it was in the range of about 12 to 13% I am talking about improvement in yield and in our case improvement in yield happens in two ways--- passing on the increase in rate card, number one, number two multiple selling of the same space which is result of district activation which we have started from the last year .

Siddharth Goenka

Our strategy of course will be to go in the up country markets and also focus on the yield improvement.

RK Agarwal

Yes.

Siddharth Goenka

Sir, and my second question is on the newsprint price, I mean what kind of newsprint because I believe by the end of 4Q ended with the newsprint price of around 27 and half kg. So, what kind of any guidance you can give us on the newsprint price and what kind of our...

RK Agarwal

You know March 11 we ended with the blended rate for us exceeding 28 per kg not 27 and half but for the whole of the year the average was in the range of about 27 which means an increase of around 11% on year on year basis and as I had mentioned in my opening remarks this was on high side .We never expected that kind of an increase In October -November we expected that there would not be any further increase or there will be increase not more than 6 to 7% in 11/12. But I think our expectations were wrong and the newsprint prices might see an increase of another 10% in the year 11/12.

Siddharth Goenka

That will be around Rs30 approximately.

RK Agarwal

That is right.

Siddharth Goenka

And in terms of consumption what kind growth assumption can be expected sir.

RK Agarwal

See, growth in consumption is going to be mainly driven this year by the increase in circulation

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and not by increase in pagination because as I have mentioned focus this year is going to be improving the yield further and that is what we have already started seeing .Even in fact in the month of April and May so far, one of the reason why the revenues did not come to the level we expected is that we did not compromise with our rate Since we are planning an increase of nearly 10% in circulation of Jagran plus some increase in I-next /City Plus and also since we are launching Punjabi Jagran soon, our consumption, our requirement should increase by about 11 to 12%.

Siddharth Goenka 
Thank you.

Moderator 
Thank you.The next question is from the line of Abneesh Roy from Edelweiss please go ahead.

Abneesh Roy 
My question is, what have we done differently in Q4 that we have seen such a good growth in events and outdoors, and if that is sustainable because most other companies... have either exited from the listed entity outdoor. So, wanted the sense of caution out there because we also have some bad debts out here? So, if you give sustainable growth rate and how do we manage to contain the bad debt element.

RKAgarwal 
The fact of the matter is that as far as event business is concerned,we have now clear visibility of revenue of about Rs35 crore for next three years, because of the long term contract entered into. As far as outdoor is concerned in fact even in the worst times when industry had registered a degrowth, they grew by exceeding 10%. This year also they grew by about 21% and for the year 11/12 we expect them to grow easily by 18 to 20%. So I mean 20% growth in outdoor revenue for next 3 years or 4 years is very easily doable. As far as event is concerned this year they are expecting a revenue of Rs60 Crores a jump of nearly 60%

Abneesh Roy 
Sir, if you could repeat the number for events.

RKAgarwal 
So, what I said they are expecting to achieve a revenue of Rs60 crore

in 11/12 as against Rs 37 what they did in 10/11 and there after again to grow in the range of about 15 to 20% year on year does not look difficult.

Abneesh Roy 
Sir, in outdoor 20% growth is for... how much is from space edition and how much from the same store growth.

Sanjay Gupta 
That is the beauty and this is how they reported the profit.This time there was not much of addition to the assets, it was optimum utilization of assets, improvement in yield and controlling the over heads

Abneesh Roy 
Sir, in the starting you said you plan to launch Punjabi Jagran, some colour on that.

Sanjay Gupta 
As you know, we launched Punjab about eleven years back and since then a need of Punjabi Daily was felt to address remaining 45 or 50 percent of the population which reads and writes in Punjabi. So, to address the entire community the group had been toying with this idea for about eight years to launch a Punjabi Daily. As and when we got the right opportunity ,we are going ahead and launching the Punjabi Jagran to complete the basket of our media offering in Punjab.

Abneesh Roy 
Does it mean a marked change in strategies because if you see one of your big competitor has done well in Gujarat and now entering Maharashtra. So, does it mean that post Punjab we have now open to more regional languages.

We have always said that we will be eyeing languages through acquisition but since there was no acquisition coming through our way in Punjabi we preferred the green field launch.

Abneesh Roy 
Will it be a large impact on the number.

RK Agarwal 
No, it will not be a large impact because you know you already have facility in place, what you have to do is to add one more machine there and optimize the existing capacity.

Abneesh Roy 
And sir one last question. Some colour in Inquilab, you said you will go to Delhi and Bihar also.

RK Agarwal 
Yes.

Abneesh Roy 
How many cities, how many addition broadly you are planning to do?

Sanjay Gupta 
Inquilab the title, we got from the Mid-Day Infomedia basket and we were very excited once we got

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it and as you know that significant % of population residing in North India is of Urdu speaking people. To address this community it has been long felt that our Urdu paper can give them something of their choice. Though they (editions of The Inqulab) are going to be very small in print run, they have a huge impact on the community, and also revenue implication is that we will have some completely new revenue stream for us. So, we will be launching Inqulab starting from Lucknow. We will cover all our print centres in Uttar Pradesh, Bihar and then country's capital, New Delhi.

RKAgarwal

Abneesh, as we have already been saying in case of Inqulab, you do not have to expect lakhs and lakhs copies of circulation. It will be a small circulation but spread over all the places so that it takes shape of a national newspaper which is good enough to get good revenues

Abneesh Roy

I totally agree with the revenue potential because hardly any competition is there.

Sanjay Gupta

In Lucknow, there is a lot of competition and that is why we have kept the cover price low.

Abneesh Roy

What is the cover price, sir?

Sanjay Gupta

The cover price is 3. We have an invitation price of Rs. 2.50 for the first three months and then we will switch back to the cover price of Rs. 3, which is the cover price prevailing in majority of the dailies in Lucknow. Some dailies are priced at Rs. 2 but we have an invitation price for just three months for Rs. 2.50. All other launches will be at Rs. 3.

Abneesh Roy

Okay, sir. All the best for all these new launches.

Moderator

Thank you. The next question is from the line of Fatima Pacha from ICICI Prudential. Please go ahead.

Fatima Pacha

Sir, just trying to understand, ad revenue growth of 20% without doing circulation, are you now seeing that you will have to do more of circulation growth to get this 20% or do you think there will be a natural growth of 20% without... or if you are doing more circulation, then ad revenue growth is even higher?

RKAgarwal

Whatever circulation increases would have happened in the year 2010-11 or are going to happen in 2011-12 is not keeping in view the immediate future. It is keeping in view, say, two years hence so that we can sustain that kind of a growth in advertisement revenue in medium to long term.

Fatima Pacha

I know but you always maintained that on the current circulation itself...

RKAgarwal

You are absolutely right. But, you know, after we have started activating the up country market, we need to ensure that when those markets become capable of generating significant revenue, then I am not short of numbers, but that stand, you know, still continues. Whatever numbers we already have are good enough to sustain that kind of a growth in revenues for the next couple of years.

Fatima Pacha

Okay. So, sir, just trying to understand from competition scenario, what is happening in UP now with HT now being formally entrenched? Are we seeing any price cards?

RKAgarwal

See, the fact of the matter is in UP whatever had to happen has already happened, Hindustan has already spread across whole of UP and in fact if there was to be any adverse impact of that, it could have been, you know, in 2010-11 or in earlier years because they have been expanding in UP for the past three to four years. We are pretty comfortable with competition settling down in UP. So, on that front there is no issue whatsoever.

Fatima Pacha

Okay. And secondly, on a margin sir, in Q4 we have seen this big drop in margins.

RKAgarwal

That is because of planned increase in circulation by about 3%-4% as compared to Q3, there were certain one off items recorded in the last quarter, eg. a donation of about 3 Crores which we give every year to some charitable institutions that we give normally in the last quarter. So, that is what happened. And in fact, at the yearend you need to make certain adjustments, like provision for doubtful debts to satisfy auditors even though it is not required.

Fatima Pacha

Sir, are we seeing Q1 returning back to at least a 30% levels or you think it will be more closer to 26% levels?

Sanjay Gupta

Q1?

Fatima Pacha

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Yes, sir.

RKAgarwal

Q1 would be around the same level, 25% - 26% level. But Q2 onwards, it should improve for the simple reason as Mr. Sailesh Gupta explained. In Q1, major contributory is education. Education has picked up or it has started slightly late this year. In fact, last year also, it started about 15 days late and this year again it has got delayed by another 15 days. So, there will be a spill over to the second quarter.

Fatima Pacha

Sir, is there any fatigue in this segment because in the last two-three years or maybe even longer, this segment has been spending like crazy. So, are you seeing that?

Sanjay Gupta

Yeah, absolutely right. I mean, like how long you can depend only on education but you can bank upon it for the next four, five years..

Fatima Pacha

Okay, sir. Thanks a lot.

RKAgarwal

Last year, if you have seen KPMG report, education happened to be the largest contributory in calendar year 2010, calendar year 2009, both, education sector contributed about 15% to the total advertisement revenue in print.

Fatima Pacha

Okay, sir. Thanks a lot.

Moderator

Thank you. The next question is from the line of Rahul Baijal from Voyager Capital. Please go ahead.

Rahul Baijal

Firstly, can you update us as to what is happening in the Jharkhand, Bihar market in terms of competition?

RKAgarwal

In Bihar, nothing is happening because whatever will happen will happen after DB comes to Bihar and I do not know when they are

coming. As ground realities show, they are not expected to be there before the last quarter at least of the current year.

Rahul Baijal

Okay. But given that, it seems that they might have plans to enter Maharashtra; do you think Bihar is still in the horizon in the medium term or it has been postponed for a while now?

RKAgarwal

I do not think, I mean, like it has postponed for a while now but I do not know. I cannot say because increase in newsprint prices last time has deferred many expansion plans. So, if one has to look to maintain the profits, then in that case, they might decide to postpone even further

Rahul Baijal

Okay. And after the entry in Jharkhand, how the dynamics changed?

RKAgarwal

See, look at our per copy realization, what it was till 2010-11. That came down to nearly Rs. 2 from what it used to be i.e. exceeding Rs. 2.25 IN next year budget what we have planned is, per copy realization around Rs. 1.90. The cheapest newspaper supplied is by BCCL and DB and their per copy realization is also not less than Rs. 1.50, or so. Thus, at most I can lose now, maximum Rs.25- 30 Crores in a year. And net of tax may be 20 Crores, when it happens, for full year.

Rahul Baijal

Okay. And secondly, given that FY12 looks like GDP as a whole is going to slow down as per the forecast of most economists and even bottom of feedback from many companies has been like that and plus you have slightly more competition in Jharkhand and rising activity in Hindustan. And on the cost front while the raw materials will rise in terms of newsprint, but our plan is to increase circulation as well. So, I guess it will be very difficult to hold on to 30% margin in FY12. Is that a fair assumption?

RKAgarwal

what you have portrayed is a really a very bad situation to be in. You are absolutely right. I mean economists and you might have projected a growth lower than 8% for the next year. But last year also if you recall, basis the European crisis, everybody expected that India would perform not as good as it has performed according to the latest released data. In fact, 2010-11 registered a GDP growth of 8.5%. So, I am also one of those firm believers that despite all those fears, India will again come out as winners and will report a higher than 8% GDP growth, but, as you rightly said, GDP and advertisement revenue, both have direct correlation established over a period of years. So, in case GDP slows down, then definitely we will also suffer, number one. Number two, 2008-09 was the worst year when there was degrowth in print but we recorded a growth of 10%. So, definitely our sufferings will not be as much as others will have because we operate in tier II Tier III towns and as Mr. Sailesh Gupta explained, the local advertisements do not get as much impacted by this so called economic slowdown as national advertisements, At worst, what can happen is if India achieve 7% growth instead of 8% growth, instead of 17% or 18%, I might achieve a growth of maybe 15%, not beyond it. That is one question which I am addressing.

Second is, you are talking about the competition. In Jharkhand, no further intensification of competition can happen because whatever had to happen has already happened. Everybody is

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supplying newspaper there at a price which is lower than the price of a waste copy. So, what worse can happen? We have already taken a hit of about Rs. 10-11 Crores in the year 2010-11. Beyond that, nothing worse is possible. From here, these things would only improve. And in fact, in certain pockets, we increased the cover prices, even last year. So, forget about Jharkhand and Jharkhand as it is not very big contributory in my total pocket. That is roughly about 3%-4%. So, in Jharkhand, loss was to happen in terms of reducing the cover price. That has already happened. That is already fully recorded in 2010-11. And even if we continue at the same level, there will not be any new or additional loss occurring in case of Jharkhand. As far as UP is concerned, I have already addressed that question earlier. Competition has already settled there. And in fact, if it had to impact us, it would have impacted us last year, a year before last because Hindustan has been expanding in UP or has been expanding in UP for the past three, four years and that is what gives them the growth in readership. Now, since they have completed the whole belt, nothing more is possible. Number three, yes, we are planning the circulation increase. That is our strategic and business decision even if it hurts our margin to some extent. Then I will consider it an investment and nothing else. So, your question that if I will be able to maintain 30% margin, definitely it might not be 30% but it could be in the range of 28% or so, given the fact that my other businesses will also start doing better, and they will improve margins in the next year.

Rahul Baijal

Okay, sir. Thank you very much

Moderator

Thank you. The next question is from the line of Ruchit Mehta from SBI Mutual Fund. Please go ahead.

Ruchit Mehta

Just wanted some more clarity on the balance sheet. Your loans and advances have doubled on a year-on-year basis for about 70 Crores to about 140 Crores. Could you explain that please?

RK Agarwal

The reason for increase in those advances is because of a loan given to Jagran Employees Welfare Trust which shareholders have approved to form to administer ESOP schemes which we have launched this year

Ruchit Mehta

What would be the quantum?

RK Agarwal

It is about 56 Crores. And this is on interest and interest rate is at arms length.

Ruchit Mehta

Similarly, your provisions also seem to have doubled for the year, from 56.5 Crores to almost another 135 Crores. So, if you could elaborate on that also, it will be helpful.

RK Agarwal

it includes proposed dividends. If I needed not to give you dividends, it would have remained at the same level. It includes Rs.120 Crores provisions for proposed dividend and dividend tax which is about 15 Crores.

Ruchit Mehta

And just finally on the debt of the company, you seem to have taken 80 crores more of that for the year...

RK Agarwal

60 Crores more.

Ruchit Mehta

Could you explain that?

RK Agarwal

That is only high utilization of working capital, nothing else. And in that also, buyers credit which is available to me at 2.5% or 3%.

Ruchit Mehta

Okay. And what would be the cash and cash equivalent in the investment figure?

RK Agarwal

See, my entire investment – 80% of my investment is all liquid investments, whenever we wish we can encash and in loans advances also roughly about 25 Crores are ICD which are encashable whenever we wish and cash balance is as it is cash. So, to reply to your question, roughly I have cash and cash equivalent of nearly about 240-250 Crores.

Ruchit Mehta

Finally more sort of structural growth aspect for the next four, five years, I mean, where do we see now expansions coming into it. You have said in the past you have looked at more regional expansions but certain markets you would not touch. So, what are we looking at because it seems that the momentum seems to be slowing off in terms of your revenue potentials?

RK Agarwal

This year also we have registered a growth of 20%. It is just one year. In one year, somebody achieves 22% and I achieve 20%. It does not become yardstick. If you look at a cycle of five years

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and look at the advertisement revenue growth of Jagran and compare it with the competitors, then perhaps it could be appropriate. One year, I mean like there could be a 22% or 23%, I could be 20.5%. These percentages are not very conclusive proof of anything.

Ruchit Mehta

No, I do not refuse your five-year track record but I am just trying to figure out over the next...

RK Agarwal

No, it is not slowing down definitely and in fact, in times to come, that is why I am saying even on higher base, we expect to maintain a growth in the range of about 17% -18% for next five years. That should not be a problem.

Ruchit Mehta

No, sir. That is not the point. I am just saying that in the next five years, you have a balance sheet, you have funding in place, you have taken the Black Stone] partnership as well.

RK Agarwal

No, Black Stone money has not yet come. It is still with the government.

Ruchit Mehta

You have access to that money. So, what is the next level of growth for the company?

RK Agarwal

See, next level of growth is going to come from strengthening or having the deeper penetration in our existing areas, expansion of Inquilab, strengthening of Mid-Day English and strengthening Mid-Day Gujarati. Who knows, you know, Mid-Day Gujarati enters Gujarat also at the appropriate time. Now, these are the immediate plans, but there are certain other plans, which for strategic reasons. I am not able to disclose currently. Expansion- this year we are launching Punjabi as well. So, as expansion is not desperation for us ... what I am saying is, just for the sake of doing it or repeating what competitors are doing, we are not going to plan any expansion like that. And whatever numbers we have, whatever plans we have, we are assured of that kind of a growth for the next four, five years. And if any expansion is required, then in that case, my growth should only improve from here, from the expectations and should not remain at

that or 17-18% level. Number one.

Number 2, our Mid-Day acquisition of last year- perhaps this is one of the biggest acquisitions which has ever happened in print media industry. So, you can look at the strategic aggression of Jagran as far as print media is concerned. And we are still looking at various other options. The fact of the matter is that these things take time. Mid-Day Infomedia Limited came to our basket having worked for it for nearly three years. So, that takes time. But for us, if somebody wants to suggest me that I should go to Rajasthan to get the growth, Yes, we can very well go there, we can spend there, invest their 500 Crores and then if I have to get a return on capital of 20% or 100 Crores, I must have revenue of 600-700 Crores from Rajasthan. And it is for anybody to answer when that kind of revenue a new entrant can expect. And can it be expected at all? The answer is a big no. Therefore as our CEO explained, our strategy has been and will remain to be, first exploring the opportunity of joining the hands. We are not desperate for expansion. Our growth is nowhere near peaking. Those who are worried about growth peaking, definitely have to go for expansion, they have to be in a hurry for expansion and they have to be rushing into traffic but at what cost and at what capital, only God knows.

Ruchit Mehta

Okay, thank you.

Moderator

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

Amit Kumar

I just wanted you to have an understanding like how many copies of Inquilab, what circulation of Inquilab – shall we expect in FY12, then in FY13?

RK Agarwal

We just explained. You know, we have launched the Lucknow edition on the 27th May and within two months or so, we will be completing our expansion of Inquilab in our areas of operation if I have to say first phase of expansion.

Amit Kumar

Right. I just wanted to get a sense of what sort of a circulation are we looking at?

RK Agarwal

See, Inquilab is not a play of numbers and you are not going to expect more than a lakh copy for all the editions put together, even less than that. Here, it is not the number which matters. Here, what is important is, to make this a strong nationalistic brand in national market.

Amit Kumar

Okay, I got it. Sir, similarly in case of Mid-Day, I think last year we had close to about a lakh of circulation. What would our expectation be for the coming year? What sort of expansion are we looking at in Mid-Day Gujarati and Bombay, put together?

RK Agarwal

See, I would prefer these numbers to remain under carpet till we achieve that. I do not want to

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sound it to competitors.

Amit Kumar

Okay, not a problem. The reason why I ask this particular question was just to get a sense. See if you look at this particular year, Mid-Day has done an EBITDA of around 14.5 odd Crores with some 1.5-2 Crores of exception item also but next year we are looking at PBT of close to around 17 Crores with the expansion and investment. So, is that conservative? Is that aggressive? How should we view that guidance?

RK Agarwal

This 17 Crores PBT, you can take it neither conservative nor aggressive guidance, just a reasonable guidance and in case – as one of my friends has just mentioned that India's GDP is going to do bad next year, then even 17 Crores would be difficult to achieve.

Amit Kumar

Okay. So, if not on the circulation side but at least on the advertising side, what sort of growth are we looking at in Mid-Day? The last five years, we have not seen...

RK Agarwal

As of now they have low growth, and that is why they came to us. Otherwise, what was the need for them to come to Jagran? In fact, with the help of team Jagran, they are expecting a very robust growth of revenue and that is in the range of 20% because there were certain advertisements which were not coming to them at all. Now with Jagran's assistance, they would get even those.

Amit Kumar

And, sir, my final question pertains to your CAPEX plan. In this year, we have increased our net block by about 120 Crores increase in depreciation of another 55. So, roughly about 175 Crores increase in gross log. I just wanted to have an understanding exactly which territory is this gross log going into? Is it incremental? Is it replacement? And what is the plan for next year?

RK Agarwal

Both. In this industry, about 50-60 Crores CAPEX is something which you can consider to be maintenance CAPEX for company of our size and the rest goes in adding the capacity. Like, for example, at various places, we have added new capacities in order to have the planned

increased in circulation.

Amit Kumar

Okay. And what is the plan for next year?

RK Agarwal

Next year also we have CAPEX plan of about 120 Crores.

Amit Kumar

Great. Thank you so much, sir.

Moderator

Thank you. The next question is from the line of Girish Raj from IFCI. Please go ahead.

Girish Raj

Sir, you just referred for FY12 EBITDA margin would be in the range of 28%-29%. I was just trying to reconcile this. Should we expect advertisement revenue growth of approximately 18% and other businesses would grow higher than that?

RK Agarwal

That is right.

Girish Raj

So, I would assume the total revenue to increase by approximately 16% or so.

RK Agarwal

No, but circulation would not increase in that proportion.

Girish Raj

So, that is the reason why average revenue growth is going down from 18% in your ad revenue and 20%-25% even in outdoors. So, that brings down the overall growth rate. So, I am assuming 16% for total...

RK Agarwal

Just a second. I will just tell you. Yes, you are absolutely right. Next year I am expecting top line growth in the range of about 17%.

Girish Raj

Yes. So, assuming the circulation goes up by 10% and there is an 8% higher delta because of your newsprint prices. So, that would be 18% but your employee and other expenses would be much lower than the revenue growth?

RK Agarwal

That is right.

Girish Raj

Where is this margin pressure coming in? I was just trying to understand that.

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RK Agarwal

Let us remain happy with 28% going forward, if we do better we will improve our guidance. 28% seems to be very much achievable. And as a matter of practice, I would never try to give a guidance which we have a slightest of doubt to achieve.

Girish Raj

No, sir. The reason why I ask this question was I was just trying to understand where I am going wrong actually because your employee expenses and other expenses would not be more than 16% increase.

RK Agarwal

You are absolutely right. In fact, it would be less than that.

Girish Raj

Yes. So, can you hint me where exactly I am going wrong?

RK Agarwal

I will not be able to answer that question. Let us discuss it off line.

Girish Raj

Sure. And second question would be on the circulation growth. You said 10% Y-o-Y growth.

RK Agarwal

sorry for interruption, there is one thing I want to say that you have assumed a newsprint increase of 8% that is what we had expected. I mentioned in the beginning itself, the higher increase in newsprint price is the only risk to achieving 30%.

Girish Raj

Okay, sir. No, my question is you are increasing the circulation by approximately average 10%. So, that would mean average absolute growth of 2 lakh copies. So, where exactly would these copies would be going?

RK Agarwal

There are identified locations, there are identified pockets, I mean, wherever we need the numbers to go up to generate higher revenues, after two years from now, that is where the circulation is being increased.

Girish Raj

Sir, if I may ask if you could break down X% for Bihar, X% for UP...

RK Agarwal

Let us not go into those details.

Girish Raj

Okay, sure.

RK Agarwal

We can even talk later.

Girish Raj

Okay. And regional Punjabi market size would be what?

RK Agarwal

Revenue-wise?

Girish Raj

Yes.

RK Agarwal

It should be about 250 Crores. You are talking about Punjabi language-wise?

Girish Raj

Yes.

RK Agarwal

That is about 90 Crores.

Girish Raj

Okay. Sir, final question, if I may ask, the average circulation for your Bihar market, and if you could further break it down to Patna, Bhagalpur, Muzahafpur, maybe average realization. That is it.

RK Agarwal

The average realization at the moment is pretty high. In Bihar, we have not dropped the cover price anywhere except in a couple of pockets. So, average per copy realization remains to be 2.50-2.60.

Girish Raj

And if you can give me the circulation for Patna, Bhagalpur

RK Agarwal

You are going into too much detail.

Girish Raj

Okay, the total Bihar circulation would be what?

RK Agarwal

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The total Bihar circulation would be... I mean, we have already crossed 5.5 lakh copies and we will increase it further.

Girish Raj 

Thank you very much, sir. That is all from my side. Thank you.

Moderator 

Thank you. Ladies and gentlemen, that was the last question. I would like to hand the conference over to Mr. R K Agarwal for any closing comments.

RK Agarwal 

Thank you very much friends for sparing your valuable time once again. Thanks a lot.

Sanjay Gupta 

Thank you, everybody.

Moderator 

Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes the conference. You may now disconnect your lines.

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